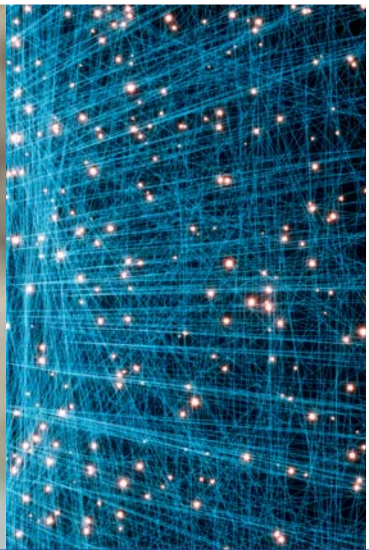
#ENSEMBLE NOUVEAUMONDE



2018 REGISTRATION DOCUMENT CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

Crédit Mutuel Alliance Fédérale

BANQUE FÉDÉRATIVE Crédit Mutuel

CONTENTS

2018 REGISTRATION DOCUMENT

including the annual financial report

This Registration Document was filed with the Autorité des marchés financiers (AMF - French Financial Markets Authority) on April 18, 2019, pursuant to Article 212-13 of the AMF's General Regulations. It may be used in support of a financial transaction if it is accompanied by a memorandum approved by the AMF. This document was prepared by the issuer and is binding on its signatories.

CHAIRMAN'S STATEMENT

Nicolas Théry

> **The 2018 results highlight the success of an organization based on responsibility and mutual commitment**

Performance at the service of its customers, members and regional development

In an ever-changing economic and technological environment, Crédit Mutuel Alliance Fédérale posted historic performance at the end of 2018. These results highlight the success of the "Priorité Client Sociétaire 2018" transformation plan, and the diversification strategy rolled out across the Group's networks and subsidiaries.

With net banking income of €14.1 billion (+0.4%), a net profit of €2,993 million (+23.3%) and a CET1 solvency ratio of 16.6% (+10 basis points), Crédit Mutuel Alliance Fédérale strengthened its financial position and confirmed its dynamic nature, as well as the relevance of its model.

Since both quality of service and quality of relationships are core concerns for the company, every customer benefits from the expertise of a dedicated advisor as part of a personalized, secure relationship.

"Crédit Mutuel Alliance Fédérale strengthens its solid position and the relevance of its relational banking strategy at the service of its customer members"

In terms of business, this was reflected by an increase in outstanding loans (+7.5% to €370.9 billion) and in customer deposits (+5.5% at €304.3 billion). The commercial momentum achieved by its 4,455 points of sale made Crédit Mutuel Alliance Fédérale the reference relationship bank serving 24.9 million customers and members.

These results were based on an effective innovation strategy as defined by "Priorité Client Sociétaire 2018". The success of this transformation plan showcased the Group's ability to industrialize and internalize new technological solutions. As part of this three-year plan, 200 simultaneously-led projects have significantly improved the customer and advisor experience by:

- setting up a global service on mobile applications and remote banking;
- deploying cognitive solutions (email analyzers, search assistants, etc.) that let our account managers create an enhanced relationship with their customers.

This fast-paced transformation was possible thanks to the commitment of all employees and elected members. It reflects an organization based on responsibility and high-quality social dialog. To help support change, the 70,000 employees and 15,000 elected members benefited from major investment in training (6% of payroll expense).

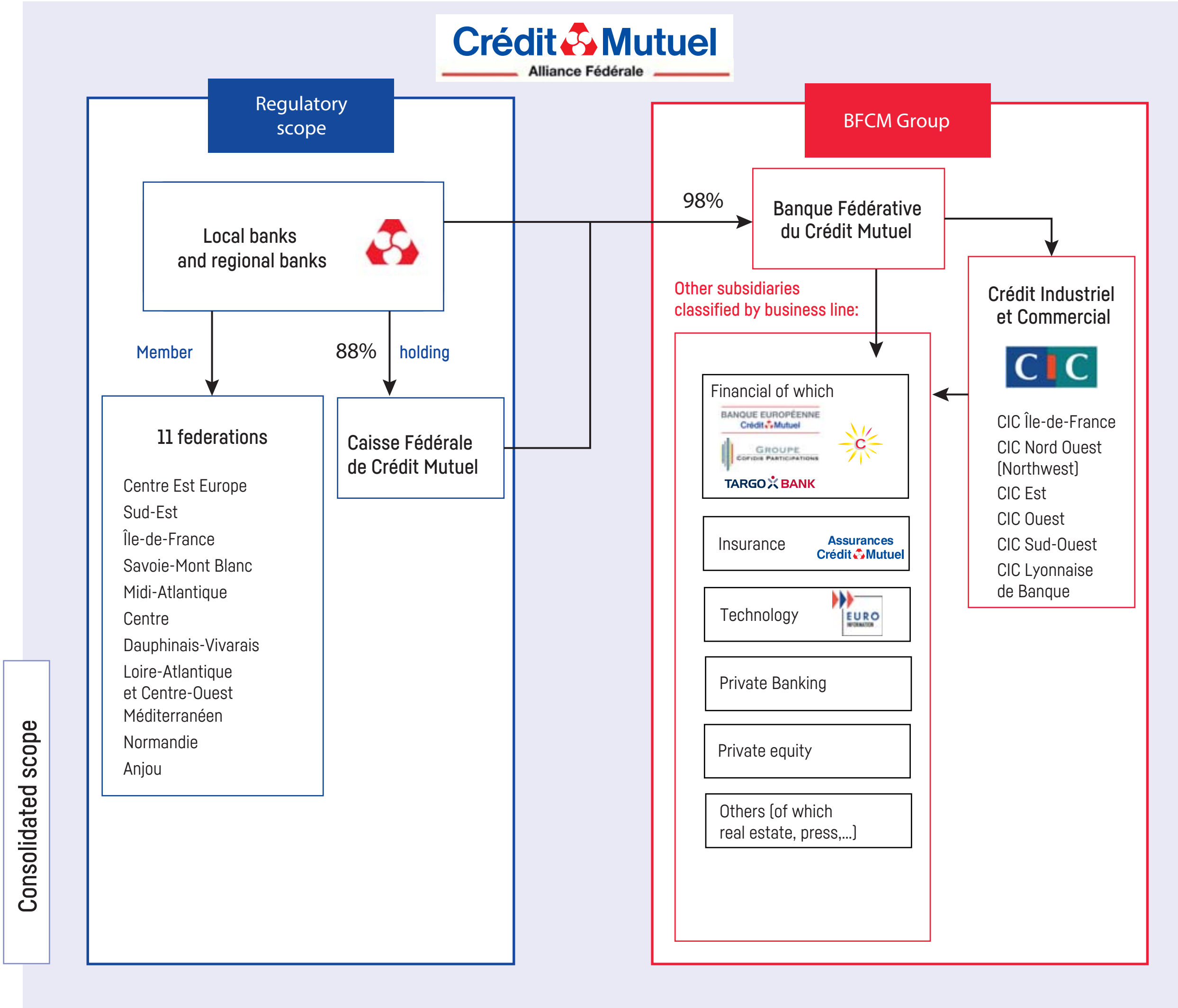
Social and mutual responsibility is also a key factor in sustainable growth. This is shown in particular by the significant and genuine environmental commitments outlined in the statement on non-financial performance of this report.

The strength of Crédit Mutuel Alliance Fédérale lies in its regional reach and its consistent ability to innovate. The 2018 results confirm the course set by the new strategic plan *ensemble#nouveaumonde* 2019-2023. By putting its members and customers at the heart of its strategy, and by making technology a core priority, it sets ambitious targets in terms of finance, technology, as well as human and mutual development that Crédit Mutuel Alliance Fédérale will strive to meet.

Nicolas Théry

Nicolas Théry

SIMPLIFIED ORGANIZATION CHART



PREAMBLE

This overall presentation document was prepared by the Banque Fédérative du Crédit Mutuel (BFCM) in connection with widening its investor base, in order to respond to the specific features of some of the markets in which it operates.

Since our aim is to provide the same level of information to all investors located on the European continent, in North America and in the Asia-Pacific region, BFCM decided to draft a single registration document containing the financial information of Crédit Mutuel Alliance Fédérale and the BFCM Group, to enhance clarity and readability. This document is intended for use in all BFCM refinancing programs (Euro Medium Term Notes Program; US Medium Term Notes Program; Euro Commercial Paper; Negotiable debt securities).

This registration document acts as the annual financial report of BFCM.

Presentation of the Crédit Mutuel Alliance Fédérale organization

Grouped under the banner Crédit Mutuel Alliance Fédérale[1], the mutual banking division (also known as the regulatory perimeter) and the capital division (also known as the BFCM group) are complementary and are linked. In fact, in addition to capital control of the BFCM group by the mutual banking division, the Crédit Mutuel banks of eleven federations within the mutual banking perimeter specifically provide a significant marketing network for the products and services offered by specialized subsidiaries held by BFCM, which reward any business brought in via the payment of fees to the banks.

The consolidated financial information of Crédit Mutuel Alliance Fédérale provides a complete economic overview of the group's activities, including those entities not included in the scope of consolidation of BFCM alone: mutual banking network, ACM Vie SAM (mutual insurance company), IT subsidiaries and the EIG Centre de conseil et de services (CCS) in particular.

The mutual banking division or regulatory perimeter

The mutual banking division consists of the Crédit Mutuel banks, the Crédit Mutuel federations and the Caisse Fédérale de Crédit Mutuel (CF de CM).

Credit Mutuel banks or local banks

The banks of Crédit Mutuel, which are either cooperative associations depending on their geographical location (departments 57 – Moselle, 67 – Bas Rhin, 68 – Haut-Rhin) or cooperative credit companies with variable capital (all other departments), form the basis of the Crédit Mutuel Alliance Fédérale. They are credit institutions according to the French Monetary and Financial Code, whose capital is held by members, who are both partners and customers. These local banks are legally autonomous and they collect savings, grant loans and offer all financial services.

The federations and the Caisse Fédérale de Crédit Mutuel

Local banks are members of a federation. Depending on the geographical location of the local bank, the federation is either an association governed by the French law of July 1, 1901 or else an association governed by the French Local Civil Code in force in the departments of Haut-Rhin, Bas-Rhin and Moselle for local banks in these three departments. The federation, a strategy and control body, thus represents Crédit Mutuel in its region.

On a regulatory, technical and financial level, the Caisse Fédérale de Crédit Mutuel is collectively accredited as a credit institution, used by all the local banks affiliated to it in line with the French Monetary and Financial Code.

The Caisse Fédérale de Crédit Mutuel is responsible for the solvency and liquidity of the regulatory perimeter and Group-wide compliance with banking and financial regulations, pursuant to Article R.511-3 of the French Monetary and Financial Code.

In this way, the Caisse Fédérale de Crédit Mutuel provides local banks with financial functions such as liquidity management as well as technical, legal and IT services, either directly or through BFCM subsidiaries (insurance, leasing, etc.).

Since January 1, 2012, the scope of the mutual banking division includes the Crédit Mutuel federations that established partnerships approved by the supervisory authorities, resulting in the creation of the Caisse Fédérale du Crédit Mutuel Centre Est Europe, which went on to become the Caisse Fédérale de Crédit Mutuel, a mutual banking fund with 11 Crédit Mutuel groups formed by Crédit Mutuel Centre Est Europe (Strasbourg), Crédit Mutuel Île-de-France (Paris), Crédit Mutuel Midi-Atlantique (Toulouse), Crédit Mutuel Savoie-Mont Blanc (Annecy), Crédit Mutuel Sud-Est (Lyon), Crédit Mutuel Loire-Atlantique et Centre-Ouest (Nantes), Crédit Mutuel du Centre (Orléans), Crédit Mutuel Normandie (Caen), Crédit Mutuel Méditerranéen (Marseille), Crédit Mutuel Dauphiné-Vivarais (Valence) and Crédit Mutuel Anjou (Angers). The federation of Crédit Mutuel Massif Central expressed the wish to join this division on January 1, 2020.

The capital division or BFCM Group

This group consists of:

- Banque Fédérative du Crédit Mutuel, which performs the holding, corporate and market banking activities of Crédit Mutuel Alliance Fédérale;
- Crédit Industriel et Commercial, the holding company of the CIC group and network head, which is also a regional bank in Île-de-France and which performs investment, corporate and market activities;
- specialized institutions by business line in France and abroad.

BFCM also serves as the refinancing facility for Crédit Mutuel Alliance Fédérale and thus acts on the financial markets as an issuer of financial instruments.

(1) In the rest of the document, the word "group" may be used on its own, but should be taken to mean the group formed by Crédit Mutuel Alliance Fédérale.

Corporate governance within Crédit Mutuel Alliance Fédérale

Crédit Mutuel Alliance Fédérale does not have one single deliberative body. Each Crédit Mutuel bank appoints a board of directors composed of voluntary members elected by the members at a shareholders' meeting. From these members, the banks appoint their representative to the district, a body common to a group of Crédit Mutuel banks; the district Chairman automatically becomes a member of the board of directors of the federation. This means they are then able to become a member of the board of directors of Caisse Fédérale de Crédit Mutuel and its subsidiary, BFCM.

Bearing these factors in mind, the "Corporate Governance of Crédit Mutuel Alliance Fédérale and BFCM" chapter will present two reports on corporate governance: one for the Caisse Fédérale de Crédit Mutuel as a representative of the consolidating parent company and one for BFCM.

Furthermore, the internal control procedures and those to combat money laundering and the financing of terrorism are homogeneous within Crédit Mutuel Alliance Fédérale.

Solidarity links within the Crédit Mutuel group[1] and the mutual banking division of Crédit Mutuel Alliance Fédérale

The Crédit Mutuel solidarity scheme aims to ensure the continuous liquidity and solvency of all establishments affiliated to the Confédération Nationale du Crédit Mutuel (CNCM), in order to prevent defaults (Article L.511-31 of the French Monetary and Financial Code). It is based on a set of rules and mechanisms set up at regional group level and at confederal level.

Provisions applicable at regional group level

The solidarity mechanism scheduled in the mutual banking division of Crédit Mutuel Alliance Fédérale is a federal solidarity mechanism based on Article R.515-1 of the French Monetary and Financial Code, independently of the statutory provisions relating to the joint and several liability of members up to the nominal value of the members' shares subscribed by the member.

This text schedules that for mutual and cooperative groups, the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) may issue a collective accreditation to a bank for itself and for all the banks affiliated to it "when the liquidity and solvency of local banks are guaranteed by the said affiliation". The Caisse Fédérale de Crédit Mutuel benefits from a collective accreditation for itself and all the affiliated local banks. The ACPR deemed that the liquidity and solvency of the local banks were guaranteed by way of this affiliation.

All local banks and the Caisse Fédérale de Crédit Mutuel contribute to the solidarity fund. The contribution is calculated based on the balance sheet total and the net banking income. The annual contribution is determined such that its amount, plus the repayment of subsidies, allows it to cover the subsidy requirements of loss-making local banks. Thus in principle, the result of the solidarity fund is balanced. Loss-making local banks, and those whose result is not sufficient to remunerate members' shares, receive an annual subsidy which allows them to pay said remuneration.

These subsidies are repayable once they return to "better fortunes". The local banks reimburse all or part of the subsidy previously received, up to an amount allowing them to remunerate the B members' shares.

Provisions adopted at national level

The *Confédération Nationale du Crédit Mutuel* is responsible for ensuring the coherence of its network, and the proper functioning of the institutions affiliated to it. To this end, it must take all necessary measures, specifically to ensure the liquidity and solvency of each of said institutions, as well as the entire network (Article L.511-31 of the French Monetary and Financial Code).

All interventions required can be decided by the Confederal board of directors if ultimately the mechanisms at regional group level are insufficient to deal with the potential difficulties that a group may face.

(1) See presentation on the Crédit Mutuel group in the following paragraph.

The Crédit Mutuel group

The Crédit Mutuel group is made up of the Crédit Mutuel network and all its subsidiaries grouped under the aegis of the Confédération Nationale du Crédit Mutuel, its common organization.

Regional groups

The Crédit Mutuel group is made up of 6 regional groups:

- Crédit Mutuel Alliance Fédérale covers eleven regional federations grouped around the Caisse Fédérale de Crédit Mutuel: Centre Est Europe (Strasbourg), Île-de-France (Paris), Sud-Est (Lyon), Savoie-Mont Blanc (Annecy), Midi-Atlantique (Toulouse), Loire-Atlantique and Centre-Ouest (Nantes), Normandie (Caen), Centre (Orléans), Dauphine-Vivarais (Valence), Méditerranéen (Marseille) and Anjou (Angers);
- the Crédit Mutuel Arkéa group and its three regional federations, together forming the Caisse interfédérale Crédit Mutuel Arkéa: Bretagne (Brest), Massif Central (Clermont-Ferrand) and Sud-Ouest (Bordeaux);
- the Antilles-Guyane regional group (Fort de France);
- the Maine-Anjou, Basse-Normandie regional group (Laval);
- the Nord Europe regional group (Lille);
- the Océan regional group (La Roche-sur-Yon).

A regional group comprises a regional federation and a federal bank. This federal bank may be interfederal, as is the case for the Caisse Fédérale de Crédit Mutuel and the Caisse interfédérale Crédit Mutuel Arkéa.

The local banks and the federal bank, in which they are shareholders, are members of the federation.

The regional federation, a strategy and control body, represents Crédit Mutuel in its region. The federal bank provides financial functions such as liquidity management as well as technical and IT services.

The federation and the federal bank are managed by boards elected by the local banks.

The Confédération Nationale du Crédit Mutuel and the Caisse Centrale du Crédit Mutuel

The Confédération Nationale du Crédit Mutuel (CNCM) is the network's central body in respect of the French Monetary and Financial Code. The 18 regional federations, the Crédit Mutuel Agricole et Rural (CMAR) federation, and the Caisse Centrale du Crédit Mutuel (CCCM) are affiliated to it.

The CNCM has continued to modernize its operations and governance in accordance with the request of the European Central Bank (ECB), its supervisor. After the changes made to the Articles of Association and the clarification of the national solidarity mechanism in 2016, the adoption of new texts on organizing internal audits and compliance in 2017, along with the approval of a director's charter and the board's internal rules, 2018 saw the CNCM adopt an ethics charter for internal audits and a framework procedure covering the Crédit Mutuel brand. In addition, it continued to strengthen its teams dedicated to control (periodic, permanent and compliance).

The CNCM represents Crédit Mutuel in its relations with the public authorities. It defends and promotes Crédit Mutuel's interests. In charge of the proper functioning of the institutions affiliated to it, it is in charge of the coherence of the prudential control of regional groups. It guarantees the cohesion of the network, as well as defending and promoting the Crédit Mutuel brand.

The CCCM, a national financial body taking the form of a credit institution, manages the financial solidarity of Crédit Mutuel. Its capital is held by all the federal banks.


CRÉDIT MUTUEL
ALLIANCE FÉDÉRALE
the local
relational
bank
#ENSEMBLE
NOUVEAUMONDE

1

PROFILES OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE AND THE BFCM GROUP

1.1 PRESENTATION OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE AND THE BFCM GROUP[1]

Together, the mutual banking division (regulatory perimeter) and the capital division (BFCM group) together comprise the Crédit Mutuel Alliance Fédérale.

- The mutual banking division or the regulatory perimeter is made up of the following federations: Crédit Mutuel Centre Est Europe, Sud-Est, Île-de-France, Savoie-Mont Blanc, Midi-Atlantique, Centre, Dauphiné-Vivarais, Loire-Atlantique et Centre-Ouest, Méditerranéen, Normandie, Anjou, as well as the Crédit Mutuel banks that are members of their respective federations and the Caisse Fédérale de Crédit Mutuel (CF de CM). This group holds more than 98% of the Banque Fédérative du Crédit Mutuel.
- The capital division or BFCM group includes:
  - Bank Fédérative du Crédit Mutuel (BFCM), which owns 100% of CIC (direct and indirect) and also performs financing and capital markets activities;
  - Crédit Industriel et Commercial (CIC), parent company of and network bank for the CIC Group, and also a regional bank in Île-de-France and carries out investment, financing and capital markets activities; and
  - specialized institutions by business line in France and abroad.

As of December 31, 2018, Crédit Mutuel Alliance Fédérale had 24.9 million customers, 4,455 points of sale and 70,499 staff.

1.1.1 The mutual banking division

Crédit Mutuel's banks (Caisses de Crédit Mutuel, CCM) form the basis of the mutual banking division's banking network, also known as "the banking and insurance network of the CCM". The local cooperative banks, under the control of their respective shareholding members, are registered as either variable capital credit cooperative companies with limited liability or as cooperative associations with limited liability. Each local bank operates autonomously, performing local banking functions.

The federations, which are entities with the status of associations to which the local banks must belong, are the policy bodies that set the group's strategic course and organize solidarity between banks.

The Crédit Mutuel banks, Crédit Mutuel life insurance bodies in mutual form (ACM *Vie à forme mutuelle*) and the federations jointly hold the Caisse Fédérale de Crédit Mutuel (CF de CM). As a corporation with the status of a cooperative banking company *(société anonyme à statut de société coopérative de banque)*, it is responsible for all services common to the network, and ensures its operation. The Caisse Fédérale de Crédit Mutuel centralizes all the banks' deposits and in parallel ensures their refinancing, while fulfilling regulatory requirements on their behalf (compulsory reserves, allocated deposits, etc.).

The local cooperative banks, under the control of their respective shareholding members, are registered as either variable capital credit cooperative companies with limited liability or as cooperative associations with limited liability.

The banking and insurance network of Crédit Mutuel's banks now has 1,357 local banks and 1,953 points of sale, as well as 7 million customers, of which 4.7 million members.

The 11 federations, the Crédit Mutuel local banks belonging to their respective federations and the Caisse Fédérale de Crédit Mutuel together comprise the regulatory perimeter also known as the mutual banking division. The Crédit Mutuel regional and local banks of the 11 federations (5.1%) along with the Caisse Fédérale de Crédit Mutuel (93%) control BFCM.

1.1.2 The BFCM Group

The current configuration of the Banque Fédérative du Crédit Mutuel is the result of restructuring operations undertaken in 1992. This restructuring was intended to clarify the functions performed by the group's various structures, by separating the mutual banking activity of the parent company (local banks, Caisse Fédérale de Crédit Mutuel and federations) and the diversification operations controlled by BFCM, a holding company.

As such, BFCM carries the group's subsidiaries and coordinates their activities. These subsidiaries cover areas relating to finance, insurance, electronic banking, telephony, real estate and IT. It serves as the refinancing facility for Crédit Mutuel Alliance Fédérale. It ensures financial relations with large companies and local authorities by working on flow processing, loan business and financial engineering transactions. BFCM also serves as the depository for undertakings for collective investments (UCIs).

Regarding its holding role, BFCM holds:

- a 100% stake in Crédit Industriel et Commercial (direct and indirect holding), the holding company of the CIC group and head network bank, which also performs investment, corporate and market activities;
- a 47.6% stake in the Assurances du Crédit Mutuel SA (GACM SA), which specifically controls the ACM IARD SA, and ACM Vie SA companies,

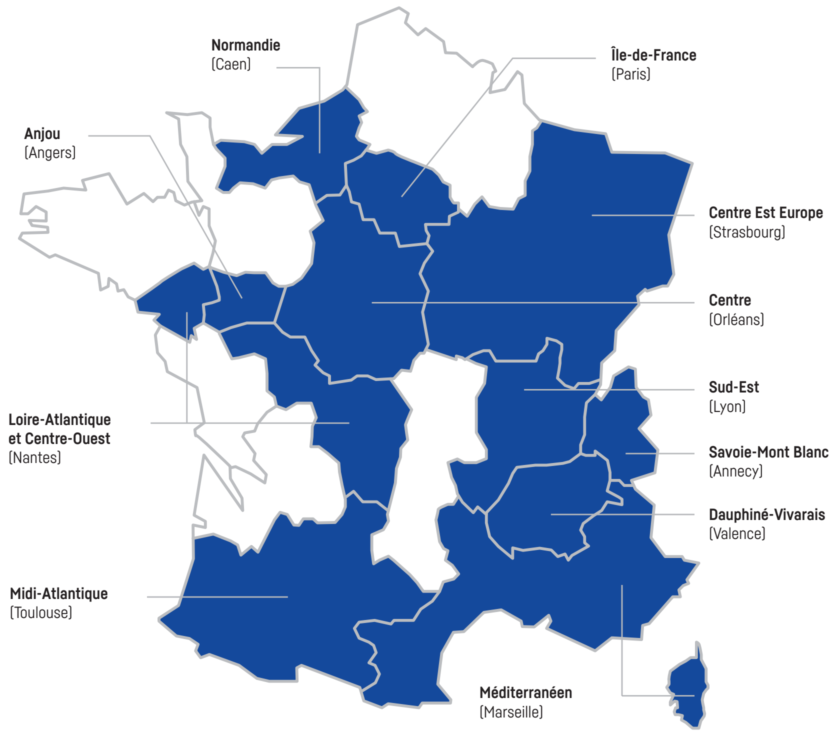
(1) *For a definition of the alternative performance indicators given in this section, see chapter 3 of this registration document.*

and designs and manages the product lines for property and liability insurance, life and health insurance;

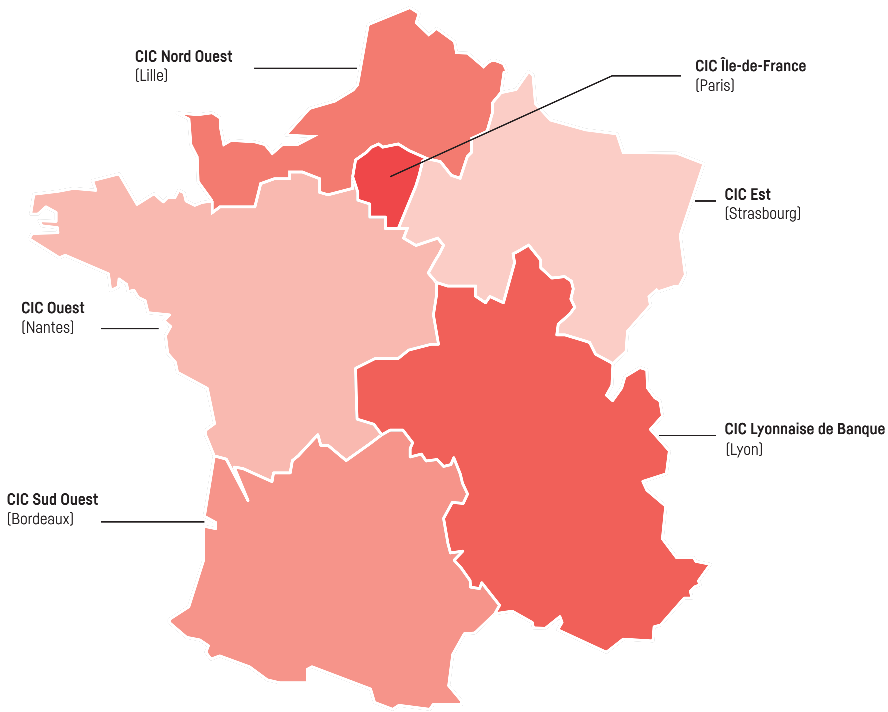
- various specialist institutions by business line, both in France and abroad (specifically Banque Européenne du Crédit Mutuel (BECM), Groupe COFIDIS Participations, TARGOBANK in Germany and Spain, CM-CIC Asset Management, CM-CIC Factor, etc.).

Together, BFCM, CIC, GACM and the various specialist establishments by business line make up the BFCM group.

THE 11 CRÉDIT MUTUEL FEDERATIONS OF THE MUTUAL BANKING DIVISION



CIC REGIONAL BANKS



CRÉDIT MUTUEL ALLIANCE FÉDÉRALE: INTERNATIONAL PRESENCE AND PARTNERSHIPS IN 2018

GERMANY
- BECM Frankfurt, Düsseldorf, Stuttgart, Munich and Hamburg
- CM-CIC Leasing GMBH
- TARGOBANK
- Targo Factoring, Targo Leasing
- Targo Technology

ANTILLES-FRENCH GUIANA
- Specific cooperation

BELGIUM
- CM-CIC Leasing Benelux
- Banque Transatlantique Belgium
- Partners Assurances
- North Europe Life Belgium (NELB) (insurance)
- COFIDIS Belgium

CANADA
- Desjardins Assurances
- Monetico
- Banque Transatlantique*

SPAIN
- TARGOBANK in Spain
- Banque Transatlantique*
- CM-CIC Bail Spain
- GACM España (insurance): AMGEN, Agrupacio AMCI, Atlantis Vida
- TAIT España
- COFIDIS Spain

HUNGARY
- COFIDIS Hungary

ITALY
- COFIDIS Italy

POLAND
- COFIDIS Poland

LUXEMBOURG
- Banque de Luxembourg
- Banque Transatlantique Luxembourg
- ICM Life (insurance)
- Nord Europe Life Luxembourg (NELL)(insurance)

MOROCCO
- Banque Marocaine du Commerce Extérieur (BMCE)
- Royale Marocaine d'Assurance
- EurAfric Information

NEW YORK, SINGAPORE and HONG-KONG
- CIC branches
- Banque Transatlantique*

PORTUGAL
- COFIDIS Portugal
- Margem

CZECH REPUBLIC
- COFIDIS Czech Republic

UK
- Banque Transatlantique London Branch
- CIC branch

SLOVAKIA
- COFIDIS Slovakia

SWITZERLAND
- CIC Suisse

TUNISIA
- Banque de Tunisie
- ASTREE (insurance)
- Information International Developments (IID)
- Direct Phone Services

** Representative office*

1.2 KEY FIGURES – SOLVENCY AND RATINGS

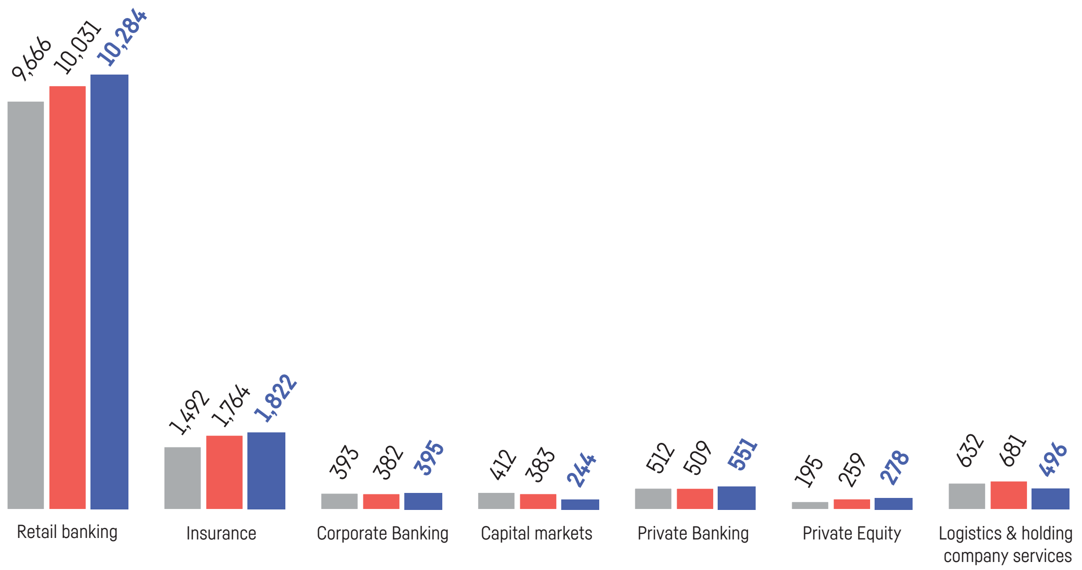
1.2.1 Crédit Mutuel Alliance Fédérale – Key figures

INCOME STATEMENT

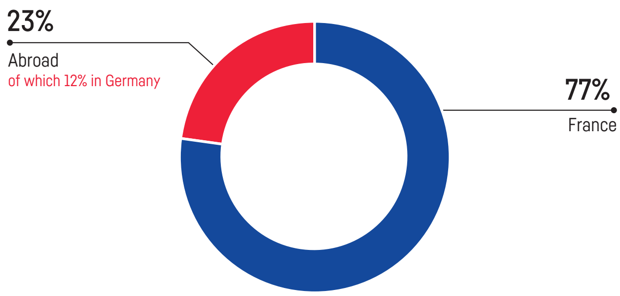
In € millions	**2018**	**2017**	**2016**
Net banking income	14,070	14,009	13,302
Operating income	4,452	4,680	4,273
Net profit/(loss)	2,993	2,427	2,624
Net profit/(loss) attributable to the group	2,695	2,208	2,410
Cost/income ratio[1]	61.9%	60.4%	61.7%

(1) General operating expenses to net banking income.

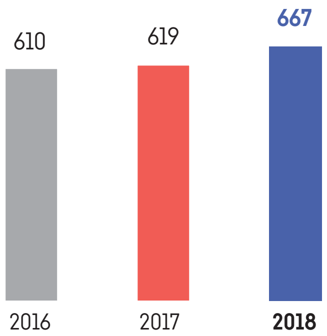
CHANGE IN NBI BY BUSINESS LINE
(in € millions)



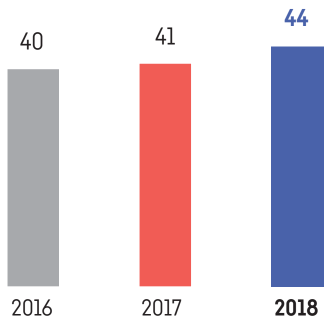
CRÉDIT MUTUEL ALLIANCE FÉDÉRALE GEOGRAPHICAL BREAKDOWN OF NBI AS OF DECEMBER 31, 2018



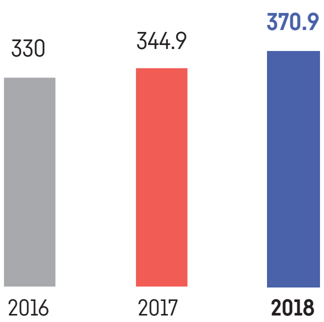
BALANCE SHEET TOTAL
(in € billions)



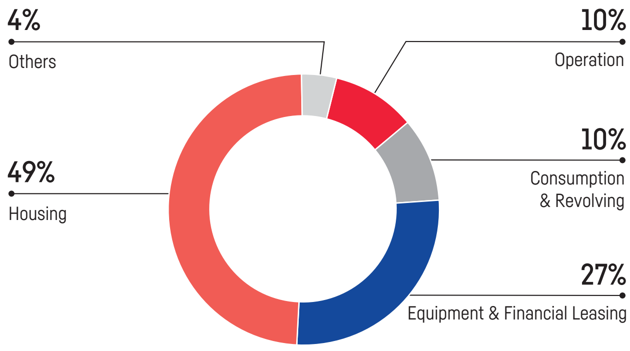
EQUITY
(in € billions)



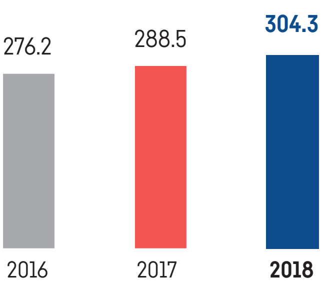
NET LOANS TO CUSTOMERS
(in € billions)



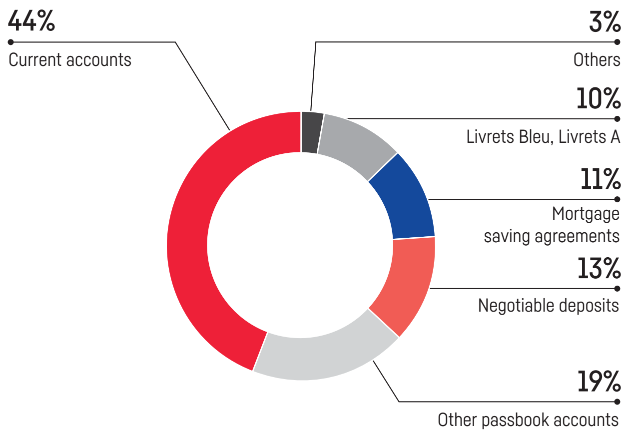
2018 STRUCTURE OF NET LOANS



CUSTOMER DEPOSITS
(in € billions)



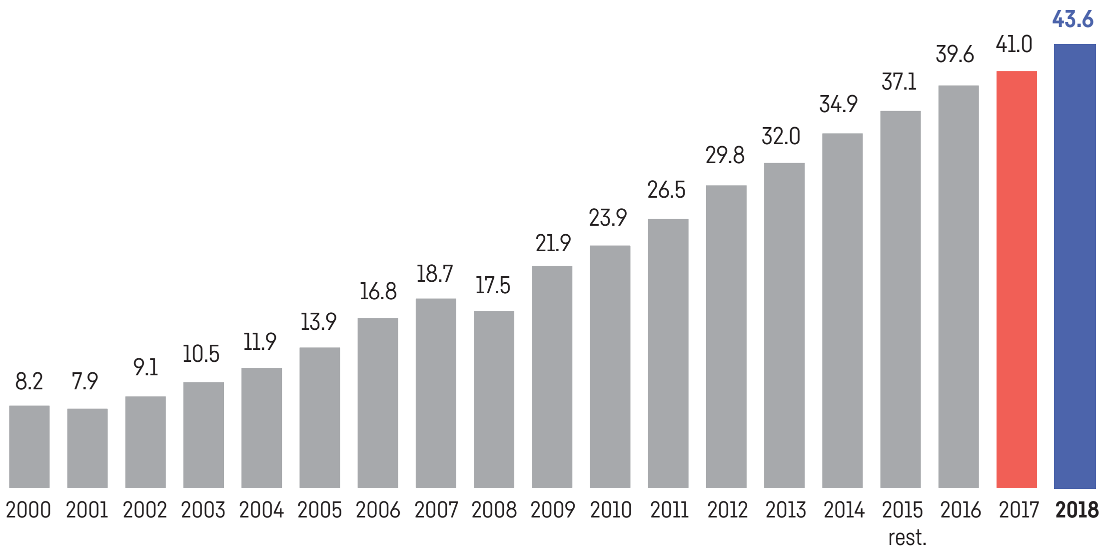
2018 DEPOSIT STRUCTURE



1.2.2 Solvency

As of December 31, 2018, Crédit Mutuel Alliance Fédérale had reported shareholders' equity of €43.6 billion. As of December 31, 2017, it stood at €41 billion and as of January 1, 2018, after the effects of first time application of IFRS 9 exception for insurance subsidiaries, it stood at €40 billion.

CHANGE IN EQUITY
(in € billions)



Crédit Mutuel Alliance Fédérale maintained a high level of financial solidity with a Common Equity Tier 1 (CET1) ratio of 16.6%[1] as of December 2018, up 10 basis points compared to December 31, 2017. The Tier 1 ratio also stands at 16.6%[1] as of December 2018, and the overall solvency ratio stood at 19.7%[1].

Risk-weighted assets amounted to €214 billion as of December 31, 2018, of which €190.6 billion (89% of the total) for credit risk. CET1[1] equity stood at €35.5 billion to end December 2018, up 8.7% (+2.8 billion).

The requirements set out by the European Central Bank under the Supervisory Review and Evaluation Process (SREP) for 2019 remained stable at 8.5% in CET1 and 12% in overall ratio. The requirements are broadly covered by the level of CET1 and the overall ratio achieved at end 2018.

The leverage ratio was 6.0%[2] at December 31, 2018, an increase of 10 basis points over one year due to substantial capital generation compared to a controlled increase on the balance sheet.

Crédit Mutuel Alliance Fédérale contributed to the sound results obtained by the Crédit Mutuel group in terms of stress tests used to judge a bank's ability to survive in very degraded economic conditions, and conducted according to the methodology defined by the European Banking Authority.

These results confirm the strength of its cooperative structure with 4.7 points of free equity and a strong Common Equity Tier One (CET1) ratio of 13.2% by 2020 for a prudential requirement of 8.5% in respect of 2018 (P2R).

(1) Without transitional measures.
(2) Target calculation. It would stand at 6.2% with the exemption of centralized regulated savings assets in line with the ruling of the EU Court of July 13, 2018.

1.2.3 External ratings

The Crédit Mutuel Alliance Fédérale's ratings at the end of 2018 are shown in the following table. They compare favorably with those of other French and European companies.

	LT/ST counterparty*	Issuer/LT Preferred senior debt	Outlook	ST Preferred senior debt	Date of most recent publication
Standard & Poor's	A+/A-1	A	Stable	A-1	10/24/2018
Moody's	Aa2/P-1	Aa3	Stable	P-1	10/29/2018
Fitch Ratings	A+	A+	Stable	F1	12/03/2018

* *The counterparty ratings represent ratings from the following agencies:* Resolution Counterparty *at Standard & Poor's,* Counterparty Risk Rating *at Moody's and* Derivative Counterparty Rating *at Fitch Ratings.*

During the fiscal year, the three agencies Standard & Poor's, Moody's and Fitch Ratings confirmed their short-term and long-term ratings for Crédit Mutuel Alliance Fédérale[1].

The main factors cited by the agencies to justify the Group's stability and ratings are as follows:

- a solid franchise in retail banking and insurance in France;
- a rlow risk appetite;
- strong capitalization and liquidity;
- a strong ability to generate capital internally.

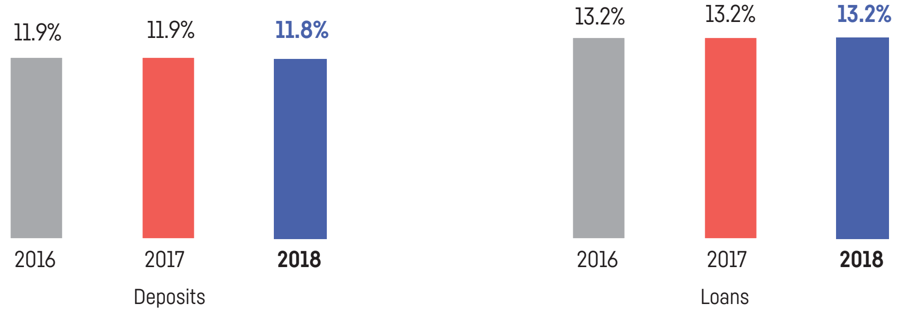
1.3 ORGANIZATION AND BUSINESS LINES

Through the 11 Crédit Mutuel federations that control it, Crédit Mutuel Alliance Fédérale is a member of the Confédération Nationale de Crédit Mutuel, the central body whose mission is to represent the group before public authorities, to promote and defend its interests and to exercise control over the federations.

Competitive positioning[2] is analyzed in terms of Crédit Mutuel Alliance Fédérale, whose retail banking and insurance business lines make it a major player in retail banking and insurance in France. As such, the Crédit Mutuel group has 17.1% market share in bank loans and 15.5% market share in deposits.

Crédit Mutuel Alliance Fédérale's market shares in deposits and bank loans stood at 11.8% (-0.1 points) and 13.2% (stable), respectively.

MARKET SHARES*

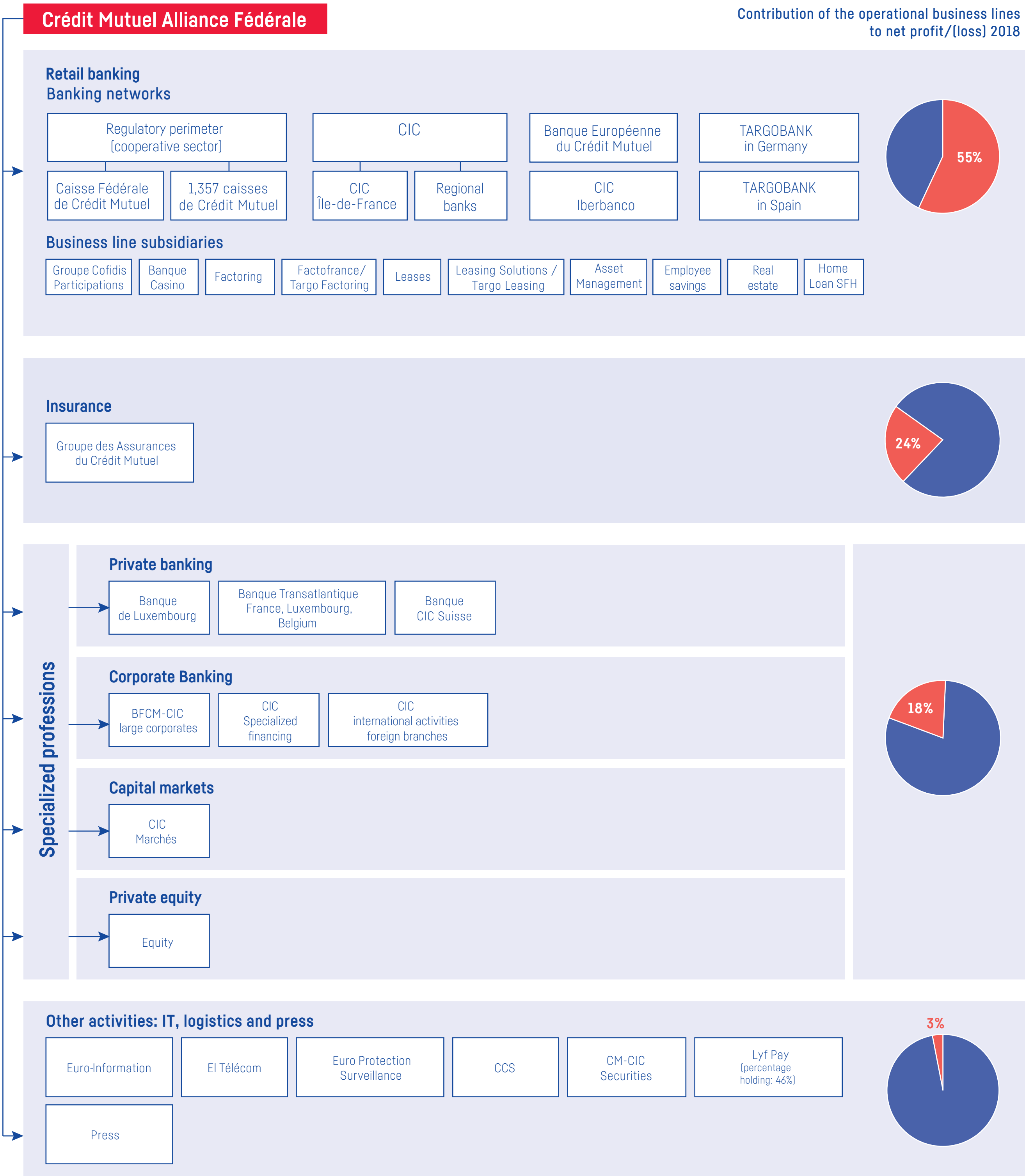


** Source: Regional financial centralization of the Banque de France.*

(1) *The Standard & Poor's LT Senior rating is a Crédit Mutuel group rating that applies to all Crédit Mutuel federal banking entities and the CIC; Moody's and Fitch Ratings rate BFCM and CIC taking into account the full scope of Crédit Mutuel Alliance Fédérale.*

(2) *The ranking sources are given explicitly, otherwise the information is from an internal source.*

1.3.1 Presentation of the business lines of Crédit Mutuel Alliance Fédérale



1.3.2 The group's business lines, main subsidiaries and activities

Retail banking, the group's core business

Retail banking is the core business of Crédit Mutuel Alliance Fédérale and accounts for 67% of its net banking income. It includes the local Crédit Mutuel banks, the CIC banking network, Banque Européenne du Crédit Mutuel, CIC Iberbanco, the TARGOBANK branches in Germany and Spain, the COFIDIS Participations Group, Banque Casino and all specialized activities, whose products are marketed by networks dedicated to insurance brokerage, equipment leasing, leasing with a purchase option, real estate leasing, factoring, asset management, employee savings, and real estate sales and management.

In terms of business activity, deposit-taking rose by 5.4%, with deposits totaling €267.5 billion at end-2018, while outstanding loans increased by 6.8% to €329.1 billion.

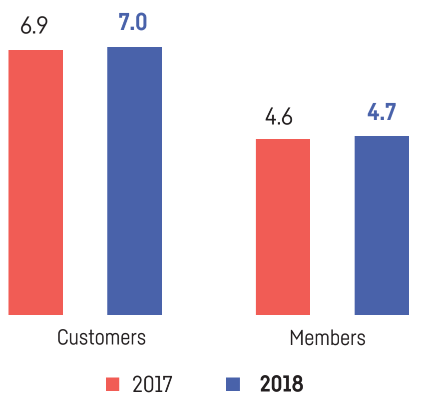
The retail banking and insurance networks of Crédit Mutuel Alliance Fédérale

The Crédit Mutuel banking and insurance network

The Crédit Mutuel Alliance Fédérale branch network, also called the regulatory scope, continued to expand its customer base, which now consists of 7 million customers, 87% of whom are private individuals.

The number of customers who are members of their local Crédit Mutuel bank now totals 4.7 million members. This means that over 80% of customers can actively participate in decisions affecting their local bank, particularly at shareholders' meetings.

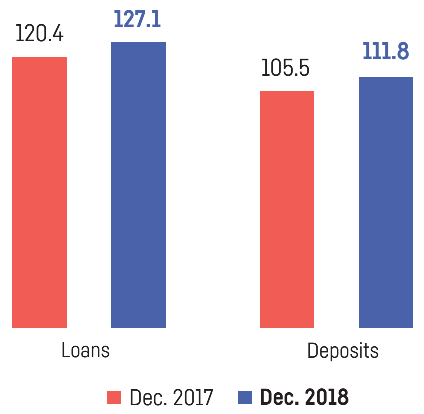
NUMBER OF CUSTOMERS AND MEMBERS
(in millions)



Outstanding loans rose by 5.6% year-on-year to €127.1 billion at end-2018. There was a slight drop in the number of new loans due to the fall in home loans (sharp reduction in loan renegotiations and repurchases), while consumer credit rose by 4.3%. The relative weight of outstanding home loans receded slightly (-1 point), to 76% of total loans. They amounted to €97.4 billion (+6.3%). Outstanding equipment loans to professionals and businesses rose by 4% to €20.5 billion while consumer credit rose by 3.1% to €6.6 billion.

Customer deposits (€111.8 billion) increased by 6%. This rise was driven by premium income from demand deposits and deposits on passbook accounts which increased by 11.6% and 8.2% respectively. Conversely, a drop was recorded in term deposits and certificates of deposit. Life insurance outstandings for customers of the Crédit Mutuel network totaled €38.2 billion, up 2.9% year-on-year.

OUTSTANDING CUSTOMER LOANS AND DEPOSITS
(in € billions)



The income diversification policy is taking shape, as shown by the dynamic sales of ancillary services: property and casualty insurance policies totaled €9.8 million at end-2018 (+3.7%), while telephone and remote surveillance subscriptions amounted to €775,200 (+7.3%) and €159,200 (+4.9%) respectively.

CIC banking and insurance network

CIC's banking and insurance network constitutes its core trade. At December 31, 2018, it consisted of 1,911 branches spread out between the CIC network in Île-de-France and the five regional banks (CIC Lyonnaise de Banque, CIC Est, CIC Nord Ouest, CIC Ouest and CIC Sud Ouest). At the end of December 2018, CIC regional bank branches served 5.1 million consisting mainly of individuals (81%), professionals and businesses (14%) and non-profit organizations (2%). The number of customers rose by 1.9% year-on-year (+96,000).

NUMBER OF CUSTOMERS
(in millions)

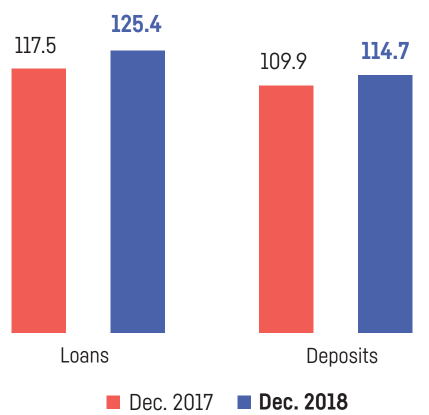
Outstanding loans increased by 6.8% year-on-year to €125.4 billion at end-2018. The most significant rise was in capital investment loans granted to businesses and professional customers (+10.5%). A slight rise was recorded in new loans, thanks to capital investment loans (+14.9%). The ratio of outstanding home loans remained stable at 59%. They amounted to €73.7 billion, up 6.6%. Outstanding consumer loans increased by 4.5% to €5.4 billion.

Customer deposits (€114.7 billion) rose by 4.4%. Takings were particularly high in demand deposits and passbook accounts, which rose by 10.4% and 7.9%, respectively, while market-rate deposits continued to drop. Life insurance contracts subscribed by CIC customers totaled €33.1 billion (+0.7%).

Sales of ancillary services rose significantly, with an increase of 6.1% in telephone services (498,700 subscribers), 5.5% in property and casualty insurance (5.4 million contracts) and 3.3% in theft protection (102,600 subscribers).

OUTSTANDING CUSTOMER LOANS AND DEPOSITS

(in € billions)



Banque Européenne du Crédit Mutuel (BECM)

Banque Européenne du Crédit Mutuel operates in the corporate and REIT markets in France and Germany, as well as the real estate development market in France. Serving over 21,400 customers, its sales network is composed of 51 branches (of which 42 are in France) and a subsidiary in Monaco.

Measured in monthly average capital at end-December 2018, customer loans rose 7.6% year-on-year to €15.2 billion. Accounting resources rose 3.4% on a rolling 12-month basis, to €13.1 billion. The commitment ratio stands at 115.8%.

At December 31, 2018, net banking income was up 2.3% to €300 million. The interest margin rose 3.7% due to the drop in the cost of customer deposits and the growth in outstanding loans.

General operating expenses amounted to €96.8 million, up 3.7%. The cost/income ratio came to 32.2%, posting a slight 0.4 point rise.

Net additions to/reversals from provisions for loan losses came to €31.3 million, *i.e.* 0.22% of average outstanding loans, reflecting the excellent quality of the assets.

At December 31, 2018, net profit amounted to €110.3 million, up 9.8%.

CIC Iberbanco

With 180 employees working at 40 branches in France, CIC Iberbanco gained more than 11,000 new customers in 2018, thus increasing its customer portfolio by 11% to 59,450.

Deposits rose by 14.6% to €783 million. Outstanding loans grew by 21.5% to 1,091 million.

Property and casualty insurance (19% increase in the total number of policies to 54,499 at end-2018) and mobile phone services (15% increase in the number of subscribers to 7,050 at end-2018) posted very significant growth.

This good commercial development confirms the appropriateness of the bank's target-specific affinity-based model. For 2018, net banking income amounted to €32.8 million and net profit came to €3.5 million.

CIC Iberbanco continued to implement its development plan with the opening of three new branches: Aix-en-Provence, Lyon and Sucy-en-Brie. For 2019, a new branch is already planned for Clamart (Hauts-de-Seine), and others are under study in Île-de-France, central France and southern France.

TARGOBANK in Germany

Retail banking remained very dynamic. Outstanding loans grew 10.4% to €14.8 billion. New direct personal loans totaled €4.2 billion, up €460 million (+12.3%) compared with the previous fiscal year. The market share for personal loans thus grew for the third consecutive year, reaching 9.0% in 2018 versus 8.5% in 2017.

Moreover, customer deposits totaled nearly €15.9 billion at end-2018, up 8.6% year-on-year.

In the corporate market, factoring and leasing activities also posted an increase compared with the previous year. The volume of invoices handled increased 3.9% to €49.3 billion and the leasing portfolio grew by an average of 11% year-on-year thanks to a 24% increase in production, to €563 million.

The operational and legal integration of the factoring entity (TARGO Factoring) and the leasing entity (TARGO Leasing) acquired from General Electric in 2016 was completed in 2018. These activities round off the diversification of TARGOBANK in Germany on the corporate market, making it a bank with a comprehensive offering for individual and corporate customers.

The net banking income of TARGOBANK in Germany amounted to €1,602 million, up 3.8%, while its net profit grew 4.15% to €343.7 million.

TARGOBANK in Spain

TARGOBANK Spain is an all purpose bank wholly oned by BFCM with 132 branches located in Spain's main centers of economic activity and has nearly 123,000 customers. At end-2018, gross customer loans leveled out at €2.2 billion, while customer deposits remained stable at nearly €2 billion.

In 2018, a significant change took place in the network of branches through their specialization by markets (Retail, Corporates, and Large Corporates).

With gross operating income near the break-even point, 2018 was a year of transition, with the roll-out of a stable organizational structure to manage the upcoming years' growth.

The income statement posts a loss of €19.7 million, representing an improvement of €48 million over 2017.

Ancillary businesses to retail banking

These comprise all of the specialized subsidiaries that market their products through their own channels and/or through the local banks or branches of Crédit Mutuel Alliance Fédérale: consumer credit, factoring and receivables management, leasing, fund management and employee savings.

Consumer credit – COFIDIS Participations Group

In 2018, commercial activity continued to be highly dynamic, both for directly marketed products and products marketed through partners. New loans increased by 14.4% compared with the previous year, to €6.8 billion.

Total outstanding loans increased significantly: +6.6% compared with 2017, to €11.6 billion.

Net banking income rose by €40.4 million, buoyed by the growth in commercial activity.

Expenses include IT investments, which remained significant in Portugal, Italy and Central European countries due to the integration of acquisitions in internal IT systems. Other operating costs increased in line with business growth.

Net additions to/reversals from provisions for loan losses increased by €14.7 million compared with 2017. This was particularly due to the implementation of IFRS 9, which requires the provisioning of performing loans, resulting in a rise in provisions, given the good commercial dynamics throughout 2018.

In light of these elements, net profit amounted to €202 million, down €8.8 million compared with 2017.

Factoring and receivables management

The factoring business in France is built around CM-CIC Factor, the Crédit Mutuel Alliance Fédérale's long-time customer receivables financing and management specialist, and Factofrance and Cofacrédit, two companies acquired from General Electric in July 2016.

At December 31, 2018, these entities together accounted for more than 20% of the French market, namely:

- €73.9 billion in receivables bought (vs. €68.0 billion in 2017; +8.6%);
- €16.4 billion in export revenue (vs. €14 billion in 2017; +17%);
- gross outstandings of €12.6 billion at end-December (+8% compared with end-December 2017).

After the commissions paid to the networks, the contribution of CM-CIC Factor, Factofrance and Cofacrédit to the group's consolidated net profit amounted to €42.9 million for the whole of 2018.

Leasing in France

CM-CIC Bail and CM-CIC Leasing Solutions

In an environment that is still very favorable to leasing and with an established trend to favor the use of an asset in one's possession CM-CIC Bail and CM-CIC Leasing Solutions continued their development at a very dynamic pace. Overall production was at €5.6 billion, increasing by 11.8% as compared to 2017.

The profitability level remained high thanks to the growth of outstandings, which reached €10.6 billion (+€1,037 million) and the diversification of offerings and services.

After the commissions paid to the networks, the net profit contributed by the two companies amounted to €50.8 million in 2018.

CM-CIC Lease

The adaptation by CM-CIC Lease of real estate leasing to all of the networks' customer segments made it possible to process over the course of the past year large volume increases in production, as much in amounts as in the number of transactions. Thus, new funding granted in order to meet the needs of businesses grew by 52% to €940 million. This was achieved through 342 new financing agreements, a 13% increase.

After the commissions paid to the networks involved, the contribution of CM-CIC Lease to consolidated net profit amounted to €7.4 million.

Fund management and employee savings

CM-CIC Asset Management

The subsidiary CM-CIC Asset Management is the asset management specialist of Crédit Mutuel Alliance Fédérale. At December 31, 2018, it was France's 4th largest asset management company (source: Six). The management company offers a large range of funds and asset management solutions on behalf of third parties, based primarily on a balance between the quest for performance and managing risk.

After a promising first semester, CM-CIC Asset Management maintained its position in an uncertain and volatile market in the last quarter and in a context of growth in the sector.

Commercial distribution indicators remained positive with a gross inflow of nearly €6 billion in 2018 and total outstandings of nearly €59 billion at December 31, 2018.

Revenue amounted to €247.4 million, a slight decrease (-1.9%) as compared to 2017 in the context of a bear market.

To reinforce its expertise, CM-CIC Asset Management announced at the end of December 2018 an external growth operation aimed at taking over part of the assets managed by Milleis Investments, a subsidiary of Milleis Banque. This operation, which should be finalized during the first half of 2019, will allow CM-CIC Asset Management to grow its managed assets on UCITS (equity, bond and diversified funds), and to also enrich its offer of higher-performing conviction-driven funds with all of the retail, wealth management and private banking markets.

CM-CIC Épargne Salariale

CM-CIC Épargne Salariale saw an excellent level of activity in 2018. New business, as well as inflows, grew sharply to a new record level. After an excellent year in 2017, the growth dynamics continued in 2018, with gross inflows up 9.7% compared with 2017, totaling €1,342.8 million – a record high. Sales of contracts grew by 1.0%, representing 12,883 new contracts, while remittances on new contracts totaled €265.8 million, up 56.9%.

The entity's contribution to consolidated net profit amounted to €1.8 million, after remuneration of the networks involved.

Other

Real Estate – CM-CIC Immobilier

The subsidiary CM-CIC Immobilier develops building plots and housing units through CM-CIC Aménagement Foncier, ATARAXIA Promotion and CM-CIC Réalisations Immobilières (SOFEDIM). It sells new housing units through CM-CIC Agence Immobilière (AFEDIM) and manages housing units on behalf of investors through CM-CIC Gestion Immobilière. It also participates in financing rounds related to real estate development transactions through CM-CIC Participations Immobilières.

In 2018, CM-CIC Agence Immobilière booked orders for 8,995 housing units.

CM-CIC Gestion Immobilière obtained over 4,000 ZENINVEST management mandates, and 53% of purchasers signed a management mandate with the group through CM-CIC Agence Immobilière.

To provide increasing support to its customers and to enable its network to expand its offering with innovative real estate services, CM-CIC Agence Immobilière will now sell pre-owned housing units. This new service was successfully tested in Q4 2018 by several local Crédit Mutuel banks.

The subsidiary's contribution to consolidated net profit amounted to €26.9 million, after retrocession of commissions to the network.

Crédit Mutuel-CIC Home Loan SFH

In 2018, the debt market had to cope with tense and fluctuating operating conditions due to a number of factors: the gradual return of inflation in the euro zone, preparation for the ending of the ECB's Quantitative Easing (QE) program, the continuing rise in US interest rates, the political risks in Europe, and international trade tensions – particularly between the United States and China.

Against that backdrop, Crédit Mutuel-CIC Home Loan SFH carried out 2 bond issues, representing 14.8% of the medium- and long-term refinancing needs of Crédit Mutuel Alliance Fédérale on the markets:

- €1 billion through an 8-year issue in February 2018;
- €1 billion through a 10-year issue in April 2018.

In a market environment set to be complex in 2019, Crédit Mutuel-CIC Home Loan SFH will be called upon to find an effective solution to round off the group's financing plan.

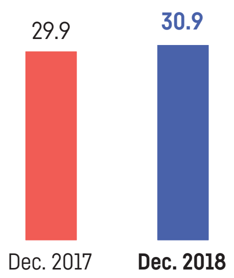
Insurance

Backed by more than 40 years of experience in banking and insurance, the business of Groupe des Assurances du Crédit Mutuel (GACM) is fully integrated in Crédit Mutuel Alliance Fédérale on commercial and technological levels.

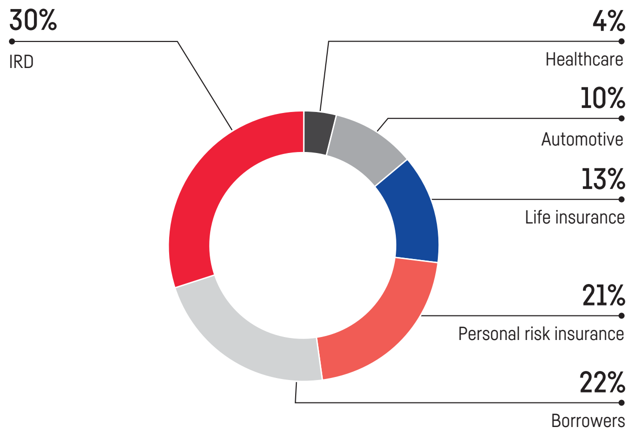
For GACM, 2018 was marked by the integration, on January 1, 2018, of the insurance holding company of Crédit Mutuel Nord Europe (CMNE), the absorption operation was approved by the competent supervisory authorities, particularly by the ACPR, in a decision published in the Journal Officiel of June 27, 2018.

The insurance business of Crédit Mutuel Alliance Fédérale currently serves 12.2 million policyholders (+4.1%) through nearly 31 million policies, and extends to the CMNE distribution networks.

NUMBER OF INSURANCE POLICIES
(in millions)



BREAKDOWN OF POLICIES BY SEGMENT



GACM's total revenue amounted to €12.1 billion, up 7.4%. This growth stemmed from all segments, with sustained growth in retirement life insurance (+8.6%) and property and casualty insurance (+6.0%).

REVENUE BREAKDOWN

(in € millions)	12/2018	12/2017	Variation *(%)*
Property insurance	**2,087**	**1,965**	**6.2%**
Of which auto	1,153	1,087	6.0%
Personal Insurance	**3,044**	**2,888**	**5.4%**
Of which borrowers	1,558	1,474	5.7%
Acceptance	**30**	**14**	**ns**
Sub-total, property & casualty insurance	**5,161**	**4,867**	**6.0%**
Life Insurance	**6,783**	**6,249**	**8.6%**
Other activities	**139**	**140**	**-1.0%**
TOTAL CONSOLIDATED REVENUE	**12,083**	**11,255**	**7.4%**

Gross premium income from life insurance amounted to €6.8 billion, showing a significant rise after a decline in 2017. The strategy of a shift toward more unit-linked policies was maintained in 2018, supported by guided management, which rounded out the range of financial offerings. The share of unit-linked policies in premium income stands at 28.4%, in line with the market (28.2%).

Under the combined effect of an increase in gross premium income and a slowdown in surrendered policies, net premium income amounted to €1 billion, a sharp increase compared to the end of December 2017 (€46 million).

For property insurance, revenue amounted to €2.1 billion. The home insurance division, whose offering was reviewed at the end of 2017 in the non-occupant homeowners segment, posted record performance. The auto insurance offering also continued to perform very well. The auto and homeowners portfolios thus recorded sustained growth of +4.7% and +4.1%, respectively.

The market for professionals continued to post strong growth, as much in property insurance as in group health. The multi-risk portfolio for professionals thus grew by nearly 25% in 2018, while group health insurance grew by more than 10%. In response to the network's strong demand, the insurance offerings for professionals will be strengthened in 2019 with decennial civil liability insurance, which will allow for growth in the Building and Public Works sector.

Personal protection insurance is a strong focus of GACM's strategy. The fiscal year ended with a 5.4% increase in revenue and a portfolio of nearly 14.6 million policies, up 3.2%. In April 2018, a new offer in individual health insurance was rolled out, consisting of a comprehensive range of supplemental insurance, hospitalization coverage and a product dedicated to prevention and well-being. Simultaneously, a new help tool for sales was made available to the network. This tool includes a reimbursement simulator that allows customers to understand with full transparency the levels of insurance coverage offered. These improvements boosted sales of individual health insurance, which posted growth of 5.3%, excluding hospitalization contracts.

In personal protection insurance, the Funeral insurance offering underwent an in-depth review. This completes the renewal of the range initiated in 2017.

Furthermore, in 2018, the GACM rolled out a new credit-protection insurance offer.

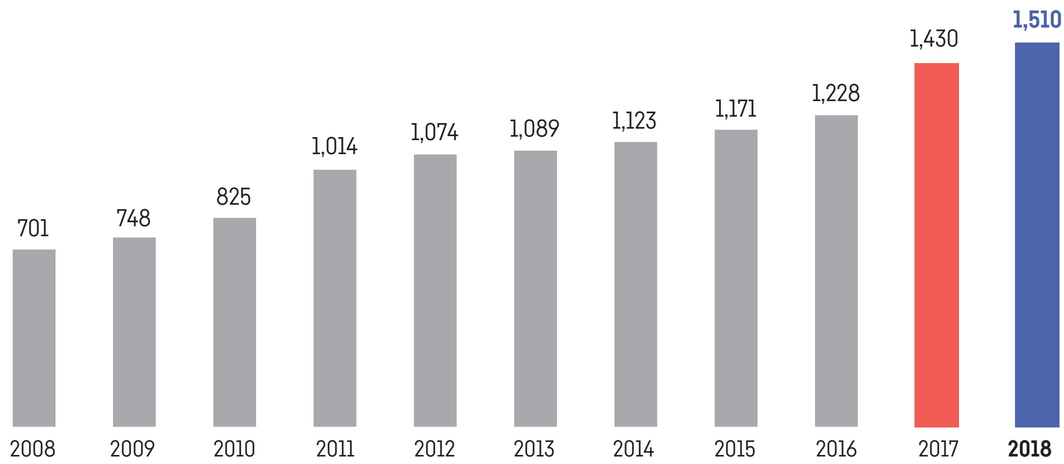
Concerning results, GACM's operating margin decreased, mainly due to the financial market downturn. In addition, its underwriting income was weighed down by additional provisions in respect of borrowers' insurance due to the rise in disability and invalidity claims resulting from a larger number of natural disasters in 2018. Indeed, natural disasters gave rise to more than 80,000 claims for indemnities exceeding €130 million, i.e. €50 million more than in the previous year, which had also been impacted by numerous events, including Hurricane Irma.

The contribution of insurance to the results of Crédit Mutuel Alliance Fédérale rose 4.4% to €844 million. GACM's net profit increased by 4.2% to €855 million, versus €821 million previously.

In line with the growth in revenue, the commissions paid to distributor networks rose 5.6%, exceeding €1.5 billion for the very first time.

CHANGE IN COMMISSIONS PAID

(in € millions)



Revenue earned outside France amounted to nearly €650 million, accounting for 5.4% of the total. Spain is the biggest market with €410 million, followed by Belgium (€155 million).

The Belgian market has been expanding, on the one hand with the consolidation of North Europe Life Belgium (NELB) following the merger with the insurance holding company CMNE, and on the other hand with the marketing of the auto and home insurance policies of Partners Assurances SA by the Beobank network, the Belgian subsidiary of Crédit Mutuel Nord Europe (CMNE). For this first full year of partnership, the sales performance achieved in this network of over 200 outlets is satisfactory.

At December 31, 2018, GACM's shareholders' equity amounted to €11.4 billion, up 1.5% compared to 2017. GACM's balance sheet remains sound, which enables it to confidently contend with the increasingly competitive environment and the low interest rates.

In all its business segments, GACM continued to implement its strategy to improve its products and services for policyholders. The websites and smartphone applications have been enhanced with numerous new functionalities.

In 2018, auto and home insurance benefited from the launch of new on-line services such as insurance claims, estimates (with the auto estimate based on only three photos) and, at the end of the year, the purchase of home insurance. Online insurance purchasing will be extended to auto insurance in the coming months. For life insurance, policyholders can make payments and manage their policies online. Finally, in credit-protection insurance, the e-signature feature allows policyholders to quickly and easily complete the formalities for approval. These policyholders also have the exclusive advantage of continued medical acceptance in the event of a new loan following a change of main residence.

Insurance sites are also open to employees of businesses that have taken out group health or retirement policies for them.

These developments are in line with GACM's strategy to simplify insurance procedures for its clients. It aims to provide a high-quality, efficient and loyalty-building experience at each moment of the relationship with policyholders.

Corporate banking

Corporate banking includes:

- the financing of large corporates and institutional clients;
- specialized value-added financing covering three business lines (financing of acquisitions, project financing, and asset financing and securitization) as well as debt management on behalf of third parties;
- international activities and financing carried out by foreign branches.

It therefore manages €19.3 billion in loans (+12.9%) and €6 billion in deposits (-8.8%).

Large accounts: large corporates and investor institutions

In an economic environment still well-focused, the total amount of commitments from large corporates department grew in 2018. Overall exposure thus increased from €24.2 billion at the end of 2017 to €27 billion at the end of 2018 (+11.8%). Balance sheet assets increased in significantly: +26.3% (€8.2 billion compared to €6.5 billion at the end of 2017). Off-balance sheet financing – unused confirmed credits – for its part, grew by 2.6% (to €12.5 billion).

Commercially, and taking into account the tendency of disintermediation, development efforts were oriented towards building better customer relationships. The large corporates directorate works to ensure the good coordination between all of Crédit Mutuel Alliance Fédérale's players, in order to meet the expectations of customers by providing the best possible service.

The policy of selective risk-taking has, nonetheless, been pursued, as well as the pursuit of less concentration of commitments through greater sectoral diversification. At the end of 2018, accounting resources amounted to €6.5 billion, including 5.1 billion in demand deposits (compared to €4.4 billion a year earlier). Added to that is €1.2 billion of securities issued by the group.

Specialized financing

Despite a still very competitive environment, 2018 was a good year in terms of business.

In 2018, the observed market trends of previous years were confirmed. Available assets remain insufficient to absorb the excess liquidity of the market's players (banks, investment funds, capital markets, institutional investors), which leads to pressures on the compensation of transactions, and on the structures.

Despite this context, and thanks to good commercial activity by teams and, in a small measure, a positive currency effect, total commitments (€12.7 billion) are up slightly compared to 2017 (€12.1 billion).

Development of the third-party management activity – *via* CM-CIC Private Debt, subsidiary of the CIC – continued in 2018 with the launch of the third senior debt fund, CIC Debt Fund 3, and the launch of a fund administered by dedicated mandate to fund infrastructure, which will benefit from the volume of business of the CIC's project finance team. The European Large Cap Fund, launched in 2017, has seen a good level of expansion in 2018. CM-CIC Private Debt now manages nearly €2 billion.

Funding of Acquisitions

The group supports its clients in their plans for business transfers, external growth and development by providing its expertise and know-how in structuring the most appropriate financing for each type of transaction.

Commercially, the Acquisitions Funding activity was sustained, particularly with regard to financing external growth. The production of loans over 2018 was 14.7% above that of 2017. In the context of growing pressures on the levels of compensation and funding structures, which was felt in France as much as in foreign branches, new business was achieved with particular attention given to limiting risks and the appropriateness of structures for borrower profiles. This prudent approach translated into a good quality portfolio and a limited cost of risk.

Asset financing and securitization

The production of the Assets and Securitization Financing business line improved noticeably in 2018, with the realization of 47 new files (21 in Paris and 26 in foreign trade centers: New York, Singapore and Hong Kong).

The aeronautics sector remained the main contributor to activity in 2018 with 26 transactions (45% of the production in US dollars). Funding of the maritime sector saw a rebound in activity with completion of 16 transactions (financing of vessels and containers) in Paris and Singapore. The energy sector (off-shore oil and methane shipping) is still lackluster (three transactions completed in Singapore and Paris).

A prudent policy of supporting long-time customers, both French and foreign, was maintained.

The activity of various desks was balanced in 2018 with a production that was geographically well distributed.

Optimized financial transactions conducted in Paris once again contributed significantly to the department's profit.

Project funding

The year proved satisfactory for the Project Funding business line, with more than fifteen new projects for the Paris area and foreign branches (New York, London, Singapore). In a very competitive environment with regard to risk and compensation and an overall stable market, production in 2018 fell as compared to 2017, reflecting high selectivity. The portfolio, however, remains stable and of good quality.

The business line strengthened its expertise in the electricity and infrastructure sector, with half of the projects in the renewable energy sector, in segments as diverse as land- and sea-based wind power, solar and even biomass. Also of note are several infrastructure projects: European airport, road infrastructures in Australia and Croatia.

Production in 2018 boosted the predominate share in the electricity sector, which represented about half of the approvals at the end of 2018. It was followed by infrastructures making up to almost a third, with the balance spread between natural resources and telecom.

The geographic distribution of outstandings reflects the dominance of Europe (66%) followed by Asia Pacific (15%), North America (13%) and the Middle East (6%).

CIC acted as arranger or co-arranger in more than half the projects, primarily in France and in other European countries.

International activities and foreign branches

The international realm being one of the engines of growth of its business customers, Crédit Mutuel Alliance Fédérale, *via* the CIC, provides a comprehensive range of products to address the issues of international development.

The group therefore strives to succeed in its role as a provider of banking services and products destined to safeguarding and financing international business transactions: documentary letters of credits, international guarantees, cash-flow and currency risk management, financing of operations and working capital needs. By complementing its traditional vocation as a trusted intermediary in international business transactions, the group pursued the development of its offerings of support and advice, which run from multi-market targeting to the selection of partners and assistance in establishing commercial or industrial facilities.

Managed by a unique activity center (ISO 9001), international transaction processing is spread across France in five regional hubs to ensure close collaboration with business offices. In addition to our group's networks present in Germany, Spain and Switzerland, support abroad for the clientele relies on strategic partnerships in Canada with Desjardins, in China with Bank of East Asia, in the Maghreb with the Banque Marocaine du Commerce Extérieur and the Banque de Tunisie.

In 2018, more than 1,600 small and medium-sized businesses benefited from "International Development" standard services and nearly 200 small and medium-sized businesses and consortiums were supported in the context of consulting services by Aidexport, a specialized subsidiary. Fiscal year 2018 was marked by the pursuit of the development of buyer credits, documentary operations, issuances of guarantees, for import and export, in a context of high geopolitical risks.

With 34 representation offices and branches run by bi-cultural teams in Great Britain, the United States, Hong Kong and Singapore, CIC covers some fifty countries to provide advice to Group customers for their international development projects.

The representation offices and branches have put their skills and knowledge of regional markets to work in the service of the clientele and the group's specialized business lines, thus contributing to the development of its international activities. The goal of the branches is to support and fund business clients in the world's strategic zones. The representation offices – and the four international development offices within the branches – have as their primary mission to assist the group's customers in their plans for growth, in maintaining effective relationships with local banks and in responding to inquiries or intervening locally on behalf of the group's other professions.

Capital markets

Market transactions taken on by CIC and BFCM are performed in accordance with safe and prudent management norms, for the financing and investment needs of Crédit Mutuel Alliance Fédérale, as well as for its customers. Capital market operations revolve around three types of activities: Group cash management, commercial market activities and Rates-Equities-Credit investment activities. Teams are located primarily in France, but also in the New York, London and Singapore branches.

The group's cash management activity covers all entities of Crédit Mutuel Alliance Fédérale, including CIC. Being a matter of management of the banks' balance sheet, the profits/(losses) are included in those of the group's other activities or, failing that, in that of the holding company.

The commercial business line, under the name of CM-CIC Market Solutions, mainly provides services to the customers of the group's banks, and for this reason redistributes the bulk of the profitability back to them.

The Investment business line represents in fine the net profit/(loss) of capital markets as it is summarized in this presentation. The skills developed for proprietary trading are offered to the customers by CM-CIC Market Solutions through funds managed by the subsidiary Cigogne Management SA.

Refinancing

The centralized cash management of Crédit Mutuel Alliance Fédérale rests on the appropriate gaging of short-term and long/medium-term resources in order to refinance the group in a prudent and efficient way. It involves public issues and private placements on national and international markets, as well as the holding of an appropriate liquidity reserve to comply with the regulatory liquidity ratios and ensure the group's resilience to severe stress.

In 2018, the debt market had to cope with tense and fluctuating operating conditions due to a number of factors: the gradual return of inflation in the euro zone, the gradual halt of stock buybacks by the European Central Bank (ECB), the continuing rise in US interest rates, the political risks in Europe, and international trade tensions – particularly between the United States and China.

The external funding raised on the markets through the group cash management activities of Crédit Mutuel Alliance Fédérale, through BFCM and its subsidiary Crédit Mutuel-CIC Home Loan SFH, totaled €138 billion at end-December 2018, representing a 4.5% rise compared with end-2017.

Short-term money-market funding (under 1 year) amounted to €49.6 billion at end-2018, up 5.2% year-on-year. It accounted for 36% of the total funding raised on the markets, remaining stable with respect to the previous year. For the proper diversification of its funding, Crédit Mutuel Alliance Fédérale uses all of the required short-term issuance programs (NEU CP, ECP, and London DCs). In order to diversify the investor base, 21% of the issues are in US dollars, and 17% in pounds sterling. Most of the foreign currency funding is subsequently transformed into euros.

Medium/long-term (MLT) funding totaled €88.4 billion at end-2018, up 4.1% compared with 2017. In 2018, Crédit Mutuel Alliance Fédérale raised €13.5 billion in MLT funding mainly through BFCM, but also Crédit Mutuel-CIC Home Loan SFH, its entity that issues covered bonds which are rated in the top bracket by rating agencies. Overall, 69% of MLT funding was raised in euros, while the remaining 31% was raised in foreign currencies (US dollar, yen, pound sterling, Swiss franc, and Australian dollar), reflecting the ongoing diversification of the investor base. The breakdown between public issues and private placements stands at 71% and 29%, respectively.

The refinancing policy also aims to control the proportion of encumbered assets. Secured MLT refinancing (SFH) accounted for 15% of the total MLT refinancing raised in 2018.

The average maturity of the MLT funding raised in 2018 was 5.5 years, similar to that recorded in 2017 (5.8 years).

In 2018, public issues amounted to €9.6 billion, breaking down as follows:

- BFCM in the form of senior EMTN:
  - €1.5 billion maturing in 7 years, issued in January,
  - €2.25 billion maturing in 4 and 10 years, issued in July,
  - £800 million maturing in 4 years, issued in January and July,
  - SFr200 million (2 issues of 100 million each maturing in 7 and 8 years) issued in April and November,
  - US$1.5 billion maturing in 5 years, issued in July in US144A form,
  - Y107.9 billion maturing in 5, 7 and 10 years, issued in October in Samourai form,
  - A$200 million maturing in 5 years, issued in November in Kangaroo form (inaugural issue for BFCM);
- BFCM in the form of subordinated EMTN: €500 million maturing in 10 years, issued in May;
- Crédit Mutuel-CIC Home Loan SFH: a total of €2 billion in two issues of €1 billion each maturing in 8 and 10 years, carried out in February and April.

For the consolidated group, the liquidity position of Crédit Mutuel Alliance Fédérale is as follows:

- an average LCR of 131.2% for 2018;
- HQLA average of €79.17 billion, with 72.6% of the assets deposited with central banks (mainly the ECB).

The total liquidity reserves of the consolidated group break down as follows:

Crédit Mutuel Alliance Fédérale *(in € billions)*	**December 31, 2018**
Cash deposited with central banks	51.0
LCR securities	22.5
Other eligible assets, central banks	35.8
TOTAL LIQUIDITY RESERVES	**109.3**

The liquidity reserves cover market resources due to mature within the next 12 months.

In 2018, the European Investment Bank (EIB) granted BFCM a new SME/mid-cap loan facility of €250 million available in two tranches. The first tranche (tranche A) of €150 million maturing in 5 years was fully drawn down during the 4th quarter. Tranche B of the SME/mid-cap loan facility should be drawn down in the first quarter 2019.

Moreover, a new partnership with the EIB was signed at end-December 2018 under the heading: "Crédit Mutuel Mid-Cap Co-Financing Platform". It consists of loans co-financed by the EIB under eligibility criteria, with the EIB portion capped at €150 million. Another initiative is being launched in 2019 for the financing of SMEs and mid-caps.

Commercial activities (CM-CIC Market Solutions)

CM-CIC Market Solutions is the department within the CIC in charge of capital markets on behalf of the customers of Crédit Mutuel Alliance Fédérale.

CM-CIC Market Solutions is organized around five areas of activity:

- primary Market Solutions is the group's activity center for financial transactions in capital markets (ECM and DCM). This area of activity also offers delivery of services to issuers (advice on financial disclosure, help with shareholders' meeting, register of shareholders) for more than 100 listed and non-listed companies. This domain benefits from the commercial proximity developed by the group's other business lines (the networks' corporate customer relationship managers, specialized financing, CM-CIC Investissement and CM-CIC Conseil). A common business approach with corporate account managers, called Focus GE-GME, specifically targets businesses with which the group hopes to build a comprehensive relationship;
- secondary Market Solutions provides advice on implementation for a wide range of financial instruments: interest-rate hedging, currency hedging, commodities hedging, bonds, stock, ETF, derivatives. In France, the sales teams are located in Paris and in large regional cities. They are available to serve the networks' investment customers. CM-CIC Market Solutions, Inc. – CIC's broker/dealer subsidiary – is the chaperone broker for CM-CIC Market Solutions' equity brokerage activities in France;
- investment Solutions encompasses an original and high-performing offering of investment products, utilizing the EMTN issuance programs of the CIC and of Stork Acceptance SA. Underlying these products may be rate instruments, credit instruments or equity instruments. This offer is mainly marketed to business customers and individuals in the Crédit Mutuel Alliance Fédérale networks;
- depositary solutions, a leader in the portfolio management sector (SDG) and entrepreneurial UCITS, covers two main activities: mandated management services and collective management services, from whence the UCITS depositary function, the middle buy-side and the buy-side execution table. The commercial strength of Depositary Solutions consists of pooling services and tools made available to management under mandate and collective managements;
- Global Research includes equity research, credit research, economic strategy research and research on commodities. Global research is a component of service offerings to corporate and professional investors, as much for activities covering risks (currency, interest rates, commodities) as for investing or advice to businesses. It's purpose is to provide practical, independent and "engaged" market intelligence. CM-CIC Market Solutions is one of the founding members of ESN LLP (European Securities Network), a multi-local network with intermediaries in 6 European countries (Finland, Italy, Spain, Portugal, Greece and France). This partnership covers 450 European companies, by means of a research team of 70 analysts and strategists.

2018 was marked by the implementation of MIFID II and uncertainty on the financial markets, which grew over the fiscal year.

As for Primary Market Solutions, the primary bond team participated in 27 bond issues in 2018. In a difficult market environment, 2018 was a rocky year for primary equity activity (one initial public offering and four capital increases). Initiated in 2017, the roll out of the internal commercial mechanism Focus GE-GME continued in 2018. Its purpose is to develop a comprehensive commercial relationship with a core target of business customers and/or companies in which Crédit Mutuel Alliance Fédérale has equity interests, and establish itself as a capital structuring consultant.

Secondary Market Solutions saw activity increase overall in 2018, the first post-MIFID II fiscal year, impacted otherwise by relatively difficult market conditions. Hedging revenues gradually improved throughout the fiscal year against a backdrop of increasing volatility and expectations of interest rate hikes. The equity sector showed itself to be fairly resilient in view of the decline in volumes and indexes coupled with the impacts of new regulations on its commercial model. Bond activity remained all together fairly well oriented. The CIC became a systematic internaliser throughout 2018 on corporate bonds. Finally, the issuers' trading room started to benefit from a flow of business coming from the roll-out of the Focus GE-GME mechanism.

Concerning Investment Solutions, the structured activity of EMTN saw significant growth in 2018. EMTN's outstandings went from €4.9 billion at the end of 2017 to €6 billion at the end of 2018 (€5.3 billion in EMTN CIC and €0.8 billion in EMTN Stork Acceptance).

Depositary Solutions saw commercial activity in 2018, responding to several important tenders in a context where the number of players offering these types of services is decreasing. This year also saw the launch of two new service offerings – loans against securities and buy-side trading desk – in order to support registered fund management company customers. At the end of 2018, the Depositary Solutions business was serving nearly 130 fund management companies, administering more than 30,000 individual accounts and acting as depositary for more than 310 UCITS, totaling more than €35 billion in assets.

Concerning Global Research, the number of companies covered by the stock analysis office continued to grow in the context of the roll out of Focus GE-GME. At the end of 2018, the Credit research team was strengthened and is expected to expand its coverage in the coming months. The economy-strategy work was dictated by world geopolitical tensions and the uncertainty of markets.

Finally, the 2018 fiscal year was marked by the launch of a new digital tool: the CM-CIC Market Solutions mobile app, available on iOS and Android platforms. This application offers the clients of the CIC the possibility of viewing live or in replay mode the daily programs that analyze market news, financial analysis journals and even the strategic vision of listed companies by their executives.

Rates-Equities-Credit Investments

The Rates-Equities-Credit Investment activity essentially covers the buying and selling of securities acquired with the intention of holding them long-term, as well as transactions on financial instruments related to them. The teams in charge of these activities conduct transactions according to a strict framework of limitations.

In the context of a complicated market in 2018, positions were managed with caution. In effect, the year was marked by international, geopolitical and economic trade tensions, particularly with the ECB maintaining interest rates at a very low level and the gradual halt of stock buybacks in the context of quantitative easing.

Profits for the year, in France and abroad, held up well overall, but ended below forecasts, with the widening credit spreads at the end of the year being reflected on mark-to-market valuations. Observed over an average of several years, profits were very satisfying. The objective remains to achieve positive performance by limiting the volatility of the activities' financial results and giving priority to commercial development.

The performance of alternative management products, coming from expertise in the investment sector and offered to the clientele, is down, but compares favorably to the competition over the period. The performance of the Stork Alternative Investment Fund, the primary investment support, is thus higher than comparable indexes with low volatility.

Private banking

The private banking activity of Crédit Mutuel Alliance Fédérale is focused on providing quality customer service, in accordance with the profession's best practices. It relies on several entities within the group, each one having a unique positioning. In France, the activity is provided by CIC private banking and the Banque Transatlantique. CIC Banque Privée, a branch business line integrated into the CIC network, addresses first of all the needs of business leaders. The Banque Transatlantique offers custom private banking services and stock-options dedicated particularly to a French clientele living aboard. Internationally, the group has private banking entities in zones presenting strong growth potential such as Luxembourg, Switzerland and Belgium.

These outlets offer, in France as well as abroad, a large range of services with high added value to more than 180,000 customers. Depending on its market and its capabilities, each entity may intervene in other customer segments than just the private clientele.

The private banking activity totaled €134 billion in capital under management, €21 billion of commitments and nearly 2,000 employees.

CIC private banking

With 384 employees spread out across 50 cities in France, CIC private banking works with wealthy estates households and business leaders at those key moments in their business life: opening capital needs, external growth, transfer of family assets. Working with wealth engineers, 203 private bankers meet with business owners to identify their needs and determine appropriate entrepreneurial and asset management strategies. All of the group's skills, particularly international, are mobilized to offer the best solutions, specifically adapted to the needs of its customers.

In 2018, the number of transfers of businesses remained high. The skill and synergy measures put in place by CIC private banking made it possible to attract a number of these transactions, especially those of significant size. In this context, customer savings deposits reached €23.7 billion at the end of 2018.

The entry into force of the MIFID II and DDA guidelines entailed significant legal, IT and pricing work.

Banque Transatlantique Group

The Banque Transatlantique is a subsidiary of CIC in charge of private management of the customers of Crédit Mutuel Alliance Fédérale. For more than a century, it has earned, through the distinctiveness of its services and business lines, the confidence of its customers: executive management, entrepreneurs, French citizen working abroad, investors, large foundations and associations.

Despite the falling financial markets at the end of the year, the groupe Banque Transatlantique performed well in 2018, exceeding its budgetary forecasts. In particular, the premium income from capital markets saw very strong growth, reaching €4.4 billion.

In France, the three business lines (Wealth Management, French Abroad and Shareholding Manager) contributed to this financial performance. In 2018, the Banque Transatlantique Paris once again won a significant number of tenders for management of stock-option and free share award plans.

The fiscal year 2018 was marked by the merger of the two of Banque Transatlantique's fund management companies, Dubly Douillet Gestion and Transatlantique Gestion. The new group, located in Paris, Lille and Nancy is henceforth called Dubly Transatlantique Gestion.

Banque de Luxembourg

The Banque de Luxembourg is one of the reference banks in Luxembourg's financial markets. It operates in five business sectors: private banking, asset management, funding, working with enterprise and entrepreneurs and a bank for professional clients. Since 2010, the bank has also operated in Belgium. It has a Belgian branch in Brussels and – since 2015 – in Ghent.

Private banking offers a range of integrated services to a clientele with needs that are often complex: family or professional estates, tangibles or intangibles with an international dimension, diversified investment strategies, problems related to transfer of wealth, etc. The service offerings also respond to the needs of clientele regarding the analysis and consolidation of assets, reporting, diversification with respect to traditional asset classes, and even questions that touch on family governance or the implementation of philanthropic projects.

At the beginning of the 1980s, the Banque de Luxembourg was among the pioneers in development of a division of skills and resources dedicated to investment funds. The professional bank thus provides to initiators of funds all the necessary services for the creation of their investment vehicles, central governments and international distribution. The Banque de Luxembourg also offers complete support to independent managers who delegate their administrative tasks to the bank, thus being able to focus entirely on management and growth of their business capital.

The year 2018 was significantly marked by the entry into force of MIFID II, with profound implications for investment advice given by the bank and the related fee model. Simultaneously, the bank tackled the challenge of digital transformation of its activity, in order to offer customers a better banking experience, maximize integration of regulatory complexity and make business processes more fluid and efficient. The bank had more than 900 employees at the end of 2018. On December 31, 2018, private banking outstandings amounted to €21.5 billion. The activities of professional banking grew over the fiscal year with total assets of €64 billion, or €56.7 billion of net assets for investment funds and €7.3 billion for outstandings in the "external asset manager" activity (account holder – custodian activity).

Banque CIC Suisse

CIC Suisse is a bank focusing on businesses, entrepreneurs and private individuals with complex financial requirements. CIC Suisse differentiates itself form other banks thanks to its commitment to entrepreneurial activity, rapid decision-making, advice focused on added value, financial stability and delivery of custom solutions. Its strategy consists of balancing personalized service and digital solutions, like Clevercircles and e-banking. Clevercircles is a digital platform for the creation of family patrimony for individuals, which allows the customer to define his or her investment strategy and to adapt it every two months to his or her expectations, in the context of tactical asset allocation. E-Banking is a bank accessible on the Internet. It makes it possible to access accounts, carry out transactions, and obtain recent financial information. CIC Suisse is a multi-channel bank, capable of connecting tradition and the spirit of innovation, all the while being efficient and flexible.

In 2018, CIC Suisse increased its market share in Switzerland. In order to better serve its clientele and become a bank of first choice, new products and services were developed, like Corporate Finance and Factoring. Corporate Finance includes the activities of Mergers & Acquisitions, succession planning, business valuation and structured financing. Factoring is a service offered through CM-CIC Factor, which deals with the collection and management of receivables and their advance payment to CIC Suisse's customers.

In 2018, CIC Suisse strengthened its presence in Switzerland, in particular thanks to recently opened branches like those in Saint-Gall (opened in September 2017), which is growing at a sustained pace.

Through its efficient strategy and a favorable economic environment in 2018, its business volume grew by 7.8%. The volume of credit transactions also grew by 10.6% as compared to 2017.

Private equity

With its subsidiaries (CM-CIC Investissement SCR, CM-CIC Innovation, CM-CIC Capital, CM-CIC Capital Privé and CM-CIC Conseil), CM-CIC Investissement has a staff of about 143 employees spread across 7 locations in France, most of them close to the country's economic fabric (Paris, where its corporate headquarters is located, Lyon, Nantes, Bordeaux, Lille, Strasbourg, and Toulouse) and 8 international locations (Frankfurt, Zurich, Geneva, London, Montreal, Toronto, New York and Boston).

CM-CIC Investissement is one of the rare players to articulate a complete integrated range of offerings (risk capital, private equity, transfer of capital, advice in mergers-acquisitions), allowing it to advise and invest long term in corporate capital for a unit amount of 1 to €100 million.

These investments, realized with shareholders' equity, allow supported companies to roll out their own growth strategy in France and abroad, and assure them of long-term resources adapted to the typology of the project financed, with a capacity to reinvest if necessary.

2018 saw stronger activity in all investment business lines and in advice on mergers-acquisitions. Thus, in proprietary trading management, €333.9 million (including about 52.5% of equity of intermediate-sized businesses) were invested, including €189.4 million in 26 new companies.

CM-CIC Investissement, in particular, made the following equity investments:

- Voyageurs du Monde (tour operator);
- Montaner Pietrini (beverage distributor to cafés, hotels, restaurants);
- RC Concept (Luxury POS agency);
- Groupe DBF (vehicle distribution);
- ABF Décisions (intellectual services– support for public aid);
- ISKN (patented technology in augmented reality making it possible to digitize movement or orientation of a magnetic ring);
- Digital Music Solutions (Augmented reality application– music);
- SPUD (online sale of organic and local products, logistics, e-commerce);
- Hunkeler (production and marketing of pre- and post-impression digital equipment);

- Merovee (consultant in economic intelligence).

The portfolio's rotation was once again very active. Divestments in an amount of €551.8 million in disposal value made it possible to free up €344.7 million of gains (including reversal of provisions on disposal), demonstrating once again the quality of assets.

The principal divestments concerned:

- Circet (deployment and maintenance of fixed and mobile telecom networks);
- Ciné Digital Service (movie theater amenities/equipment);
- Juliet Sterwen (management consulting firm, providing consulting and organizational training);
- Caillau (designer of watertight seals for auto and aeronautical industries);
- Joryf (builder of single-family homes and collective housing in Île-de-France region);
- Aries alliance (metal forming technology for aeronautics industry).

On December 31, 2018, this portfolio represented €2.5 billion (of which €109.4 million in innovation equity) with nearly 350 well-diversified investments, including a significant share in private equity (more than 69%). The portfolio's assets generated dividends, vouchers and financial income worth €69.2 million. In third-party management, CM-CIC Capital Privé, which suspended issuance of Proximity Investment Funds (FIP) and innovation-focused mutual funds (FCPI) since 2015, continued to manage existing funds. The outstandings of funds under management amounted to €156.9 million at the end of 2018, after reimbursement of €46.7 million to their subscribers. CM-CIC Conseil performed 19 consulting operations in 2018, resulting in a record year in terms of commissions.

IT, logistics and press

Euro-Information Télécom (EIT)

In 2018, Euro-Information Télécom enhanced its full MVNO status, which is unique in Europe (4G interconnection with 3 infrastructure operators). In this regard, a vast migration of the core network was launched in 2018 and will take 2 years to complete. It will allow the use of the new 4G services including VoLTE (4G voice) and prepare the change in the architecture for the arrival of 5G. At the same time, EIT completed the technical project for the launch of a high-speed fixed broadband offer in partnership with SFR (commercial launch in December 2018). This year was thus marked by a unique and unprecedented effort in terms of development and technical projects. This reflects the strategic decision to have a latest-generation high-speed broadband network, initially mobile-centric and subsequently fixed-mobile convergent.

Commercially, Euro-Information Télécom recorded a net gain of 200,000 customers. The stock of active lines on the EIT network totaled 1,867,000 at end-December. On the consumer market, EIT continued to develop its white labels Auchan Telecom and Cdiscount Mobile, alongside its historic brands NRJ Mobile, Crédit Mutuel Mobile and CIC Mobile. On the B2B market, the year was marked by the development and growth of business markets, in particular for CIC and BECM.

Euro Protection Surveillance – EPS

Euro Protection Surveillance continued to expand in 2018, now totaling nearly 470,000 subscribers (+6.2%). EPS thus confirmed its leadership in residential remote surveillance in France with a 31% share of the market (Source: Atlas de la Sécurité 2018/Internal Data).

In 2018, EPS launched its first video offer for private customers and over 1,800 cameras were installed.

Lyf Pay electronic wallet

Lyf Pay – born out of the merger of Fivory and Wa (BNPP) in 2017 – offers an innovative and industrial mobile payment solution which simplifies the customer experience by digitizing the payment process and loyalty services.

Lyf Pay's objective is to meet the new requirements of today's payment and commerce players, which means developing new purchasing experiences which are fluid & omni-channel, managing the customer relationship, and monitoring the ensuing data.

With over 1.3 million downloads, Lyf Pay aims to make everyday life easier for its users by bringing together, in a single application, all the functionalities that connected consumers need on a daily basis: in-store and online payments, digitization of loyalty services, person-to-person payments, charitable donations, sharing of expenses, and soon payments into collaborative funds.

Lyf Pay is a proven solution which is already being used in numerous major retail chains across France (such as Casino and Auchan), at sporting and cultural events, and by non-profit organizations.

Press

Crédit Mutuel Alliance Fédérale holds nine regional newspapers: *Vosges Matin*, *Le Dauphiné Libéré*, *Le Bien public*, *L'Est républicain*, *Les Dernières Nouvelles d'Alsace*, *L'Alsace*, *Le Progrès de Lyon*, *Le Républicain Lorrain*, and *Le Journal de Saône-et-Loire*. With a print run of one million copies per day, the group is the leading player in France's regional daily press.

1.4 HISTORY

1.4.1 Crédit Mutuel's origins

At the end of the 19th century, the farming communities in Germany's Rhineland region were impoverished as a result of usury.

Frédéric-Guillaume Raiffeisen (1818-1888) then developed a new concept to combat poverty. The idea was to arrange loans to finance the resources needed for farming (seeds, livestock, etc.) based on the savings and responsibility of all villagers – the shareholding members. Interest was paid on the savings collected. The foundations of Crédit Mutuel had been laid:

- loans were only granted to shareholding members;
- limited (after originally being unlimited) joint and several liability of shareholding members;
- a democratic organization: one person one vote;
- voluntary membership;
- no remuneration for directors;
- limited geographic areas;
- no pay-out of financial surpluses;
- indivisible reserves.

Such was the foundation upon which Crédit Mutuel was built and which continues to underpin the company to this day.

1.4.2 Key dates

1882 Creation of the first Caisse de Crédit Mutuel at La Wantzenau.

1885 Creation of the Basse-Alsace and Haute-Alsace federations.

1895 Opening of a branch of Caisse Centrale de Neuwied in Strasbourg.

1897 Creation of the Lorraine federation.

1905 Creation of the Alsace-Lorraine federation.

1933 On June 1, creation of Banque Fédérative du Crédit Mutuel under the name of Banque Mosellane.

1958 Crédit Mutuel is granted legal status at the national level.

The Alsace-Lorraine federation becomes the Fédération du Crédit Mutuel d'Alsace et de Lorraine.

Banque Mosellane becomes Banque Centrale des Caisses de Lorraine. In 1966, its name is changed to Banque du Crédit Mutuel Lorrain (BCML).

1962 Creation of Centre Mécanographique du Crédit Mutuel, the predecessor of GTOCM (Groupement Technique des Organismes du Crédit Mutuel).

1971 Creation of Assurances du Crédit Mutuel.

Opening of the Bischenberg training center.

1972 Expansion into Franche-Comté; the group is renamed Fédération du Crédit Mutuel d'Alsace, de Lorraine et de Franche-Comté.

1992 Restructuring of head office entities:

- merger of the former Banque Fédérative du Crédit Mutuel (BFCM) and Expansion Rurale et Urbaine (ERU) to create Caisse Fédérale Centre Est Europe;
- transfer of the commercial banking activity of the former BFCM to Banque de l'Économie Crédit Mutuel (BECM), transfer of the holding company activity of the former BFCM to Banque du Crédit Mutuel Lorrain (BCML), and transfer of BCML's commercial banking activity to BECM;
- change of BCML's company name to BFCM.

Crédit Mutuel Centre Est Europe (CMCEE) is formed through the merger of two federations – Fédération d'Alsace, de Lorraine et de Franche-Comté and Fédération de Bourgogne-Champagne.

1993 Partnership between CMCEE and Crédit Mutuel du Sud-Est (CMSE).

1998 BFCM acquires 67% of CIC's capital for €2 billion.

Banque de l'Économie Crédit Mutuel is renamed Banque de l'Économie du Commerce et de la Monétique (BECM).

2001 BFCM acquires the remaining 23% stake in CIC that was still owned by Groupama.

2002 Partnership between CMCEE and CMSE with Crédit Mutuel Île-de-France (CMIDF).

2002 Partnerships with Banca Popolare di Milano through CIC (banking and insurance, payment, equity transactions, etc.).

2004 The Chambre Syndicale expands to include the CMSE and CMIDF federations.

ACM starts to distribute auto insurance policies through the Sa Nostra network in the Balearic Islands.

In partnership with Banque de Tunisie, which is 20%-owned by CIC, Euro-Information creates two subsidiaries in Tunisia specializing in information systems development (IID) and outgoing calls (Direct Phone Services).

CIC acquires a 10% interest in Banque Marocaine du Commerce Extérieur (BMCE), leading to cooperation in the distribution of financial products, the delivery of banking and insurance services, real estate transactions, consumer credit and finance lease contracts.

2006 Fédération du Crédit Mutuel Savoie-Mont Blanc joins the interfederal Caisse, bringing the number of member federations to four.

2007 On March 14, CIC private banking-Banque Pasche acquires Zurich-based Swissfirst private banking, with retroactive effect to January 1, 2007.

In April, BFCM acquires a 100% interest in Groupe Républicain Lorrain by buying up shares held in various group companies for €73 million.

On June 15, BFCM announces the creation of its subsidiary CM-CIC Covered Bonds, which launches a €15 billion EMTN ("Euro Medium Term Notes") program.

2008 CIC Group increases its equity interest in Banque Marocaine du Commerce Extérieur from 10% to 15%.

On June 5, BFCM acquires 100% of the capital of the French subsidiary of the Banco Popular Español Group.

On June 27, BFCM acquires a majority interest in Est Républicain through France Est.

On November 18, BFCM signs an agreement with a view to acquiring a controlling interest in COFIDIS Participations.

On December 5, BFCM acquires a 100% interest in Citibank Germany.

2009 Fédération du Crédit Mutuel Midi-Atlantique joins the interfederal bank, bringing the number of member federations to five.

On March 23, BFCM and 3 Suisses International ("3SI") announce the definitive completion of the acquisition of a controlling interest in COFIDIS Participations. This transaction was carried out through the acquisition of 51% of COFIDIS Participations by a holding company jointly owned by BFCM and 3SI and 67%-controlled by BFCM. Under the terms of the agreements, BFCM may increase its equity interest in COFIDIS Participations to 67% of the capital and voting rights by 2016, at the initiative of either party.

2010 The Crédit Mutuel CM11 Group strengthens its branch network in France and neighboring countries (in particular Spain through the creation of a branch network with Banco Popular), thereby expanding its activity and outreach.

On May 12, Caisse Fédérale du Crédit Mutuel Centre Est Europe is renamed Caisse Fédérale de Crédit Mutuel (CF de CM) reflecting the expansion of its scope of action through existing and future partnerships.

2011 The Crédit Mutuel Loire-Atlantique et Centre-Ouest, Crédit Mutuel du Centre, Crédit Mutuel Normandie, Crédit Mutuel Dauphiné-Vivarais and Crédit Mutuel Méditerranéen federations join Caisse Fédérale de Crédit Mutuel, bringing the number of member federations to 10.

The group strengthens its ties with mass market retailers. On the strength of its technological capabilities, it signs a partnership agreement with Casino to market financial products. Banque Casino is thus 50-50 held by the two partners.

2012 Fédération du Crédit Mutuel Anjou joins Caisse Fédérale du Crédit Mutuel, bringing the number of member federations to 11.

On May 10, Banque de l'Économie du Commerce et de la Monétique (BECM) is renamed Banque Européenne du Crédit Mutuel.

2013 In April, the Crédit Mutuel CM11 Group and Mouvement Desjardins – Canada's leading cooperative financial group – create Monético International. This Montreal-based company offers innovative payment solutions to the retailer customers of both financial institutions.

In April, BFCM and 3SI (formerly 3 Suisses International) sign several agreements allowing BFCM to own 54.63% of the capital of COFIDIS Participations either directly or indirectly.

In April, the Crédit Mutuel CM11 Group also signs a new partnership agreement, through Euro-Information, with Banco Popular Español SA under which a 50%-owned joint venture is created for the overall management of ATMs in Spain.

In September, El Télécom (EIT) and Auchan France decide to form a partnership which results in the acquisition by EIT of Auchan Telecom's customers and EIT's use of the Auchan Telecom trademark.

2014 In July, CF de CM and BFCM carry out capital increases amounting to €2,562 million and €2,700 million, respectively.

In March, the Crédit Mutuel CM11 Group sells its 7% stake in Banca Popolare di Milano. The group also increases its stake in Banque de Tunisie to 34%.

2015 In July, CF de CM and BFCM carry out capital increases amounting to €1,294 million and €1,409 million, respectively.

Electronic payments: agreement between Crédit Mutuel and UnionPay International regarding the acceptance of UnionPay International bank cards by Caisse Fédérale de Crédit Mutuel.

After the integration of Agrupació in 2012, Groupe des Assurances du Crédit Mutuel acquires Atlantis, thereby making further strides in its Spanish expansion strategy.

In 2015, the COFIDIS Participations Group pursues its development strategy with the acquisition of Banif Mais (June), a company with branches in Portugal, Hungary, Slovakia and Poland specialized in auto loans for second-hand cars, and the Italy-based company Centax (March), which specializes in guaranteeing retail check and card payments.

The Crédit Mutuel CM11 Group celebrates ten years in the telephony business. A new partnership signed with Bouygues makes the Crédit Mutuel CM11 Group's El Télécom the only mobile virtual network operator to have signed three full MVNO 4G contracts (with SFR, Orange and Bouygues).

BFCM enters into exclusive negotiations to acquire General Electric's leasing and factoring activities in France and Germany.

2016 On March 31, the Crédit Mutuel CM11 Group exercises a call option through Banque Fédérative du Crédit Mutuel to acquire a 1.02% stake in TARGOBANK Spain from Banco Popular. On completion of this transaction, BFCM holds 51.02% of the capital of TARGOBANK Spain while Banco Popular holds 48.98%. BFCM also has the right to appoint the majority of the directors of TARGOBANK Spain.

At the end of the second quarter, the group finalizes the sale of Banque Pasche to Luxembourg-based Banque Havilland.

On July 20, BFCM acquires General Electric's leasing and factoring activities in France and Germany. These businesses will be operated in Germany under the name "Targo Commercial Finance" and in France under the names "CM-CIC Leasing Solutions" and "Factofrance", respectively.

2017 After acquiring all of the shares of Targo Deutschland Gmbh held by CM Akquisitions Gmbh (CMA) in 2016, Banque Fédérative du Crédit Mutuel (BFCM) absorbs CMA (effective as of March 22, 2017).

On March 30, BFCM acquires 16% of the share capital of COFIDIS Participations, bringing its stake to 70.63%. This operation follows the exercise of reciprocal put and call options decided in 2008.

On May 10, Lyf Pay is created from the merger of the electronic wallets backed by the Crédit Mutuel CM11 Group (Fivory) and

BNP Paribas (Wa !). Lyf Pay offers a secure, innovative, multi-service mobile payment application to support the customer relationship.

On June 2, BFCM becomes TARGOBANK Spain's sole shareholder by acquiring 48.98% of its capital from Banco Popular. BFCM, which already held 51.02% of TARGOBANK Spain's capital stock, is now its sole shareholder. This transaction reflects the commitment of the Crédit Mutuel CM11 Group to further expand its core business – namely banking, insurance and services – in the Spanish retail and corporate market.

On June 6, following the resolution of Banco Popular Español (BPE), BFCM sells its entire stake (3.95%) to Banco Santander.

On August 11, the CIC share is delisted after the company's takeover by BFCM and Mutuelles Investissement following a simplified tender offer at a price of €390 per share. The decision was made to carry out this tender offer to simplify the group's structure and eliminate some of the regulatory and administrative constraints associated with the listing of the CIC shares and related costs.

At December 31, BFCM – a 93%-owned subsidiary of Caisse Fédérale de Crédit Mutuel – directly holds 93.14% of the capital of CIC, while Mutuelles Investissement (90%-held by BFCM and 10%-held by ACM Vie Mutuelle, a fixed-contribution mutual insurance company) holds 6.25%. The remaining 0.61% corresponds to treasury shares which consequently carry no voting rights.

On December 4, CIC finalizes the sale of its private banking activities in Singapore and Hong-Kong to Indosuez Wealth Management. CIC remains fully committed to Asia and is focused on the development and growth of its core businesses – corporate banking, structured finance and institutional services – in the Asia-Pacific region.

2018 After approval by the competent supervisory authorities – particularly the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) – in a decision published in the Journal Officiel of **June 27**, the takeover of Nord Europe Assurances (NEA) and its subsidiaries by Groupe des Assurances du Crédit Mutuel (GACM) becomes effective, retroactive to January 1, 2018.

Three of the companies are merged as follows:

- NEA merged with GACM SA;
- ACM Nord Vie SA merged with ACM Vie SA;
- ACM Nord Iard SA merged with ACM Iard SA.

Nord Europe Life Luxembourg (NELL) and CPBK Ré are integrated into the GACM sub-group, with the latter company intended to be sold.

Following the extraordinary general meetings of the 30 local banks, held between **September 18** and **October 30**, the members of Crédit Mutuel Massif Central approved by a large majority (85% of the votes cast) the changes to the Articles of Association allowing them to join Caisse Fédérale de Crédit Mutuel. This members' vote definitively completes – in respect of legal requirements and the Articles of Association – the Caisse Fédérale de Crédit Mutuel accession process. It was preceded by two preliminary stages:

- on June 19 2018, Confédération Nationale du Crédit Mutuel - the Crédit Mutuel group's central body – had given its prior approval;
- on June 27, 2018, the board of directors of Caisse Fédérale de Crédit Mutuel had unanimously approved the convergence protocol allowing Crédit Mutuel Massif Central to join Caisse Fédérale de Crédit Mutuel.

The changes will come into force on the effective date of accession to Caisse Fédérale de Crédit Mutuel, i.e. January 1, 2020 at the latest.

On **November 9**, the Crédit Mutuel CM11 Group was renamed Crédit Mutuel Alliance Fédérale.

This name change confirms the dynamism of the alliance of 11 Crédit Mutuel federations, along with Caisse Fédérale de Crédit Mutuel, Banque Fédérative du Crédit Mutuel (BFCM) and all its subsidiaries.

On **November 13**, Crédit Mutuel Alliance Fédérale announced the launch of *ensemble#nouveaumonde*, its strategic plan for 2019-2023, co-designed with directors and employees over a period of 18 months. This plan was unanimously adopted on September 21 by the Chambre Syndicale and Interfédérale.

The *ensemble#nouveaumonde* plan sets out the course and ambitions of Crédit Mutuel Alliance Fédérale by placing members and customers at the heart of its strategy and putting technology at the heart of its priorities.

COMMIT
... to
promoting
a common
corporate spirit

2

CORPORATE GOVERNANCE REPORT

2.1 BFCM – CORPORATE GOVERNANCE REPORT

2.1.1 Composition of management bodies as of December 31, 2018

Board of directors

- Nicolas Théry, Chairman
- Michel Vieux, Vice Chairman
- Gérard Bontoux
- Hervé Brochard
- CFCM Maine-Anjou – Basse-Normandie, represented by Jean-Marc Busnel
- Gérard Cormorèche
- Jean-Louis Girodot
- Étienne Grad
- Damien Lievens
- Albert Mayer
- Lucien Miara
- Daniel Rocipon
- René Schwartz
- Francis Singler
- Alain Têtedoie

Non-voting directors

- Michel Andrzjewski
- Jean-Louis Bazille
- Yves Blanc
- Aimée Brutus
- Claude Courtois
- Pascal David
- Gérard Diacquenod
- Monique Groc
- Jean-Claude Lordelot
- Christian Muller
- Alain Pupel
- Jacques Simon
- Alain Tessier
- Dominique Trinquet
- Philippe Tuffreau

Executive Management

- Daniel Baal, chief executive officer and effective manager
- Alexandre Saada, deputy chief executive officer and effective manager

Statutory auditors

- Ernst & Young et Autres
- PricewaterhouseCoopers France

2.1.2 Conditions of preparation and organization of the Board

The provisions of Article L.225-37 of the French Commercial Code state that the board of directors shall present a corporate governance report alongside the management report referred to in Article L.225-37-4 to the shareholders' meeting mentioned in the same article. However, the corresponding information may be presented within a specific section of the management report.

This report gives an account of the composition of the board and the application of the principle of balanced representation of women and men within it, the conditions of preparation and organization of its work, and any limitations that the board of directors may make to the powers of the chief executive officer.

As Banque Fédérative du Crédit Mutuel is not a company whose shares are admitted to trading on a regulated market, it does not adhere to the Afep-Medef Corporate Governance Code.

Banque Fédérative du Crédit Mutuel complies with the corporate governance regulations applicable to credit institutions. For that reason, it should be noted that the European Banking Authority issued internal governance guidelines on September 26, 2017 (EBA/GL/2017/11), with which the French Prudential Supervisory and Resolution Authority (ACPR) intends to comply fully. The European Banking Authority and the European Securities and Markets Authority also issued guidelines for the assessment of the fitness of members of the management body and holders of key positions on September 26, 2017 (EBA/GL/2017/12), with which the ACPR intends to comply partially, as stated in the notice published on June 4, 2018, an excerpt of which is reproduced below:

"*Without prejudice to the powers of the European Central Bank, the ACPR intends to comply partially with the fitness assessment guidelines of September 26, 2017. The ACPR intends to comply with the guidelines, with the exception of provisions for assessment by the supervisory authority of the fitness of holders of key positions at each appointment or renewal. The declaration of non-compliance applies to paragraphs 162 and 176 (transmission of results to the competent authority and documentation relating to internal assessment) and paragraphs 171 and 172 (assessment of the fitness of persons responsible for internal control functions and of the chief financial officer by the competent authority). This statement does not call into question the procedures already in place, which will continue to apply for the assessment of persons responsible for internal control at approval and in the event of a change of control.*

In addition, the ACPR intends to apply the guidelines relating to attendance and the definition of independent members in the supervisory bodies with two reservations of interpretation:

- *formal independence is not an obligatory test of fitness under the regulations, which would be enforceable in the context of a review of an individual application. In French law, the implementation of the guidelines cannot therefore result in the rejection on this sole basis of an individual application for "fit and proper" reasons;*

- *mere non-compliance with one or more of the criteria listed in the guidelines (paragraph 91) does not disqualify a member from being defined as independent. These assumptions alone do not define independence and analysis of this attribute must also take into account other criteria, especially ones that might be developed by French companies pursuant to the French Commercial Code that could make it possible to achieve the same goal.*

Pursuant to paragraph 89 b) of the fitness assessment guidelines, the ACPR also intends not to require the attendance of independent members in CRD institutions wholly owned by a CRD institution and in CRD institutions that are of insignificant importance that are investment firms."

This corporate governance report explains how Banque Fédérative du Crédit Mutuel has implemented these guidelines.

Preparation and organization of the work of the board

Composition of the board

Rules of operation of the board of directors

The workings of the board of directors are governed by Articles 14 to 18 of the Articles of Association.

Composition of the board of directors

The company is administered by a board of directors composed of no fewer than three and no more than 18 members elected for renewable three-year terms who may be natural persons or legal entities.

The board of directors may appoint non-voting directors for three-year terms. They participate in the deliberations of the board of directors in an advisory capacity. They may, by a decision of the majority of non-voting directors present or represented, request a second deliberation by the board.

Age limit

The individual age limit is set at seventy for directors and seventy-five for non-voting directors. When those ages are reached, terms of office shall end at the shareholders' meeting following the date of the birthday.

Cumulative validity with an employment contract

No director shall have an employment contract with the company and its controlled subsidiaries.

Director skills and training

Banque Fédérative du Crédit Mutuel attaches great importance to the skills of its directors. To hold the position of director or non-voting director on Banque Fédérative du Crédit Mutuel's board of directors, each candidate must have experience as an elected member and as Chairman or Vice Chairman of the board of directors or supervisory board of a Crédit Mutuel local bank, participate in the bodies and work of his Crédit Mutuel district or federation, and take part in the training courses for elected members.

A special module for the training of directors has been put in place under the impetus of the Interfederal Committee for the Training of Elected Officials to consolidate the knowledge and skills of Banque Fédérative du Crédit Mutuel voting and non-voting directors with regard to the regulatory skills required since the transposition into French law of the CRD 4 Directive.

Conflicts of interest concerning the administrative, management and supervisory bodies

To date, there has been no mention of potential conflicts of interest for the members of the board of directors and the chief executive officer with respect to Banque Fédérative du Crédit Mutuel. The code of conduct applicable to Banque Fédérative du Crédit Mutuel aims to prevent and if necessary manage conflict of interest situations.

Work of the board in 2018

The board of directors meets at least three times a year according to a pre-established schedule.

Each item on the agenda has its own separate file or presentation, depending on its size, to more fully inform the members of the board. The minutes give a detailed record of deliberations, decisions and votes.

In 2018, the board of directors met five times. The meeting attendance rate ranged from 78% to 89% (83% on average) for directors.

Meeting of February 21, 2018

The board meeting of February 21, 2018 was devoted mainly to the examination and approval of the financial statements and to the preparation of the ordinary and extraordinary general meetings held on May 4. After it heard the report of the group auditing and accounting committee of February 16, 2018, the board reviewed the 2017 financial statements, heard the conclusions of the statutory auditors and reviewed control and monitoring activities. It reviewed the treasury activity, holding company activity and subsidiaries' operations items. It took note of the reports of the regulatory committees and of the presentation of the annual internal control report and points of contact with supervisors. During that meeting, the group's preventive recovery plan was approved, along with the set of rules relating to the group's market and central treasury activities. The board approved the corporate governance report and the collective evaluation of the board. The board approved the reappointment of Gérard Bontoux, Maurice Corgini, Jean-Louis Boisson, Jacques Humbert, Lucien Miara, Daniel Rocipon, Alain Têtedoie and the Caisse Fédérale du Crédit Mutuel Maine-Anjou - Basse-Normandie represented by Daniel Leroyer. The board also approved the reappointment of Monique Groc and Gérard Diacquenod, Michel Bokarius and Jean-Louis Bazille as non-voting directors. In addition, in connection with Marc Bauer's retirement, the board appointed Alexandre Saada, deputy chief executive officer, as second effective manager for renewable three-year terms. A delegation was formalized for the group auditing and accounting committee to examine the supplemental report on the annual financial statements prepared by the statutory auditors. During that meeting, the board reviewed and authorized the continuation of the regulated agreements. Five new Crédit Mutuel local banks became members.

Meeting of June 27, 2018

At its meeting of June 27, 2018, the board of directors of Banque Fédérative du Crédit Mutuel unanimously approved the principle of the convergence of Crédit Mutuel Massif Central to Caisse Fédérale de Crédit Mutuel, and convened an extraordinary shareholders' meeting on September 20, 2018 to approve the corresponding amendments to the Articles of Association.

Meeting of July 26, 2018

On July 26, the board of directors approved the group consolidated financial statements for the first half of 2018, after reviewing the opinion of the auditing and accounting committee of July 25 and hearing input from the statutory auditors. The board reviewed the activity of the past six months and updated the asset/liability management limits and approved the subsidiaries' operations. The board took note of the reports of the regulatory committees and decided to grant an additional incentive corresponding to 1.6653% of payroll in addition to the rate calculated in the incentive agreement signed on June 19, 2015. As Daniel Leroyer's term of office ended as Chairman of the board of directors of Caisse Fédérale du Crédit Mutuel Maine-Anjou - Basse-Normandie, the board approved the appointment of Jean-Marc Busnel as the new representative of this Caisse Fédéral. The board also approved the appointment of Jean-Claude Lordelot as non-voting director to replace Marie-Hélène Dumont. Two new Crédit Mutuel local banks became members.

Meeting of November 16, 2018

At its meeting on November 16, 2018, the board of directors reviewed the third quarter 2018 situation and the budget. The board reviewed the reports of the group auditing and accounting committee, the group risk monitoring committee, the appointments committee and the remuneration committee. An exemption was granted to Factofrance for the declaration of prudential requirements. An update was given on relationships with supervisors. A commitment policy for fragile or vulnerable customers was adopted. In addition, rewarding Pierre Eckly's retirement, the board appointed Michel Guillemin as Group Inspector General. Two new Crédit Mutuel local banks became members.

Meeting of December 6, 2018

At the board meeting of December 6, 2018, as a result of the age limits set and following the district elections at Fédération du Crédit Mutuel Centre Est Europe, the terms of office of Jean-Louis Boisson, Jacques Humbert, Michel Bokarius, Robert Laval, Fernand Lutz and Roger Danguel were terminated. The board was also informed of the death of Maurice Corgini who sat as a director.

Following a favorable opinion from the remuneration committee which met on December 4, 2018, the board decided to co-opt Francis Singler, René Schwartz and Albert Mayer. It appointed Michel Vieux as Vice Chairman of the board of directors. The board also appointed Pascal David, Michel Andrzjewski, Christian Muller and Jacques Simon as non-voting directors.

Executive Management

Composition and prerogatives

In accordance with Article L.511-13 para. 2 of the French Monetary and Financial Code, banking regulations require the separation of the functions of Chairman of the supervisory body and effective manager of the institution. The effective management of the institution is assumed by at least two people. The effective management enjoys all powers attached to it by banking and financial laws and regulations, both internally and with respect to third parties.

Composition of Executive Management

The Executive Management of Banque Fédérative du Crédit Mutuel is composed of:

- Daniel Baal, chief executive officer and effective manager;
- Alexandre Saada, deputy chief executive officer and effective manager.

Prerogatives of Executive Management

The board meetings of April 6, 2017 and February 21, 2018 did not limit the powers of the two effective managers as defined by law and our articles of association and internal rules.

Membership in the regulatory committees of Crédit Mutuel Alliance Fédérale

For the sake of consistency throughout Crédit Mutuel Alliance Fédérale, on November 17, 2017, the board of directors of Caisse Fédérale de Crédit Mutuel unanimously approved the amendment of the internal rules of the Appointments and remuneration committee and the extension of the scope of these "umbrella" committees to all Crédit Mutuel Alliance Fédérale subsidiaries in France and abroad, regardless of their activities and the regulations applicable to them.

All of the boards of directors of those Group subsidiaries delegate their appointment and remuneration powers to the "umbrella" committees of Caisse Fédérale de Crédit Mutuel. The delegations of the boards of directors took effect starting January 1, 2018.

The board of directors of Caisse Fédérale de Crédit Mutuel also set up a group risk monitoring committee and a group auditing and accounting committee. All of these committees form the regulatory committees of Caisse Fédérale de Crédit Mutuel, which must make proposals to the boards of directors or supervisory boards of these institutions in their areas of expertise.

The "umbrella" committees report on their work:

- for the group risk monitoring committee and a group auditing and accounting committee, to the boards of directors of Caisse Fédérale and the Crédit Mutuel Alliance Fédérale federations;
- for the appointments committees and the compensation committees, and for the information that concerns them, to the board of directors of Caisse Fédérale, the board of directors of the federations or the board of directors of the subsidiaries.

As a result, on November 17, 2017, the board of Banque Fédérative du Crédit Mutuel approved the membership of Caisse Fédérale de Crédit Mutuel and, more generally all regulatory committees of Crédit Mutuel Alliance Fédérale on the appointments committee and the remuneration committee.

The information relating to Crédit Mutuel Alliance Fédérale's regulatory committees is provided in the Caisse Fédérale de Crédit Mutuel corporate governance report.

Code of conduct

The Crédit Mutuel Alliance Fédérale code of conduct was approved by the board of directors at its meeting on March 7, 2008.

This registration document, which includes all regulatory provisions relating to conduct, reiterates the principles that must be obeyed by each entity and employee of the group in the exercise of their activities. It is part of the group's overall objectives in terms of quality of customer service, integrity and rigor in the processing of transactions and compliance with regulations. It is intended to serve as a reference in this area and to be adopted by the various entities.

Compliance with rules of ethics applies not only to employees in the context of their duties, but also to the entity to which they belong. That entity must apply the principles set forth above, which refer to values subscribed to by all of Crédit Mutuel Alliance Fédérale.

This code is supplemented by anticorruption provisions and two specific texts on the security of information systems and the fight against violence and harassment at work.

The code of conduct is available from the group General Secretariat.

Persons possessing inside information are regularly reminded of their obligations and the rules applicable to them.

Principles and rules of remuneration of identified individuals (Articles L.511-71 *et seq.* of the French Monetary and Financial Code)

Banque Fédérative du Crédit Mutuel applies the principles and rules of remuneration of identified individuals decided by Caisse Fédérale de Crédit Mutuel, which are presented in its report on corporate governance.

Principles for determining the remuneration granted to corporate officers

Non-executive corporate officers, i.e., all directors other than the Chairman of the board of directors, including the non-voting directors, receive no remuneration. Starting in 2019, they are subject to the provisions of the charter governing the exercise of office of members of the board of Caisse Fédérale de Crédit Mutuel.

The officers concerned are the Chairman of the board and the chief executive officer.

Chairman of the board of directors

The employment contract between the Chairman of the board of directors and Banque Fédérative du Crédit Mutuel has been suspended since November 14, 2014 and contract between it and the chief executive officer has been suspended since June 1, 2017.

On December 11, 2014, the CIC board of directors decided moreover specifies, on a proposal from the remuneration committee, to award Nicolas Théry an annual indemnity of €250,000 as compensation for his term of office as Chairman of the board of directors. It also decided to create for Nicolas Théry severance pay equivalent to one year of corporate officer compensation for his term of office as Chairman of the board of directors. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. This agreement, which concerns the termination indemnity, was submitted to the approval of the CIC shareholders' meeting of May 27, 2015, following a special report by the statutory auditors.

On February 26, 2015, the board of directors of Banque Fédérative du Crédit Mutuel decided, on a proposal from the remuneration committee, to maintain the current amount of compensation of Nicolas Théry at Banque Fédérative de Crédit Mutuel (gross annual indemnity of €450,000), but effective December 1, 2014, compensate the corporate office of Chairman of the board of directors. It also decided to set up an unemployment insurance policy specific to corporate officers with effect from December 1, 2014.

In addition, the board of directors set a one-year indemnity for corporate officers calculated on the basis of the average of the last twelve months preceding the end of their term of office, and such termination benefits shall be paid to Nicolas Théry. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. To that end, it should be noted that Nicolas Théry has been an employee of the group since September 1, 2009 and that his employment contract was suspended with effect from November 14, 2014. Nicolas Théry is, in his capacity as an employee, subject to the supplementary pension regulations of January 1, 2008. Consequently, the remuneration committee has proposed that these pension regulations be applied for compensation to Nicolas Théry in his capacity as Chairman of the board, under the same conditions as for all group employees. As part of the reform of the CM11 Retraite supplementary pension plan, and pursuant to the amendment to the pension agreement, €25,509.78 in gross salary remuneration has been allocated to Nicolas Théry since January 1, 2017.

This agreement concerning severance pay and retirement benefits was submitted to the approval of the Banque Fédérative du Crédit Mutuel shareholders' meeting of May 13, 2015, following the special report of the statutory auditor.

On February 20, 2019, the board of directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to set the gross annual fixed remuneration of Nicolas Théry at €880,000, as Chairman of the board of directors from June 1, 2019. The board based its decision on the fact that Caisse Fédérale de Crédit Mutuel represents the parent company within Crédit Mutuel Alliance Fédérale, performs the main support duties and coordinates the group's main subsidiaries with Banque Fédérative du Crédit Mutuel and CIC, and is supervised directly by the European Central Bank. The board also based its decision on the fact that the other terms and duties of the Chairman of the board of directors within the entities of Crédit Mutuel Alliance Fédérale will be performed on a voluntary basis from that date.

The same board of directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to grant termination benefits equivalent to two year's gross salary, subject to achievement of the performance condition set by the remuneration committee. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. This agreement, which concerns the termination benefits, is subject to the approval of the Caisse Fédérale du Crédit Mutuel shareholders' meeting in 2020, following a special report by the statutory auditors.

As a corporate officer, Nicolas Théry is also covered by a supplementary pension plan and a complementary pension plan under the same conditions applicable to all company employees.

The decision of the board of directors takes into account that Nicolas Théry is Chairman of the board of directors of Caisse Fédérale de Crédit Mutuel and that his employment contract with Banque Fédérative du Crédit Mutuel is suspended during this term of office. All of Nicolas Théry's other terms and duties are performed on a voluntary basis: the commitments made to CIC and Banque Fédérative du Crédit Mutuel shall end on June 1, 2019.

The chief executive officer

In addition, on April 6, 2017, the board of directors of Banque Fédérative du Crédit Mutuel decided, on a proposal from the remuneration committee, to set the gross annual fixed compensation of Daniel Baal at €700,000, in addition to compensation under Article 39 relating to the supplementary pension of €9,505.68 annually, pension plan contributions of €4,474.80 annually, health expenses of €3,595.80 annually and benefits in kind (company car) of €3,880.56 annually.

It also decided to create for Daniel Baal a termination indemnity equal to one year's gross salary, calculated on the basis of the average of the last twelve months preceding the end of his term of office. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. This agreement, which concerns the termination indemnity, was submitted to the approval of the Banque Fédérative du Crédit Mutuel shareholders' meeting of May 3, 2017, following a special report by the statutory auditors.

On February 20, 2019, the board of directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to set the gross annual fixed remuneration of Daniel Baal at €880,000, as chief executive officer from June 1, 2019. The board based its decision on the fact that Caisse Fédérale de Crédit Mutuel represents the parent company within Crédit Mutuel Alliance Fédérale, performs the main support duties and coordinates the group's main subsidiaries with Banque Fédérative du Crédit Mutuel and CIC, and is supervised directly by the European Central Bank. The board also based its decision on the fact that the other terms and duties of the chief executive officer within the entities of Crédit Mutuel Alliance Fédérale will be performed on a voluntary basis from that date.

The same board of directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to grant termination benefits equivalent to two year's gross salary, subject to achievement of the performance condition set by the remuneration committee. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. This agreement, which concerns the termination benefits, is subject to the approval of the Caisse Fédérale du Crédit Mutuel shareholders' meeting in 2020, following a special report by the statutory auditors.

As a corporate officer, Nicolas Théry is also covered by a supplementary pension plan and a complementary pension plan under the same conditions applicable to all company employees.

The decision of the board of directors takes into account that Daniel Baal is chief executive officer of Caisse Fédérale de Crédit Mutuel and that his employment contract with Banque Fédérative du Crédit Mutuel is suspended during this term of office. All of Daniel Baal's other terms and duties are performed on a voluntary basis: the commitments made to Banque Fédérative du Crédit Mutuel shall end on June 1, 2019.

COMPENSATION RECEIVED BY THE GROUP'S KEY EXECUTIVES FROM JANUARY 1 TO DECEMBER 31, 2018

Amounts in €[1]	Origin	Fixed portion	Variable portion[2]	Benefits in kind[3]	Employer contributions for supplementary benefits	Total
2018						
Nicolas Théry	Crédit Mutuel	475,510		11,531	11,649	498,690
	CIC	250,000			1,189	251,189
Daniel Baal	Crédit Mutuel	709,506		3,881	9,262	722,649
2017						
Nicolas Théry	Crédit Mutuel	475,510		11,393	11,298	498,201
	CIC	250,000			1,059	251,059
Alain Fradin						
BFCM until 05/31/2017	Crédit Mutuel	1,133,333*		2,113	3,678	1,139,124
CFdeCM from 06/01/2017 to 06/30/2018	Crédit Mutuel	250,268**		423	736	251,427
Daniel Baal						
CFdeCM until 05/31/2017	Crédit Mutuel	523,595***		1,617	3,678	528,890
BFCM starting 06/01/2017	Crédit Mutuel	413,878		2,264	2,264	421,291
2016						
Nicolas Théry	Crédit Mutuel	450,000		11,226	6,406	467,632
	CIC	250,000				250,000
Alain Fradin	Crédit Mutuel	800,000		5,072	8,688	813,760
2015						
Nicolas Théry	Crédit Mutuel	450,000		11,286	6,733	468,019
	CIC	250,000				250,000
Alain Fradin	Crédit Mutuel	800,000		4,845	8,559	813,404

(1) These are gross amounts corresponding to amounts paid during the year.

(2) Any variable portion paid to the chief executive officer would be decided by the remuneration committee of Caisse Fédérale de Crédit Mutuel following the shareholders' meeting that approves the financial statements for the previous fiscal year for which it was paid. The variable portion paid in N would therefore be for Year N-1.

(3) Company cars and/or senior executive insurance policy (GSC).

* *Including end-of-term allowance of €800,000.*

* *Including severance pay of €203,212.*

*** *Including paid time off and time savings account.*

2.1.3 List of terms of office held and functions exercised by corporate officers during fiscal year 2018 pursuant to Article L.225-37-4 of the French Commercial Code

Nicolas Théry

Born December 22, 1965

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Chairman of the board of directors**	2014	2020
Other offices			
Confédération Nationale du Crédit Mutuel	Chairman of the board of directors	2016	2019
Caisse Centrale du Crédit Mutuel	Chairman of the board of directors	2016	2024
Fédération du Crédit Mutuel Centre Est Europe	Chairman of the board of directors	2016	2020
Caisse Fédérale de Crédit Mutuel	Chairman of the board of directors	2014	2019
Banque Européenne du Crédit Mutuel	Chairman of the supervisory board	2014	2019
Crédit Industriel et Commercial	Chairman of the board of directors	2014	2019
Banque CIC Est	Chairman of the board of directors	2012	2019
Banque CIC Nord Ouest	Chairman of the board of directors	2017	2021
Groupe des Assurances du Crédit Mutuel	Chairman of the supervisory board	2016	2021
Assurances du Crédit Mutuel Vie SA	Chairman of the board of directors	2014	2023
Assurances du Crédit Mutuel Vie S.A.M.	Chairman of the board of directors	2014	2023
Assurances du Crédit Mutuel IARD	Chairman of the board of directors	2014	2023
ACM GIE	Director (representing Groupe des Assurances du Crédit Mutuel)	2015	2021
Euro-Information	Member of the management board (representing Fédération du Crédit Mutuel Centre Est Europe)	2017	2020
Caisse de Crédit Mutuel Strasbourg Vosges	Member of the board of directors	2014	2019
Previous offices held over the past five fiscal years			
Euro-Information	Member of the management board	2014	2017
Banque CIC Est	Chief executive officer	2012	2016
Groupe des Assurances du Crédit Mutuel	Chairman of the Executive board	2015	2016
Targobank Spain	Director	2011	2016
Fédération du Crédit Mutuel Centre Est Europe	Director (representing BECM)	2013	2016
Caisse Fédérale de Crédit Mutuel	Deputy chief executive officer	2011	2014
Banque Fédérative du Crédit Mutuel	Deputy chief executive officer	2011	2014
Groupe des Assurances du Crédit Mutuel	Deputy chief executive officer	2011	2014
Banque Publique d'Investissement	Director	2013	2014
ACM Iard SA	Director (representing GACM)	2013	2014
COFIDIS	Member of the supervisory board	2011	2015
COFIDIS Participations	Member of the supervisory board	2011	2015

Michel Vieux

Born April 12, 1951

Business address:

130-132 avenue Victor Hugo – 26009 Valence

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Vice Chairman of the board of directors**	2018	2020
Other offices			
Fédération du Crédit Mutuel Dauphiné-Vivarais	Chairman of the board of directors	1985	2021
Caisse régionale du Crédit Mutuel Dauphiné-Vivarais	Chairman of the board of directors	1999	2021
Caisse de Crédit Mutuel de Pierrelatte	Chairman of the board of directors	1982	2021
Caisse de Crédit Mutuel de la Vallée du Rhône	Chairman of the board of directors	2000	2021
Banque Européenne du Crédit Mutuel	Member of the supervisory board	2011	2020
Assurances du Crédit Mutuel Vie SAM	Director (representing CRCM Dauphiné-Vivarais)	2004	2023
Sud-Est Transactions Immobilières	Co-Managing Partner	2000	TBD
SEGI	Co-Managing Partner	2001	TBD
Caisse Centrale du Crédit Mutuel	Non-voting director	2005	
Confédération Nationale du Crédit Mutuel	Non-voting director	2012	
Caisse Fédérale de Crédit Mutuel	Non-voting director	2017	2020
Previous offices held over the past five fiscal years			
Caisse Fédérale de Crédit Mutuel	Director	2011	2017

Gérard Bontoux

Born March 7, 1950

Business address:

6 rue de la Tuilerie – 31130 Balma

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Director**	2009	2021
Other offices			
Fédération du Crédit Mutuel Midi-Atlantique	Chairman of the board of directors	1994	2020
Caisse régionale du Crédit Mutuel Midi-Atlantique	Chairman of the board of directors	1994	2020
Caisse de Crédit Mutuel Toulouse St Cyprien	Director	1996	2020
CIC Sud Ouest	Director (representing Marsovalor)	2009	2019
Caisse Fédérale de Crédit Mutuel	Vice Chairman of the board of directors	2017	2021
Banque Européenne du Crédit Mutuel	Member of the supervisory board	2009	2021
Assurances du Crédit Mutuel Vie SAM	Director (representing CRCM Midi-Atlantique)	2015	2021
Confédération Nationale du Crédit Mutuel	Director	2015	2022
Caisse Centrale du Crédit Mutuel	Director	2016	2022
Previous offices held over the past five fiscal years			
None			

Hervé Brochard

Born March 6, 1948

Business address:

17 rue du 11 Novembre – 14052 Caen

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Director**	2013	2020
Other offices			
Fédération du Crédit Mutuel de Normandie	Chairman of the board of directors (representing Caisse de Crédit Mutuel de Caen Écuyère)	2013	2019
Caisse de Crédit Mutuel de Caen Écuyère	Chairman of the board of directors	2010	2019
Caisse régionale de Crédit Mutuel de Normandie	Chairman of the board of directors	2013	2019
Banque Européenne du Crédit Mutuel	Member of the supervisory board	2013	2021
Centre International du Crédit Mutuel	Director (representing FCM Normandie)	2013	2021
Assurances du Crédit Mutuel Vie SAM	Director (representing CRCM Normandie)	2015	2021
Reygnier Distribution	Managing Partner	2000	TBD
Caisse Fédérale de Crédit Mutuel	Non-voting director	2017	2020
Previous offices held over the past five fiscal years			
Caisse Fédérale de Crédit Mutuel	Director	2013	2017

Jean-Marc Busnel

Born April 25, 1959

Business address:

43 boulevard Volney – 53083 Laval

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Director (representing Caisse Fédérale du Crédit Mutuel Maine-Anjou - Basse-Normandie)**	2018	2021
Other offices			
Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse-Normandie	Chairman of the board of directors	2018	2020
Fédération du Crédit Mutuel de Maine-Anjou et Basse-Normandie	Chairman of the board of directors	2018	2022
Caisse de Crédit Mutuel de Saint Hilaire du Harcouet	Chairman of the board of directors	2018	2019
Caisse de Crédit Mutuel Solidaire	Chairman of the board of directors	2018	2019
Association Créavenir – Crédit Mutuel	Chairman of the board of directors	2018	2022
Confédération Nationale du Crédit Mutuel	Director	2018	2019
Caisse Centrale du Crédit Mutuel	Director	2018	2020
ACM VIE-SAM	Director	2018	2021
ACM IARD	Director	2018	2023
Previous offices held over the past five fiscal years			
None			

Gérard Cormorèche

Born July 3, 1957

Business address:

8 rue Rhin et Danube – 69009 Lyon

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Director**	2001	2019
Other offices			
MTRL	Vice Chairman of the board of directors	2017	2021
Confédération Nationale du Crédit Mutuel	Vice Chairman of the board of directors	2016	2022
Fédération du Crédit Mutuel Agricole et Rural	Vice Chairman of the board of directors	2004	2021
Caisse Centrale du Crédit Mutuel	Vice Chairman of the board of directors	2016	2022
Assurances du Crédit Mutuel pour l'éducation et la prévention en santé	Vice Chairman of the board of directors	2017	2020
C.E.C.A.M.U.S.E	Chairman of the board of directors	1991	2024
Caisse de Crédit Mutuel Neuville-sur-Saône	Chairman of the board of directors	1993	2021
Fédération du Crédit Mutuel du Sud-Est	Chairman of the board of directors	1995	2019
Caisse de Crédit Mutuel du Sud-Est	Chairman of the board of directors	1995	2019
Caisse Agricole Crédit Mutuel (CACM)	Chairman of the board of directors	2004	2022
SCEA CORMORECHE Jean-Gérard	Managing Partner	2000	TBD
SARL CORMORECHE	Managing Partner	2015	TBD
Assurances du Crédit Mutuel Vie SAM	Director (representing CCM Sud-Est)	2010	2022
Caisse Fédérale de Crédit Mutuel	Director	1995	2019
Crédit Industriel et Commercial	Director	2011	2023
SICA d'habitat Rural du Rhône et de la Loire	Director	2013	
Previous offices held over the past five fiscal years			
None			

Jean-Louis Girodot

Born February 10, 1944

Business address:

18 rue de la Rochefoucauld – 75439 Paris

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Director**	2008	2020
Other offices			
Fédération des Caisses de Crédit Mutuel Île-de-France	Chairman of the board of directors	1995	2019
Caisse régionale du Crédit Mutuel Île-de-France	Chairman of the board of directors	1995	2019
Caisse de Crédit Mutuel de Paris Montmartre Grands Boulevards	Chairman of the board of directors	1980	2019
Euro-Information Production	Member of the supervisory board	1996	2022
Assurances du Crédit Mutuel Vie S.A.M.	Director (representing Caisse régionale du Crédit Mutuel Île-de-France)	2016	2022
Centre International du Crédit Mutuel	Director	2000	2019
Banque Fédérative du Crédit Mutuel	Director	2008	2020
Girodot Conseil	Managing Partner	2007	TBD
Previous offices held over the past five fiscal years			
Caisse Fédérale de Crédit Mutuel	Director	2003	2018
Confédération Nationale du Crédit Mutuel	Non-voting director	2016	2018
Caisse Centrale du Crédit Mutuel	Non-voting director	2016	2018

Étienne Grad

Born December 26, 1952

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Director**	2010	2019
Other offices			
Fédération du Crédit Mutuel Centre Est Europe	Vice Chairman of the board of directors	2010	2022
Caisse de Crédit Mutuel Cours de l'Andlau	Chairman of the board of directors	1992	2019
District des caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg	Chairman	2009	2022
SAS GRAD Étienne Conseil et Développement	Chairman	2011	TBD
Caisse Fédérale de Crédit Mutuel	Director	2018	2021
Previous offices held over the past five fiscal years			
None			

Damien Lievens

Born July 25, 1970

Business address:

105 faubourg Madeleine – 45920 Orléans

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Director**	2015	2020
Other offices			
Caisse de Crédit Mutuel de Brezolles	Vice Chairman of the board of directors	2007	2019
Caisse régionale de Crédit Mutuel du Centre	Chairman of the board of directors	2012	2021
Caisse de Crédit Mutuel Agricole du Centre	Chairman of the board of directors	2012	2019
Fédération du Crédit Mutuel du Centre	Chairman of the board of directors	2015	2021
Banque Européenne du Crédit Mutuel	Member of the supervisory board	2015	2020
Assurances du Crédit Mutuel Vie SAM	Director (representing CRCM Centre)	2015	2023
Fédération du Crédit Mutuel Agricole et Rural	Director	2015	
Caisse Agricole Crédit Mutuel (CACM)	Director	2015	2022
Confédération Nationale du Crédit Mutuel	Director	2017	2024
Caisse Centrale du Crédit Mutuel	Director	2017	2024
SCEA Lievens	Managing Partner	2013	TBD
Crédit Industriel et Commercial	Non-voting director	2015	2021
Caisse Fédérale de Crédit Mutuel	Non-voting director	2017	2020
Previous offices held over the past five fiscal years			
Caisse Fédérale de Crédit Mutuel	Vice Chairman of the board of directors	2015	2017

Albert Mayer

Born September 17, 1955

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Director**	2018	2022
Other offices			
PCA Caisse de Crédit Mutuel FREYMING HOMBOURGHAUT	Chairman of the board of directors	1993	2019
Expertise et audit comptable Albert Mayer SAS	Chairman of the board of directors	2003	TBD
District des caisses de Crédit Mutuel de Sarreguemines	Chairman	2018	2022
Secogem SARL	Managing Partner	2006	TBD
Pôle d'expertise comptable	Managing Partner	2007	TBD
Previous offices held over the past five fiscal years			
None			

Lucien Miara

Born January 17, 1949

Business address:

494 avenue du Prado – 13008 Marseille

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Director**	2015	2021
Other offices			
Fédération du Crédit Mutuel Méditerranéen	Chairman of the board of directors	2006	2022
Caisse régionale du Crédit Mutuel Méditerranéen	Chairman of the board of directors	2006	2022
Caisse de Crédit Mutuel de Villeneuve-Loubet	Chairman of the board of directors	2018	
Caisse de Crédit Mutuel Montpellier Alco	Chairman of the board of directors	2017	
Caisse de Crédit Mutuel Marseille Saint Loup	Chairman of the board of directors	2018	
Caisse de Crédit Mutuel Frontignan	Chairman of the board of directors	2018	
Caisse de Crédit Mutuel Marseille Prado	Chairman of the board of directors	2016	2020
Camefi	Chairman of the board of directors	2016	2020
Euro-Information Production	Member of the supervisory board	1997	2019
Centre International du Crédit Mutuel	Director (representing FCM Méditerranéen)	2014	2019
Assurances du Crédit Mutuel Vie SAM	Director (representing CRCM Méditerranéen)	2014	2023
Assurance du Crédit Mutuel Vie	Director (representing CRCM Méditerranéen)	2016	2022
Banque Marocaine du Commerce Extérieur	Director (representing BFCM)	2017	End of BFCM term of office
Confédération Nationale du Crédit Mutuel	Director	2014	2020
Caisse Fédérale de Crédit Mutuel	Director	2015	2021
Caisse Centrale du Crédit Mutuel	Director	2016	2020
Crédit Industriel et Commercial	Non-voting director	2014	2020
Previous offices held over the past five fiscal years			
None			

Daniel Rocipon

Born February 17, 1948

Business address:

99 avenue de Genève – 74054 Annecy

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Director**	2016	2021
Other offices			
Caisse régionale du Crédit Mutuel Savoie-Mont Blanc	Chairman of the board of directors	2011	2019
Fédération du Crédit Mutuel Savoie-Mont Blanc	Chairman of the board of directors	2015	2019
Caisse de Crédit Mutuel d'Albertville	Chairman of the board of directors	2011	2021
Les 3D	Managing Partner	2000	TBD
Assurances du Crédit Mutuel Vie SAM	Director (representing CRCM Savoie-Mont Blanc)	2016	2020
Centre International du Crédit Mutuel	Director	1900	2018
Caisse Fédérale de Crédit Mutuel	Director	2016	2021
Previous offices held over the past five fiscal years			
None			

René Schwartz

Born January 14, 1957

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Director**	2018	2021
Other offices			
Caisse de Crédit Mutuel du Nouveau Monde	Chairman of the board of directors	1992	2021
District des caisses de Crédit Mutuel de Mulhouse	Chairman	2018	2022
CARPA Mulhouse	Director	2009	TBD
Fédération du Crédit Mutuel Centre Est Europe	Director	2018	2022
Previous offices held over the past five fiscal years			
None			

Francis Singler

Born July 18, 1956

Business address:

4 rue Frédéric-Guillaume Raiffeisen 67000 Strasbourg

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Director**	2018	2021
Other offices			
Caisse de Crédit Mutuel Ried Centre Alsace (01359)	Chairman of the board of directors	2018	2024
District des caisses de Crédit Mutuel de Sélestat	Chairman	2018	2022
Euro-Information Production	Member of the supervisory board	2019	2021
Fédération du Crédit Mutuel Centre Est Europe	Director	2018	2022
Previous offices held over the past five fiscal years			
None			

Alain Têtedoie

Born May 16, 1954

Business address:

10 rue de Rieux – 44040 Nantes

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Director**	2007	2021
Other offices			
Banque Européenne du Crédit Mutuel	Vice Chairman of the supervisory board	2011	2020
La Fraiseraie	Representing Thalie Holding	2015	TBD
Centre de Conseil et de Service – CCS	Chairman of the supervisory board	2008	2024
Fédération du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest	Chairman of the board of directors	2009	2020
Caisse régionale du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest	Chairman of the board of directors	2010	2020
CM-CIC Immobilier	Chairman of the supervisory committee	2013	2019
Thalie Holding	Chairman	2014	TBD
GFA LA FRAISERAIE	Managing Partner	2015	TBD
Assurances du Crédit Mutuel Vie S.A.M.	Director (representing Caisse régionale de Crédit Mutuel Loire-Atlantique – Centre Ouest)	2015	2021
Caisse de Crédit Mutuel de Loire-Divatte	Director	2006	2022
Confédération Nationale du Crédit Mutuel	Director	2016	2022
Caisse Centrale du Crédit Mutuel	Director	2016	2022
Caisse Fédérale de Crédit Mutuel	Non-voting director	2017	2020
Previous offices held over the past five fiscal years			
Caisse Fédérale de Crédit Mutuel	Director	2011	2017
Banque CIC-Ouest	Director (representing EFSA)	2006	2018

Effective management

Daniel Baal

Born December 27, 1957

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Chief executive officer and effective manager**	2017	2020
Other offices			
Fédération Centre Est Europe	Chief executive officer	2017	2021
Caisse Fédérale de Crédit Mutuel	Chief executive officer	2017	2020
Crédit Industriel et Commercial	Chief executive officer	2017	2020
COFIDIS	Chairman of the supervisory board	2017	2021
COFIDIS Participations	Chairman of the supervisory board	2017	2021
Euro-Information Production	Chairman of the supervisory board	2017	2020
Targo Deutschland GmbH	Vice Chairman of the supervisory board	2017	2022
TARGOBANK AG	Vice Chairman of the supervisory board	2018	2022
GACM	Member of the Executive board	2017	2021
Banque de Luxembourg	Vice Chairman of the board of directors	2017	2023
Previous offices held over the past five fiscal years			
SAS Les Gâtines	Chairman	2010	2017
CIC Sud Ouest	Chairman of the board of directors	2016	2018
CIC Ouest (West)	Chairman of the board of directors	2017	2018
CIC Iberbanco	Chairman of the supervisory board	2015	2017
Targo Management AG (merged into TARGOBANK AG on May 9, 2018)	Vice Chairman of the supervisory board	2017	2018
Fivory SA	Member of the board of directors	2014	2017
Fivory SAS	Member of the board of directors	2015	2017
Euro-Information	Management board (permanent representative of CRCM IDF)		2017
Centre International du Crédit Mutuel	Director (representing CCCM)		2017

Alexandre Saada

Born September 5, 1965

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Banque Fédérative du Crédit Mutuel	**Deputy chief executive officer and effective manager**	2018	2021
Other offices			
Crédit Mutuel – CIC Home Loan SFH	Chairman of the board of directors	2017	2019
CIC Ouest (West)	Chairman of the board of directors	2018	2021
Opuntia (LUXE TV) SA	Director	2018	TBD
Banque de Tunisie	Director	2019	TBD
COFIDIS France	Non-voting director	2017	2021
COFIDIS Participations	Non-voting director	2017	2021
Previous offices held over the past five fiscal years			
None			

Delegations of authority in use

None.

2.2 CAISSE FÉDÉRALE DE CRÉDIT MUTUEL – CORPORATE GOVERNANCE REPORT

2.2.1 Composition of management bodies as of December 31, 2018

Board of directors

- Nicolas Théry, Chairman
- Gérard Bontoux, Vice Chairman
- Gérard Cormorèche
- Chantal Dubois
- Charles Gerber
- Étienne Grad
- Audrey Hammerer
- Véronique Hemberger
- Christine Leenders
- Mireille Lefebure
- Élia Martins
- Lucien Miara
- Laurence Miras
- Gérard Oliger
- Frédéric Ranchon
- Daniel Rocipon
- Agnès Rouxel
- Daniel Schoepf
- François Troillard
- Annie Virot

Non-voting directors

- Bernard Basse
- Hervé Brochard
- Jean-François Jouffray
- Damien Lievens
- Gérard Lindacher
- Jean-Louis Maître
- Jean-Paul Panzani
- Marc Prigent
- Alain Têtedoie
- Philippe Tuffreau
- Didier Vieilly
- Michel Vieux

Executive Management

- Daniel Baal, chief executive officer and effective manager
- Éric Petitgand, deputy chief executive officer and effective manager
- Frantz Rublé, deputy chief executive officer

Statutory auditors

- Ernst & Young et Autres
- PricewaterhouseCoopers France

Works Council representatives

- Régine Godot-Jacquot
- Damien Hild

2.2.2 Conditions of preparation and organization of the Board

The provisions of Article L.225-37 of the French Commercial Code state that the board of directors shall present a corporate governance report alongside the management report referred to in Article L.225-37-4 to the shareholders' meeting mentioned in the same article. However, the corresponding information may be presented within a specific section of the management report.

This report gives an account of the composition of the board and the application of the principle of balanced representation of women and men within it, the conditions of preparation and organization of its work, and any limitations that the board of directors may make to the powers of the chief executive officer.

Caisse Fédérale de Crédit Mutuel complies with the corporate governance regulations applicable to credit institutions. However, it does not adhere to the Afep-Medef Code which applies to the governance of listed companies and is not suited to its situation for a certain number of recommendations given the structure of its shareholding (100% owned by Crédit Mutuel group entities).

For that reason, it should be noted that the European Banking Authority issued internal governance guidelines on September 26, 2017 (EBA/GL/2017/11), with which the French Prudential Supervisory and Resolution Authority (ACPR) intends to comply fully. The European Banking Authority and the European Securities and Markets Authority also issued guidelines for the assessment of the fitness of members of the management body and holders of key positions on September 26, 2017 (EBA/GL/2017/12), with which the ACPR intends to comply partially, as stated in the notice published on June 4, 2018, an excerpt of which is reproduced below:

"Without prejudice to the powers of the European Central Bank, the ACPR intends to comply partially with the fitness assessment guidelines of September 26, 2017. The ACPR intends to comply with the guidelines, with the exception of provisions for assessment by the supervisory authority of the fitness of holders of key positions at each appointment or renewal.

The declaration of non-compliance applies to paragraphs 162 and 176 (transmission of results to the competent authority and documentation relating to internal assessment) and paragraphs 171 and 172 (assessment of the fitness of persons responsible for internal control functions and of the chief financial officer by the competent authority). This statement does not call into question the procedures already in place, which will continue to apply for the assessment of persons responsible for internal control at approval and in the event of a change of control.

In addition, the ACPR intends to apply the guidelines relating to attendance and the definition of independent members in the supervisory bodies with two reservations of interpretation:

- *formal independence is not an obligatory test of fitness under the regulations, which would be enforceable in the context of a review of an individual application. In French law, the implementation of the guidelines cannot therefore result in the rejection on this sole basis of an individual application for "fit and proper" reasons;*
- *mere non-compliance with one or more of the criteria listed in the guidelines (paragraph 91) does not disqualify a member from being defined as independent. These assumptions alone do not define independence and analysis of this attribute must also take into account other criteria, especially ones that might be developed by French companies pursuant to the French Commercial Code that could make it possible to achieve the same goal.*

Pursuant to paragraph 89 b) of the fitness assessment guidelines, the ACPR also intends not to require the attendance of independent members in CRD institutions wholly owned by a CRD institution and in CRD institutions that are of insignificant importance that are investment firms."

This corporate governance report explains how Caisse Fédérale du Crédit Mutuel has implemented these guidelines.

Preparation and organization of the work of the board

Composition of the board

Rules of operation of the board of directors

The workings of the board of directors are governed by Articles 14 to 18 of the Articles of Association and is supplemented by internal rules approved by the board of directors on February 20, 2019.

Composition of the board of directors

The company is administered by a board of directors comprised of no fewer than three and no more than 18 members elected for renewable three-year terms who may be natural persons or legal entities that represent members.

The board of directors also includes two directors representing employees, in accordance with Article L.225-27-1 of the French Commercial Code, who are elected for renewable three-year terms.

The board of directors may appoint non-voting directors for three-year terms. They participate in the deliberations of the board of directors in an advisory capacity. They may, by a decision of the majority of non-voting directors present or represented, request a second deliberation by the board.

Age limit

The individual age limit is set at 70 for directors and 75 for non-voting directors. When those ages are reached, terms of office shall end at the shareholders' meeting following the date of the birthday.

Cumulative validity with an employment contract

No director shall have an employment contract with the company and its controlled subsidiaries (with the exception of employee directors, who are not affected by the rules for combining a directorship with an employment contract).

Application of the principle of balanced representation of women and men on the board of directors

The Copé-Zimmermann Act (law No. 2011-103 of January 27, 2011, as amended in 2014 and in force as of January 1, 2017) is applicable to Caisse Fédérale de Crédit Mutuel and has been implemented by the appointment of 7 female directors in 2017 and 1 female director in 2018 during the ordinary shareholders' meeting of May 4, 2018.

As a result of these appointments the board consists of 40% female directors and 60% male directors.

The board can also count on the participation of one male director and one female director representing employees.

Director skills and training

Caisse Fédérale de Crédit Mutuel attaches great importance to the skills of its directors. To hold the position of director or non-voting director on Banque Fédérative du Crédit Mutuel's board of directors, each candidate must have experience as an elected member and as Chairman or Vice Chairman of the board of directors or supervisory board of a Crédit Mutuel local bank, participate in the bodies and work of his Crédit Mutuel district or federation, and take part in the training courses for elected members.

A special module for the training of directors has been put in place under the impetus of the Interfederal Committee for the Training of Elected Officials to consolidate the knowledge and skills of Caisse Fédérale du Crédit Mutuel voting and non-voting directors with regard to the regulatory skills required since the transposition into French law of the CRD 4 Directive.

Members of the regulatory committees also have access to specific training modules to strengthen the skills needed to perform the work of these committees.

Composition of the board of directors and independent directors

Caisse Fédérale de Crédit Mutuel has a board of directors made up of members elected by their peers at shareholders' meetings as members of the board of directors or supervisory board of the local bank. These elected members of local banks may subsequently be elected by their peers to Crédit Mutuel regional banks, districts and/or federations across the territory covered by Crédit Mutuel Alliance Fédérale.

These elected officials are subject to a number of cooperative principles and values specific to the Crédit Mutuel group, such as compliance with rules set out in a code of conduct: respect for values and regulations, respect for persons, the duty of good management, confidentiality, the duty of discretion, the independence of elected officials, and the prevention of conflicts of interest. As such, they perform their duties independently and with integrity and honesty.

The criteria on independence within the board of directors of Caisse Fédérale de Crédit Mutuel are set out in its internal rules.

Work of the board in 2018

The board of directors meets at least three times a year according to a pre-established schedule.

Each item on the agenda has its own separate file or presentation, depending on its size, to more fully inform the members of the board. The minutes give a detailed record of deliberations, decisions and votes.

In 2018, the board of directors met five times. The meeting attendance rate ranged from 80% to 95% (89% on average) for directors, and between 78% and 89% (83% on average) for directors and non-voting directors.

Meeting of February 21, 2018

The board meeting of February 21, 2018 was devoted mainly to the examination and approval of the financial statements and to the preparation of the ordinary and extraordinary general meetings held on May 4. The board adopted guidelines to define the position of Crédit Mutuel CM11 Group representatives on the matters discussed by the board of directors of Confédération Nationale du Crédit Mutuel. The board also approved the brand architecture and the new name of the Crédit Mutuel CM11 Group becoming Crédit Mutuel Alliance Fédérale. After it heard the report of the group auditing and accounting committee of February 16, 2018, the board reviewed the 2017 financial statements, heard the conclusions of the statutory auditors and reviewed control and monitoring activities. It reviewed action items and approved the limits and thresholds for risk management. It took note of the reports of the regulatory committees and of the presentation of the annual internal control report and points of contact with supervisors. The board approved the group's preventive recovery plan, along with the set of rules relating to the group's market and central treasury activities.

Following a favorable opinion from the remuneration committee, the board approved the corporate governance report and the collective evaluation of the board and approved the procedure for identifying potential future executives and the fit and proper procedure on reappointment. Following a favorable opinion from the remuneration committee, the board also approved the renumeration policy, the amendments to its internal rules and the remuneration of identified individuals. The board approved the reappointment of Gérard Bontoux, Jean-Paul Adenot, Jean-Louis Boisson, Charles Gerber, Jacques Humbert, Lucien Miara and Daniel Rocipon, and proposed the appointment of Élia Martins to replace Jean-Louis Girodot. The board also approved the reappointment of Jean-Louis Maître, Marc Prigent and Didier Vieilly as non-voting directors. The board approved the appointment on behalf of the group and Caisse Fédérale de Crédit Mutuel of a cooperative auditor and the delegation to each federation of the role and mission of monitoring the cooperative audit on behalf of its local banks. It took note that there were no regulated agreements. Five new Crédit Mutuel local banks became members.

Meeting of June 27, 2018

At its meeting of June 27, 2018, the board of directors of Caisse Fédérale du Crédit Mutuel unanimously approved the principle of convergence of Crédit Mutuel Massif Central to Caisse Fédérale de Crédit Mutuel, and convened an extraordinary shareholders' meeting on September 20, 2018 to approve the corresponding amendments to the Articles of Association.

Meeting of July 26, 2018

On July 26, 2018, the board of directors approved the group consolidated financial statements for the first half of 2018, after reviewing the opinion of the auditing and accounting committee of July 25 and hearing input from the statutory auditors. The board reviewed the activity of the past six months and updated the asset/liability management limits and approved the amendment of the commitment guidelines and financial regulation, as well as the increase in the ceiling for the Crédit Mutuel-CIC Home Loan SFH secured bond issue. The risk appetite framework, ICAAP report and ILAAP procedures were approved. An update was given on relationships with supervisors. The board took note of the reports of the regulatory committees and decided to grant an additional incentive corresponding to 1.6653% of payroll in addition to the rate calculated in the incentive agreement signed on June 19, 2015. Two new Crédit Mutuel local banks became members.

Meeting of November 16, 2018

At its meeting on November 16, 2018, the board of directors reviewed the third quarter 2018 situation and the budget. The board reviewed the reports of the group auditing and accounting committee, the group risk monitoring committee, the appointments committee and the remuneration committee. The interest rate risk limits at the end of September were approved. An exemption was granted to Factofrance for the declaration of prudential requirements. An update was given on relationships with supervisors. A commitment policy for fragile or vulnerable customers was adopted. The board took note of the recommendation and work in the process of being finalized in order to adopt internal rules. In addition, in connection with Pierre Eckly's retirement, the board appointed Michel Guillemin as Group Inspector General and approved the procedure for appointing inspector generals in Crédit Mutuel federations and in CIC regional banks. Two new Crédit Mutuel local banks became members.

Meeting of December 6, 2018

At the board meeting of December 6, 2018, as a result of the age limits and following the district elections at Fédération du Crédit Mutuel Centre Est Europe, the terms of office of Marie-José Neyer and Jean-Paul Adenot, Jean-Louis Boisson, André Gerwig and Jacques Humbert were terminated.

Following a favorable opinion from the remuneration committee which met on December 4, 2018, the board decided to co-opt Véronique Hemberger and Étienne Grad, Gérard Oliger, Daniel Schoepf and Frédéric Ranchon. The composition of regulatory committees was also reviewed following these appointments (see composition of committees).

Executive Management

Composition and prerogatives

In accordance with Article L.511-13 para. 2 of the French Monetary and Financial Code, banking regulations require the separation of the functions of Chairman of the supervisory body and effective manager of the institution. The effective management of the institution is assumed by at least two people. The effective management enjoys all powers attached to it by banking and financial laws and regulations, both internally and with respect to third parties.

Composition of Executive Management

The Executive Management of Caisse Fédérale de Crédit Mutuel is composed of:

- Daniel Baal, chief executive officer and effective manager;
- Éric Petitgand, deputy chief executive officer and effective manager;
- Frantz Rublé, deputy chief executive officer.

Prerogatives of Executive Management

The board meetings of July 29, 2016 and April 6, 2017 did not limit the powers of the two effective managers as defined by law and our articles of association and internal rules.

Internal committees

The provisions which define the composition, functioning, regulatory framework and duties of the regulatory committees of Crédit Mutuel Alliance Fédérale are set out in the internal rules of the board of directors adopted by the board of directors on February 20, 2019.

Composition of the group's remuneration committee

Following the decisions of the board of directors of Caisse Fédérale de Crédit Mutuel on December 6, 2018, this committee is composed of a Chairman and four members, appointed by the board of directors, for the term of their directorship with Caisse Fédérale de Crédit Mutuel and two associate members appointed for the term of their directorship with their Federation.

- Chairman: Gérard Bontoux
- Members: Christine Leenders, Gérard Oliger, François Troillard (employee director), Annie Virot
- Associate member: Jean-François Jouffray

Composition of the group's appointments committee

Following the decisions of the board of directors of Caisse Fédérale de Crédit Mutuel on December 6, 2018, this committee is composed of a Chairman and three members, appointed by the board of directors, for the term of their directorship with Caisse Fédérale de Crédit Mutuel and two associate members appointed for the term of their directorship with their Federation.

- Chairman: Gérard Oliger
- Members: Gérard Bontoux, Laurence Miras, Agnès Rouxel
- Associate members: Mireille Gavillon, Jean-François Jouffray

Composition of the group's auditing and accounting committee

Following the decisions of the board of directors of Caisse Fédérale de Crédit Mutuel on December 6, 2018, this committee is composed of a Chairman and four members, appointed by the board of directors, for the term of their directorship with Caisse Fédérale de Crédit Mutuel and two associate members appointed for the term of their directorship with their Federation.

- Chairman: Jean-François Jouffray
- Members: Gérard Cormorèche, Charles Gerber, Étienne Grad, Véronique Hemberger
- Associate members: Jean-Pierre Bertin, Didier Belloir, Christian Fouchard, Patrice Garrigues, Damien Lievens, Yves Magnin, Patrick Morel, Jean-François Parra, Francis Pernet, Alain Pupel, René Schwartz

Composition of the group's risk monitoring committee

Following the decisions of the board of directors of Caisse Fédérale de Crédit Mutuel on December 6, 2018, this committee is composed of a Chairman and four members, appointed by the board of directors, for the term of their directorship with Caisse Fédérale de Crédit Mutuel and two associate members appointed for the term of their directorship with their Federation.

- Chairman: Daniel Schoepf
- Members: Gérard Bontoux, Christine Leenders, Daniel Rocipon, Nicolas Théry
- Associate members: Gilles Berrée, Bernard Basse, Hubert Chauvin, Jean-François Jouffray, Benoît Laurent, Claude Levêque, Jean-Paul Panzani, Michel Vieux

Code of conduct

The Crédit Mutuel Alliance Fédérale code of conduct was approved by the board of directors at its meeting on March 7, 2008.

This registration document, which includes all regulatory provisions relating to conduct, reiterates the principles that must be obeyed by each entity and employee of the group in the exercise of their activities. It is part of the group's overall objectives in terms of quality of customer service, integrity and rigor in the processing of transactions and compliance with regulations. It is intended to serve as a reference in this area and to be adopted by the various entities.

Compliance with rules of ethics applies not only to employees in the context of their duties, but also to the entity to which they belong. That entity must apply the principles set forth above, which refer to values subscribed to by all of Crédit Mutuel Alliance Fédérale.

This code is supplemented by anticorruption provisions and two specific texts on the security of information systems and the fight against violence and harassment at work.

The code of conduct is available from the group General Secretariat.

Persons possessing inside information are regularly reminded of their obligations and the rules applicable to them.

Ethics and compliance committee

An ethics and compliance committee was created collectively by the Chambre Syndicale on April 13-14, 2007 to review the implementation of the code of conduct by the group bodies of the banks affiliated with Caisse Fédérale de Crédit Mutuel.

It has 22 members appointed by the Chambre Interfédérale on the principle of one elected member and one staff representative per Group federation:

- 11 elected members, proposed by the board of directors of their home federation from among the elected members of that federation who participate in the Chambre Interfédérale;
- 11 staff representatives, proposed by the Works Council of their home federation from among the representatives who participate in the Chambre Interfédérale.

The director of Group Human Resources, the group General Secretariat, the Inspector General, the heads of compliance and the heads of elected member relations at the federations contribute to the committee's work in an advisory capacity.

The committee is chaired by an elected member with a seat on the Chambre. He or she represents the member banks and is proposed by the board of directors of Fédération du Crédit Mutuel Centre Est Europe.

Principles and rules of remuneration of identified individuals (Articles L.511-71 *et seq.* of the French Monetary and Financial Code)

The remuneration policy of the Crédit Mutuel Alliance Fédéral Group, a group that belongs to its customers and members, is designed primarily to be sound and responsible and gives priority to aligning the interests of the group with those of its employees and to protecting the interests of its members and customers. It therefore takes its duty to advise very seriously.

Crédit Mutuel Alliance Fédérale believes that a Company's remuneration policy is an important aspect of consistency in its strategy and risk management. Against this backdrop, Crédit Mutuel Alliance Fédérale has remained true to its mutualist values and has defined a policy whose principles are in accordance with regulatory requirements and with industry practices, with the aim of:

- ensuring consistency between employee behavior and the group's long-term objectives, in particular with respect to developing risk management control;

- promoting career advancement through internal training and encouraging employees' longterm commitment;
- ensuring fair pay for work and retaining talented employees by offering them appropriate compensation that takes into consideration the competitive environment and is based on their level of seniority, expertise and professional experience;
- ensuring equal pay for men and women, based on classification, and more broadly fighting all forms of discrimination;
- making sure that shareholders' equity is regularly strengthened.

The remuneration policy builds on the Crédit Mutuel Alliance Fédérale risk appetite framework, which states that the remuneration of Group employees must not encourage excessive risk-taking and aims to avoid all conflicts of interest.

In that context, the overall remuneration policy therefore does not encourage risk-taking in excess of the level of risk defined by Crédit Mutuel Alliance Fédérale. It is guided by the principles of restraint and prudence implemented by Crédit Mutuel Alliance Fédérale, including for risk-takers.

Variable remuneration is strictly limited to a few business lines and functions and is not an incentive for employees to take risks that would not be in line with the guidelines from executive management and the board of directors, in particular for those employees whose activities are likely to have a significant impact on the institution's risk exposure.

The board of directors of Caisse Fédérale de Crédit Mutuel approved the Crédit Mutuel Alliance Fédérale remuneration policy, including the overall remuneration policy for staff whose professional activities are likely to have a significant impact on the institution's risk profile.

This general policy takes account of Article 104 of the Decree of November 3, 2014, Articles L.511-89 *et seq.* of the French Monetary and Financial Code, and Commission Delegated Regulation (EU) No. 604/2014 of March 4, 2014, which sets out the appropriate qualitative and quantitative criteria for identifying these categories of staff.

The latest version of the remuneration policy for risk-takers was approved by the board of directors on February 20, 2019.

In view of the cooperative structure and values in effect within Crédit Mutuel Alliance Fédérale, directors work on a voluntary basis and are entitled only to the reimbursement of expenses incurred in connection with their duties.

For all persons at Crédit Mutuel Alliance Fédérale who meet the above criteria, i.e. 432 individuals, the overall amount of remuneration for 2018 as set out in the aforementioned Article L.511-73 was €91,750,000.

A preference for fixed remuneration, with variable remuneration strictly limited to a few specialized activities

Crédit Mutuel Alliance Fédérale has decided to prioritize fixed remuneration in keeping with its mutualist values and its responsibilities toward its customers and members. It incorporates its constant concern for sustainable development and employee career advancement into its policy.

For most Group employees, in particular all those who work for the networks, the group has decided[1] to not set individual targets for customer sales that might generate variable remuneration.

Generally speaking, the components of additional compensation (benefits in kind, variable remuneration, etc.) are subject to restrictions and concern only specific situations in certain business lines or functions when justified by particular considerations. The variable remuneration practices for the group's specialized businesses are therefore generally consistent with those of other banking groups: trading floor, specialized financing, asset management, private equity, private banking and consumer credit.

A Group remuneration policy for Crédit Mutuel Alliance Fédérale in 2018

At its meeting of February 21, 2018, the board of directors of Caisse Fédérale de Crédit Mutuel approved the integration into its scope, as of fiscal year 2018, of the entities covered by the AIFM and UCITS V directives as well as those subject to the Solvency II directive.

Article L.511-91 of the French Monetary and Financial Code, established by Article 3 of Order No. 2014-158 of February 20, 2014, states that when a credit institution is part of a group subject to supervision by the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) on a consolidated basis, the board of directors of such institution may decide that the functions assigned to the regulatory committees (risk, appointments, remuneration) be performed by the committee of the credit institution at which level supervision is exercised on a consolidated or sub-consolidated basis.

Within Crédit Mutuel Alliance Fédérale, all boards of directors of Group entities – regardless of their activities and the applicable regulations, in France and abroad – delegate their remuneration authority to the "umbrella" committee (Caisse Fédérale de Crédit Mutuel). This includes the federations and regional banks (which "control" the Caisse Fédérale), the consumer credit activity, the asset management activity and the insurance entities (which are in the consolidated accounting scope), the private equity, services and/or IT activities, the group's economic interest groups and the international private banking and subsidiary activities (including Banque Transatlantique, Banque de Luxembourg, CIC Suisse, TARGOBANK in Germany and TARGOBANK in Spain).

The scope therefore goes beyond just the regulatory monitoring scope of the banking activity.

The boards of directors' delegations of authority take effect at the beginning of 2018 and the group's entities' regulatory committees, with the exception of the "umbrella" committee of Caisse Fédérale de Crédit Mutuel, will be eliminated. The "umbrella" committee reports on its work to the board of directors of Caisse Fédérale de Crédit Mutuel, and to the boards of directors of Group entities for the information that is relevant to them.

Principles for determining the remuneration granted to corporate officers

Non-executive corporate officers, i.e., all directors other than the Chairman of the board of directors, including the non-voting directors, receive no remuneration. Starting in 2019, they are subject to the provisions of the charter governing the exercise of office of members of the board of Caisse Fédérale de Crédit Mutuel.

The officers concerned are the Chairman of the board and the chief executive officer.

(1) *With some exceptions abroad.*

Chairman of the board of directors

The employment contract between the Chairman of the board of directors and Banque Fédérative du Crédit Mutuel has been suspended since November 14, 2014 and contract between it and the chief executive officer has been suspended since June 1, 2017.

On December 11, 2014, the CIC board of directors decided moreover specifies, on a proposal from the remuneration committee, to award Nicolas Théry an annual indemnity of €250,000 as compensation for his term of office as Chairman of the board of directors. It also decided to create for Nicolas Théry severance pay equivalent to one year of corporate officer compensation for his term of office as Chairman of the board of directors. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. This agreement, which concerns the termination indemnity, was submitted to the approval of the CIC shareholders' meeting of May 27, 2015, following a special report by the statutory auditors.

On February 26, 2015, the board of directors of Banque Fédérative du Crédit Mutuel decided, on a proposal from the remuneration committee, to maintain the current amount of compensation of Nicolas Théry at Banque Fédérative de Crédit Mutuel (gross annual indemnity of €450,000), but effective December 1, 2014, compensate the corporate office of Chairman of the board of directors. It also decided to set up an unemployment insurance policy specific to corporate officers with effect from December 1, 2014.

In addition, the board of directors set a one-year indemnity for corporate officers calculated on the basis of the average of the last twelve months preceding the end of their term of office, and such termination benefits shall be paid to Nicolas Théry. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. To that end, it should be noted that Nicolas Théry has been an employee of the group since September 1, 2009 and that his employment contract was suspended with effect from November 14, 2014. Nicolas Théry is, in his capacity as an employee, subject to the supplementary pension regulations of January 1, 2008. Consequently, the remuneration committee has proposed that these pension regulations be applied for compensation to Nicolas Théry in his capacity as Chairman of the board, under the same conditions as for all group employees. As part of the reform of the CM11 Retraite supplementary pension plan, and pursuant to the amendment to the pension agreement, €25,509.78 in gross salary remuneration has been allocated to Nicolas Théry since January 1, 2017.

This agreement concerning severance pay and retirement benefits was submitted to the approval of the Banque Fédérative du Crédit Mutuel shareholders' meeting of May 13, 2015, following the special report of the statutory auditor.

On February 20, 2019, the board of directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to set the gross annual fixed remuneration of Nicolas Théry at €880,000, as Chairman of the board of directors from June 1, 2019. The board based its decision on the fact that Caisse Fédérale de Crédit Mutuel represents the parent company within Crédit Mutuel Alliance Fédérale, performs the main support duties and coordinates the group's main subsidiaries with Banque Fédérative du Crédit Mutuel and CIC, and is supervised directly by the European Central Bank. The board also based its decision on the fact that the other terms and duties of the Chairman of the board of directors within the entities of Crédit Mutuel Alliance Fédérale will be performed on a voluntary basis from that date.

The same board of directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to grant termination benefits equivalent to two year's gross salary, subject to achievement of the performance condition set by the remuneration committee. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. This agreement, which concerns the termination benefits, is subject to the approval of the Caisse Fédérale du Crédit Mutuel shareholders' meeting in 2020, following a special report by the statutory auditors.

As a corporate officer, Nicolas Théry is also covered by a supplementary pension plan and a complementary pension plan under the same conditions applicable to all company employees.

The decision of the board of directors takes into account that Nicolas Théry is Chairman of the board of directors of Caisse Fédérale de Crédit Mutuel and that his employment contract with Banque Fédérative du Crédit Mutuel is suspended during this term of office. All of Nicolas Théry's other terms and duties are performed on a voluntary basis: the commitments made to CIC and Banque Fédérative du Crédit Mutuel shall end on June 1, 2019.

The chief executive officer

In addition, on April 6, 2017, the board of directors of Banque Fédérative du Crédit Mutuel decided, on a proposal from the remuneration committee, to set the gross annual fixed compensation of Daniel Baal at €700,000, in addition to compensation under Article 39 relating to the supplementary pension of €9,505.68 annually, pension plan contributions of €4,474.80 annually, health expenses of €3,595.80 annually and benefits in kind (company car) of €3,880.56 annually. It also decided to create for Daniel Baal a termination indemnity equal to one year's gross salary, calculated on the basis of the average of the last twelve months preceding the end of his term of office. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. This agreement, which concerns the termination indemnity, was submitted to the approval of the Banque Fédérative du Crédit Mutuel shareholders' meeting of May 3, 2017, following a special report by the statutory auditors.

On February 20, 2019, the board of directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to set the gross annual fixed remuneration of Daniel Baal at €880,000, as chief executive officer from June 1, 2019. The board based its decision on the fact that Caisse Fédérale de Crédit Mutuel represents the parent company within Crédit Mutuel Alliance Fédérale, performs the main support duties and coordinates the group's main subsidiaries with Banque Fédérative du Crédit Mutuel and CIC, and is supervised directly by the European Central Bank. The board also based its decision on the fact that the other terms and duties of the chief executive officer within the entities of Crédit Mutuel Alliance Fédérale will be performed on a voluntary basis from that date.

The same board of directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to grant termination benefits equivalent to two year's gross salary, subject to achievement of the performance condition set by the remuneration committee. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office.

For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. This agreement, which concerns the termination benefits, is subject to the approval of the Caisse Fédérale du Crédit Mutuel shareholders' meeting in 2020, following a special report by the statutory auditors.

As a corporate officer, Nicolas Théry is also covered by a supplementary pension plan and a complementary pension plan under the same conditions applicable to all company employees.

The decision of the board of directors takes into account that Daniel Baal is chief executive officer of Caisse Fédérale de Crédit Mutuel and that his employment contract with Banque Fédérative du Crédit Mutuel is suspended during this term of office. All of Daniel Baal's other terms and duties are performed on a voluntary basis: the commitments made to Banque Fédérative du Crédit Mutuel shall end on June 1, 2019.

Common provisions

The compensation received by the group's key executives is detailed in the tables below.

The group's key executives also benefited from the group retirement savings plans and supplementary pension plan during the fiscal year.

On the other hand, the group's key executives did not enjoy any other specific benefits.

No capital securities or securities giving access to capital or the right to acquire capital securities of Banque Fédérative du Crédit Mutuel or the CIC was allocated to them. In addition, they do not receive attendance fees because of their office, whether in the group companies or in other companies, but because of their functions within the group.

The group's key executives may also hold assets or loans in banks of the group, under the conditions offered to all employees. As of December 31, 2018, they do not hold any loans of this nature.

COMPENSATION RECEIVED BY THE GROUP'S KEY EXECUTIVES FROM JANUARY 1 TO DECEMBER 31, 2018

Amounts in €[1]	Origin	Fixed portion	Variable portion[2]	Benefits in kind[3]	Employer contributions for supplementary benefits	Total
2018						
Nicolas Théry	Crédit Mutuel	475,510		11,531	11,649	498,690
	CIC	250,000			1,189	251,189
Daniel Baal	Crédit Mutuel	709,506		3,881	9,262	722,649
2017						
Nicolas Théry	Crédit Mutuel	475,510		11,393	11,298	498,201
	CIC	250,000			1,059	251,059
Alain Fradin						
BFCM until 05/31/2017	Crédit Mutuel	1,133,333*		2,113	3,678	1,139,124
CFdeCM from 06/01/2017 to 06/30/2018	Crédit Mutuel	250,268**		423	736	251,427
Daniel Baal						
CFdeCM until 05/31/2017	Crédit Mutuel	523,595***		1,617	3,678	528,890
BFCM starting 06/01/2017	Crédit Mutuel	413,878		2,264	2,264	421,291
2016						
Nicolas Théry	Crédit Mutuel	450,000		11,226	6,406	467,632
	CIC	250,000				250,000
Alain Fradin	Crédit Mutuel	800,000		5,072	8,688	813,760
2015						
Nicolas Théry	Crédit Mutuel	450,000		11,286	6,733	468,019
	CIC	250,000				250,000
Alain Fradin	Crédit Mutuel	800,000		4,845	8,559	813,404

(1) These are gross amounts corresponding to amounts paid during the year.

(2) Any variable portion paid to the chief executive officer would be decided by the remuneration committee of Caisse Fédérale de Crédit Mutuel following the shareholders' meeting that approves the financial statements for the previous fiscal year for which it was paid. The variable portion paid in N would therefore be for Year N-1.

(3) Company cars and/or senior executive insurance policy (GSC).

* *Including end-of-term allowance of €800,000.*

* *Including severance pay of €203,212.*

*** *Including paid time off and time savings account.*

2.2.3. List of terms of office held and functions exercised by corporate officers during fiscal year 2018 pursuant to Article L.225-37-4 of the French Commercial Code

Nicolas Théry

Born December 22, 1965

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Chairman of the board of directors**	2014	2019
Other offices			
Confédération Nationale du Crédit Mutuel	Chairman of the board of directors	2016	2019
Caisse Centrale du Crédit Mutuel	Chairman of the board of directors	2016	2024
Fédération du Crédit Mutuel Centre Est Europe	Chairman of the board of directors	2016	2020
Banque Fédérative du Crédit Mutuel	Chairman of the board of directors	2014	2020
Banque Européenne du Crédit Mutuel	Chairman of the supervisory board	2014	2019
Crédit Industriel et Commercial	Chairman of the board of directors	2014	2019
Banque CIC Est	Chairman of the board of directors	2012	2019
Banque CIC Nord Ouest	Chairman of the board of directors	2017	2021
Groupe des Assurances du Crédit Mutuel	Chairman of the supervisory board	2016	2021
Assurances du Crédit Mutuel Vie SA	Chairman of the board of directors	2014	2023
Assurances du Crédit Mutuel Vie S.A.M.	Chairman of the board of directors	2014	2023
Assurances du Crédit Mutuel IARD	Chairman of the board of directors	2014	2023
ACM GIE	Director (representing Groupe des Assurances du Crédit Mutuel)	2015	2021
Euro-Information	Member of the management board (representing Fédération du Crédit Mutuel Centre Est Europe)	2017	2020
Caisse de Crédit Mutuel Strasbourg Vosges	Member of the board of directors	2014	2019
Previous offices held over the past five fiscal years			
Euro-Information	Member of the management board	2014	2017
Banque CIC Est	Chief executive officer	2012	2016
Groupe des Assurances du Crédit Mutuel	Chairman of the Executive board	2015	2016
TARGOBANK Spain	Director	2011	2016
Fédération du Crédit Mutuel Centre Est Europe	Director (representing BECM)	2013	2016
Caisse Fédérale de Crédit Mutuel	Deputy chief executive officer	2011	2014
Banque Fédérative du Crédit Mutuel	Deputy chief executive officer	2011	2014
Groupe des Assurances du Crédit Mutuel	Deputy chief executive officer	2011	2014
Banque Publique d'Investissement	Director	2013	2014
ACM Iard SA	Director (representing GACM)	2013	2014
COFIDIS	Member of the supervisory board	2011	2015
COFIDIS Participations	Member of the supervisory board	2011	2015

Gérard Bontoux

Born March 7, 1950

Business address:

6 rue de la Tuilerie – 31130 Balma

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Vice Chairman of the board of directors**	2017	2021
Other offices			
Fédération du Crédit Mutuel Midi-Atlantique	Chairman of the board of directors	1994	2020
Caisse régionale du Crédit Mutuel Midi-Atlantique	Chairman of the board of directors	1994	2020
Caisse de Crédit Mutuel Toulouse St Cyprien	Director	1996	2020
CIC Sud-Ouest	Director (representing Marsovalor)	2009	2019
Banque Fédérative du Crédit Mutuel	Director	2009	2021
Banque Européenne du Crédit Mutuel	Member of the supervisory board	2009	2021
Assurances du Crédit Mutuel Vie SAM	Director (representing CRCM Midi-Atlantique)	2015	2021
Confédération Nationale du Crédit Mutuel	Director	2015	2022
Caisse Centrale du Crédit Mutuel	Director	2016	2022
Previous offices held over the past five fiscal years			
None			

Gérard Cormorèche

Born July 3, 1957

Business address:

8 rue Rhin et Danube – 69009 Lyon

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	1995	2019
Other offices			
Fédération du Crédit Mutuel du Sud-Est	Chairman of the board of directors	1995	2019
Caisse de Crédit Mutuel du Sud-Est	Chairman of the board of directors	1995	2019
Caisse Agricole Crédit Mutuel (CACM)	Chairman of the board of directors	2004	2022
C.E.C.A.M.U.S.E	Chairman of the board of directors	1991	2024
Caisse de Crédit Mutuel Neuville-sur-Saône	Chairman of the board of directors	1993	2021
Confédération Nationale du Crédit Mutuel	Vice Chairman of the board of directors	2016	2022
Caisse Centrale du Crédit Mutuel	Vice Chairman of the board of directors	2016	2022
MTRL	Vice Chairman of the board of directors	2017	2021
Assurances du Crédit Mutuel pour l'éducation et la prévention en santé	Vice Chairman of the board of directors	2017	2020
Fédération du Crédit Mutuel Agricole et Rural	Vice Chairman of the board of directors	2004	2021
Banque Fédérative du Crédit Mutuel	Director	2001	2019
Assurances du Crédit Mutuel Vie SAM	Director (representing CCM Sud-Est)	2010	2022
Crédit Industriel et Commercial	Director	2011	2023
SICA d'habitat Rural du Rhône et de la Loire	Director	2013	TBD
SCEA CORMORECHE Jean-Gérard	Managing Partner	2000	TBD
SARL CORMORECHE	Managing Partner	2015	TBD
Previous offices held over the past five fiscal years			
None			

Chantal Dubois

Born October 8, 1952

Business address:

10 rue de Rieux – 44040 Nantes

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2017	2020
Other offices			
Caisse de Crédit Mutuel de Limoges Centre	Vice Chairwoman of the board of directors	1985	2019
Fondation du Crédit Mutuel Loire-Atlantique – Centre Ouest	Chairman	2013	2019
DOM'AULIM ESH	Director (representing CRCM Loire-Atlantique Centre Ouest)	2012	
Caisse régionale du Crédit Mutuel Loire-Atlantique – Centre Ouest	Director	2010	2020
Fédération du Crédit Mutuel Loire-Atlantique – Centre Ouest	Director	2010	2020
Previous offices held over the past five fiscal years			
None			

Charles Gerber

Born June 3, 1954

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	1999	2021
Other offices			
Caisse de Crédit Mutuel de la Largue	Chairman of the board of directors	2012	2021
District des caisses de Crédit Mutuel d'Altkirch-St Louis	Chairman	1999	2022
Fédération du Crédit Mutuel Centre Est Europe	Director	2002	2022
Previous offices held over the past five fiscal years			
None			

Étienne Grad

Born December 26, 1952

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2018	2021
Other offices			
Fédération du Crédit Mutuel Centre Est Europe	Vice Chairman of the board of directors	2010	2022
Caisse de Crédit Mutuel Cours de l'Andlau	Chairman of the board of directors	1992	2019
District des caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg	Chairman	2009	2022
SAS GRAD Étienne Conseil et Développement	Chairman	2011	TBD
Banque Fédérative du Crédit Mutuel	Director	2010	2019
Previous offices held over the past five fiscal years			
None			

Audrey Hammerer

Born January 8, 1978

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2016	2019
Other offices			
None			
Previous offices held over the past five fiscal years			
None			

Véronique Hemberger

Born December 24, 1951

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2018	2021
Other offices			
CME 67	Chairman	2014	2022
UNCME	Chairman	2017	
District des caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg	Member of the District de la CUS	2018	2022
Fédération du Crédit Mutuel Centre Est Europe	Director (representing BFCM)	2018	2022
Previous offices held over the past five fiscal years			
None			

Christine Leenders

Born February 21, 1956

Business address:

1 place Molière – 49000 Angers

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2017	2020
Other offices			
Caisse de Crédit Mutuel de Durtal-Seiches sur le Loir	Chairwoman of the board of directors	2003	2019
Le pied à l'étrier	Chairman	2014	TBD
Écurie le mors aux dents	Chairman	2017	TBD
Les Landes	Managing Partner	2014	TBD
Fédération du Crédit Mutuel Anjou	Director	2010	2020
Caisse régionale du Crédit Mutuel d'Anjou	Director	2010	2020
Caisse de Crédit Mutuel Agricole et Rural de l'Anjou	Director	2006	2021
Previous offices held over the past five fiscal years			
None			

Mireille Lefebure

Born October 27, 1952

Business address:

105 faubourg Madeleine – 45920 Orléans

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2017	2020
Other offices			
Caisse de Crédit Mutuel Tours Halles	Chairwoman of the board of directors	2014	2019
Fédération du Crédit Mutuel du Centre	Director	2017	2021
Previous offices held over the past five fiscal years			
None			

Élia Martins

Born June 4, 1970

Business address:

18 rue de la Rochefoucauld – 75009 Paris

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2018	2021
Other offices			
Caisse de Crédit Mutuel Paris 8 Europe	Chairwoman of the board of directors	2013	2020
Fédération du Crédit Mutuel Île-de-France	Director	2017	2020
Caisse régionale du Crédit Mutuel Île-de-France	Director	2017	2020
Previous offices held over the past five fiscal years			
None			

Lucien Miara

Born January 17, 1949

Business address:

494 avenue du Prado – 13008 Marseille

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2015	2021
Other offices			
Fédération du Crédit Mutuel Méditerranéen	Chairman of the board of directors	2006	2022
Caisse régionale du Crédit Mutuel Méditerranéen	Chairman of the board of directors	2006	2022
Caisse de Crédit Mutuel de Villeneuve Loubet	Chairman of the board of directors	2018	
Caisse de Crédit Mutuel Montpellier Alco	Chairman of the board of directors	2017	
Caisse de Crédit Mutuel Marseille Saint Loup	Chairman of the board of directors	2018	
Caisse de Crédit Mutuel Frontignan	Chairman of the board of directors	2018	
Caisse de Crédit Mutuel Marseille Prado	Chairman of the board of directors	2016	2020
Camefi	Chairman of the board of directors	2016	2020
Euro-Information Production	Member of the supervisory board	1997	2019
Centre International du Crédit Mutuel	Director (representing FCM Méditerranéen)	2014	2019
Assurances du Crédit Mutuel Vie SAM	Director (representing CRCM Méditerranéen)	2014	2023
Assurance du Crédit Mutuel Vie	Director (representing CRCM Méditerranéen)	2016	2022
Banque Marocaine du Commerce Extérieur	Director (representing BFCM)	2017	End of BFCM term of office
Confédération Nationale du Crédit Mutuel	Director	2014	2020
Banque Fédérative du Crédit Mutuel	Director	2015	2021
Caisse Centrale du Crédit Mutuel	Director	2016	2020
Crédit Industriel et Commercial	Non-voting director	2014	2020
Previous offices held over the past five fiscal years			
None			

Laurence Miras

Born April 4, 1965

Business address:

130-132 avenue Victor Hugo – 26009 Valence

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2017	2020
Other offices			
Caisse de Crédit Mutuel Agriculture de Valréas	Chairwoman of the board of directors	2014	2021
Fédération du Crédit Mutuel Dauphiné-Vivarais	Director	2014	2020
Caisse régionale du Crédit Mutuel Méditerranéen	Director	2018	2023
Previous offices held over the past five fiscal years			
None			

Gérard Oliger

Born July 7, 1951

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2018	2019
Other offices			
Caisse de Crédit Mutuel du Pays de Bitche	Chairman of the board of directors	2014	2022
District des caisses de Crédit Mutuel du District de Sarreguemines	Chairman	2006	2022
Assurance du Crédit Mutuel Vie	Director (representing GACM)	2015	2023
Fédération du Crédit Mutuel Centre Est Europe	Director	2006	2022
Caisse Fédérale de Crédit Mutuel	Director	2018	2019
Previous offices held over the past five fiscal years			
None			

Frédéric Ranchon

Born June 22, 1966

Business address:

61 rue Blatin – 63000 Clermont-Ferrand

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2018	2021
Other offices			
Caisse régionale du Crédit Mutuel Massif Central	Chairman	2016	2022
Fédération du Crédit Mutuel Massif Central	Chairman	2017	2023
Previous offices held over the past five fiscal years			
None			

Daniel Rocipon

Born February 17, 1948

Business address:

99 avenue de Genève – 74054 Annecy

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2016	2021
Other offices			
Caisse régionale du Crédit Mutuel Savoie-Mont Blanc	Chairman of the board of directors	2011	2019
Fédération du Crédit Mutuel Savoie-Mont Blanc	Chairman of the board of directors	2015	2019
Caisse de Crédit Mutuel d'Albertville	Chairman of the board of directors	2011	2021
Les 3D	Managing Partner	2000	TBD
Assurances du Crédit Mutuel Vie SAM	Director (representing CRCM Savoie-Mont Blanc)	2016	2020
Centre International du Crédit Mutuel	Director	1900	2018
Banque Fédérative du Crédit Mutuel	Director	2016	2021
Previous offices held over the past five fiscal years			
None			

Agnès Rouxel

Born April 20, 1965

Business address:

17 rue du 11 Novembre – 14052 Caen

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2017	2020
Other offices			
Caisse de Crédit Mutuel Sainte-Adresse	Chairwoman of the board of directors	2018	2021
JP2A	Managing Partner	2004	TBD
Genèse	Managing Partner	2004	TBD
Caisse régionale du Crédit Mutuel Normandie	Director (representing CCM Sainte Adresse)	2018	2023
Previous offices held over the past five fiscal years			
None			

Daniel Schoepf

Born March 9, 1955

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2018	2020
Other offices			
Caisse de Crédit Mutuel Dettwiller	Chairman of the board of directors	2014	2021
District des Caisses de Crédit Mutuel de Saverne	Chairman	1996	2022
Assurances du Crédit Mutuel Vie SAM	Director (representing BFCM)	2015	2021
Fédération du Crédit Mutuel Centre Est Europe	Director	1996	2022
Éditions des Dernières Nouvelles d'Alsace	Director	2014	2020
SAP L'Alsace	Director	2014	2020
Previous offices held over the past five fiscal years			
Banque Européenne du Crédit Mutuel	Member of the supervisory board	2006	2018

François Troillard

Born September 16, 1958

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2016	2019
Other offices			
None			
Previous offices held over the past five fiscal years			
None			

Annie Virot

Born March 6, 1955

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Director**	2017	2020
Other offices			
Fédération du Crédit Mutuel Centre Est Europe	Vice Chairwoman of the board of directors	2016	2022
Caisse de Crédit Mutuel de Dijon Darcy	Chairwoman of the board of directors	2017	2019
District des caisses de Crédit Mutuel de Bourgogne-Champagne	Chairman	2018	2022
Caisse Fédérale de Crédit Mutuel	Director	2017	2020
Previous offices held over the past five fiscal years			
None			

Effective management

Daniel Baal

Born December 27, 1957

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Chief executive officer and effective manager**	2017	2020
Other offices			
Fédération Centre Est Europe	Chief executive officer	2017	2021
Banque Fédérative du Crédit Mutuel	Chief executive officer	2017	2020
Crédit Industriel et Commercial	Chief executive officer	2017	2020
COFIDIS	Chairman of the supervisory board	2017	2021
COFIDIS Participations	Chairman of the supervisory board	2017	2021
Euro-Information Production	Chairman of the supervisory board	2017	2020
Targo Deutschland GmbH	Vice Chairman of the supervisory board	2017	2022
TARGOBANK AG	Vice Chairman of the supervisory board	2018	2022
GACM	Member of the Executive board	2017	2021
Banque de Luxembourg	Vice Chairman of the board of directors	2017	2023
Previous offices held over the past five fiscal years			
SAS Les Gâtines	Chairman	2010	2017
CIC Sud-Ouest	Chairman of the board of directors	2016	2018
CIC Ouest (West)	Chairman of the board of directors	2017	2018
CIC Iberbanco	Chairman of the supervisory board	2015	2017
Targo Management AG (merged into TARGOBANK AG on May 9, 2018)	Vice Chairman of the supervisory board	2017	2018
Fivory SA	Member of the board of directors	2014	2017
Fivory SAS	Member of the board of directors	2015	2017
Euro-Information	Management board (permanent representative of CRCM IDF)		2017
Centre International du Crédit Mutuel	Director (representing CCCM)		2017

Éric Petitgand

Born February 4, 1964

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	End
Caisse Fédérale de Crédit Mutuel	**Deputy chief executive officer and effective manager**	2016	TBD
Other offices			
Fédération du Crédit Mutuel Centre Est Europe	Deputy chief executive officer	2016	TBD
Caisse Fédérale du Crédit Mutuel – Antilles Guyane	Deputy chief executive officer	2017	TBD
Fédération du Crédit Mutuel – Antilles Guyane	Chief executive officer – Effective manager	2017	TBD
Bischenberg	Chairman (representing BFCM)	2005	TBD
Monetico International	Vice Chairman	2013	2019
Lyf	Director	2017	2019
Euro-Information Télécom	Member of the management board	2017	TBD
Centre de Conseil et de Service – CCS	Member of the board of directors	2016	2022
Euro-Information	Member of the supervisory board	2016	2024
Groupe des Assurances du Crédit Mutuel	Member of the supervisory board (representing CFdeCM)	2016	2021
Previous offices held over the past five fiscal years			
Cautionnement Mutuel de l'Habitat	Member of the board of directors	2016	2018
Euro-Information Épithète	Member of the management board (representing CFdeCM)	2017	2018
Euro-TVS	Member of the management board (representing CFdeCM)	2016	2017
CM-CIC Asset Management	Director (representing CIC Associés)	2016	2017
Fédération du Crédit Mutuel Savoie-Mont Blanc	Chief executive officer	2003	2016
Caisse régionale du Crédit Mutuel Savoie-Mont Blanc	Chief executive officer	2003	2016
Filaction	Chairman	2011	2016
Cemcice Servicios España	Vice Chairman	2014	2016
Euro-Information Production	Member of the supervisory board	2003	2017
Euro-Information Direct Services	Member of the management board	2007	2017
ACM Iard S.A.	Director (representing CRCMSMB)	2011	2016

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3

FINANCIAL INFORMATION FROM CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

3.1 PRESENTATION OF THE ACTIVITIES AND PROFIT/LOSS OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

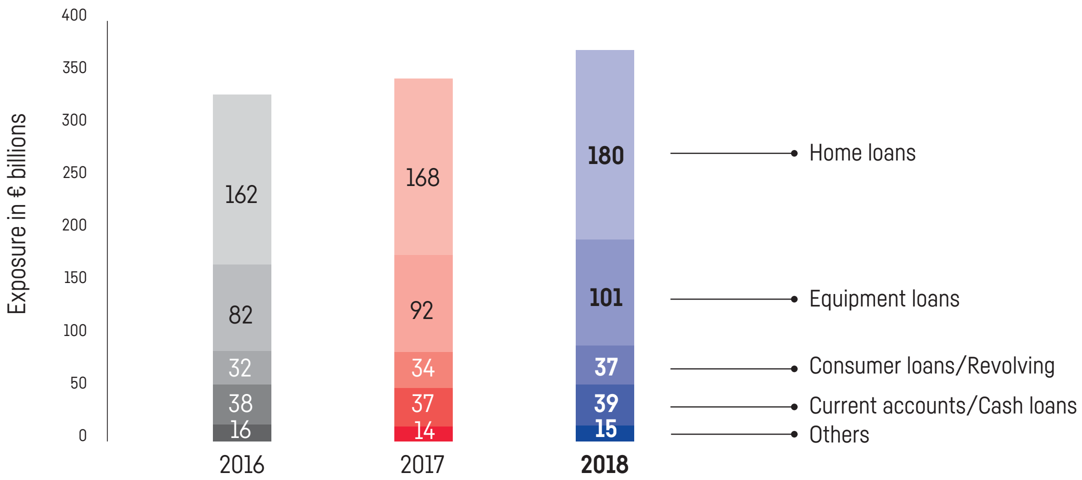
3.1.1 Description of certain factors affecting the profit/loss and the financial situation

Structure and sectors of activity

The profit/loss and the financial situation of the group reflect the significant weight of retail banking and insurance within the group's activities. The retail bank regularly contributes nearly three quarters of the group's net banking income (67% in 2018). Generally, corporate and investment banking, including proprietary trading, as well as private banking and private equity, represent a relatively low share of net banking income. Furthermore, the customers of the insurance and private banking sectors are often also retail banking customers (the Group's networks in retail banking market the group's insurance products, often related to supplying another retail banking service or simply through contacts with the banking network, which endeavors to develop relationships with customers and offer them a maximum number of services). Thus, the acquisition of customers by these sectors is a means of improving the results of the retail bank through the payment of commissions to the distribution networks and cross sales of products.

The group's activity is concentrated in France, which represents more than three quarters of the group's net banking income (77% in 2018). Internationally, the group has significant activities in Germany and, to a lesser extent, in Spain, and holds equity investments in North Africa. The group is not established in Greece. CIC also has international subsidiaries in London, New York, Hong-Kong and Singapore, and representative offices in several other countries. These international activities generally represent only a low share of the group's net banking income.

Home loans represent nearly half of the total loans granted to customers by the group. The graph below illustrates the types of loans granted by the group pursuant to the fiscal years 2016, 2017 and 2018.



The group's net interest income includes net interest generated by regulated savings accounts (passbook accounts "livret A" and "livret Bleu"), which represent 10% of customer deposits as of December 31, 2018. Most of these deposits made by customers on these accounts are transferred to the Caisse des Dépôts et Consignations (CDC), a financial institution held by the French state, which is intended to finance public programs, such as the construction of social housing. The CDC pays a fixed interest, which is added to the interest rates provided on these savings accounts. As this interest is fixed, the share of deposits on regulated savings accounts in the total customer deposits of the group may have an impact on average interest income.

Administrative costs

The group pays particular attention to controlling its general operating expenses by seeking to industrialize, if possible, the processes used by retail banking, in order to achieve improvements in operational efficiency. Almost all entities of the group use the same information system, which generates significant efficiency savings. Furthermore, the retail banking personnel are encouraged to promote all products and services of the group, rather than specializing by type of product. Due to the efforts made by the group, the cost/income ratio has stayed at a level that is below the average of the five largest French banks, in spite of the unfavorable effects of expenses related to the tax and social-security regulations.

Cost of risk

The cost of the group's risk is relatively limited due to the nature of its economic model based on retail banking, its prudent approach in matters of risk-taking and the rigor adopted to manage and monitor risk. In particular, as the group's activities are mainly exercised in France, the provisions for country risk are of little significance. The group's cost of risk is also the reflection of the consumer credit activities of TARGOBANK in Germany and COFIDIS, which have a cost of risk greater than that of the networks of Crédit Mutuel and CIC.

Exposure to European sovereign debt

In 2012, the group sold the balance of its Greek sovereign bonds as part of a private sector involvement plan announced on February 21, 2012. This transaction generated a loss of €34 million (€21 million after tax). The group has endeavored to reduce its exposure to sovereign debt, which remains limited overall.

The table below presents the December 31, 2018 exposure of the group to the weakest sovereign debt:

(in € millions)	12/31/2018	12/31/2017
Greece	0	0
Portugal	39	60
Ireland	217	131
Total exposures to Greece, Portugal and Ireland	**256**	**191**
Italy	383	745
Spain	569	324
Total exposures to Italy and Spain	**952**	**1,069**

On December 31, 2018, all securities representing the public debt of Greece, Portugal and Ireland held by the group represented 0.6% of shareholders' equity. Additional details concerning the exposure of the group to European sovereign debt are provided in note 7c to the 2018 financial statements of Crédit Mutuel Alliance Fédérale.

Capital structure

Due to the status of the group as a cooperative bank, the group's capital is held by the local banks, which are held by their members. The net profit/(loss) of the group is mainly booked to reserves, with the members receiving fixed compensation determined each year for their shares of category B (the "B shares"). Generally, the share in the net profit/(loss) booked to reserves stands at about 97% and the balance is distributed as shares.

The group encourages regular subscription to new shares through marketing campaigns. The shares represent a means of improving customer loyalty while constituting a regular source of new capital. However, as the group is not listed on the stock market, it cannot raise capital through public offers. Information on the regulatory capital requirements of the group is presented in chapter 4 – Information on Pillar 3 of the Basel agreements.

3.1.2 Activities and profit/loss of Crédit Mutuel Alliance Fédérale

Economic environment

2018: slowdown in growth against a background of political and geopolitical tensions

The exceptional recovery in growth in 2017, related notably to world trade, dissipated throughout 2018. The application of customs barriers to exports affected all geographic areas and, creating a shock to confidence, also reduced investment levels. Furthermore, in Europe, the intensification of political uncertainties (Italy, Brexit), which are taking a long time to dissipate, has worsened visibility for economic agents, while the sharp increase in the price of oil has weighed on consumption. The uncoupling of the various areas in terms of growth therefore widened between the United States, where it continued to accelerate, and the consolidation seen in the rest of the world. In spite of these uncertainties, the central banks of the developed countries continued to display their confidence concerning the tightening of their accommodating monetary policy (end of purchases of financial securities and/or increase in base rates).

A year subject to the resurgence of political and geopolitical risks

Since the spring of 2018, the protectionist rhetoric of Donald Trump has accelerated. After the sanctions on steel and aluminum that struck almost all of its partners, the American president concentrated on China: a first salvo of tariffs covering $50 billion of Chinese products imported into American territory (taxed at 25%) was followed by a second salvo concerning $200 billion of imported products (taxed at 10%). Each of these measures led to a proportionate response from Beijing, leading to fears of an unlimited escalation of protectionist responses between the two countries. At the end of 2018, the beginnings of a calm were negotiated between Donald Trump and Xi Jinping with the 90 day truce from December 1, in which both countries refused to raise tariffs during this period with the aim of finding a long-term trade agreement. The pressure also remains strong on Europe and Japan through the threat of possible American tax sanctions against the automobile sector.

Europe is also having to cope with thorny political questions both with Italy and the United Kingdom. Concerning Brexit, the political situation reached a stalemate at the end of the year. London and Brussels reached an agreement organizing the exit from the European Union, which Theresa May has not succeeded in gaining approval by the House of Commons. In Italy, it was only in mid-December that the Italian government returned to greater orthodoxy in the conduct of its economic policy, under pressure from the financial markets. This lack of visibility contributed to weakening European growth by blocking investment decisions.

Uncoupling of growth rates at the global scale

In the Eurozone, the 2017 economic upturn gradually faded due to an increasingly unfavorable worldwide outlook. The contribution of external trade was significantly reduced in 2018 after several exceptional quarters, related to the drop in foreign demand. Beyond this background trend, the slowdown in European growth accelerated in the second half of the year under the effect of temporary external factors (change in automobile regulations, social upheaval in France) and persistent political tensions between the European Union and the United Kingdom or Italy. Consumers were also penalized by the sharp increase in petrol prices. In this context, the rate of job creation admittedly slowed but remained sufficiently high to strengthen wage pressures due to supplies of available labor being exhausted. These reassuring elements concerning inflation prospects favored an adjustment in the communication of the European Central Bank (ECB): it gradually reduced its purchases of financial assets – which ended on January 1, 2019 – while showing confidence in the idea of making a first increase in base rates by the end of 2019.

In the United States, growth continued to accelerate throughout the year, benefiting from the momentum of 2017, the dissemination of the effects of the tax reform to households and companies (voted in December 2017) and the massive increase in public expenditure. Although the trade war led by Donald Trump contributed to depressing global activity, it did not strongly impact domestic growth, which benefited from the increase in consumption. Backed by this finding, the Fed continued to increase its base rates, taking advantage of the rise in inflation. These elements drove the dollar, American sovereign rates and stock markets. These general upward movements ended during the second half year due to fears about the consequences of protectionism, the rapid rise in inflation and the end of the growth cycle.

Concerning emerging countries, capital outflows accelerated, imperiling financial equilibrium – notably with a strong depreciation of currencies – forcing central banks to abruptly raise their base rates. In this volatile context, almost all of the emerging economies slowed from the second half of 2018. In China, the cleanup of the financial system decided by the authorities in 2017 and the Sino-American trade war accentuated the slowdown in activity. Given the extent of the drop in foreign demand, the Chinese government sought to relaunch domestic drivers of growth by monetary easing, a tax reform for households and a drop in charges for companies, with an impact which has been limited to date.

Concerning commodities, a temporary peak beyond $80 per barrel of oil was reached in October 2018, before prices resumed a downward trend following the partial U-turn by Donald Trump on the question of the oil embargo against Iran. This drop in prices over the last quarter was also fueled by worries concerning the momentum in production growth and findings of global overproduction.

In France, both the executive and economic growth ran up against the social upheaval caused by the yellow vest protesters ("gilets jaunes")

In 2018, the French government sought to continue reforms against an economic background that was getting worse. Companies continued to invest but households significantly reduced their consumption expenses faced with the rise in inflation. At the end of the year, the "yellow vests" movement strongly penalized the resumption in activity which began in the 3rd quarter. The announcements of the government should sustain purchasing power in 2019 but could lead to an increase in the deficit, which suggests an upward trend in French rates. Lastly, property prices grew strongly throughout 2018, continuing the movement of 2017. In spite of the stabilization of the amount of old housing, price increases were generalized throughout the territory, nevertheless with a more pronounced acceleration in Paris.

Activity

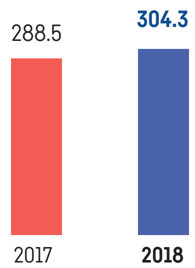
Crédit Mutuel Alliance Fédérale is intensifying its commercial development at the service of its 24.9 million customers over all its business lines: increase in outstanding savings and loans, good performance in insurance and diversification towards innovative services for our customers and members.

The bank

Outstanding deposits from customers stood at €304.3 billion at the end of December 2018, up by 5.5%, driven by the strong growth in demand deposits (+10.8% to €133.9 billion), given low interest on savings products. Outstanding regulated savings also increased by 7.1% for the passbook accounts "livret Bleu" and "livret A" and by 7% for other passbook accounts. These passbook accounts represent 29% of outstanding deposits (10% for "livret Bleu" and "livret A" and 19% for the other passbook accounts), representing an overall amount of €87.1 billion.

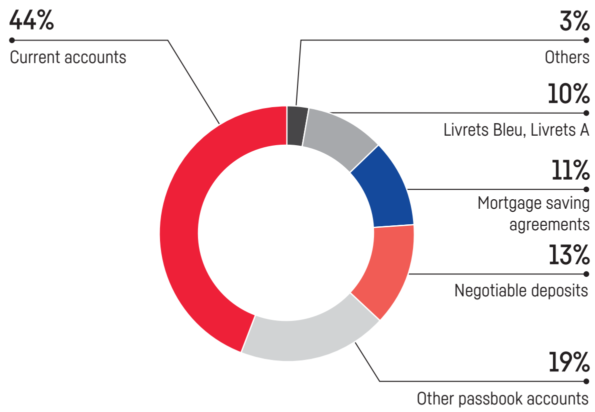
Mortgage saving agreements retained positive flows of €1.5 billion, bringing assets outstanding to €34.9 billion at the end of 2018, while negotiable deposits (popular savings plans, term deposits) saw their outstanding assets drop by respectively 5.4% and 12.9% to €40.3 billion overall.

CUSTOMER DEPOSITS



Outstanding customer deposits on 12/31 in € billions

STRUCTURE OF DEPOSITS ON 12/31/2018



Outstanding loans to customers stood at €370.9 billion as of December 31, 2018, dropping by 7.5%.

Production of home loans dropped by 5.6% by volume compared to 2017, due to the significant reduction in renegotiations and redemptions of loans and outstanding amounts at €179.5 billion, that were up by 6.9%.

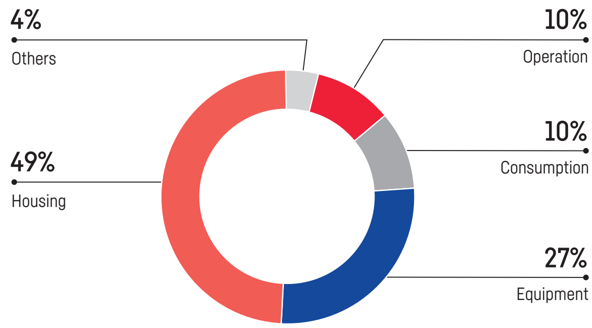
Outstanding consumer loans were €37.1 billion at the end of December 2018, up by 8.2% over one year. The specialized subsidiaries of the group, COFIDIS and TARGOBANK in Germany represent 64% of the outstanding business in this category and are positioned favorably with outstanding business up respectively by 9.6% and 10.3%. The group is therefore taking its place to support and retain individual customers by financing their expenses for equipment and improvements or for purchasing cars.

Support to corporate and professional customers also has good momentum, whether through the networks, with equipment loans outstanding up by 10% to 86.5 billion, or *via* specialized finance leasing subsidiaries, for which outstanding business (€14.3 billion at the end of 2018) grew by 8.8%.

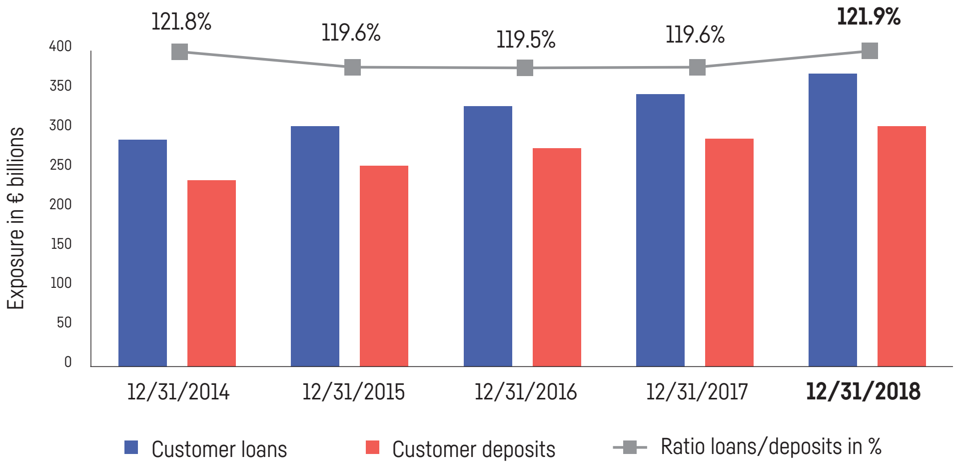
CUSTOMER LOANS

Outstanding loans to customers on 12/31 in € billions

STRUCTURE OF LOANS ON 12/31/2018



In 2018, the growth in outstanding loans, which was greater than that of deposits (+7.5% against +5.5%) led to a 2.3 point increase in the loan/deposit ratio, which stood at 121.9% at the end of December 2018.



Insurance

The insurance business line of Crédit Mutuel Alliance Fédérale now covers 12.2 million insured parties (+4.1%) through nearly 31 million contracts and extends through the distribution networks of Crédit Mutuel Nord Europe.

The global revenue of Groupe des Assurances du Crédit Mutuel (GACM) stood at €12.1 billion, up by 7.4%. All branches contributed strongly to this development, with a sustained increase in life insurance/retirement premium income (+8.6%) and in risk insurance (+6.0%).

In life insurance, gross premium income stood at €6.8 billion, a significant increase, after 2017 when it fell. The strategy of orienting premium income towards more account units was maintained in 2018, sustained by the controlled management which supplemented the financial offers. The share of unit-linked policies in premium income stands at 28.4%, in line with the market (28.2%).

The combined effect of the increase in gross premium income and the slowdown in redemptions enabled net premium income to reach €1 billion, strongly up compared to the end of December 2017 (€46 million).

Concerning property insurance, revenue stood at €2.1 billion. The housing branch, for which the offer was reviewed at the end of 2017 on the non-occupying owners segment, has production at its highest level. The car insurance offers also continue to perform very well. The portfolios thus grew steadily, respectively at +4.7% and +4.1%.

The market for professionals continues to grow strongly, both in property insurance and in group health. The multi-risk portfolio for professionals grew by nearly 25% in 2018, group health insurance by more than 10%. In response to the network's strong demand, the insurance offerings for professionals will be strengthened in 2019 with decennial civil liability insurance, which will allow for growth in the Building and Public Works sector.

Personal insurance is a strong element of the strategy of GACM. The fiscal year ended with revenue up by 5.4% and a portfolio of nearly 14.6 million contracts, up by 3.2%. A new individual health offer was made available in April 2018, consisting of a complete range of supplementary insurance, hospitalization coverage and a products dedicated to prevention and well-being. Simultaneously, a new help tool for sales was made available to the network. The latter includes a reimbursement simulator that allows customers to understand with full transparency the level of insurance coverage offered. These improvements energized sales of individual health insurance, which posted growth, excluding hospitalization contracts, of 5.3%.

In personal risk insurance, the Funeral offer was profoundly reviewed. It supplements the renewal of the range that was initiated in 2017.

Lastly, in 2018, the GACM released a new insurance policy for borrowers.

Services activities

The intention of Crédit Mutuel Alliance Fédérale to offer its members and customers a set of services that fulfil their day-to-day requirements is illustrated in the development of a wide range of high-performance services, notably in telephony, remote monitoring, property sales and electronic wallets.

Euro-Information Télécom

In 2018, Euro-Information Télécom advanced its full MVNO offer, unique in Europe (interconnected using 4G with three infrastructure operators). In this regard, a vast program to migrate the core network was begun in 2018 and will be spread over two years, to enable the use of new 4G services including VoLTE (4G voice) and to prepare the evolution of the architecture for the arrival of 5G. At the same time, EIT finalized the technical project relative to the launch of a fixed ultrafast broadband offer, in partnership with SFR (commercial launch in December 2018). This year was therefore marked by a unique and unprecedented effort in terms of development and technical projects. This was the result of the strategic choice to have a latest-generation access network in ultrafast broadband, today mobile-centric and tomorrow convergent between fixed and mobile.

Commercially, Euro-Information Télécom had net positive growth of 200,000 customers. The estate of active lines on the EIT network stood at 1,867,000 at the end of December, 2018. On the general-public market, EIT is continuing to develop its white label brands Auchan Telecom and Cdiscount mobile alongside its historical brands NRJ Mobile, Crédit Mutuel Mobile and CIC Mobile. On BtoB, the year was marked by the development and expansion of corporate markets, particularly from CIC and BECM.

Euro Protection Surveillance (EPS)

In 2018, Euro Protection Surveillance continued its development and now has nearly 470,000 subscribers (+6.2%). EPS is thus consolidating its place as the number 1 in residential remote monitoring in France, holding about 31% of the market (Source: Atlas de la Sécurité 2018/Internal data).

In 2018, EPS released its first video offer for private individuals and more than 1,800 cameras were installed.

The Lyf Pay electronic wallet

Lyf Pay, born of the merger between Fivory and Wa! (BNPP) in 2017, offers a mobile, innovative and industrial payment solution, simplifying the customer experience by dematerializing payment and loyalty services.

The aim of Lyf Pay is to respond to the new challenges that currently face merchant and payment players, which are the development of new and smooth omni-channel purchasing experiences, control of the customer relationship and of the data arising from it.

With more than 1.3 million downloads, Lyf Pay has the ambition of facilitating the daily lives of its users by grouping, in the same application, all functionalities that connected consumers need on a day-to-day basis: payment in shops or over the Internet, dematerialization of loyalty services, payment between friends, payment of gifts, sharing expenses, and soon, a collaborative kitty.

Lyf Pay is a proven solution that is already operational in numerous large-scale retailers everywhere in France, such as Casino and Auchan, during sporting and cultural events, as well as in the non-profit world.

CM-CIC Immobilier

The real estate subsidiary CM-CIC Immobilier is organized around the following activities:

CM-CIC Agence Immobilière (AFEDIM) markets new housing units throughout France. The management of new housing units purchased by investors is assigned to CM-CIC Gestion Immobilière. CM-CIC Aménagement Foncier produces and markets building land. ATARAXIA Promotion builds real estate development programs and CM-CIC Réalisations immobilières (SOFEDIM) carries out joint real estate development. Lastly, CM-CIC Participations Immobilières participates in round table events in real estate development operations on the national territory.

For 2018, CM-CIC Agence Immobilière reserved 8,995 housing units (9,904 in 2017), down by 9% compared to 2017 (-909 housing units).

Concerning the portfolio of property management contracts, ZEN INVEST, CM-CIC Gestion Immobilière manages 19,430 contracts (16,010 on 12/31/2017) representing an increase of 21% compared to 2017; the new ZEN INVEST contracts, signed by CM-CIC Agence Immobilière stood at 4,075 (4,534 in 2017) over 8,995 housing units reserved.

Profit/loss of Crédit Mutuel Alliance Fédérale

(in € millions)	2018	2017	Changes
Net banking income	**14,070**	**14,009**	**+0.4%**
General operating expenses	-8,714	-8,458	+3.0%
Gross operating income	**5,356**	**5,551**	**-3.5%**
Cost of risk	-904	-871	+3.8%
Operating income	**4,452**	**4,680**	**-4.9%**
Profit/loss on other assets and associates	111	-346	ns
Profit/(loss) before tax	**4,563**	**4,334**	**+5.3%**
Income tax	-1,569	-1,929	-18.6%
Net corporation tax profits & losses on discontinued activities	0	22	ns
Net profit/(loss)	**2,993**	**2,427**	**+23.3%**
non-controlling interests	298	219	+36.2%

Net banking income

The net banking income, at €14,070 million, is up by 0.4% thanks to a good level of commercial activity and in spite of difficult and more volatile market circumstances.

Income from retail banking is up by 2.5%, driven both by dynamic commissions (+2.3%) and the confirmation of the trend seen during the year of a rise in interest margin (+2.5%).

Insurance benefited from the strong and continued growth in its revenue and the consolidation, in the first half of 2018, of the activities of Nord Europe Assurances; net insurance income is up by 3.3%.

The confirmed growth in private banking and private equity activities enabled these business lines to show an increase in their contribution to income of respectively 8.3% and 7.2%.

Net banking income from corporate banking and capital markets (4% of the group total) dropped by 16.5%, given the rather unfavorable environment on this activity.

	fiscal year ending on December 31		
(in € millions)	**2018**	**2017**	**Changes**
Retail banking	10,284	10,031	+2.5%
Insurance	1,822	1,764	-6.4%*
Corporate banking and capital markets	639	765	-16.5%
Private banking	551	509	+4.9%*
Private equity	278	259	+7.2%
Logistics and holding company services	1,330	1,459	-8.8%
Interactivities	-835	-777	ns
TOTAL	**14,070**	**14,009**	**+0.4%**

* *At constant scope.*

The geographical breakdown of the net banking income of Crédit Mutuel Alliance Fédérale shows the predominance of the banking and insurance activities in the group's domestic market, France, which represents 77% of the net banking income from the commercial business lines during the 2018 fiscal year.

The table below gives the breakdown of the group's net banking income (all activity sectors) by geographic area for the fiscal years 2017 and 2018.

(in € millions)	**2018**	**2017**	**Changes**
France	10,951	11,060	-1.0%
Europe outside France	2,940	2,776	+5.9%
Other countries	179	173	+4.0%
TOTAL	**14,070**	**14,009**	**+0.4%**

In accordance with Article 7 of the law 2013-672 dated July 26, 2013 of the French Monetary and Financial Code, modifying Article L.511-45, which requires credit institutions to publish information on their establishments and their activities in each state or territory, the table below details the activity of Crédit Mutuel Alliance Fédérale in the various countries where it is established.

The country of each establishment is mentioned in the consolidation scope. The group has no establishments that fulfill the criteria defined by the order dated October 6, 2009 in non-cooperative states or territories shown on the list fixed by the order dated January 17, 2014.

Country	Net banking income	Profit or loss before taxes and duties	Current taxes	Deferred taxes	Other tax and social security contributions	Workforce	Public subsidies
Germany	1,616	625	-148	-21	-106	5,803	0
Belgium	145	44	-15	2	-8	610	0
Spain	412	87	-30	8	-21	2,469	0
United States of America	118	78	-8	-4	-10	87	0
France	10,948	5,273	-1,224	-66	-1,797	52,113	0
Hong-Kong	7	2	-0	0	-0	13	0
Hungary	36	5	0	0	-2	338	0
Italy	49	6	-0	0	-4	236	0
Luxembourg	335	166	-33	4	-27	936	0
Morocco*	0	73	0	0	0	0	0
Monaco	2	1	0	-0	-0	9	0
Poland	2	-1	0	0	-0	46	0
Portugal	172	94	-30	3	-6	714	0
Czech Republic	7	-2	0	0	-1	146	0
United Kingdom	38	22	2	0	-4	68	0
Saint Martin (Dutch part)	3	1	0	0	-0	9	0
Singapore	51	33	-3	0	-4	137	0
Slovakia	2	-3	0	0	-1	57	0
Switzerland	125	44	-6	-1	-11	338	0
Tunisia*	0	18	0	0	0	0	0
TOTAL	**14,070**	**6,565**	**-1,495**	**-74**	**-2,002**	**64,129**	**0**

* *Equity consolidated companies.*

Gross operating income

The gross operating income stood at €5,356 million in 2018, against €5,551 million in 2017.

The group's general operating expenses, at €8,714 million, remain very well controlled, with an increase of 1.2% after neutralization of exceptional elements related to social policy (purchasing power bonus, additional profit-sharing), entries into scope and in spite of the continuation of technological investments for the digital transformation. They include a contribution to the European Central Bank's Single Resolution Fund of €138 million, up by 27 million compared to 2017, representing an increase of 24%.

For the retail bank, the major business line of the group (67% of net banking income), the cost/income ratio stood at 63.2%, almost stable (+0.1 point) over one year (excluding the contribution to the Single Resolution Fund, it is actually totally stable at 62.4%).

Analysis of the cost of risk and non-performing loans

The cost of risk stood at €904 million in 2018, of which 742 million was for the cost of proven risk, which was down by 11.3%, illustrating the good quality of the assets. Related to outstanding customer loans, the cost of proven risk was at a low level of 19 basis points (bp), against 23 bp at the end of December 2017.

The cost of non-proven risk is up, mainly attributable to the application of the new accounting standard "IFRS 9", which obliges performing loans to be provisioned, which automatically increases the cost of risk when commercial activity increases.

The share of non-performing loans in gross loans is down, going from 3.34% on December 31, 2017 to 3.05% as of December 31, 2018.

Cost of risk in % of loans to customers	12/31/2018	12/31/2017
Bank networks[1]	0.10%	0.13%
Private individuals[2]	0.03%	0.04%
Home loans[2]	0.01%	0.02%
Consumer loans – TARGOBANK in Germany	1.39%	1.32%
Consumer loans – COFIDIS	2.24%	2.36%
Corporate banking[3]	-0.03%	0.11%
Private banking	0.01%	0.05%
COST OF OVERALL CUSTOMER RISK	**0.22%**	**0.24%**

(1) Networks (excluding TARGOBANK in Germany, COFIDIS and support network subsidiaries).
(2) Excluding TARGOBANK in Spain.
(3) Large companies, International (including foreign branches), specialized financing.

(in € billions)	12/31/2018	12/31/2017
Gross amount of outstanding loans to customers	379.0	352.0
Gross non-performing loans	11.6	11.8
Provisions for depreciation of receivables	8.1	7.0
of which provisions for depreciation of non-performing receivables	*6.3*	*6.4*
of which provisions for depreciation on performing loans	*1.8*	*0.5*
Share of non-performing loans in gross loans	3.05%	3.34%
Overall coverage rate	70.0%	59.7%

See the report on risks in chapter 3.3 of the 2018 registration document for more extensive information concerning the group's credit portfolio, the risks related to off-balance-sheet commitments, provisions and non-performing exposure.

Operating income

The operating income dropped by 4.9% to €4,452 billion in 2018, against 4,680 billion in 2017.

Other elements of the income statement

Proportionate share in the net profit/(loss) of equity consolidated companies. The proportionate share of the group in the net profit/(loss) of equity consolidated companies is 67 million in 2018, mainly including Banque Marocaine du Commerce Extérieur (BMCE Bank of Africa), Banque de Tunisie and Royale Marocaine d'Assurance. In 2017, this item included the recognition of the capital loss on Banco Popular securities following its transfer to Santander in June according to the decision of the Single Resolution Board (impact €121 million net after tax) and the depreciation of the value of the equity-consolidated securities of BMCE Bank of Africa to their market price (€175 million).

Profit or loss on other assets. Profit or loss on other assets showed a net profit of €44 million, notably including the effect of the initial consolidation of Banque de Luxembourg Investissements.

Changes in the value of goodwill. Nil in 2018.

Profit/(loss) before tax

Profit/(loss) before tax, at €4,563 million, was up by 5.3% in 2018 compared to 2017.

Net profit/(loss)

Corporate income tax dropped by 18.6%. The 2018 contribution of Crédit Mutuel Alliance Fédérale to mandatory deductions (taxes, tax on salaries, local taxes and specific taxes) stood at €2 billion, representing 56% of its profit/(loss) before tax in France. As a reminder, the non-recurring surcharge imposed on large companies, to partly compensate for the unconstitutional nature of the tax on dividends, stood at €296 million in 2017.

The net profit/(loss) stood at €2,993 million, up by 23.3% over one year thanks to income holding up well, good control of risk and the non-recurrence of certain expenses recognized in 2017.

Profit/(loss) per activity of Crédit Mutuel Alliance Fédérale

Description of the business divisions

1/ The retail bank: this business groups the local Caisses de Crédit Mutuel of the 11 federations, the CIC network, Banque Européenne du Crédit Mutuel, CIC Iberbanco, TARGOBANK in Germany and in Spain, the COFIDIS Participations group, Banque Casino and all specialized activities for which the marketing of products is done by the networks: equipment leasing and leasing with purchase option, real estate leasing, factoring, asset management, employee savings and real estate sales and management.

2/ Insurance: the insurance business line consists of the Groupe des Assurances du Crédit Mutuel.

3/ Corporate banking: it offers services to customers consisting of large companies and institutionals, as part of an overall approach to their requirements, both in France and in the foreign branches of CIC (New York, London, Singapore and Hong-Kong). It also relies on the action of the "corporate" networks for their large customers, and contributes to the development of international business and to the implementation of specialized financing.

4/ Capital markets the group's capital markets business is shown on the balance sheet of CIC. It includes the interest rates investment business, shares and loans and the commercial business (CM-CIC Market Solutions) in France and in the branches in New York and Singapore.

5/ Private banking: the companies composing the business line operate in France through CIC Banque Transatlantique and abroad through the intermediary of the subsidiaries and branches: Banque de Luxembourg, Banque CIC Suisse, Banque Transatlantique Luxembourg, Banque Transatlantique Belgium, Banque Transatlantique Londres.

6/ Private equity this business line is exercised by CM-CIC Investissement which, based in Paris, has branches in Lyon, Nantes, Lille, Bordeaux and Strasbourg, thus ensuring proximity with customers, while addressing a gradual international development phase. It brings together the businesses of equity investment, mergers/acquisitions consulting and financial and stock-market engineering.

7/ IT, logistics and press & holding: this division groups

- firstly, the group's IT companies, logistics organizations and the press activity (IT, logistics and press);
- secondly, the custodian and central treasury/refinancing activities of the group (since January 2017) as well as all the elements not assigned to another activity (holding).

The retail bank

Retail banking is by far the group's most important business sector. In 2018, 67% of the group's net banking income came from the retail banking business line. The table below presents the elements constituting the profit/loss of the retail bank for the fiscal years 2017 and 2018.

(in € millions)	2018	2017	Changes
Net banking income	**10,284**	**10,031**	**+2.5%**
General operating expenses	-6,495	-6,327	+2.7%
Gross operating income	**3,789**	**3,704**	**+2.3%**
Cost of risk	-867	-849	+2.1%
Profit/loss on other assets and associates	6	-7	ns
Profit/(loss) before tax	**2,928**	**2,849**	**+2.8%**
Income tax	-1,039	-996	+4.4%
NET PROFIT/(LOSS)	**1,889**	**1,853**	**+2.0%**

The networks and specialized subsidiaries of the retail bank have sound commercial momentum, with a net banking income of €10,284 million, up by 2.5% over one year.

This development reflects the favorable increase in interest margin, volumes having compensated for the negative context of interest rates, together with the growth in commissions.

Outstanding loans thus increased by 6.8% to €329.1 billion, while outstanding deposits made by customers, at 267.5 billion, changed by 5.4% over one year. Outstanding life insurance business also continued to develop favorably by 1.9% to €71.5 billion.

General operating expenses are up by 2.7%, in line with income and notably under the effect of social measures in favor of purchasing power.

Gross operating income, at €3,789 million, grew by 2.3% and the cost/income ratio of the retail bank is practically stable at 63.2% (+0.1 pp).

The overall cost of risk is up by €18 million. It covers, firstly, a drop of 66 million in proven depreciation on customer loans, as well as an increase of 85 million in the cost of non-proven risk. The latter is related to the impact of the entry into force of the accounting standard "IFRS 9", notably on consumer loans.

The net profit/(loss), at €1,889 million, increased by 2%.

Banking networks

The net banking income of the banking and insurance network of the Caisses de Crédit Mutuel increased by 1% over one year to €2,977 million, reflecting the good commercial momentum of the network. The general operating expenses are up by 4.2%. The cost of proven risk is down by 15.9%, but the non-proven component suffered a significant increase, which leads finally to an increase in the cost of overall risk of 13.3%. The net profit/(loss) is therefore down by 5.8% to €440 million.

The net banking income of the banking and insurance network of the regional Banks of CIC increased by 1.8% to €3,427 million, reflecting the good commercial momentum of the networks. General operating expenses are slightly up by 1.5% and the gross operating income improved by 2.3% to €1,243 million, enabling the cost/income ratio to gain 0.2 points to 63.7%. The cost of proven risk was down by 17.7%. It largely compensates for the increase in the non-proven component and leads to a drop in the overall cost of risk by 7.8%. The net profit/(loss) remained stable at €661 million.

On December 31, 2018, the net banking income of the BECM was up by 2.3% to €300 million. The interest margin increased by 3.7% due to the drop in the cost of customer resources and the growth in outstanding loans. General operating expenses stood at €96.8 million, i.e. +3.7%. The cost/income ratio stands at 32.2%, slightly up by 0.4 points. The cost of risk stands at €31.3 million, representing 0.22% of average outstanding business, reflecting the very good quality of assets. The net profit/(loss) stood at €110.3 million as of December 31, 2018, up by 9.8%.

The net banking income of TARGOBANK in Germany stood at €1,602 million, a 3.8% increase reflected in the net profit/(loss), which is at €343.7 million (+4.1%).

Support services for retail banking

The net banking income of COFIDIS increased by €40.4 million, driven by the development of the commercial activity. Operating expenses include significant IT investments in Portugal, Italy and in the countries of Central Europe related to the integration of acquisitions within the internal information systems. The other operational costs are increasing in line with the growth in the activity. The cost of risk increased by €14.7 million compared to 2017, related in particular to the implementation of the IFRS 9 standard, which implies provisioning for performing loans, with a consequent increase in provisioning, given the good commercial momentum over 2018. Given these elements, the contributory net profit/(loss) stands at €202 million, down by 8.8 million compared to 2017.

Insurance

In 2018, 12% of the net banking income of Crédit Mutuel Alliance Fédérale came from the insurance business line. The table below details the elements making up the net profit/(loss) of the insurance business line for the fiscal years 2017 and 2018. The comparative quantified information and the amounts for the 2017 fiscal year delivered below are indicated in values on a like-for-like basis following the consolidation on January 1, 2018 of the insurance holding company Crédit Mutuel Nord Europe.

(in € millions)	2018	2017	Changes
Net insurance income	**1,822**	**1,947**	**-6.4%**
General operating expenses	-584	-576	+1.5%
Gross operating income	**1,238**	**1,371**	**-9.7%**
Profit/loss on other assets and associates	28	22	+31.0%
Profit/(loss) before tax	**1,266**	**1,393**	**-9.1%**
Income tax	-423	-585	-27.7%
NET PROFIT/(LOSS)	**844**	**808**	**+4.4%**

The operating margin of the Groupe des Assurances du Crédit Mutuel (GACM) was down, notably due to the drop in the financial markets. Additional provisions for credit protection insurance due to a rise in claims for incapacity and invalidity and claims expenses related to natural events that were greater in 2018 also had an unfavorable impact on underwriting income. Natural events caused more than 80,000 claims for compensation exceeding €130 million, representing €50 million more than during the previous year, which was itself affected by numerous events including hurricane Irma.

The profit/(loss) contributed by insurance to the profit/loss of Crédit Mutuel Alliance Fédérale was up by 4.4% and stood at €844 million. The net profit/(loss) of the GACM is €855 million, against €821 million, representing an increase of 4.2%.

This profit/(loss) includes a payment of commissions to the distribution networks of €1,510 million.

Corporate banking and capital markets

In 2018, 4% of the net banking income of the group came from the corporate banking and capital markets activities. The table below presents the elements making up the profit/loss of the corporate banking and capital markets business line for the fiscal years 2017 and 2018.

(in € millions)	2018	2017	Changes
Net banking income	**639**	**765**	**-16.5%**
General operating expenses	-324	-321	+0.8%
Gross operating income	**316**	**444**	**-28.9%**
Cost of risk	8	11	ns
Profit/(loss) before tax	323	433	-25.3%
Income tax	-86	-142	-39.2%
NET PROFIT/(LOSS)	**237**	**291**	**-18.6%**

Corporate banking

Net outstanding loans to customers of the corporate bank stand at €19.3 billion, up by 12.9%.

The net banking income at €395 million is up by 3.4% with an increase in net interest margin of 5.8%.

General operating expenses increased by 3.1% to €112 million, with a contribution to the Single Resolution Fund that was €3 million greater than that of the previous year.

The cost of risk showed income of €9 million against an expense of €19 million one year earlier, with a cost of proven risk which saw an income of €9 million at the end of 2018 against an expense of €38 million at the end of 2017. The cost of non-proven risk was nil at the end of 2018, against an income of €19 million at the end of 2017.

Profit/(loss) before tax stood at €292 million, up by 14.8% compared to December 31, 2017. Net profit/(loss) reached €217 million, compared to €179 million a year earlier.

Capital markets

During 2018, the capital markets had a difficult market context, particularly due to portfolio valuations at the end of the year, resulting in net banking income down by 36.3% to €244 million after allocation, to activities and entities related to customers, of income resulting from commercial transactions.

Capital markets are mainly intended to develop an offer to customers. The net banking income of CM-CIC Market Solutions before retrocession to other entities of the group increased by 25% but, like other business centers of the group, its profit/(loss) after retrocession is merely in balance.

Payments to other entities of the group, deducted from the net banking income from capital markets business, stand at a total of €82 million, up by 40% over 2017.

The general operating expenses are stable.

The cost of risk had an expense of €1 million at the end of 2018, against an income of €8 million at the end of 2017.

Profit/(loss) before tax stood at €31 million, against €179 million the previous year and net profit/(loss) stood at €20 million against €112 million.

Private banking

In 2018, 4% of net banking income from Crédit Mutuel Alliance Fédérale came from the private banking business line. The table below presents the elements constituting the profit/(loss) of the private banking business line for the fiscal years 2017 and 2018.

(in € millions)	2018	2017	Changes*
Net banking income	**551**	**509**	**+4.9%**
General operating expenses	-375	-353	+3.3%
Gross operating income	**176**	**155**	**+8.4%**
Cost of risk	-16	-5	ns
Profit/loss on other assets and associates	26	4	ns
Profit/(loss) before tax	**186**	**154**	**+16.1%**
Income tax	-47	35	+18.5%
Net corporation tax profits & losses on discontinued activities	0	22	ns
NET PROFIT/(LOSS)	**139**	**141**	**-2.8%**

* *At constant scope – see methodological details.*

Account deposits of the private bank increased by 15.6% to €22 billion. Customer funds invested in group savings products stood at €88.4 billion (€93.6 billion at the end of 2017). Outstanding loans stood at €13 billion (+12%).

Net banking income stood at €551 million, up by 4.9%. The net interest margin and other elements of NBI increased by 9.5% and commissions by 1.5%.

General operating expenses stood at €375 million (+3.3%).

The cost of risk stood at €16 million, against €5 million the previous year. Net profits on non-current assets stood at €26 million (€4 million in 2017), of which €18 million was generated by the first consolidation of the Banque de Luxembourg Investissement.

Profit/(loss) before tax stood at €186 million, up by 16.1% and net profit/(loss) stood at €139 million, against 141 million of which €22 million of profit/(loss) net of tax on discontinued activities on December 31, 2017 (disposals of the private banking business in Singapore and Hong-Kong in 2017).

These results do not include those of the CIC private banking branches which are included in the CIC networks; they are intended to mainly serve company manager customers.

Private equity

In 2018, 2% of net banking income from Crédit Mutuel Alliance Fédérale came from the private equity business line. The table below presents the elements constituting the profit/(loss) of the private equity business line for the fiscal years 2017 and 2018.

(in € millions)	2018	2017	Changes
Net banking income	**278**	**259**	**+7.2%**
General operating expenses	-50	-47	+4.3%
Gross operating income	**229**	**212**	**+7.9%**
Cost of risk	1	0	ns
Profit/(loss) before tax	**230**	**212**	**+8.3%**
Income tax	1	1	-13.7%
NET PROFIT/(LOSS)	**231**	**213**	**+8.2%**

Assets invested under proprietary trading stand at €2.3 billion, of which 334 million invested in 2018 by all entities of the private equity division. About €1.9 billion was provided in equity over the last five years. The portfolio is composed of nearly 335 equity investments excluding funds, the great majority of which are composed of companies that are customers of the group's networks. The capital managed on behalf of third parties stands at €157 million.

The private equity business had good performance in 2018, with net banking income of €278 million on December 31, 2018, against €259 million in 2017 and net profit/(loss) stood at €231 million against €213 million a year before.

(in € billions)	12/31/2018
Accumulation of capital invested by the group	2,348
Value of the group's portfolio, excluding capital managed on behalf of third parties	2,529
Investments during the year	334

IT, logistics, press and holding

These activities are composed of two separate sectors.

The first groups the activities which are not attached to one of the other business lines, such as the historical equity investments of the group in the companies of the press and media sector established in the east of France, EI Télécom, which provides mobile telephony services to customers of the retail bank, Euro Protection Surveillance, which delivers remote monitoring services to individuals, and Lyf Pay, the group's electronic wallet. It also includes the information systems, the group's real estate, the services of the Consulting and Service Centre (ex CM-CIC Services), a subsidiary created in May 2008 to centralize and rationalize logistics, payment processes, services platforms and support services intended for members of Crédit Mutuel Alliance Fédérale and the local banks of other federations.

The second groups the coordination and carrying activities of the subsidiaries as well as the equity investments and acquisitions of the group (notably amortization of valuation differences and costs of refinancing acquisitions), as well as the start-up expenses of new branches and local banks, and lastly, the proportionate share of accounting by the equity method of entities in which the group holds non-controlling interests.

The table below presents the elements constituting the profit/(loss) of the IT, logistics and press/holding business line for the fiscal years 2017 and 2018.

(in € millions)	2018	2017	Changes
Net banking income	**1,330**	**1,459**	**-8.8%**
General operating expenses	-1,722	-1,665	+3.4%
Gross operating income	**-392**	**-206**	**ns**
Cost of risk	-30	-6	ns
Profit/loss on other assets and associates	50	-374	ns
Profit/(loss) before tax	**-372**	**-587**	**ns**
Income tax	25	-226	ns
NET PROFIT/(LOSS)	**-346**	**-813**	**ns**

The net banking income from the logistics and holding business line stood at €1,330 million in 2018, against €1,459 million in 2017. These figures are explained as follows:

- the "logistics" activity of the group generated net banking income or commercial margins for a total amount of €1,439 million in 2018 against €1,318 million in 2017, representing an increase of 9.2% (+121 million). This increase results mainly from the growth of Euro-Information, Euro-Information Développement, Euro Protection Surveillance and EI Télécom. The contribution from the press sector dropped by 17 million to €273 million;
- the holding activities of the group generated negative net banking income of €382 million in 2018, notably including the cost of carry of fixed expenditure, the cost of equity and development plans.

The general operating expenses increased by 3.4%, going from €1,665 million in 2017 to €1,722 million in 2018, in line with the increase in the activity of the group's IT structures.

The cost of risk of this business line stood at -€30 million in 2018; it is composed of unpaid debts at EI Télécom and provisions for miscellaneous risks.

In 2018, the item "net profit/loss on other assets and associates" recorded income of €50 million, mainly corresponding to the share attributable to the group in the positive result of equity consolidated companies, including Banque Marocaine du Commerce Extérieur (BMCE Bank of Africa) and Banque de Tunisie. In 2017, it was negative by €374 million, mainly due to the impact of the resolution of Banco Popular.

The corporate income tax accounted for an income of 25 million in 2018, against a tax expense of €226 million in 2017, related to the non-recurring surcharge imposed on large companies to partly compensate for the unconstitutional nature of the tax on dividends.

Thus, the IT, logistics and press/holding activities recorded net profit/(loss) of -€346 million in 2018, compared to -€813 million in 2017.

Financial position of Crédit Mutuel Alliance Fédérale

Balance sheet

From January 1, 2018, the group has applied the IFRS 9 standard as adopted by the European Union on November 22, 2016. The group made the choice, offered by the transitional arrangements of the standard, not to restate the data from previous fiscal years. Consequently, for the balance sheet, the comparative data presented opposite the data for December 31, 2018 in the consolidated financial statements and the comments below is that of January 1, 2018.

(in € millions)	12/31/2018 IFRS 9	01/01/2018 IFRS 9	12/31/2017 IAS 39
BALANCE SHEET TOTAL CRÉDIT MUTUEL ALLIANCE FÉDÉRALE	**667,364**	**618,256**	**619,199**

The balance sheet total stood at €667.4 billion as of December 31, 2018, up by 7.9% compared to January 1, 2018 (+49.1 billion).

The impact of the first application of the IFRS 9 standard was a reduction by €943 million in the balance sheet total of the group, which thus dropped to €618,256 million. This fall came mainly from the following factors:

- the application of the new model for recognizing credit risk caused adjustment to depreciation on financial assets at amortized cost (increase of €1.1 billion). Most of this adjustment concerns loans to customers;
- the effect of these adjustments on deferred taxes generates an increase in tax assets.

The structure of the balance sheet is the reflection of the commercial banking activity of the group and the measures taken by the group to strengthen its financial structure in order to meet the new regulatory requirements that will be applicable in the forthcoming years. In particular:

- the group finances a greater share of loans to customers through deposits, this development being in line with the strategy used by the group over the last few years. The loans/deposits ratio gradually improved: it stood at 121.9% as of December 31, 2018, against 148.4% in 2010;
- the group's liquidity risk was strictly managed under a system controlled by BFCM based on a centralized risk management system, described in chapter 3.3 Report on risks. Thus, significant progress was made concerning the Basel 3 liquidity ratios which are now beyond the threshold of 100%; the LCR stood at 131.2% on average over 2018;
- Crédit Mutuel Alliance Fédérale had surplus stable resources of €31.6 billion over stable expenditure. This situation results from a policy that for several years has been focused on strengthening deposits and extending market debt.

The ratio between non-performing loans and total loans to customers went from 3.34% as of December 31, 2017 to 3.05% on December 31, 2018. Furthermore, the non-performing loan coverage ratio of the group stood at 70% as of December 31, 2018.

On December 31, 2018, equity capital stood at €43.6 billion and Common Equity Tier 1 stood at 35.5 billion. The ratio of Common Equity Tier 1 without transitional measures stood at 16.6%, one of the best at the European level. The overall ratio without transitional measures stood at 19.7% and the leverage ratio with the application of the delegated act without transitional measures at 6.0% (it would stand at 6.2% with exemption of the centralized regulated savings assets according to the decision of the EU court on July 13, 2018).

Assets

Summary. The consolidated assets of the group stood at €667.4 billion on December 31, 2018 compared to €618.3 billion as of January 1, 2018 (+7.9%).

This 7.9% increase in total assets (+49.1 billion) comes mainly from the increase in loans and receivables to customers (+€27.7 billion, representing +8.1%) and investments from the insurance business line (+€15.7 billion, representing +14.8%).

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss include financial instruments held for trading (including derivative instruments) and certain financial assets designated by the group at fair value through profit or loss on the date of their acquisition (including securities held by the private equity business line). These assets are revalued at their fair value during each closure.

The total amount of financial assets at fair value through profit or loss stood at €18.6 billion as of December 31, 2018 against €16 billion on January 1, 2018, representing an increase of 15.9%. Financial assets at fair value through profit or loss represented 2.8% of the total assets of the group on December 31, 2017.

Financial assets at fair value through equity. Financial assets at fair value through equity mainly include bonds and other debt securities for €17.1 billion and government securities for 9.6 billion.

Loans and receivables to credit institutions. Loans and receivables to credit institutions are composed of demand deposits, inter-bank loans and securities subject to repurchase agreements. Loans and receivables to credit institutions reached €44.2 billion as of December 31, 2018, compared to €41.2 billion on January 1, 2018.

Loans and receivables to customers. Loans and receivables to customers stood at €370.9 billion on December 31, 2018, against €343.2 billion on January 1, 2018, representing an increase of 8.1%.

Liabilities (excluding shareholders' equity)

Summary. The consolidated liabilities of the group excluding shareholders' equity stood at €623.8 billion as of December 31, 2018 against €578.3 billion on January 1, 2018 (+7.9%). These liabilities include subordinated debt at €7.2 billion on December 31, 2018 and €7.7 billion on January 1, 2018. The increase in liabilities other than shareholders' equity in 2018 mainly came from the increase in debts due to customers (mainly deposits) of €15.9 billion (+5.5%) and liabilities relative to contracts for insurance business of €14 billion (+13.8%).

Financial liabilities at fair value through profit or loss. The total amount of financial liabilities at fair value through profit or loss (held for trading) stood at €4.4 billion on December 31, 2018 against €5.4 billion on January 1, 2018, down by 19.4%.

Due to credit institutions. Debts due to credit institutions increased by €6.7 billion (+14.2%) to stand at €53.6 billion as of December 31, 2018.

Due to customers. Debts due to customers are mainly composed of demand deposits, term deposits, regulated savings accounts and securities subject to repurchase agreements. Debts due to customers stood at €304.3 billion as of December 31, 2018 and €288.4 billion on January 1, 2018. This increase mainly comes from that of current accounts, passbook accounts and mortgage saving agreements.

Debt securities at amortized cost. Debt securities are composed of negotiable certificates of deposit and bond issues. Debt securities stood at €119.7 billion as of December 31, 2018, up by 6.4% compared to January 1, 2018.

Liabilities related to contracts of the insurance business line. Liabilities related to contracts of the insurance business line stood at €115.6 billion as of December 31, 2018 against €101.5 billion on January 1, 2018, representing an increase of 13.8%.

Consolidated equity

The consolidated equity attributable to the group stood at €40.3 billion on December 31, 2018 against €37.7 billion on January 1, 2018, the change mostly corresponding to net carryover from 2018.

The non-controlling interests went from €2,293 million on January 1, 2018 to €3,306 million on December 31, 2018.

Liquidity and financing

Crédit Mutuel Alliance Fédérale's central cash management is based on appropriate calibration of resources in the short, medium and long terms with the objective of refinancing the group in an efficient and prudent manner. It is formalized by public issues and private placements on national and international markets as well as by holding a liquidity reserve adapted to compliance with regulatory liquidity ratios and the resistance of the group to severe stress.

The gradual resumption of inflation in the Eurozone, the gradual cessation of the repurchase of assets by the European Central Bank, the continuation of the increase in rates in the United States, political risks in Europe and international trade tensions, notably between the United States and China, contributed to the tense and irregular functioning of the debt market in 2018.

In total, the external resources raised on the markets by the Crédit Mutuel Alliance Fédérale group treasury *via* BFCM and its subsidiary Crédit Mutuel - CIC Home Loan SFH stood at €138 billion at the end of December 2018, representing an increase of 4.5% compared to the end of 2017.

Short money-market resources (at less than 1 year) represented exposure of €49.6 billion at the end of 2018 and increased by 5.2% in relation to the previous fiscal year. They represented 36% of all market resources raised, a stable share compared to the previous year (36% in 2017). Crédit Mutuel Alliance Fédérale has all of the short-term issue programs (NeuCP, ECP, London CDs) necessary for the proper diversification of its resources. In order to diversify the investor base, 21% of resources are issued in US dollars and 17% in pounds sterling. These resources in foreign currencies are then mostly converted to euros.

The medium and long-term (MLT) resources stood at €88.4 billion at the end of 2018, representing an increase of 4.1% compared to 2017. In 2018, Crédit Mutuel Alliance Fédérale established €13.5 billion of MLT resources, mainly using the BFCM signature, but also that of Crédit Mutuel - CIC Home Loan SFH, its covered bonds issuing entity, which has the best rating from the agencies. 69% of these MLT resources were raised in euros and the balance (representing 31%) in foreign currencies (US dollar, yen, British pound, Swiss franc, Australian dollar), thus illustrating the efficient pursuit of diversification of the investor base. The breakdown between public issues and private placements stood respectively at 71% and 29%.

The refinancing policy also aims to control the proportion of encumbered assets. Medium-long-term secured (SFH) refinancing represented 15% of the total medium-long-term refinancing raised in 2018.

The average maturity of medium-long-term resources raised in 2018 was 5.5 years, close to that seen in 2017 (5.8 years).

In 2018, issues in a public format represented €9.6 billion and breakdown as follows:

- BFCM in an EMTN senior format:
  - €1.5 billion at 7 years, issued in January,
  - €2.25 billion at 4 and 10 years, issued in July,
  - 800 million British pounds at 4 years, issued in January and July,
  - 200 million Swiss francs (two issues of 100 million each at 7 and 8 years), issued in April and in November,
  - 1.5 billion US dollars at 5 years, issued in July in a US144A format,
  - 107.9 billion yen at 5, 7 and 10 years, issued in October in a Samurai format,
  - 200 million Australian dollars at 5 years, issued in November in a Kangaroo format (inaugural issue for the BFCM);
- BFCM in a subordinated EMTN format: €500 million at 10 years, issued in May;
- Crédit Mutuel - CIC Home Loan SFH: a total of €2 billion on two issues of €1 billion each at 8 years and 10 years implemented in February and in April.

On the consolidated scope, the liquidity situation of Crédit Mutuel Alliance Fédérale is the following:

- an average LCR ratio over 2018 of 131.2% (vs 131.4% in 2017);
- HQLA liquidity resource assets of €79.17 billion, 72.6% of which placed with central banks (mainly the ECB).

The total liquidity reserves over the consolidated perimeter break down as follows:

Crédit Mutuel Alliance Fédérale *(in € billions)*	**12/31/2018**
Cash deposited in central banks	51.0
LCR securities	22.5
Other eligible central bank assets	35.8
TOTAL LIQUIDITY RESERVES	**109.3**

The liquidity reserve covers market resources due at 12 months.

In 2018, the European investment bank allocated, to BFCM, a new amount of “Loans for small, medium and intermediate-sized companies” of €250 million usable in two tranches. The first tranche (tranche A) of €150 million was fully drawn during the 4th quarter over a period of five years. Tranche B of the amount for “Loans for small, medium and intermediate-sized companies” is planned to be drawn during the first half of 2019.

Also, a new partnership with the BEI was signed at the end of December 2018: “Crédit Mutuel Mid-Cap Co-Financing Platform”. It concerns loans co-financed by the BEI that fulfill eligibility criteria, the share of the BEI not being able to exceed €150 million. Another initiative should take place in 2019 to promote the financing of small, medium and intermediate-sized businesses.

Solvency

On December 31, 2018, the equity of Crédit Mutuel Alliance Fédérale stood at €43.6 billion (€41 billion on December 31, 2017, €40 billion on January 1, 2018, after the effects of the first application of IFRS 9 except for the insurance subsidiaries).

Crédit Mutuel Alliance Fédérale maintained a high level of financial solidity with a Common Equity Tier 1 (CET1) ratio at 16.6%[1] at the end of December 2018, up by 10 bp compared to December 31, 2017. The Tier 1 ratio also stood at 16.6%[1] at the end of December 2018 and the overall solvency ratio reached 19.7%[1].

Weighted exposure by risk stood at €214 billion on December 31, 2018, of which 190.6 billion (89% of the total) was credit risk. CET1 shareholders equity was €35.5 billion(1) at the end of December 2018, up by 8.7% (+€2.8 billion).

(1) Without transitory measures.

The prudential requirements in matters of shareholders equity for 2019, which result from the Supervisory Review and Evaluation Process (SREP) for 2018 carried out by the European Central bank, were notified to Crédit Mutuel Alliance Fédérale:

The Common Equity Tier 1 (CET1) requirement that Crédit Mutuel Alliance Fédérale must comply with on a consolidated basis is fixed at 8.50% on March 1, 2019, of which:

- 1.50% pursuant to the requirements of Pillar 2 (excluding Pillar 2 Guidance, nonpublic);
- 2.50% pursuant to the capital conservation buffer.

The overall solvency requirement is fixed at 12% (excluding Pillar 2 Guidance, nonpublic).

The leverage ratio[1] is 6.0% on December 31, 2018, up by 10 bp over one year thanks to significant generation of capital in relation to a controlled increase of the balance sheet.

Methodology notes and alternative performance indicators

Methodology notes

Variations at constant scope

Private banking sector: following the entry into the consolidation scope, in 2018, of Banque de Luxembourg Investissements, variations at constant scope are calculated after taking into account this entity in 2017.

These elements are detailed below on the various intermediate management balances:

PRIVATE BANKING

	2018	2017			Variation	
(in € millions)	published	published	variation in scope	at constant scope	gross	at constant scope
Net banking income	**551**	**509**	**16**	**525**	**+8.3%**	**+4.9%**
General operating expenses	-375	-353	-10	-363	+6.1%	+3.3%
Gross operating income	**176**	**155**	**7**	**162**	**+13.2%**	**+8.4%**
Cost of risk	-16	-5		-5	ns	ns
Operating income	**160**	**150**	**7**	**157**	**+6.8%**	**+2.1%**
Net profit/loss on other assets and associates	26	4		4	ns	ns
Profit/(loss) before tax	**186**	**154**	**7**	**161**	**+21.2%**	**+16.1%**
Income tax	-47	-35	-5	-40	+35.4%	+18.5%
Net profit/loss on discontinued activities	0	22		22	ns	ns
NET PROFIT/(LOSS)	**139**	**141**	**2**	**143**	**-1.5%**	**-2.8%**

(1) Target calculation. It would stand at 6.2% with exemption from the centralized exposure on regulated savings (according to the decision of the EU Court dated July 13, 2018).

Alternative performance indicators

ARTICLE 223-1 OF THE GENERAL REGULATIONS OF THE FRENCH FINANCIAL MARKETS AUTHORITY/POLICIES OF THE ESMA (ESMA/20151415)

Designation	Definition/calculation mode	For the ratios, justification of the use
Cost/income ratio	Ratio calculated from items on the consolidated income statement: Ratio between general operating expenses (sum of items "general operating expenses" and "movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets" on the consolidated income statement) and the "net banking income"	Measurement of the operating efficiency of the bank
Overall cost of customer risk related to the outstanding loans (expressed in % or in basis points)	Cost of customer risk from the notes to the consolidated financial statements related to gross outstanding loans at the end of the period	Enables assessment of the level of risk as a percentage of credit commitments on the balance sheet
Cost of risk	Item "cost of risk" on the publishable consolidated income statement	Measurement of the level of risk
Customer loans	Item "loans and receivables to customers" from the asset side of the consolidated balance sheet	Measurement of customer activity in matters of loans
Customer deposits; account deposits	Item "Due to customers" on the liability side of the consolidated balance sheet	Measurement of customer activities in matters of balance-sheet resources
Insurance savings	Life insurance assets held by our customers – management data (insurance company)	Measurement of customer activity in matters of life insurance
Bank financial savings	Off-balance-sheet savings assets held by our customers or under custodianship (securities accounts, UCITS…) – management data (entities of the group)	Measurement representative of the activity in matters of off-balance-sheet resources (excluding life insurance)
Total savings	Sum of account deposits, insurance savings and bank financial savings	Measurement of customer activity in matters of savings
General operating expenses general operating expenses; management expenses	Sum of the lines "general operating expenses" and "movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets"	Measurement of the level of general operating expenses
Interest margin; net interest yield; net interest income	Calculated from the items on the consolidated income statement: difference between interest received and interest paid: ■ interest received = item "interest and similar income" from the publishable income statement; ■ interest paid = item "interest and similar expenses" from the publishable income statement	Measurement representative of profitability
Production of loans	Amount of new loans released to customers – sources: management data, sum of individual data of the entities of the "retail banking – banking network" segment +COFIDIS	Measurement of customer activity in matters of new loans
Share of non-performing loans in gross loans	Ratio between gross outstanding receivables subject to individual depreciation (S3) and gross customer loans (calculated from the notes "Loans and receivables to customers" to the consolidated financial statements: gross receivables +finance leases)	Asset quality indicator

Alternative performance indicator, reconciliation with the financial statements

COST/INCOME RATIO FOR RETAIL BANKING

(in € millions)	2018	2017
General operating expenses for retail banking	-6,495	-6,327
Net banking income for retail banking	10,284	10,031
COST/INCOME RATIO FOR RETAIL BANKING	**63.2%**	**63.1%**

COST/INCOME RATIO FOR RETAIL BANKING EXCLUDING SINGLE RESOLUTION FUND

(in € millions)	2018	2017
General operating expenses for retail banking	-6,495	-6,327
Retail banking contribution to the single resolution fund	-80	-66
General operating expenses for retail banking excluding single resolution fund contribution	-6,415	-6,261
Net banking income for retail banking	10,284	10,031
COST/INCOME RATIO FOR RETAIL BANKING	**62.4%**	**62.4%**

COST OF RISK/GROSS OPERATING INCOME

(in € millions)	2018	2017
Cost of risk	-904	-871
Gross operating income	5,356	5,551
COST OF RISK/GROSS OPERATING INCOME	**16.9%**	**15.7%**

NET PROFIT/(LOSS) – REGULATORY ASSETS

(in € millions)	12/31/2018	12/31/2017
Net profit/(loss)	2,993	2, 427
RWA	214,048	198,374
NET PROFIT/(LOSS) – AVERAGE ASSETS	**1.4%**	**1.2%**

COST OF PROVEN CUSTOMER RISK RELATED TO OUTSTANDING LOANS

(in € millions)	12/31/2018	12/31/2017
Cost of proven customer risk	-717	-826
Gross loans to customers	378,995	351,958
COST OF PROVEN CUSTOMER RISK RELATED TO OUTSTANDING LOANS*	**0.19%**	**0.23%**

* *Annualized.*

RATE OF NON-PERFORMING LOANS

	12/31/2018	12/31/2017
Gross receivables subject to individual depreciation (S3)	11,577	11,754
Gross loans to customers	378,995	351,958
RATE OF NON-PERFORMING LOANS	**3.1%**	**3.3%**

3.2 RECENT DEVELOPMENTS AND PROSPECTS

3.2.1 Events after the reporting period

No significant event or event likely to have an impact on the financial statements for the fiscal year ending December 31, 2018 occurred after closure.

3.2.2 Prospects

In 2018, Crédit Mutuel Alliance Fédérale had historical performance in terms of results arising from the effectiveness of the "*Priorité Client Sociétaire 2018*" plan. Crédit Mutuel Alliance Fédérale is a strong player, both through its results and the strength of its networks, serving the development of the local economy and companies and serving everyone as a cooperative and socially-responsible bank.

The success of the "*Priorité Client Sociétaire 2018*" transformation plan and of the multi-service diversification strategy is a genuine asset for the initiation of the new strategic plan "*ensemble#nouveau monde*" built around a principle – technology at the service of the human – and an alliance of local Caisses de Crédit Mutuel, federations and subsidiaries united in the search for efficiency in serving customers and members.

3.3 MANAGEMENT OF THE RISKS OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

This chapter includes the information required by IFRS 7 on the risks relative to financial instruments.

The figures that were the subject of checks on fairness and coherence specified in Article L.823-10 of the French Commercial Code in the same way as the rest of the management report are marked with a "v".

The periodic control, permanent control and compliance functions provide enhanced security for the processes covering all activities.

The description of the controls, review of reporting and the action plans undertaken are described in the "internal control system and risk monitoring" section.

The risks department consolidates the overall monitoring of risks and optimizes their control, notably through measuring the equity allocated to each activity and the analysis of profitability generated.

In the rest of this part, the word "group" may be used alone but it should be understood as Crédit Mutuel Alliance Fédérale.

3.3.1 Risk factors

Crédit Mutuel Alliance Fédérale is exposed to various risks associated with its activities of retail banking, insurance, corporate banking and capital markets, private banking and private equity. The group has set up a process to identify and measure risks related to its activities which enables it, at least once a year, to prepare the map of its most significant risks. The degree of significance arises from a system of scoring gross risks according to risk indicators and judgments of experts taking into account the position in the economic cycle and the prospects for changes and the group's appetite for risk. The map of risks is subject to the validation of the boards of directors of the group. Below are the main factors that can significantly influence the main risks of the group.

1. Credit risk

The economic prospects of the Eurozone, notably those of France, worsened at the beginning of 2018. The impact of a downturn similar to that of 2008 on the profitability and solvency of Crédit Mutuel Alliance Fédérale through worsening of the quality of loan portfolios could be significant. The probability of such an occurrence is considered to be low.

Indeed, **credit risk constitutes the main risk of Crédit Mutuel Alliance Fédérale, due to its business model.** Gross exposure (balance sheet, off-balance-sheet, derivatives and repurchase agreements) to credit risk represented €655 billion on December 31, 2018 and mobilized about 89% of the capital requirements of the group pursuant to Pillar 1 of the Basel 3 regulations.

A serious worsening of the economy, or even a crisis of the magnitude of that of 2008, could have four types of significant impact on the exposure of the group to credit risk.

1.1. The first impact would be related to the **risk of financial loss due to the inability of counterparties to fulfill their contractual obligations** (risk of default). The counterparties may be banks, financial institutions, industrial or commercial companies, states, investment funds or natural persons. This risk concerns the financing activities (which therefore appear on the balance sheet of Crédit Mutuel Alliance Fédérale) or guarantee activities (which appear off-balance-sheet) as well as other activities exposing the group to a risk of counterparty default, notably its activities related to the trading and settlement/delivery of financial instruments on the capital markets, and to insurance. This risk of default is expressed firstly by an aggravation in non-performing loans and disputed debt, an indicator of default risk; and is also an important warning factor for regulators and the European supervisor. It also results in a worsening of the cost of risk related to the provisioning of these non-performing loans. On December 31, 2018, the rate of non-performing loans (non-performing loans/gross loans to customers) of Crédit Mutuel Alliance Fédérale reached 3.05% and the cost of risk reached €904 million (related to gross outstanding loans, the cost of customer risk is 0.22%). However, after the 2008 crisis, the group's rate of non-performing loans climbed as far as 4.68% (December 31, 2009), generating a peak in the cost of risk of €1,987 million (the cost of customer risk representing 0.77% of the gross loans at the time), over a more restricted scope, given the acquisitions made by the group since 2009.

1.2. The second impact would depend on the **method used for calculating the weighted risks in the denominator of the solvency ratio.** In the standard method, the change in the quality of loans has little impact on the calculation of weighted risks and therefore on the solvency ratio. However, when the loan portfolios have an authorization from the supervisor to use internal models for the calculation of weighted risks, any worsening of the portfolios concerned aggravates the denominator of the solvency ratio. Within Crédit Mutuel Alliance Fédérale, nearly 70% of total exposure to credit risk is subject to internal rating[1] for which the quality determines the calculation of the capital requirements pursuant to the credit risk under the Basel 3 method and therefore the group's solvency ratio. A worsening of the ratings for all or part of the portfolio would therefore lead to a worsening of the solvency of the group in relation to the risk of migration of ratings.

1.3. Due to the extent of its portfolio of real estate loans (nearly 50% of customer loans), mainly in France (€173 billion), the group is exposed to a **downturn in the real estate market.** A scenario of this type

(1) According to the level of estimated risk associated with a counterparty, an internal rating is assigned to it, which will influence the capital requirements for credit risk.

would affect its cost of risk through an increase in defaults, as well as, concerning mortgage financing, if the value of the housing units given under guarantee became significantly and sustainably affected by a drop in the real estate market. Following the crisis of 2008, the cost of risk on the portfolio of property loans to private customers reached 0.10% of the balance-sheet commitments during two years (2009 and 2010), to come back down to a low point of 0.01% in 2018.

1.4. Crédit Mutuel Alliance Fédérale has unitary exposure that is relatively high to certain states, to bank counterparties or to large groups, mainly French. **The default of one or more of the group's largest customers could degrade its profitability.** Concerning states, the group is mainly exposed to France, mainly the Banque de France, member of the euro system, and to the Caisse des Dépôts et Consignations (equivalent to French sovereign risk, due to the mechanism for the centralization of deposits from regulated savings). Other than states, on December 31, 2018, the unitary exposures on and off balance sheet exceeding €300 million (representing about 10% of the net profit/loss) on banks represented €4.8 billion for eight counterparties, and on companies, it represented €34.9 billion for 55 counterparties. The probability of several of these counterparties being downgraded or even defaulting simultaneously cannot be ruled out and would affect the profitability of the group.

2. Regulatory/prudential risk

The group is subject to significant banking regulation, some aspects of which are not yet expressed in its ratios and which could have a significant impact on them.

As specified in 1.2, a great majority of the group's exposures are approved by the supervisor for calculation using the internal weighted risks method. However, changes to the "finalization of Basel 3" regulations will unfavorably impact the calculation of weighted risks and therefore the solvency ratio of the group. The probability of the occurrence of this risk is almost certain but it will gradually occur between 2022 and 2027.

2.1 The **finalization of the Basel 3 agreements** specifies that for portfolios with a low risk of default authorized for the IRBA method (notably the internal calculation of the parameters covering probability of default and loss given default), the internal parameter "loss given default" may no longer be used for calculating weighted risk. It will be replaced by a standard value fixed at 40% for all establishments from January 1, 2022, which will increase the capital requirements on exposures. For the group, this will concern counterparties that are "banks" and "large corporates" (groups having more than €500 million in consolidated revenue), representing about €85 billion of balance-sheet and off-balance-sheet exposure on December 31, 2018.

2.2 **From 2022, an "output floor"** will gradually be put in place, the aim of which is to limit the gains in equity arising from internal models for the calculation of weighted risks in the denominator of the solvency ratio. As specified in 1.2, about 70% of the group's exposures have a risk weighting taken from internal models, most of which are well below the standard weighting. The application of the output floor will be done in gradual levels between 2022 (50%) and 2027 (72.5%) and will unfavorably affect the solvency rating.

2.3 As specified in 1.3, the group's exposure to real estate risks is significant. They will also be unfavorably affected by the **regulations when the new standard method applies in 2022.** This new approach will use the Loan-To-Value indicator (LTV, the ratio between the amount of the loan and the market value of the property) to weight the risk of exposures. As the LTV increases, so does the risk weighting, up to 100%, while the weighting in the current standard method for exposures guaranteed by a mortgage or equivalent surety – representing nearly €140 billion on December 31, 2018 – is 35% (and 14% using the internal method). This new methodology will also have the consequence of making capital requirements relative to portfolios of property receivables more sensitive to a drop in property prices (portfolios using the standard method and portfolios using an internal method *via* the *output floor* mechanism mentioned in 2.2).

2.4 **The mission of the Targeted Review of Internal Models** or TRIM carried out by the European Central Bank (ECB) with European banking institutions may result in a worsening of the level of CET1.

3. Interest rate risk

Interest rate risk is defined as the difference to which the profit/(loss) of a bank is subject when interest rates vary upwards or downwards. As the value of an institution is directly related to its earnings, changes in interest rates also mean changes in its asset value impact on the balance of on-and off-balance sheet items.

The interest rate risk in the banking portfolio breaks down into 3 sub-types of risks, defined by the Basel Committee:

- the gap risk, for which we distinguish the risk of repricing and the risk of translation of the yield curve;
- the basic risk, expressing the imperfect correlation between variable rates (e.g.: different indexing…); and
- the option risk, addressing both the implicit options relating to the behavior of the customer and the explicit options that are automatically exercisable according to the rates environment.

Economic model and balance-sheet structure: Crédit Mutuel Alliance Fédérale does more than 90% of its business in the Eurozone and is therefore subject to the economic risks of the zone. Also, the group is subject to the economic climate in France, as more than 75% of net banking income is generated in France. A significant share of net banking income is related to the property loans business (about 50% of the total of customer loans). As well as the net interest yield, which is highly dependent on developments to the long-term yield of French fungible treasury bonds (OAT), a significant share of the activity of GACM, the insurance subsidiary of the group, is related to the real estate borrower insurance business line.

3.1 **Increase in rates:** if the ECB increases its base rates, Crédit Mutuel Alliance Fédérale could suffer an increase in the cost of its resources. In case of a rise in rates, there is a risk of switching by depositors due to the structure of deposits, of which nearly 44% are invested in current accounts. These resources could move towards products that pay higher interest or to asset management funds. This situation could increase the cost of resources. Also, in the case of migration of balance-sheet deposits towards deposits off-balance-sheet, the level of the liquidity reserve ratio (the ratio of loans over deposits) would be affected by these changes, which might mean making more use of market resources.

3.2 **Macroeconomic uncertainties:** macroeconomic uncertainties such as trade tensions between the United States and China, Brexit, the end of the accommodating policy of the ECB (including the arrival at maturity of the TLTRO) or the employment relations climate in France have had an influence on the markets and may reduce investors' appetite for risk, resulting in an increase in the cost of refinancing for the group.

4. Liquidity risk

Liquidity risk may be defined as the ability of an institution to find the necessary funds to finance its commitments at a reasonable price, at any time. Thus, a credit institution finds itself:

- at risk of not being able to honor its commitments due to a scarcity of financial resources;
- risk of paying significantly more expensive refinancing.

Assets are less liquid than liabilities: if the credit institution is not sufficiently liquid, it may have to sell assets at a loss.

Liquidity ratios: On December 31, 2018, Crédit Mutuel Alliance Fédérale had a liquidity reserve ratio of 121.9%, up by 2.3 points compared to the previous year. This ratio enables assessment of the group's refinancing requirements on financial markets. The LCR, which measures the ability to cope with its commitments over thirty days, is the second liquidity indicator that is important for the group. The average LCR over 2018 is 131.2%, stable compared to the previous year. This ratio is monitored monthly and a significant worsening over several consecutive months would be an advanced sign of concern in terms of liquidity for the group.

4.1 **Changes to the reference indices:** on the subject of the regulations relative to reference indices, it should be noted that some of them (LIBOR, EURIBOR, EONIA) will be considered as non-compliant indices from January 1, 2022 and may not be used in new contracts and financial instruments. The transition towards new indices involves many points to which attention must be paid. The first relates to the level of rates of substitution by which the structure (old index/new index) differs technically and requires putting in place an adjustment margin, for which the methodology remains to be defined by the authorities. The second point of attention relates to the transition from the old to the new index, which could potentially lead to a risk of asymmetry in treatment between the various items on the balance sheet (assets and liabilities) and their hedging. Lastly, the third problem concerns the liquidity of these new indices, such as the ESTER (Euro Short-Term Rate) for which the reference levels will only be officially published during the fourth quarter of 2019.

4.2 **Operational profitability:** in November 2018, the group presented its strategic plan 2019-2023 which is based on growth in net banking income of 3% per year. This growth partly depends on the rise in interest rates and good control of costs. Not achieving these growth objectives or controlling costs would have a very negative impact on the cost/income ratio.

4.3 **Credit rating:** the maintenance of favorable conditions for the refinancing of the BFCM requires continuous attention to the credit ratings assigned by the ratings agencies. The cost of non-secured refinancing raised on the market by BFCM is directly dependent on its credit spread. Variations on credit spreads are instant, sensitive to movements of markets that are sometimes highly volatile and dependent on factors such as the French sovereign rating. Spreads are also affected by the perception of the credit quality of the bank by the market and by the rating agencies. A drop in the credit ratings of BFCM could have an unfavorable impact on refinancing conditions.

5. Governance risk

BFCM holds no equity investment in the local banks. Consequently, BFCM shares neither the profits nor the losses of the local banks. Its economic interest in the profit/loss of the local banks is limited to the financing that it provides them with as part of its activity as the financial arm of the group. Furthermore, BFCM has no voting rights or other rights to influence the management, strategy or policies of the local banks.

The local banks control BFCM *via* the Caisse Fédérale de Crédit Mutuel and may have interests that are different from those of investors in the securities issued by the BFCM. Almost all of the shares of BFCM are held directly or indirectly by the local banks, notably 93% by the Caisse Fédérale de Crédit Mutuel. Consequently, the Caisse Fédérale de Crédit Mutuel and the local banks solely determine the outcome of votes at meetings of shareholders of the BFCM, including votes on decisions such as the appointment or co-option of members of its board of directors and the distribution of dividends. Although the maintenance of the reputation of the BFCM as a first-rate issuer is an essential matter for the group, it cannot be ruled out that certain decisions taken by the general shareholders' meeting of the BFCM might be contrary to the interests of its bondholders.

The BFCM does not participate in the solidarity mechanism specific to the local banks. The local banks have no obligation to support either the liquidity or the solvency of the BFCM if such support may be necessary. While the financial ratings of the BFCM are partly based on the assumption by the ratings agencies that such support would be provided if needed due to the key role played by the BFCM in the financial structure of the group, this assumption is based on the opinion of the rating agencies concerning the economic interests of the local banks, and not on any legal obligation. If the financial situation of the BFCM were to deteriorate, there is no assurance that the local banks or the Caisse Fédérale de Crédit Mutuel would provide additional capital or any other support to the BFCM.

Out of the eighteen federations of Crédit Mutuel that are active in France, only eleven federations compose the group. The banks of the seven other federations use the name and the logo Crédit Mutuel, or for their non-cooperative subsidiaries, mention their belonging to Crédit Mutuel. If one or more of the federations of Crédit Mutuel which are outside the group encountered difficulties, such as a slowdown in its activities, a deterioration in the quality of its assets or a drop in its financial rating, it is possible that the market might not understand the distinction between the federation in difficulty, which does not form part of the group, and the federations of the group. In such a case, the difficulties encountered by a federation outside the group may have an unfavorable impact on the reputation of the group and/or have an impact on the profit/loss and the financial situation of the group.

The eighteen federations of Crédit Mutuel have a mutual financial support mechanism, pursuant to which the local banks of the group may be obliged to provide their support to the local banks of federations outside the group. Although the support system for a local bank would be initially implemented at the regional level, within the federation of that said local bank, if the resources at the regional level were insufficient, it may call upon the national support mechanism, meaning the support of the other federations. Although the local banks of the group also benefit from the support of federations outside the group, they remain exposed to risks relative to the local banks which do not form part of the group.

Under French law, certain questions relative to the governance of the eighteen federations of Crédit Mutuel (which include the eleven federations of the group and the seven federations outside the group) are determined by a central body known by the name of the Confédération Nationale du Crédit Mutuel (CNCM). The CNCM represents all of the local banks of the eighteen federations before the French banking supervisory and regulatory authorities. Furthermore, the CNCM has the power to exercise financial, technical and administrative monitoring functions concerning the organization of the Crédit Mutuel banks and to take measures to ensure their proper functioning, including suspending a bank from the list of banks authorized to carry out business within the Crédit Mutuel system.

6. Market risk

This is a risk of loss of value caused by any unfavorable change in market parameters, such as interest rates, the price of securities, exchange rates and commodity prices. Market risk concerns several business lines of the bank, including capital markets activities of the CM-CIC Marchés, the asset-liability management activity (see above) and the asset management activity performed by the group's management companies.

The potential impact of market risk on the asset-liability management activity is addressed elsewhere in this chapter (an increase in rates increases the cost of resources, even though it also could improve the net interest margin). The risk to the asset management activities is due to the fact that the commissions received by this business line depend on the valuation of the funds which are managed, and these depend on market valuation levels.

The main risk factors associated with market risks are:

6.1 A worsening of economic prospects negatively affecting the financial markets in that they are supposed to reflect the financial health of issuers of the capital and debt securities that are traded in them. The valuation of securities drops and the volatility of the valuation level increases. The effect on the activities of CM-CIC Marchés is negative.

The investment business line suffers from adverse financial market conditions to the extent that this business line intervenes assuming the improvement of the economy, taking a position on an increase in stock markets and on a better quality of signature of the issuers of debt.

The commercial business line also suffers from poor market conditions. Commissions from the brokerage activity drop with transactions covering amounts that are reduced due to the lower valuation level. Furthermore, the number of transactions on the primary market (initial public offers, capital increases and debt issues) trends downwards, which implies less commission.

Given the adverse financial market conditions in 2018, CM-CIC Marchés had a 2018 result that declined significantly compared to that of 2017, while remaining positive. The beginning of 2019 saw a recovery in the markets, but the same uncertainties that disrupted the markets during the second half of 2018 remained.

6.2 Monetary policy is another factor that has a significant impact on market risks (see above part on interest-rate risks). The accommodating monetary policy of the ECB influences the net interest margin of the bank, and consequently its profitability is strongly affected by this (maintenance at a low level).

The market risk to which the group's capital markets function, CIC Marchés, is exposed is low. The equity capital allocated to CIC Marchés is €490 million (1.2% of overall prudential equity capital, which stood at €42 billion on December 31, 2018). At the end of 2018, €325 million of this limit was used (against 800 million in 2008). The VaR of the trading portfolio stood at €7 million at the end of 2018, a level that is intrinsically low.

7. Operational risks

This is the risk of losses resulting from inappropriateness or failure of internal processes, or due to external events which are deliberate, accidental or natural. Operational risks also include risks of non-compliance and reputation, including legal risks, as well as risk of harm to the image of the group which could occur due to non-compliance with regulatory or legal obligations or ethical standards.

The main risk factors associated with operational risks are:

7.1 External and internal fraud.

7.2 Legal risks to which the group is exposed and which could have unfavorable effect on its financial situation and its profit/loss.

7.3 Shortcomings or delays by the group in the full compliance of its activities with the rules related to financial or banking activities, whether they are of a legislative or regulatory nature, professional and deontological standards, instructions or ethics in professional behavior. The adoption by different countries of multiple and sometimes divergent legal or regulatory requirements exacerbates this risk.

7.4 Reputational risk, which could have an unfavorable effect on the profitability and commercial prospects of the group.

7.5 Any failure of, or attack against, the IT systems of the group, which could cause lost earnings, losses and sporadically weaken the customer protection system.

At the end of 2018, €1.6 billion of equity was allocated to cover the losses generated by this risk. At that same date, the relationship between the allocation of equity capital (potential loss) and losses (proven loss) stood at 11 (representing €1.6 billion of equity capital allocated for proven loss of €146 million). The main risks of potential loss are fraud (external and internal) and risks related to the policy towards customers, products and commercial practices (including the legal risk). The risks with the greatest impact on proven loss in 2018 were fraud, errors and policy towards customers, products and commercial practices.

Lastly, in the past there have been no instances of risk to reputation or risk of failure of, or attack against, the IT system affecting profitability, the image of the group or the quality of the customer protection system.

3.3.2 Credit risks

3.3.2.1 Organization of the commitments function

In accordance with the regulations in force, the organization of the management of commitments makes a broad distinction between the following two systems:

- the granting of loans;
- the measurement of risk, the monitoring of commitments and the management of at-risk items.

The organization of the commitments function and the management of these last are based on a single reference system which sets the rules and practices used within the group.

3.3.2.1.1 System for granting loans

The granting of loans is built around knowledge of the customer, evaluation of the risk and commitment decision procedures.

Knowledge of the customer

Knowledge of the customer and the targeting of prospects rely on the close links that have been established with the economic environment. The segmentation of customers into different risk categories guides the commercial prospecting. A credit file is used to support the decision on granting.

Risk evaluation

Risk evaluation is based on the analyses carried out at several stages according to formalized processes, with notably:

- customer rating;
- risk groups;
- the weighting of exposure related to the nature of the product and the guarantee adopted.

The relevant Group employees receive periodic training on risk management and assessment.

Customer rating: a single system for the whole of the group

In accordance with the applicable regulations, the Group's internal customer rating is at the center of the credit risk system: granting, payment, pricing and monitoring. In this regard, all delegations rely on the rating of the counterparty. Generally, the lending unit validates the internal rating of all cases that it processes.

Rating algorithms and expert models have been developed in order to improve the evaluation of the group's credit risks and fulfill the regulatory requirements relative to approaches to internal rating.

This system of rating is common to the whole of the Crédit Mutuel group.

The definition of rating methodologies is done under the responsibility of the *Confédération Nationale du Crédit Mutuel* (CNCM) for all portfolios. However, the regional entities are directly involved in implementing and validating projects run by working groups on specific subjects and on work relative to the quality of data and the acceptance of applications.

The counterparties of the group eligible for the internal approaches are rated by a single system.

Discrimination and the proper qualification of risk are performed by models (algorithms or tables). The scale of values reflects the progressiveness of the risk and breaks down into nine positions excluding default (A+, A-, B+, B-, C+, C-, D+, D-, E+) and three positions for default (E-, E= and F).

The monitoring of rating models is built around three main constituents which are the study of stability, performance and supplementary analyses. This monitoring is done under the aegis of the CNCM on each rating model.

Risk groups (counterparties)

A "group of related customers" is considered to consist of natural persons or legal entities that constitute a whole from the point of view of risk because one of them holds over the other or others, directly or indirectly, a power of control or because there exists between them links so that if one of them encounters financial problems, notably difficulties in financing or repayment, the others would have difficulties in financing or repayment.

The risk groups are constituted based on a procedure that uses the provisions of subparagraph 39 of paragraph 1 of Article 4 of the regulatory text from the EU No. 575/2013.

Weighting of income and guarantees

To evaluate the counterparty risk, a weighting may apply to the nominal commitment. It is a combination of the nature of the loan and that of the guarantee.

Grant decision

The grant decision is mainly based on:

- a formalized risk analysis of the counterparty;
- the rating of the counterparty or group of counterparties;
- levels of delegation;
- the principle of a second examination;
- the rules on limiting authorizations according to equity;
- remuneration adapted to the risk profile and consumption of equity.

The management of decision-making circuits is automated and is done in real-time: from the end of investigation of a request for a loan, the electronic file is sent to the right decision-making level.

Levels of delegation

The customer relationship manager is responsible for the comprehensiveness, quality and reliability of the information collected. In accordance with Article No. 107 of the order dated November 3, 2014, he/she prepares credit files intended to formalize all information of a qualitative and quantitative nature on each counterparty. He/she checks the relevance of elements collected either from customers or from external tools (sectoral studies, annual reports, legal information, rating agencies) or internal tools made available to him/her. Each customer relationship manager is responsible for the decisions that he/she takes or instructs and has an *intuitu personae* delegation.

For cases for which the amount exceeds the *intuitu personae* delegations, the decision is taken by a commitments decision committee, for which the rules of functioning are the subject of procedures.

The delegations are based on adjustment of commitment limits according:

- to the rating;
- to the total amount of commitments on a counterparty or on a risk group, which may be weighted by the type of loan concerned or by eligible guarantees;
- to delegation exclusions.

Role of lending unit

Each regional bank has a lending team, which reports directly to Executive Management and is independent of the operational departments. The missions are mainly of two types and are therefore divided between two independent teams, who are in charge:

- one, of checking the appropriateness of the grant decisions through the analysis, through a second examination, of the loan files and checking that the interest on the loans is adequate to the risk taken;
- the other, of implementing the process of prudential monitoring and evaluation of credit risk in addition to the permanent control actions.

3.3.2.1.2 System for measuring risk, monitoring commitments and the management of at-risk items

In accordance with the regulatory requirements, commitments are monitored by national and regional organizations.

Risk measurement

To measure risks, Crédit Mutuel Alliance Fédérale has various tools enabling an aggregated, static and dynamic approach:

- to the exposure to a counterparty or group of counterparties;
- to the production of exposure according to the policies adapted to the business lines concerned (rating, market, loan products, business sectors, interest).

Each commercial entity has informational tools and can constantly check compliance with the limits allocated to each of its counterparties.

Monitoring commitments

The commitments function contributes, alongside the other players concerned, to a quarterly and formalized monitoring of the quality of the credit risks on each business line.

The system for monitoring the commitments function intervenes, in a manner that is independent of the grant, in addition and in coordination with the actions carried out mainly on the first-level control, the permanent control and by the chief risks officer. The aim is to detect risky situations as early as possible from criteria defined by customer segments, in a computerized manner or through the intermediary of operational managers and relevant commitments.

Under the CRBF 93-05 regulation, the corporate regulatory limits of Crédit Mutuel Alliance Fédérale are determined according to the regulatory capital and internal ratings of counterparties. Regulatory limits are monitored according to specific conditions (including frequencies) defined in dedicated procedures.

The monitoring of overruns and account functioning anomalies is done through advanced risk detection tools (management of debtors/sensitive risks/automatic reports in negotiated collection/…), based both on external and internal criteria, notably the rating and the functioning of accounts. These indicators aim to allow identification and handling of cases as early as possible. This detection is automated, systematic and comprehensive.

Permanent control of commitments

The permanent control network function, which is independent of the commitments function, provides a second-level control of credit risk. Counterparties with alert signals are reviewed and entities combining negative indicators are identified. The objective of the check is to monitor the application of appropriate “risk” strategies and the implementation of adapted corrective measures.

Additional security is thus provided to the management of credit risk.

Management of at-risk items

A unified definition of default compliant with Basel and accounting requirements.

A unified definition of default is used for the whole of the Crédit Mutuel group. Based on the alignment of prudential standards on the accounting service (regulation ANC No. 2014-07 dated November 26, 2014/regulation (EU) No. 575/2013). It is expressed by the correspondence between the Basel concept of debt in default and the accounting concept of disputed and non-performing loans. IT tools take into account contagion, which can extend the downgrading of related exposure.

Detection of at-risk items

The practice consists of comprehensively identifying receivables to be placed “under at-risk items” then assigning them to the category corresponding to their situation: sensitive (non-downgraded), non-performing, irrevocable non-performing or disputed. All receivables are subject to monthly automated detection processing according to indicators of internal or external origin configured in the information system. The downgrading, according to regulatory criteria in force, is done automatically.

Transition to default, provisioning, reclassification as performing

Processing the transition to default, provisioning and the reclassification as performing comply with prudential rules in force, with automation on a monthly basis, which keeps the process comprehensive.

Management of customers downgraded to non-performing or disputed

The counterparties concerned are managed differently according to the gravity of the situation: in the branch by the customer relationship manager or by dedicated teams specialized by market, type of counterparty or collection mode.

3.3.2.2 Quantified data

3.3.2.2.1 Quantified summary of credit risk (balance sheet and off-balance-sheet)

Exposure

The total gross exposure reached €406.4 billion, up by 9.0% compared to the end of 2017. Customer loans stood at €369.4 billion, up by 7.2% compared to 2017, and exposure on credit institutions reached €37.0 billion.

(in € millions)	12/31/2018	12/31/2017
LOANS AND RECEIVABLES		
Credit institutions	36,991	28,264
Customers	369,428	344,743
Gross exposure	**406,419**	**373,007**
PROVISIONS FOR DEPRECIATION		
Credit institutions	-3	0
Customers	-8,109	-7,016
NET EXPOSURE	**398,307**	**365,991**

Source accounting service – Excluding repurchase agreements and deposit guarantees.

Commitments given

(in € millions)	12/31/2018	12/31/2017
FUNDING COMMITMENTS GIVEN		
Credit institutions	1,143	1,217
Customers	64,304	59,550
GUARANTEE COMMITMENTS GIVEN		
Credit institutions	4,527	3,294
Customers	17,351	16,522
PROVISION FOR RISKS ON COMMITMENTS GIVEN	136	136

3.3.2.2.2 Customer loans

The total customer loans excluding repurchase agreements was €369.4 billion, up by 7.2% compared to 2017. The balance sheet exposure of medium or long-term loans increased by 7.9% and short-term loans by 6.1%.

(in € millions)	12/31/2018	12/31/2017
Short-term loans	**75,127**	**70,779**
Overdrawn current accounts	7,305	7,506
Commercial loans	15,357	14,789
Liquidity credits	51,188	47,373
Export loans	1,277	1,111
Medium-and long-term loans	**282,119**	**261,524**
Equipment loans	86,310	78,443
Housing loans	179,338	167,715
Leases	14,263	13,002
Other loans	2,208	2,365
Total gross customer loans excluding non-performing loans	**357,247**	**332,303**
Non-performing loans	11,577	11,754
Accrued interest	604	686
TOTAL GROSS CUSTOMER LOANS	**369,428**	**344,743**

Source accounting service – Excluding repurchase agreements and deposit guarantees.

Quality of the portfolio

The information relative to the quality of the portfolio is presented in chapter 4, table "Exposure to credit risk per category of exposure and scale of PD".

Close-up on home loans

Outstanding home loans grew by 6.9% in 2018. They represented 50% of the gross total of customer loans. By their very nature spread among a very great many customers, 86% were backed by physical property collateral or first-rate securities.

(in € millions)	12/31/2018	12/31/2017
Home loans	**179,338**	**167,715**
With Crédit Logement guarantee or a mutual guarantee scheme	72,487	67,999
With mortgage or similar 1st-rank security	82,291	79,356
Other guarantees*	24,560	20,360

Source: accounts other rank mortgages, pledges and liens.*

Breakdown of loans by type of customers

The breakdown of loans by type of customers is based on all entities of Crédit Mutuel Alliance Fédérale.

	12/31/2018	12/31/2017
General public	73%	74%
Companies	23%	22%
Large entities	2%	2%
Specialized financing and others	1%	1%

Source: Risk Monitoring/finance department.

Scope Crédit Mutuel Alliance Fédérale excluding foreign branches of CIC. ACM and IT not included.

Geographical breakdown of customer risks

The geographical breakdown of customer risks is presented in chapter 3, note 2 of the notes.

Risk of concentration/Exposure by sector

These two sections are dealt with in the chapter "Information on Pillar 3 of the Basel agreements, as transposed into European regulations".

Major risks

The tables relating to major risks are presented in chapter 4.

At-risk items and cost of risk

This point is dealt in the paragraph on "Analysis of the cost of risk and non-performing loans" in Section "3.1.2 – Activities and profit/loss of Crédit Mutuel Alliance Fédérale" of this chapter.

Quality of customer risks

(in € millions capital end of month)	12/31/2018	12/31/2017
Loans impaired individually	11,577	11,754
Provisions for individual depreciation	6,263	6,506
Collective provision of receivables	1,845	510
Overall coverage ratio	70.0%	59.7%
Coverage ratio (individual provisions only)	54.1%	55.4%

Source: accounts.

	12/31/2018	12/31/2017
Gross customer loans outstanding	378,995	351,958
Fraction of non-performing in gross customer loans	3.05%	3.3%
Overall cost of customer risk	-829	-861
Actual cost of customer risk	-717	-826
Overall cost of customer risk/Gross loans outstanding	0.22%	0.24%
Actual cost of customer risk/Gross loans outstanding	0.19%	0.23%

CUSTOMER LOANS OUTSTANDING IN ARREARS NOT DOWNGRADED TO NON-PERFORMING

12/31/2018 *(in € millions)*	< 1 month	> 1 month < 3 months	> 3 months	Total
Debt instruments[1]	**0**	**0**	**0**	**0**
Loans and receivables	**3,286**	**1,329**	**181**	**4,795**
Central banks	0	0	0	0
Public administrations	8	31	2	41
Credit institutions	0	0	0	0
Other financial institutions	40	4	4	49
Non-financial corporate	2,365	418	141	2,924
Retail customers	872	875	34	1,781
TOTAL	**3,286**	**1,329**	**181**	**4,795**

(1) Debt securities available-for-sale or held-to-maturity.

12/31/2017 *(in € millions)*	< 1 month	> 1 month < 3 months	> 3 months	Total
Debt instruments[1]	**0**	**0**	**0**	**0**
Loans and receivables	**3,167**	**776**	**134**	**4,077**
Central banks	0	0	0	0
Public administrations	8	23	1	32
Credit institutions	0	0	0	0
Other financial institutions	17	15	2	34
Non-financial corporate	2,198	384	122	2,704
Retail customers	944	353	10	1,307
TOTAL	**3,167**	**776**	**134**	**4,077**

(1) Debt securities available-for-sale or held-to-maturity.

3.3.2.2.3 Interbank loans [V]

Information relating to interbank loans is presented in chapter 4, table CRB-C "Geographical breakdown of exposures".

3.3.2.2.4 Sovereign risks

The sovereign risks are presented in note 7c of the notes to the consolidated financial statements of Crédit Mutuel Alliance Fédérale.

3.3.2.2.5 Debt securities, derivatives and repurchase agreements

The securities portfolios mainly come under capital markets and marginally under the asset-liability management activity.

Debt securities *(in € millions capital end of month)*	12/31/2018 Carrying amount	12/31/2017 Carrying amount
Debt securities	**181,356**	**159,728**
Of which government securities	28,307	28,134
Of which bonds	153,049	131,594
Derivative instruments	**28,096**	**23,092**
Repurchase agreements & securities loans	**16,527**	**15,064**
Gross exposure	**225,979**	**197,884**
Provisions for depreciation of securities	-246	-108
NET EXPOSURE	**225,733**	**197,776**

Source: accounts.

3.3.3 Asset-liability management risks

Asset-liability management risks are presented in chapter 4 "Information on Pillar 3 of the Basel agreements".

3.3.4 Equity securities risk

The equity securities risk run by Crédit Mutuel Alliance Fédérale is of different kinds.

3.3.4.1 Financial assets at fair value through profit or loss

The portfolios of shares valued at fair value through profit or loss stood at €4,811 million on December 31, 2018, against €4,339 a year earlier.

3.3.4.2 Financial assets at fair value through equity

Outstanding shares classified as financial assets at fair value through shareholders' equity stand at €383 million.

Long-term investments specifically include securities in CRH (*Caisse de refinancement de l'habitat*) for €117 million, securities of VISA INC for €66 million and EUROCLEAR securities for €14 million.

3.3.4.3 Investments of the insurance business line

The outstanding shares classified as investments of the insurance business line were €35,274 million at the end of December 2018, against €30,147 a year earlier. They include the entry into scope of NEA following the merger with the GACM.

The long-term investments specifically include Desjardins securities for €80 million and Covivio securities for €528 million.

The shares were reviewed to detect any depreciation, which is recognized for listed shares in case of a significant extended drop below the cost price.

3.3.5 Private equity

This activity is carried out through entities dedicated to the business line with a portfolio fully valued at fair value through options.

Proprietary trading investments were spread over approximately 380 lines, primarily covering small and medium-sized enterprises.

Risks related to the private equity business	12/31/2018	12/31/2017
Number of listed lines	30	29
Number of unlisted lines	305	323
Number of funds	24	28
Portfolio revalued for proprietary trading *(in € millions)*	2,529	2,539
Capital managed on behalf of third parties *(in € millions)*	157	205

Source: risk monitoring.

3.3.6 Capital markets risks

Capital markets risks are presented in chapter 4 "Information on Pillar 3 of the Basel agreements".

3.3.7 The European solvency ratio (ESR)

Information on the solvency ratio risks concerning Crédit Mutuel Alliance Fédérale is presented in chapter 4 "Information on Pillar 3 of the Basel agreements".

3.3.8 Operational risks V

Information on the operational risks concerning Crédit Mutuel Alliance Fédérale is presented in chapter 4 "Information on Pillar 3 of the Basel agreements as transposed into European regulations".

3.3.9 Other risks

3.3.9.1 Legal risks

Legal risks are included in operational risks and concern, among other things, exposure to fines, penalties and damages for faults attributable to the company pursuant to its operations.

3.3.9.2 Industrial and environmental risks

Industrial and environmental risks are included under operational risks and are analyzed as system failure and the occurrence of major natural events (centennial flood, earthquake, pollution, etc.), their impact on the company and the prevention and protection resources to be implemented, specifically crisis management and PUPAs.

3.3.10 The internal control system and risk monitoring

3.3.10.1 General framework

Internal control and risk management are fully integrated into the group's organization with the aim of ensuring compliance with regulatory requirements and proper risk control and operational security, as well as improved performance.

3.3.10.1.1 Regulatory references

As the basis of sound management of banking activities, the principles and methods applicable in the area of internal control and risk measurement are governed by numerous French and European legislative and regulatory provisions, supplemented by a number of international standards.

In this respect, the main regulatory text applicable to the Crédit Mutuel Alliance Fédérale group's internal control system is the ministerial Decree of November 3, 2014. This order, which defines the conditions for the implementation and monitoring of internal control in credit institutions and investment companies transposes into French regulations the requirements of the European Directive 2013/36/EU dated July 26, 2013 (known as the "CRD4 Directive").

Covering the classification of risks, compliance and risk monitoring, it includes specifications of the principles relating to control of operations and internal procedures, the accounting organization and the processing of information, systems for measuring risks and profit/loss, systems for the monitoring and control of risks, documentation and information systems and the monitoring of flows.

3.3.10.1.2 A shared process

In accordance with the four basic principles set by the Basel Committee (universality, independence, impartiality and allocation of adequate resources) and reiterated in the above-mentioned Decree, the group ensures that its internal control system is suited to its size and operations.

In the same way, it ensures that it is adapted to the size of the risks incurred by its activities and that the employees involved in internal control can carry out their work in the best possible conditions.

Within the group, the principles governing internal control are reflected in the guidelines issued by general management and rolled out using shared methods and tools that ensure the development of quality standards.

The internal control and risk measurement system is designed in particular to:

- fully cover the full range of the group's banking and insurance operations;
- list, identify, aggregate and track risks on a consolidated basis in a consistent manner;
- communicate clear and reliable information (particularly accounting and financial information), both internally and externally;
- ensure compliance with applicable laws and regulations, internal standards, and instructions and guidelines established by executive management;
- ensure the proper operation of internal processes and the safeguarding of assets.

More broadly, the processes in place are aimed at helping to ensure proper control of activities while at the same time improving the effectiveness of processes and organization.

3.3.10.1.3 A structured process

One of the key purposes of the organization is to ensure the quality and completeness of the internal control system. Both for itself and the businesses it controls, the group ensures that this system is underpinned by a set of procedures and operational limits that match regulatory requirements and applicable internal and professional standards. To ensure the high quality of its internal control system, the group has implemented a policy of ongoing improvement, which is also designed to adapt it to regulatory developments.

The identification and control of key risks by means of benchmarks, mapping of controls, and monitoring of risks using appropriate limits, formal procedures and dedicated tools are constant objectives for the group's internal control and risk management departments. Analytical tools and tracking dashboards make it possible to perform regular reviews of the various risks to which the group is exposed, including counterparty, market, asset-liability management and operational risks. In accordance with regulatory requirements, the group issues an annual report in the format recommended by the French Prudential Supervision and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR), on internal control and on risk measurement and oversight, in light of which a detailed review of control processes is carried out.

3.3.10.1.4 An integrated and independent process

In line with the group's values, the control system put in place is designed to develop a prudent and top quality risk management culture throughout the group.

Within this framework, the first level of risk management and control is performed by the operational managers, who are responsible for

3

the operations they carry out. As the first level of control, operational management is an integral part of the system with responsibility for preventing risk as well as for putting in place the corrective measures designed to remedy the dysfunctions identified.

The group's entities also have a second level of control, identified within dedicated teams. To ensure the necessary independence of these second-level controls, employees assigned to control tasks have no operational responsibilities and report directly to the central staff departments, which thereby ensures their independent judgment and assessment.

The central staff departments are responsible for defining, overseeing and coordinating all the local and cross-group systems. They organize and supervise the control work. In addition, they use their expertise and independence to help define standard controls and supervise these controls.

3.3.10.2 The internal control system

The process has a threefold objective:

- to separate the periodic, permanent and compliance controls into distinct functions in accordance with regulatory requirements;
- to standardize internal control work throughout the group by creating an organization based on standardized methods and tools, and on the same principles of complementarity, subsidiarity, and independence of controls;
- have an overall and transversal view of risks of all kinds to ensure reliable, regular and comprehensive reporting to the Executive Management and to the deliberative body.

3.3.10.2.1 The organization of controls

In accordance with the Decree of November 3, 2014, the system comprises three functions:

- periodic control;
- permanent control;
- compliance.

The last two, which have since end-2017 reported to a joint risk, control and compliance department, are subject to periodic control by the first. The consistency of the overall system is ensured by a control and compliance committee chaired by an effective manager. This committee reports to the group auditing and accounting committee, which represents the group's supervisory bodies.

Note that as of January 1, 2019, the periodic control, under a single department, will cover the activities of the business lines and networks under the direction of a new Inspector General appointed on that date.

To perform their functions, the control departments have permanent and unrestricted access to individuals, premises, hardware, software and information of any kind useful to the performance of their work throughout the group.

Breakdown by type of control

Independently of the controls performed by management teams as part of their operational activities, controls are performed by:

- periodic control staff, for in-depth, audit-style assignments, carried out in cycles spanning several years;
- permanent control staff, for all work of a recurring nature using mainly remote applications;
- compliance staff, in particular for the application of regulations and internal and professional standards including those designed to combat money laundering and financing of terrorism.

The periodic control department is responsible for supervising the overall quality of the internal control system, the effectiveness of risk monitoring and management as well as the smooth workings of permanent control and compliance.

Split between network and business lines

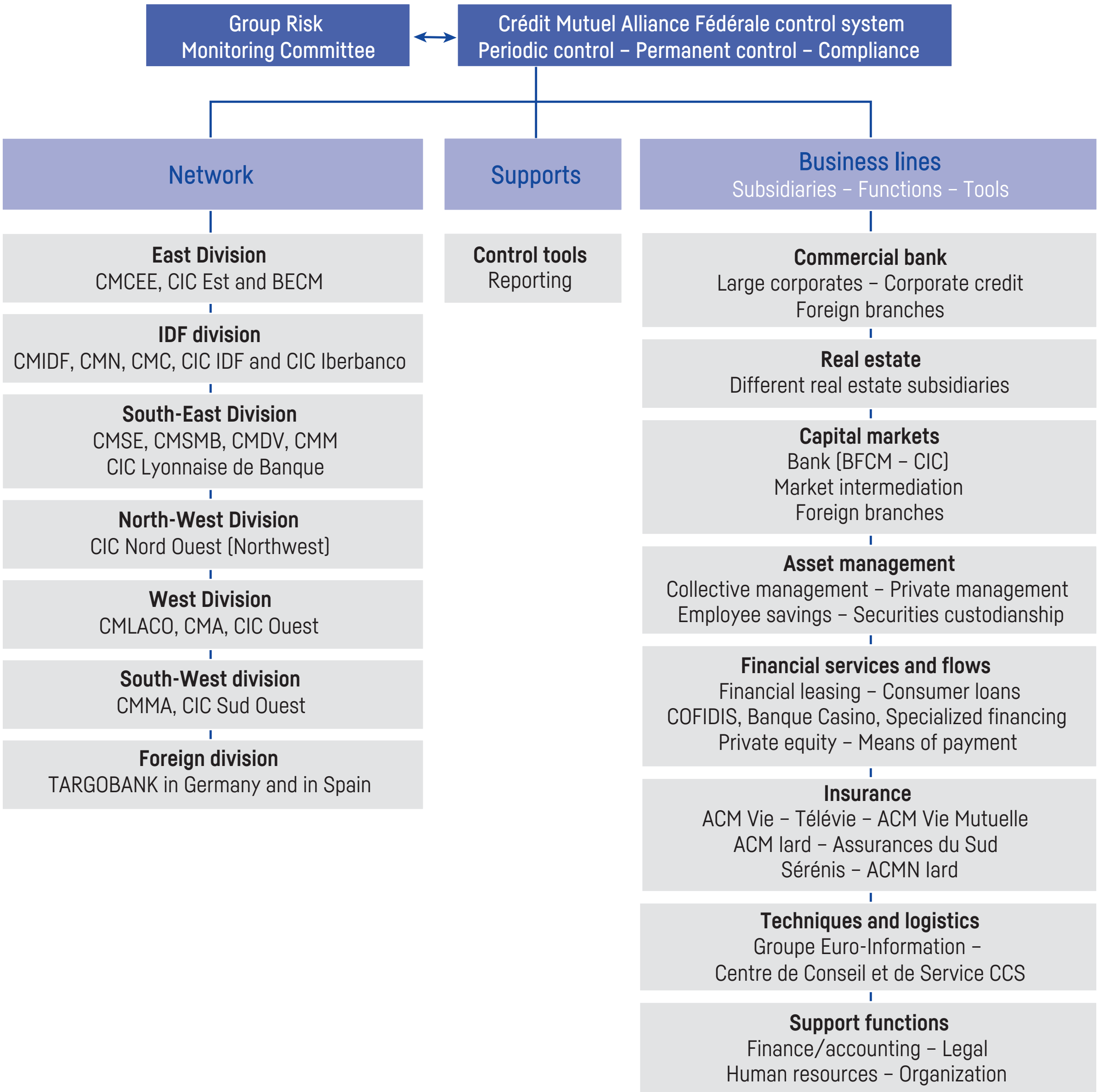
Control functions have been split into two structures, one dealing with the retail banking network and the other with the business lines (corporate banking, capital markets activities, asset management, financial services, cash management, etc.), with managers appointed for both at the group level. The two branches of permanent control, networks and business lines, report to a single national manager.

A common support unit for the various kinds of control

The periodic control, permanent control and compliance functions are assisted by a common support unit which is responsible for:

- developing the tools and keeping them up to date and in good working order;
- preparing the reporting instruments needed for monitoring control operations and assignments, and centralizing information for the management bodies, at the central and local (regional and subsidiary) levels;
- ensuring that control tools are complementary between the various functions so as to provide optimal cover of group risks.

BROAD OUTLINE OF THE INTERNAL CONTROL ORGANIZATION



3.3.10.2.2 Oversight of internal control processes

Group control and compliance committee

Chaired by the chief executive officer, the compliance committee holds regular meetings with the staff responsible for periodic, permanent and compliance controls and risk management, with the following objectives:

- coordinating the process and ensuring that the work and assignments of the various parties involved are complementary, such that all risks are covered;
- establishing control plans and reviewing the outcomes of assignments carried out by the periodic control units as well as the work done by the permanent control and compliance functions and proposing any improvements that might be required to the executive body;
- analyzing the conclusions of external inspections, in particular those carried out by the supervisory authorities;
- monitoring implementation of the resulting recommendations.

The control and compliance committee also review a certain number of activities and documents that serve as points of reference. It met four times during the year under review (March 12, June 22, October 5, and December 10).

Group auditing and accounting committee

In order to meet regulatory requirements and rules of governance, the Crédit Mutuel Alliance Fédérale group has an auditing and accounting committee. It is composed of voluntary and independent directors from the cooperative base of the group. Several of its members have particular skills in accounting and finance. The executive body, the control departments and the finance division are represented on it. Training seminars help members to keep up to date with new developments.

This committee:

- examines the provisional internal control schedule;
- is informed of the conclusions of inspections carried out by the periodic control function and of the results of the permanent and compliance controls;
- takes due note of the conclusions of external controls, particularly of any recommendations made by the supervisory authorities;
- is informed of actions carried out to give effect to the main recommendations issued in internal and external control reports;
- assesses the effectiveness of the internal control systems;
- receives up-to-date information on the group's risk position;
- proposes to the various deliberative bodies such improvements as it deems necessary in view of the findings of which it has been made aware.

In the area of financial reports, it:

- is responsible for monitoring the process for preparing financial information;
- examines the annual company and consolidated financial statements;
- assesses the manner in which they have been drawn up and satisfies itself as to the appropriateness and consistency of the accounting principles and methods applied;
- participates in the selection of statutory auditors;
- supervises the statutory audit of the accounts.

The group's audit and accounting committee met four times during the elapsed fiscal year (February 16, April 25, July 25, and September 19) and jointly with the group risk monitoring committee on July 10. These meetings were the subject of minutes intended for the deliberative bodies of the different federations.

It examined the financial statements for the year ended Monday, December 31, 2018 in its meeting of Monday, February 18, 2019 and had no particular observations to make.

Remuneration committee

In accordance with Articles L.511-89, 102 and 103 of the French Monetary and Financial Code and 104 of the internal control order, Crédit Mutuel Alliance Fédérale has set up a single remuneration committee, the scope of which extends to all its subsidiaries. It give its opinions on the proposals made by the board of directors after consulting the risk and compliance divisions and reviews and approves the compensation policy on an annual basis. This committee also verifies that the principles defined by the deliberative body have been effectively implemented. The remuneration committee reports regularly to the deliberative body.

The group ethics and compliance committee

Created within the scope of consolidation of the Crédit Mutuel Alliance Fédérale group, this committee has been instrumental in establishing a code of ethics for the group. Each year it draws up a report on the group's implementation of and compliance with ethical principles and the code of conduct.

3.3.10.3 The risk oversight system

3.3.10.3.1 Risk management function (group risk department)

The group risk department (GRD) covers the operations of all the French and foreign entities and subsidiaries of Crédit Mutuel Alliance Fédérale. It is responsible for risk management, as defined in the Decree of November 3, 2014 concerning the internal control of banking institutions, for every organizational unit.

It has the authority to fulfill all of its duties directly or by means of risk officers appointed pursuant to local regulations or of business lines in the operating departments. It works closely with the risk department of the Confédération Nationale du Crédit Mutuel (CNCM).

The group risk department reports to the risk, permanent control and compliance department. The GRD stands independent of the line managers and is charged with detecting, measuring, and monitoring risks group-wide and to give reports to Executive Management and the board of directors. It therefore analyzes and conducts a regular and exhaustive review of all risks (credit, market, interest rate, operational, liquidity, refunding, insurance etc.) and presents a summary to general management and the deliberative body.

In 2018, the risk department again improved its consolidated risk reporting which took an operational, comprehensive and prudential approach with regard to regulatory capital allocation and regulatory changes in progress, particularly in terms of the implementation of the new Basel III rules. As an example, the risks of non-compliance and a summary of the work done in terms of permanent and periodic controls have been incorporated into the performance indicators used by management.

It participated in many cross-functional projects including those relating to crisis recovery (the Prevention and Recovery Plan) and to resolution (special workshops with the single resolution board) and to the ICAAP and ILAAP processes for monitoring compliance with capital and liquidity requirements applicable to the group and its subsidiaries. It was also a stakeholder in updating the declaration of the group's risk appetite, as well as preparing a dedicated map of risks aiming to detect and evaluate the risks to which Crédit Mutuel Alliance Fédérale is or could be exposed. The GRD is responsible for applying the risk map at the subsidiary level and assists them in that process.

Furthermore, it coordinated the projects relating to the application of requirements for the BCBS 239 principles (relating to the quality of data and reporting risks) and to BREXIT.

In addition to monitoring the quality of its risk control procedures, the risk department, which is the main interface with the regulatory authorities, oversees the various audits of the ACPR and the ECB, coordinates the monitoring and implementation of their recommendations and reports to the regulators on their progress. In that regard, it worked to implement the ECB's recommendations to strengthen its powers, clarify its governance and closely monitor the activities of the French and foreign subsidiaries.

3.3.10.3.2 Oversight of internal control processes

Group risk monitoring committee (French acronym CSRG)

It is made up of directors representing all the Crédit Mutuel federations that belong to the Caisse Fédérale de Crédit Mutuel. Besides the members appointed by the deliberative bodies, others taking part in the work of the CSRG are the Chairman of the Caisse Fédérale de Crédit Mutuel, the chief executive officer, the chief financial officer, the Chief Lending Office and the chief risk officer of Crédit Mutuel Alliance Fédérale.

The CSRG is a specialized committee of the board of directors. It assists the deliberative body in the examination of risks in all activities, banking or non-banking. The chief risk officer prepares the documents, files and performance indicators submitted to the committee for review and leads the meetings. The members of the CSRG have all the sources of information and documentation that they need from the bank auditors, internal and external control staff, the statutory auditors and the finance and risk departments.

The members of the CSRG report to their respective deliberative body, with assistance from the GRD, on the information and decisions that come out of their meetings. A each meeting a report, largely given to a survey of the principal risk indicators monitored, is presented and discussed. The summaries of the risk committee meetings are sent to the secretaries of the boards of directors.

It meets at least four times a year and whenever necessary.

Group risk committee (GRC)

It is chaired by the chief executive officer and is made up of the senior operating managers and the chief executive officer of Crédit Mutuel Alliance Fédérale.

The GRC helps the executive body to examine the risks in all banking and non-banking activities consolidated with the Caisse Fédérale. It provides both a posteriori and prospective risk monitoring.

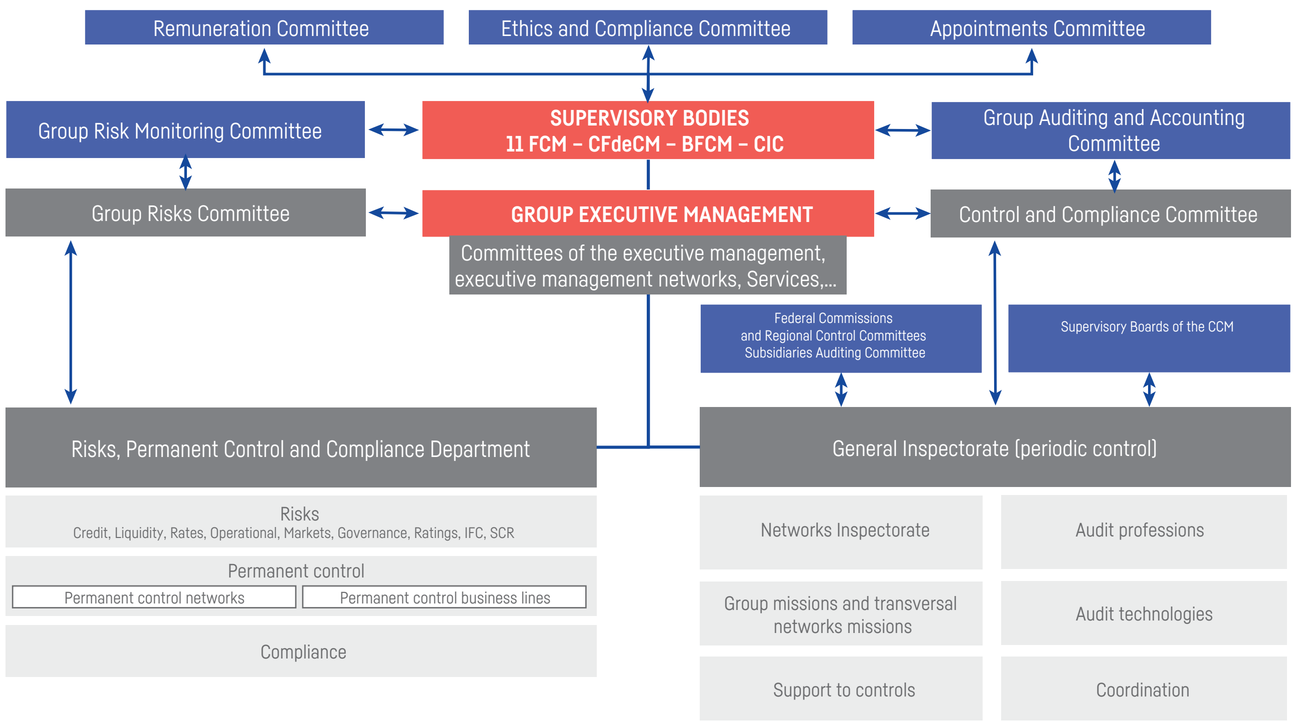
This independent monitoring is done based on standardized and periodic reporting of credit, market, operational, interest-rate and liquidity risks, notably based on accounting figures extracted from the Basel 2 calculator as well as information provided by the business lines and networks.

It meets at least every three months and as often as necessary.

The operational risk coordination committee

Four times a year, this committee brings together the risks department with the group managers of the permanent control and compliance functions. In particular, it is responsible for proposing and coordinating actions to protect and reduce operational risks in coping with malfunctions that have been found.

THE GROUP'S RISK CONTROL AND MONITORING SYSTEM



3.3.10.4 Methods and tools

3.3.10.4.1 Tools

The harmonization of methods and tools for controlling risks was continued. Common tools were developed, which include functionalities dedicated to management.

Periodic control applications

These are aimed at providing a mapping of network risks, by consolidating all types of assignments based on a common catalog of points of control. They are regularly updated. Access to the information necessary for carrying out the controls is provided by the IT system.

Given the group's growth, software has been created for monitoring the implementation of recommendations issued in their audits by the group's various periodic control departments and the supervisory authorities. A new version of this software will be introduced in the first half of 2019.

Permanent control applications

Permanent controls on the network are performed remotely, essentially by using data from the information system. They supplement the first level controls which are performed daily by the managers of the operational entities and the regional functions for organization, assistance and control. They are implemented in the "internal control portals", which structure and plan the various work to be done concerning risk coverage.

The automated detection of cases that raise a "risk alert" according to predetermined malfunction criteria, are an essential element in the proper control of credit risk. Other types of controls enable assessment of the quality of the results obtained and can divide resources or direct missions accordingly.

Compliance applications

Work continued on the implementation of systems for legal and regulatory surveillance and monitoring of compliance risk. The compliance function also has its own control areas within the "internal control portals" allowing it to check that regulatory provisions are being applied, in particular with regard to business and professional ethics, protecting customers' interests, performing investment services and combating money laundering and the financing of terrorism.

3.3.10.4.2 Procedures

They are distributed over the intranet and are permanently accessible *via* search engines to all employees. The control applications refer to them and links have been created to facilitate consultation and use. "Framework procedures" were defined at the level of the central control functions of the group in various areas, notably compliance.

3.3.10.5 Risk management and oversight

3.3.10.5.1 Risk management

Credit risk management is organized into two structures: one focusing on the granting of loans and the other on risk measurement and the monitoring of commitments.

A set of commitments guidelines summarizes the internal procedures of the lending arm of Crédit Mutuel Alliance Fédérale in accordance with applicable statutory, organizational and regulatory provisions. It describes in particular the systems for granting loans, for measuring and overseeing commitments and for managing total assets at risk. It contains attachments relating to capital markets activities as well as to the subsidiaries directly concerned.

The management of liquidity and interest-rate risks of the group's banks is centralized at the level of the BFCM. Hedges are allocated to the entities concerned, in accordance with their needs. They are no longer authorized to take hedging decisions individually.

Overall measurement of market risk is based on the regulatory framework. Capital market activities are monitored in accordance with procedures that are formally recorded and independent in terms of organization and control.

The management of operational risk is performed and controlled in accordance with group procedures, coordinated by dedicated units. In particular, the security of the information systems and the putting in place of business continuity plans form part of the work carried out in this area.

3.3.10.5.2 Risk oversight

This is carried out by dedicated, independent teams, which have at their disposal tools designed on the one hand to provide a comprehensive aggregate overview of commitments, and on the other to carry out ongoing monitoring of risk, in particular by means of an advance detection system for anomalies and monitoring of adherence to limits as well as changes in internal ratings.

Information for assessing trends in credit, market, ALM and operational risks is provided regularly to the management bodies and other responsible persons concerned. The risk department carries out general management with regard to the regulatory capital consumed by each activity by reference to the risks incurred and the return obtained.

3.3.10.6 Accounting data and means of control at the group level

The finance department of Crédit Mutuel Alliance Fédérale is in charge of running the general accounts of the group's main credit institutions and, in this respect, it carries out accounting checks.

The preparation of the group's consolidated financial statements and financial communication is also the responsibility of the finance department, which submits them to the group auditing and accounting committee, then presents them to the deliberative bodies.

Control of the annual financial statements

The accounting system

The accounting architecture

This is based on an IT platform shared throughout 15 Crédit Mutuel federations and CIC's regional banks, which includes accounting and regulatory functions, in particular for:

- the chart of accounts, the structure of which is identical for all institutions of the same type managed through this platform;
- defining the automated templates and procedures shared by all the banks (means of payment, deposits and credits, day-to-day transactions, etc.);
- reporting tools (SURFI, consolidation software input, etc.) and oversight tools (management control).

Administration of the shared accounting information system is handled by the “accounting procedures and templates” divisions, which form independent units, either within the “network” finance department or the “specialized businesses” finance department.

More specifically, the latter are responsible for:

- managing the shared chart of accounts (creating accounts, defining the characteristics of the accounts, etc.);
- drawing up shared accounting procedures and templates, in accordance with tax and regulatory requirements; if necessary, the division concerned consults the tax department, and the templates are validated by a procedure involving various operational managers.

The “accounting procedures and templates” divisions do not report to, nor are they linked to, the departments that handle the actual accounting production. As such, the divisions involved in designing and administering the system architecture are separate from the other operational departments.

All accounts within CIC must be allocated to an operational department, which is responsible for maintaining and verifying the accounts. Therefore, an account cannot be “unallocated”. The organization and procedures in place provide assurance of compliance with the Decree of November 3, 2014 and the existence of an audit trail.

Chart of accounts

This is divided into two broad sections: third-party captions showing payables and receivables for individual third parties, and the general accounting captions.

Dedicated accounts are used for third party deposits and loans, enabling them to be monitored. For custody of negotiable securities, a “stock” accounting system distinguishes between securities owned by third parties and those owned by the bank. The chart of accounts for all the credit institutions using the shared IT platform contains unique identifiers and is managed by the “accounting procedures and templates” divisions.

The chart of accounts defines the following account properties:

- regulatory characteristics (link to the official chart of accounts of credit institutions (PCEC), link to the item in the publishable financial statements, etc.);
- certain tax aspects (VAT position, etc.);
- management characteristics (whether compulsory or not, link with the consolidated chart of accounts, length of time online transactions are stored, IFRS characteristics, etc.)

Processing tools

Those for the accounting information are essentially based on internal applications prepared by the group’s IT services. There are also specialized applications, external or internal, particularly software for producing management reporting, balances or account statements, a utility for processing file requests, software for consolidation, processing regulatory statements, managing capital assets and tax declarations.

Procedure for data aggregation

In accordance with the model defined by the Crédit Mutuel Alliance Fédérale group, accounting data are aggregated for the following entities:

- the group (e.g. CIC);
- the federation made up of one or more banks or other legal entities;
- the bank belonging to a federation.

The bank (branches and central departments) is broken down into branches, which represent the basic unit of the accounting system. It is at this level that accounting entries are recorded.

Accounting consistency of management data

Each branch comprises an external branch for recording financial accounting data. The first records the general accounts entries and the second records the analytical accounting. At the individual branch level, the figures used for management accounting purposes are obtained by combining the internal and external data. The group result is obtained by adding together the balances of the branches. Links are established between financial accounting captions and the codes attributed to the products marketed by the bank. Cost accounting data are used to determine the results by business segment.

Control methods

Automated controls

A series of automated controls are carried out when accounting records are processed and before transactions are allocated to ensure that records are balanced and valid, and to update the audit trail of the captions affected by the transaction.

In-house tools are used to control accounting transactions on a daily basis and to detect any discrepancies.

A dedicated automatic account control application has been in use since 2010 to manage limit amounts for accounting allocation, differentiated by type of account (third party/general accounts), by direction (debit/credit), by IT application code, by entity and by sector of activity within the entity. The tool has two levels of control:

- an alert threshold;
- a maximum amount.

The control applies to real-time or batch processing from all applications which do not require validation of movements according to the “4 eyes” principle. When the alert threshold is exceeded an event is sent to the customer relationship manager. When the maximum amount is exceeded the accounting flow is blocked, which is then diverted to an accrual account and assumes validation according to the “4 eyes” principle before definitive accounts allocation.

In all cases, movements above the alert threshold (automatically when processing files and after forcing for real-time) are logged and archived in the event management system.

Closing process controls

At each closing date, financial accounting results are compared with forecast management data and data from the previous year, for purposes of validation. The forecast management data are generated by the management accounting department and the budget control department, both of which are independent from the production of financial statements.

This analysis particularly concerns:

- interest margins; for interest-rate instruments, including deposits, loans and off-balance-sheet transactions, the management accounting department calculates expected yields and costs based on average historical data. These are then compared with the interest rates actually recognized, for validation business segment by business segment;
- commission levels; based on business volume indicators, the management accounting department estimates the volume of commissions received and payable, compared with recognized data;
- overhead (personnel costs and other general operating expenses);
- net additions to provisions for loan losses (level of provisioning and recognized losses).

Procedures put in place

Accounting procedures and templates are documented. For the network, procedures are posted on the bank's intranet.

Levels of control

Daily accounting controls are performed by the appropriate staff within each branch.

The accounting control departments (controls/procedures and "specialized business lines" management control) also have a general mission covering regulatory controls, the monitoring of substantiating documentation for internal accounts and branch identifiers, control of the foreign currency positions, control of NBI per activity, the accounting plans and procedures in relation to Crédit Mutuel Alliance Fédérale and the interface between the back offices and the statutory auditors for half-yearly and annual closures.

Furthermore, the control departments (periodic, permanent, compliance) also perform accounting work. A dedicated accounting control portal has been put in place.

Applying controls

Automated accounting controls

An automated daily control procedure based on the bank's daily balance allows the verification of balance sheet and off-balance sheet positions, asset/liability balances by branch and by currency, and the monitoring of technical accounts. This procedure is also applied to the general ledger at the end of each month.

Evidencing the accounts

All the accounts on the balance sheet are justified either by an automated control or by a validation of the account performed by the service responsible for it. Reporting per service ensures that the results of the controls performed are collected.

Controls on the consolidated financial statements

Accounting policies and principles

Adapting to regulatory developments

The system is periodically updated in line with regulatory developments (IFRS) or to improve the reliability of financial statement preparation.

IFRS compliance

The accounting principles fixed by the IFRS standards have been applied in the group's entities since January 1, 2005. A summary of this is included in the consolidated financial statements.

The CIC defines, with Crédit Mutuel Alliance Fédérale, the accounting policies and principles according to French standards (ANC) and international standards (IFRS) to be applied by all entities of the group in their annual financial statements. These are communicated to the foreign subsidiaries so that they can transition from local standards to French and international standards in the consolidation sets and their financial reporting. The accounting principles used to consolidate the accounts are compliant with those of the Crédit Mutuel group.

The accounting managers of the various Crédit Mutuel Alliance Fédérale entities meet twice a year to prepare the half-yearly and annual closings.

Individual company financial statements in accordance with IFRS are prepared for the relevant entities in the central IT system, using the same organization and team as for those drawn up in accordance with French (CNC) standards.

Reporting and consolidation

Consolidation process

The group uses a consolidation chart of accounts. Within the shared information system, each account in the chart of accounts is linked to the consolidation chart of accounts, in an identical way for all companies using the shared chart. This link is unique to each account, with regard to all companies managed under this plan.

The consolidated financial statements are prepared in accordance with a timetable distributed to all the subsidiaries and the statutory auditors, which includes, where applicable, changes in procedures and standards to be incorporated. Each consolidated subsidiary has one person in charge of its closing process and another in charge of reporting intercompany transactions between fully consolidated companies. In accordance with their professional standards, the statutory auditors for the consolidation also give the statutory auditors of the consolidated companies instructions aimed at ensuring that the subsidiary complies with the various rules.

A dedicated software package, one of the main standard tools on the market, is used to consolidate the accounts. Data input (consolidation packages) is partially automated, using an interface developed on the accounting information system. This system makes it possible to automatically retrieve balances and ensure that company-only and consolidated data are consistent.

Reporting and data control

Companies cannot submit their consolidation package before a number of consistency checks that are programmed into the input software have been carried out. These control checks (currently more than 600), established by the consolidation departments, cover a large number of aspects (changes in equity, provisions, fixed assets, cash flows, etc.). "Blocking" controls prevent a package from being transmitted by the subsidiary and can only be overridden by the central consolidation departments.

Consistency checks against company-only data are also performed by the consolidation department upon receipt of the consolidation packages (level of results, intermediate balances, etc.). Finally, systematic reconciliation statements between company-only and consolidated data are generated for equity and earnings. This process, which ensures consistency in the transition between the statutory and consolidated series, is carried out without using the consolidation software, thus leading to validation of the consolidated data.

Analysis of accounting and financial information

The consolidated financial statements are analyzed compared to the previous fiscal year and compared to the budget and the quarterly accounting and financial reporting. These are organized by themes (cost of risk, progress of outstanding loans and deposits, etc.). The changes observed are corroborated by the services concerned, such as the lending department and the management control for the various entities.

Each entity's contribution to the consolidated financial statements is also analyzed.

Each time a closing involves the publication of financial data, this information is presented to the Executive Management and board of directors by the finance department. This report presents the breakdown of income, the balance sheet position and the current business situation, including the reconciliation of non-accounting data (rates, average capital, etc.).

The accounting work is regularly presented to the group's auditing and accounting committee.

Conclusion

Drawing on common methods and tools, the internal control and risk oversight mechanism fits into Crédit Mutuel Alliance Fédérale's system of controls, forming a coherent whole, appropriately adapted to the group's different activities in France and internationally. It meets banking and finance regulatory requirements and conforms to the operational principles established by the group. It is our ongoing objective to consolidate and further improve efficiency.

3.3.11 Anti-money laundering and counter-terrorist financing mechanism

3.3.11.1 Organization of the mechanism and training of personnel

The AML-CTF Compliance central function of Crédit Mutuel Alliance Fédérale is tasked with implementing the anti-money laundering and counter-terrorist financing mechanism (AML-CTF) and of coordination, leadership, training, organization and control within the group. The head of AML-CTF comes under the head of Compliance, who reports to the executive of the group through the intermediary of the chief risk officer of Crédit Mutuel Alliance Fédérale to whom he/she reports.

For the implementation of the missions that are assigned to it, the central AML-CTF function has, within the permanent control and compliance departments in the various regional divisions, and within the business-line entities and entities established abroad, correspondents who are functionally attached, notably the TRACFIN correspondents and declaration agents.

The system developed significantly in 2018:

Attached to group compliance since the end of 2017, the function in charge of international financial sanctions (IFS) and of the AML-CTF Compliance function of Crédit Mutuel Alliance Fédérale (classification of sensitive countries, analysis of regulations relative to embargoes and analysis of alerts when they are escalated) continued to develop its collaboration with the Department of International Activities, which continued to operationally process complex cases escalated to it by the network in relation to IFS (notably problems related to embargoes), and whose expertise also enables it to provide regulatory monitoring related to IFS.

The workforce in the central AML-CTF of Crédit Mutuel Alliance Fédérale was considerably strengthened during the fiscal year, going from 5 FTE (full time equivalent) at the beginning of 2018 to 15 (including one on a work/study course) at the end of 2018, with other recruitments having taken place since or still planned for 2019.

The FORMAD self-training course was updated and put into production in the 4th quarter of 2018, with the aim of training a maximum number of staff by the end of the year. This training course takes into account the main developments introduced by the decree finalizing the transposition, into the French Monetary and Financial Code, of the 4th European Directive on the fight against money laundering and terrorist financing.

At the end of 2018, more than 86.5% of personnel concerned by the risk of money laundering had, during the year, followed classroom-based training and/or the self-training course, which is modified every two years. Various classroom-based training modules intended to be used by the TRACFIN correspondents and branch managers have been available since 2016. They may be used during internal meetings on AML-CTF. Participation in these internal meetings is recorded in an application (REUFOR). Also, the Compliance function undertook significant strengthening of its training program for new TRACFIN correspondents-declaration agents, as well as for the correspondents-declaration agents in place.

The annual seminar on AML-CTF took place on November 8 and 9, 2018, bringing together the managers of the fight against money-laundering of all entities and business lines of the French and foreign entities. As every year, this seminar provided updates on numerous subjects. Presentations were given on the following topics: regulatory developments in progress, international financial sanctions including work on the filtering tool Safewatch-OVF, training courses, developments to the supervision plan, the freezing of assets, the right to an account and the changes made to tools in line with the AML-CTF.

3.3.11.2 Classification of risks, description of procedures

3.3.11.2.1 Classification and obligations for vigilance

At the end of 2018, customers presenting a risk of money laundering and terrorist financing (codified risk) showed a rate of 0.29% of customers under enhanced vigilance (against 0.35% at the end of 2017) on the scope of Crédit Mutuel Alliance Fédérale.

3.3.11.2.2 Developments to procedures and tools

On May 31, 2018, the annual "tools" seminar took place, dedicated to Tracfin correspondents of the retail banking network. During this seminar, the following were presented: the transposition of the 4th directive and its regulatory changes, developments to the AMLFT application, the deployment of Safewatch/OVF, the right to an account and the guidelines relative to DS.

Procedures

In 2018, the AML-CTF procedure applicable to the network developed to include new features relative to the implementing decree published in April 2018, which finalized the transposition of the 4th AML-CTF directive in France.

Since then, this same procedure was updated at the beginning of 2019, to take into account the guidelines of the ACPR relating to identification, verification of identity and knowledge of customers.

Also, and in consequence of the amended finance law promulgated for 2017, this same procedure included the necessity to identify the tax residence of the customer and the final beneficiary before establishing any contractual relationship. The operational procedures for implementing this obligation were prepared in coordination with the developments planned for the automatic exchange of information.

An aspect relating to the combating corruption was introduced into the framework procedure. This paragraph details the definitions of passive and active corruption, as well as private and public corruption, and makes the link between obligations related to AML-CTF and those related to corruption. The operational procedure for detecting and processing Politically Exposed Persons was also amended in this direction.

Lastly, the procedure for detecting and processing persons suspected of being the subject of asset-freeze measures was reviewed to take into account the joint guidelines from the ACPR and the Directorate General of the Treasury relative to frozen assets.

Accessibility of AML-CTF procedures: in 2018, the document database relating to AML-CTF in the Pixis intranet was overhauled. The documents relative to combating money laundering and terrorist financing were reorganized within a guide organized according to eleven different themes.

This new corpus was put in place to provide better accessibility to the documentation on the subject of AML-CTF, and constitutes a single point of entry in matters of financial security. The creation of this new guide was the occasion to create an inventory and to sort procedures relating to the combating money laundering and terrorist financing.

Tools

Safewatch/OVF: 2017 saw the launch of a significant project to deploy the Safewatch tool (filtering flows in "approximate" mode) and interfacing this tool with the internal application for flow validation (OVF). Begun in 2018, the deployment of the tool is ongoing. Alerts related to the network of company branches are analyzed by the account managers. Concerning the public network, a centralized processing team was created. It is attached to the compliance department of Crédit Mutuel Alliance Fédérale and is intended to take charge, in place of the network, of the processing of alerts generated by Safewatch. The creation of this centralized team should provide some relief to the networks while increasing the quality of the processing of alerts, placing them in the hands of a dedicated processing team, trained on the subject.

IBM I2: 2018 saw the launch of a very important project relating to the digital transformation of the Compliance function, particularly the tools related to AML-CTF. In particular, the group decided to invest in a tool called I2, developed by IBM and intended to significantly increase the investigation abilities of Tracfin correspondents. I2 can, by analyzing considerable volumes of data (third party databases, operations) in a limited time, identify and represent all links that may exist between natural persons and legal entities, thus greatly facilitating investigation and the declaration activity. The I2 tool is currently in the deployment phase.

AMLFT: concerning the AMLFT application (formerly the TRACFIN application), a tool for managing alerts and for declaration, several new features were provided during 2018.

3.3.11.3 Results of permanent controls carried out concerning the risk of money laundering and terrorist financing

3.3.11.3.1 The processing of money laundering alerts

The AML-CTF activity was marked by a drop in the number of alerts and by a new increase in the number of declarations of suspicion. In 2018, across the group:

- 240,293 alerts were generated by the applications and 96.38% were processed;
- 30,640 transactions were subject to enhanced examination.

3.3.11.3.2 Processing of embargoes

At the end of December 2018, 23,472 transactions were filtered by OVF in relation to a country classified on the red list and subject to international economic sanctions. For each transaction, the customer relationship manager is requested to complete an analysis table on an ongoing basis and collect the substantiating documentation to check that the transaction is legal. In certain cases, and according to the results of the analysis table, cases must be escalated to the Department of International Activities for additional analysis.

3.3.11.3.3 Level 1 controls

A monthly "WEBCHEQUES validation" control is intended to check the correct application, by the network, of the procedure for controlling checks issued. The controls and statistics show good adoption of this procedure by the networks and compliance with the regulation CRBF 2002-01. The number of branches with anomalies is low and follow-up is systematic.

The control of flows coming within the context of regulation 1781/2006, and since June 2017, within the context of 2015/847, was continued. In addition to the controls that already existed in application of regulation 1781/2006 (concerning the order originator on received flows), controls were added on the beneficiary in application of regulation 2015/847. A dedicated procedure was also put in place. Work was also begun to strengthen the share of controls carried out on a priori assumption (blocking controls) upon detection of order originators missing in flows for which the bank is the provider of payment services for the beneficiary.

The level 1 control plan is made available in a dedicated tool, CINT. It is supervised by the permanent control teams in the regions. More than 31,000 controls were carried out during 2018.

3.3.11.3.4 Level 2 controls – general public and company networks

96% of 1,475 controls due were carried out, with a risk coverage estimated at 3.34 out of 4 for Crédit Mutuel Alliance Fédérale (3.34 in 2017).

The level 2 control tools (databases covering transactions of private individuals, professionals, non-profit customers, legal entities, local authorities, real estate and agriculture, as well as large movements) led the TRACFIN correspondents of Crédit Mutuel Alliance Fédérale to examine 12,081 transactions in 2018.

3.3.11.3.5 Supervision missions

These missions, carried out on site by group compliance, check the implementation of the group AML-CTF system, make practices consistent and detect points that can be improved. During 2018, Crédit Mutuel Anjou, CIC Nord Ouest, Banque Casino and TARGOBANK in Germany were supervised, and TARGOBANK in Spain and Crédit Mutuel Normandie are in the process of supervision. Other missions are also in the process of initiation. Lastly, group compliance devoted time to the on-site support of Crédit Mutuel Méditerranéen (CMM) in the context of monitoring, in line with the group's periodic control. The follow-up of the on-site inspection was carried out by the ACPR in 2017. Other missions are currently ongoing.

Generally, 2018 saw a profound reorganization of the AML-CTF supervision system of Crédit Mutuel Alliance Fédérale (workforce, system, mission planning and content of reports).

3.3.11.4 Main shortcomings revealed by the national and foreign control authorities and corrective measures decided

Mission of the ACPR on the declaration system of Crédit Mutuel Alliance Fédérale and its implementation in Crédit Mutuel Méditérranéen (CMM)

On July 6, 2018, the French banking supervisor announced that it had given an official warning together with a fine of one million euros to Crédit Mutuel, accused of shortcomings in the internal procedures for the fight against money laundering and terrorist financing.

A letter stating the reasons was received, highlighting failures in the AML-CTF system, with the possibility of forcing the blocking of the distribution of means of payment at the beginning of the relationship, even though the customer's file was not complete with regards to verification of identity. The other reasons concerned the CMM.

The French Prudential Supervisory and Resolution Authority (ACPR) considered that the group "did not fully comply with its obligation to check the identity of its customers", according to this decision.

On November 20, 2018, the ACPR sent a letter to the Caisse Fédérale de Crédit Mutuel, in which it enquired about the measures implemented by the group following the penalty pronounced in July 2018, and requested certain evidence. A response was provided to it within the allotted time.

Follow-up letters relating to statements on questionnaires on the fight against money laundering pursuant to 2017

In December 2018, various entities of the Crédit Mutuel Alliance Fédérale group received a follow-up letter from the ACPR concerning the answers given to annual questionnaires on the fight against money laundering completed for the 2017 fiscal year.

This follow-up letter is always sent each year by the ACPR to one or more entities of the group.

Each entity provided a response under the coordination of the central AML-CTF service.

3.4 CONSOLIDATED FINANCIAL STATEMENTS OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

3.4.1 Balance sheet

Assets

(in € millions)	Notes	12/31/2018	01/01/2018[1]	12/31/2017
Cash, central banks	4	56,696	57,049	57,049
Financial assets at fair value through profit or loss	5a	18,590	16,045	32,742
Hedging derivatives	6a	2,640	3,010	3,010
Financial assets at fair value through shareholders' equity	7	27,182	26,756	
Available-for-sale financial assets (2017 – IAS 39)				103,164
Securities at amortized cost	11a	2,990	3,237	
Held-to-maturity financial assets (2017-IAS 39)				10,720
Loans and receivables due from credit institutions and similar at amortized cost	11b	44,168	41,208	37,609
Loans and receivables to customers at amortized cost	11c	370,886	343,185	344,942
Portfolio revaluation difference hedged for rates	6b	1,169	429	429
Short-term investments in the insurance business line and reinsurers' share of technical provisions	14a	122,004	106,260	
Current tax assets	15a	1,852	1,832	1,832
Deferred tax assets	15b	1,473	1,537	1,255
Accruals and other assets	16a	9,100	8,046	13,991
Non-current assets held for sale		0	119	119
Deferred profit-sharing		0	0	0
Investment in equity consolidated companies	17	719	1,693	1,744
Investment property	18	86	73	2,816
Property, plant and equipment	19a	2,973	2,969	2,969
Intangible assets	19b	719	690	690
Goodwill	20	4,118	4,118	4,118
TOTAL ASSETS		**667,364**	**618,256**	**619,199**

(1) Amounts restated following the application of the IFRS 9 standard – Financial instruments See note 1 Accounting policies and principles.

Liabilities

(in € millions)	Notes	12/31/2018	01/01/2018[1]	12/31/2017
Central banks	4	350	285	285
Financial liabilities at fair value through profit or loss	5b	4,392	5,449	9,821
Hedging derivatives	6a	2,350	3,254	3,254
Debt securities at amortized cost	12a	119,680	112,431	112,431
Due to credit and similar institutions at amortized cost	12b	53,635	46,956	43,890
Amounts due to customers at amortized cost	12c	304,319	288,443	288,532
Revaluation difference of portfolios hedged for rates	6b	19	-518	-518
Current tax liabilities	15a	648	831	831
Deferred tax liabilities	15b	1,031	1,213	1,273
Deferred income, accrued charges and other liabilities	16b	11,290	7,474	11,207
Debts related to non-current assets held for sale		0	14	14
Liabilities relative to contracts of the insurance business line	14b	115,565	101,546	
Technical provisions for insurance contracts (2017)				96,423
Provisions	21	3,266	3,172	3,041
Subordinated debt at amortized cost	22	7,224	7,725	7,725
Total shareholders' equity	**23**	**43,595**	**39,981**	**40,990**
Equity – Attributable to the group	**23**	**40,289**	**37,688**	**38,600**
Capital and related reserves	23a	6,167	6,010	6,010
Consolidated reserves	23a	30,926	28,599	29,035
Gains and losses recognized directly in equity	23b	502	871	1,347
Profit (loss) for the period		2,695	2,208	2,208
Equity – Non-controlling interests		**3,306**	**2,293**	**2,390**
TOTAL LIABILITIES		**667,364**	**618,256**	**619,199**

(1) Amounts restated following the application of the IFRS 9 standard – Financial instruments See note 1.

3.4.2 Income statement

Income statement

(in € millions)	Notes	12/31/2018 IFRS	12/31/2017 IAS 39
Interest and similar income	25	21,975	15,623
Interest and similar expenses	25	-15,766	-9,910
Commissions (income)	26	4,917	4,719
Commissions (expenses)	26	-1,304	-1,208
Net gains on financial instruments at fair value through profit or loss	27	616	885
Net gains or losses on financial assets at fair value through shareholders' equity (2018)	28	192	
Net gains or losses on available-for-sale financial assets (2017)	28		374
Net gains or losses resulting from the derecognition of financial assets at amortized cost	29	1	
Net income from the insurance business line	30	2,579	
Income from other activities[1]	31	1,878	15,334
Expenses from other activities[1]	31	-1,019	-11,809
Net banking income		**14,070**	**14,009**
General operating expenses	32a, 32b	-8,248	-7,983
Provisions/Reversals on depreciation, amortization and provisions on property, plant and equipment and intangible assets	32c	-466	-475
Gross operating income		**5,356**	**5,551**
Cost of counterparty risk	33	-904	-871
Operating income		**4,452**	**4,680**
Share in net profit/(loss) of equity consolidated companies	17	67	-334
Gains or losses on other assets	34	44	3
Changes in the value of goodwill	35	0	-15
Profit/(loss) before tax		**4,563**	**4,334**
Income tax	36	-1,569	-1,929
Post-tax gains/(losses) on discontinued operations		**0**	**22**
Net profit/(loss)		**2,993**	**2,427**
Profit/loss – Non-controlling interests		298	219
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP		**2,695**	**2,208**

(1) Includes income and expenses on insurance activities as of 12/31/2017.

Statement of the net profit/loss and profits and losses directly recognized in equity

(in € millions)	**12/31/2018 IFRS 9**
Net profit/(loss)	**2,993**
Translation adjustments	42
Remeasurement of financial assets at fair value through equity – Debt instruments	-169
Remeasurement of equity investments of the insurance business line	-274
Remeasurement of hedging derivatives	-2
Share of unrealized or deferred gains and losses of associates	1
Total recyclable gains and losses recognized directly in equity	**-403**
Revaluation of financial assets at fair value through equity – equity instruments at closing	56
Remeasurement of financial assets at fair value through equity – Capital instruments sold during the fiscal year	-1
Actuarial gains and losses on defined benefit plans	33
Share of non-recyclable gains and losses of associates	-11
Total non-recyclable gains and losses recognized directly in equity	**77**
Net profit/(loss) and gains and (losses) recognized directly in equity	**2,667**
Of which attributable to the group	*2,326*
Of which non-controlling interests	*342*

(in € millions)	**12/31/2017 IAS 39**
Net profit/(loss)	**2,427**
Translation adjustments	-109
Revaluation of available-for-sale financial assets	94
Remeasurement of hedging derivatives	25
Share of unrealized or deferred gains and losses of associates	-3
Total recyclable gains and losses recognized directly in equity	**7**
Remeasurement of non-current assets	0
Actuarial gains and losses on defined-benefit plans	32
Total non-recyclable gains and losses recognized directly in equity	**32**
Net profit/(loss) and gains and (losses) recognized directly in equity	**2,467**
Of which attributable to the group	*2,259*
Of which non-controlling interests	*207*

Items related to gains and losses recognized directly in shareholders' equity are given at their amount net of tax.

3.4.3 Changes in shareholders' equity

(in € millions)	Capital	Premiums	Reserves[1]
Shareholders' equity as of December 31, 2016	**5,941**	**0**	**26,828**
Appropriation of earnings from previous fiscal year			2,410
Capital increase	69		
Distribution of dividends			-68
Change in the equity investments of subsidiaries without loss of control			-114
Sub-total of movements related to relations with shareholders	**69**	**0**	**2,228**
Consolidated income for the period			
Changes in gains and (losses) recognized directly in equity			
Sub-total	**0**	**0**	**0**
Effects of acquisitions and disposals on non-controlling interests			0
Other variations			-21
Shareholders' equity as of December 31, 2017	**6,010**	**0**	**29,035**
Impact of the first application of IFRS 9			***-437***
Shareholders' equity as of January 1, 2018	**6,010**	**0**	**28,598**
Appropriation of earnings from previous fiscal year			2,208
Capital increase	157		
Distribution of dividends			-81
Change in the equity investments of subsidiaries without loss of control			4
Sub-total of movements related to relations with shareholders	**157**	**0**	**2,131**
Consolidated income for the period			
Changes in gains and (losses) recognized directly in equity			
Sub-total	**0**	**0**	**0**
Effects of acquisitions and disposals on non-controlling interests			212
Other variations		0	-16
SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2018	**6,167**	**0**	**30,926**

(1) As of December 31, 2018 reserves are made up of the legal reserve for €348 million, statutory reserves for €5,159 million and other reserves for €25,419 million.

Gains and (losses) recognized directly in equity							
Translation adjustments	Assets at fair value through shareholders' equity	Hedging derivatives	Actuarial gains and losses	Net profit/(loss) – attributable to the group	Shareholders' equity attributable to the Group	Non-controlling interests	Total consolidated shareholders' equity
84	**1,532**	**-21**	**-300**	**2,410**	**36,474**	**3,113**	**39,587**
				-2,410	0		0
					69		69
					-68	-58	-126
					-114	-954	-1,068
0	**0**	**0**	**0**	**-2,410**	**-113**	**-1,013**	**-1,126**
				2,208	2,208	219	2,427
-139	137	25	28		51	-11	39
-139	**137**	**25**	**28**	**2,208**	**2,259**	**208**	**2,466**
					0	82	82
		0			-21	0	-21
-55	**1,670**	**4**	**-273**	**2,208**	**38,600**	**2,390**	**40,990**
	-475				***-912***	***-97***	***-1,009***
-55	**1,194**	**4**	**-273**	**2,208**	**37,688**	**2,293**	**39,981**
				-2,208	0		0
					157		157
					-81	-77	-158
					4	-96	-93
0	**0**	**0**	**0**	**-2,208**	**80**	**-174**	**-94**
				2,695	2,695	298	2,993
44	-365	-1	33		-290	-61	-351
44	**-365**	**-1**	**33**	**2,695**	**2,405**	**237**	**2,643**
	-80				133	948	1,080
					-16	1	-16
-11	**750**	**3**	**-240**	**2,695**	**40,290**	**3,306**	**43,595**

3.4.4 Statement of cash flows

(in € millions)	12/31/2018	12/31/2017
Net profit/(loss)	2,993	2,427
Tax	1,569	1,929
Profit/(loss) before tax	**4,563**	**4,356**
+/- Net depreciation and amortization of property, plant and equipment and intangible assets	469	478
- Impairment of goodwill and other fixed assets	0	16
+/- Net provisions	51	86
+/- Proportionate share of profit/loss related to equity associates	-67	334
+/- Net loss/gain from investing activities	-49	9
+/- Other movements	-1,911	-1,492
= Total non-monetary items included in net profit/(loss) before tax and other adjustments	**-1,507**	**-569**
+/- Flows related to transactions with credit institutions	4,259	-3,736
+/- Flows related to client transactions	-11,181	-3,109
+/- Flows related to other transactions affecting financial assets or liabilities	93	-1,573
+/- Flows related to other transactions affecting non-financial assets or liabilities	2,475	-31
- Tax paid	-1,618	-1,852
= Net reduction of assets and liabilities coming from operating activities	**-5,971**	**-10,301**
Total net cash flow generated by operating activity	**-2,915**	**-6,513**
+/- Flows related to financial assets and investments	-1,103	1,300
+/- Flows related to investment properties	-125	-990
+/- Flows related to property, plant and equipment and intangible assets	-476	-437
Total net cash flow related to investment activities	**-1,705**	**-128**
+/- Cash flow to or from shareholders	-1	-58
+/- Other net cash flows coming from financing activities	6,539	2,812
Total net cash flow related to financing transactions	**6,538**	**2,753**
Effect of foreign exchange rate changes on cash and cash equivalents	**81**	**-232**
Net increase in cash and cash equivalents	**1,999**	**-4,119**
Net cash flow generated by operating activities	-2,915	-6,513
Net cash flow related to investment transactions	-1,705	-128
Net cash flow related to financing transactions	6,538	2,753
Effect of foreign exchange rate changes on cash and cash equivalents	81	-232
Cash and cash equivalents at opening	**51,511**	**55,630**
Cash, central banks, CCP	56,766	61,044
Accounts and demand loans/borrowing with credit institutions	-5,255	-5,415
Cash and cash equivalents at closing	**53,510**	**51,510**
Cash, central banks, CCP	56,346	56,766
Accounts and demand loans/borrowing with credit institutions	-2,837	-5,256
CHANGE IN NET CASH POSITION	**1,999**	**-4,119**

3.4.5 Notes to the consolidated financial statements of Crédit Mutuel Alliance Fédérale

SUMMARY OF NOTES

NOTE 1 Accounting policies and principles

1.1 Accounting basis

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards, and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2018.

This standard is available from the European Commission's website at https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements

The financial statements are presented in the format advised by the Accounting Standards Authority in its Recommendation No. 2017-02 relating to IFRS summary statements. They comply with the international accounting standards as adopted by the European Union.

Information relating to risk management is included in the group's management report.

Since January 1, 2018, the group has been applying the following standards:

IFRS 9

This standard replaces IAS 39 – "Financial Instruments: Recognition and Measurement". It defines new rules in terms of:

- the classification and measurement of financial instruments (Phase 1);
- impairment due to credit risk of financial instruments (Phase 2); and
- hedge accounting, excluding macro-hedging transactions (Phase 3).

The IFRS 9 classification and measurement provisions, as well as its new impairment model are applied retrospectively by adjusting the opening balance sheet at January 1, 2018 (impact on shareholders' equity), without having to adjust the data for the fiscal years presented for comparative purposes. The group is thus presenting its 2018 financial statements without adjusting the 2017 data to the IFRS 9 format. The explanation concerning the transition of the portfolios from IAS 39 to IFRS 9 and the impacts on shareholders' equity at January 1, 2018 are provided in the notes to the financial statements. The group is not applying Phase 3, which is optional. The hedge accounting model thus remains that of IAS 39, as adopted by the European Union.

The implementation of IFRS 9 concerns all the group's business, with the exception of the insurance departments falling within the Conglomerate Directive, which benefit from the deferral of application until 2021 as scheduled by the amendment to IFRS 4 adopted by the European Union, deferred until 2022. To benefit from this deferral, a number of conditions must be met, in particular the absence of transfer of financial instruments with a de-recognition effect, between the insurance and other sectors of the conglomerate, other than those recognized at fair value through profit or loss in both two sectors.

The principles of IFRS 9 applied by the group are presented in detail in Section 1.3.1.

IFRS 15

This replaces several standards and interpretations relating to revenue recognition (specifically IAS 18 – Revenue and IAS 11 – Construction Contracts). It does not affect revenue falling within the scope of standards applicable to tenancy agreements, insurance contracts or financial instruments.

Under IFRS 15, revenue is recognized when control of a good or service is transferred to a customer, for the amount the seller is expected to be entitled to.

To this effect, the standard sets out a five-stage model, enabling the entity to determine when and in what amount the revenue from ordinary activities should be recognized:

- identify the contract entered into with the customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract;
- recognize revenue when (or as) the entity satisfies a performance obligation.

Analysis of IFRS 15 and identification of its potential effects have revealed that there was no significant impact for the group.

Other amendments with immaterial impacts for the group

They concern:

- specific disclosures in accordance with IFRS 12 when an investment in a subsidiary, joint venture or associate is classified as an asset held for sale;
- application of the fair value through profit or loss option by venture capital/development entities, on their associates and joint ventures. The amendment to IAS 28 notes that this option may be exercised on an entity-by-entity basis;
- clarification on transfers from or to the investment property category (IAS 40);
- processing of advance consideration in foreign currency transactions (IFRIC 22);
- transactions whose payment is based on shares in line with IFRS 2. The changes concern:
  - the accounting treatment regarding vesting conditions for the measurement of cash-settled transactions,
  - transactions that include a net settlement feature related to tax withheld at source,
  - the modification of the handling of share-based payments giving rise to a change in the classification of the transaction, which is settled in equity instruments rather than cash.

1.2 Scope and methods of consolidation

Consolidating entity

The Crédit Mutuel-CM11 group became the Crédit Mutuel Alliance Fédérale in 2018, bringing together 11 Crédit Mutuel federations: Centre Est Europe, Sud-Est, Île-de-France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique, Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranée and Anjou.

Crédit Mutuel Alliance Fédérale is a mutualist group belonging to a central body, within the meaning of Articles L.511-30 et seq. of the French Monetary and Financial Code. Crédit Mutuel's local banks, which are fully owned by the members, form the basis of the group, according to a "reverse pyramid" capital control structure.

In order to show the community of interest of our members in consolidation as accurately as possible, the consolidating entity is defined in such a way as to reflect the common bonds of operation, financial solidarity and governance.

To this end, the consolidating entity at the head of the group is made up of the companies placed under the same collective accreditation to carry out banking activity, issued by the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority).

As such, the consolidating entity is made up of the following federations:

- Fédération du Crédit Mutuel Centre Est Europe (FCMCEE), Fédération du Crédit Mutuel du Sud-Est (FCMSE), Fédération du Crédit Mutuel Île-de-France (FCMIDF), Fédération du Crédit Mutuel Savoie-Mont Blanc (FCMSMB), Fédération du Crédit Mutuel Midi-Atlantique (FCMMA), Fédération du Crédit Mutuel Loire-Atlantique Centre-Ouest (FCMLACO), Fédération du Crédit Mutuel du Centre (FCMC), Fédération du Crédit Mutuel de Normandie (FCMN), Fédération du Crédit Mutuel Dauphiné-Vivarais (FCMDV), Fédération du Crédit Mutuel Méditerranée (FCMM), and Fédération du Crédit Mutuel d'Anjou (FCMA). These political bodies of the Groups determine the main strategic orientations, decide on their strategy and organize the representation of the banks;
- Caisse Fédérale de Crédit Mutuel (CF de CM), Caisse Régionale du Crédit Mutuel du Sud-Est (CRCMSE), Caisse Régionale du Crédit Mutuel d'Île-de-France (CRCMIDF), Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc (CRCMSMB), Caisse Régionale du Crédit Mutuel Midi-Atlantique (CRCMMA), Caisse Régionale du Crédit Mutuel Loire-Atlantique Centre-Ouest (CRCMLACO), Caisse Régionale du Crédit Mutuel du Centre (CRCMC), Caisse Régionale du Crédit Mutuel de Normandie (CRCMN), Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais (CRCMDV), Caisse Régionale du Crédit Mutuel Méditerranée (CRCMM) and Caisse Régionale du Crédit Mutuel d'Anjou (CRCMA). CF de CM, which is at the service of local banks, is responsible for joint services across the network, ensures its smooth running and supports the group's logistics. It centralizes all the banks' deposits and in parallel ensures their refinancing, while fulfilling regulatory requirements on their behalf (compulsory reserves, allocated deposits, deposits at the Caisse Centrale du Crédit Mutuel, etc.);
- the Credit Mutuel banks that are members of FCMCEE, FCMSE, FCMIDF, FCMSMB, FCMMA, FCMLACO, FCMC, FCMN, FCMDV, FCMM and FCMA: these form the basis of the group's banking network.

Scope of consolidation

The general principles used to include an entity within the scope are set out in IFRS 10, IFRS 11 and IAS 28R.

Entities that are controlled or under significant influence that do not have a significant character in relation to the consolidated financial statements are excluded from the scope of consolidation. This situation is assumed when the balance-sheet total or the profit/loss of a company has no impact greater than 1% on the consolidated or sub-consolidated equivalent (in case of consolidation by level). This quantitative criterion is but relative; an entity may be included within the scope of consolidation regardless of this threshold when its business or its expected development afford it the status of strategic investment.

The scope of consolidation is composed of:

- **controlled entities:** control is deemed to exist when the group has power over the entity, is exposed to or is entitled to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the returns it obtains. The financial statements of the controlled entities are fully consolidated;
- **entities under joint control:** joint control is the contractually-agreed sharing of control over an entity, which exists only in the case where decisions concerning key activities require the unanimous consent of the parties sharing control. Two or more parties that exercise joint control constitute a partnership, which is either a jointly-controlled operation or a joint venture:
  - a jointly-controlled operation is a partnership in which the parties exercising joint control have rights over the assets and obligations pursuant to liabilities relative to the entity: this involves recognizing the assets, liabilities, income and expenses relative to interests held in the entity,
  - a joint venture is a partnership in which the parties who exercise joint control have rights over the net assets of the entity: the joint venture is accounted for according to the equity method.

  All entities under joint control of the group are joint ventures according to the meaning of IFRS 11;
- **entities over which the group has significant influence:** these are entities that are not controlled by the consolidating entity, which may, however, participate in these entities' financial and operating policy decisions. Shareholdings in entities over which the group has significant influence are accounted for using the equity method.

Investments held by private equity companies and over which joint control or significant influence is exercised are recognized at fair value through profit or loss.

Consolidation methods

The consolidation methods used are the following:

Full consolidation

This method involves replacing the value of the shares held in the subsidiary concerned with each of the assets and liabilities of said subsidiary and showing separately the interests of non-controlling shareholders in shareholders' equity and net profit. This is the method used for all controlled entities, including those with a different account structure, regardless of whether the business concerned is an extension of that of the consolidating entity.

Equity method

This method involves replacing the value of the shares held with the group's share of the equity and net profit of the entities concerned. It is applied to all entities under joint control, classified as joint ventures or for all entities under significant influence.

Non-controlling interests

Non-controlling interests correspond to interests that do not confer control as defined by IFRS 10 and include partnership interests that entitle their holders to a share in net assets in the event of liquidation and other equity instruments issued by subsidiaries that are not held by the group.

Reporting date

All group companies included within the scope of consolidation prepare their annual financial statements as of December 31, 2018.

Elimination of reciprocal transactions

Intercompany transactions and balances, as well as gains or losses on intercompany sales that have a material impact on the consolidated financial statements, are eliminated.

Conversion of foreign currency accounts

Concerning the accounts of foreign entities expressed in foreign currencies, the balance sheet is converted based on the official exchange rate at the reporting date. Differences arising from exchange rate fluctuations impacting the share capital, reserves and retained earnings are recorded as a separate component of equity, under "Cumulative translation adjustments". The income statements of foreign subsidiaries are translated into euros at the average exchange rate for the fiscal year. The resulting translation differences are recorded under "Cumulative translation adjustments". On liquidation or disposal of some or all of the interests held in a foreign entity, these amounts are recognized through the income statement.

Goodwill

Revaluation surplus

On the date of acquisition of a controlling interest in a new entity, said entity's assets, liabilities and contingent operating liabilities are measured at fair value as at that date. Fair value adjustments correspond to the difference between the carrying amount and fair value.

Goodwill

In accordance with IFRS 3R, when CIC acquires a controlling interest in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at fair value as at the acquisition date, with the exception of non-current assets classified as assets held for sale (IFRS 5), which are recognized at the lower of fair value net of selling costs and their net carrying amount. IFRS 3R permits the recognition of full goodwill or partial goodwill and the choice of method is made separately for each business combination. In the case of full goodwill, non-controlling interests are measured at fair value, whereas in the case of partial goodwill, they are measured based on their share of the values attributed to the assets and liabilities of the acquired entity. If the goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under "Changes in value of goodwill".

If the group's stake in an entity it already controls, increases/decreases, the difference between the share acquisition cost/selling price and the portion of consolidated equity that said shares represent on the acquisition/sale date is recognized within equity.

Goodwill is presented on a separate line of the balance sheet when it relates to fully-consolidated companies, and under the heading "Investments in associates" when it relates to equity consolidated companies.

Goodwill not including direct costs related to acquisitions according to IFRS 3R is recognized in profit/loss.

Goodwill is tested for impairment regularly by the group (at least once a year). The tests are designed to identify whether the goodwill has suffered a decline in value. If the recoverable amount of the cash-generating unit (CGU) to which the goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. These losses – which are recognized through the income statement – cannot be reversed. In practice, cash-generating units are defined on the basis of the group's business lines.

1.3 Accounting policies and principles

1.3.1 Financial instruments under IFRS 9

1.3.1.1 Classification and valuation of financial assets

According to IFRS 9, the classification and measurement of financial assets depends on the management model and contractual characteristics of the instruments.

Loans, receivables, or debt securities acquired

The asset is classified:

- at amortized cost, if it is held in order to collect contractual cash flows and if its characteristics are similar to those of a "basic" contract, see the section below "Characteristics of cash flows"(collection model);
- at fair value through other comprehensive income if the instrument is held with a view to collecting contractual cash flows and selling it when the opportunity arises, yet without holding it for trading, and if its characteristics are similar to those of a basic contract implicitly entailing a high predictability of associated cash flows ("hold to collect and sell" model);
- at fair value through profit or loss, if:
  - it is not eligible for the two aforementioned categories (as it does not meet the "basic" criterion and/or is managed in accordance with the "other" business model), or
  - the group initially opts to classify it as such, in an irrevocable way. This option is used to reduce accounting mismatch in relation to another associated instrument.

Cash flow characteristics

Contractual cash flows which solely represent repayments of principal and the payment of interest on outstanding principal are compatible with a "basic" contract.

In a basic contract, interest mainly represents the consideration for the time value of money (including in the event of negative interest) and credit risk. Interest may also include the liquidity risk, administrative fees to manage the asset, and a profit margin.

All contractual clauses must be analyzed, in particular those that could alter the timing or amount of contractual cash flows. The option, under the agreement, for the borrower or lender to repay the financial instrument early is compatible with the SPPI (Solely Payments of Principal and Interest) criterion of contractual cash flows, provided that the amount repaid essentially represents the outstanding principal and accrued interest, as well as, where applicable, early repayment compensation of a reasonable amount.

The early repayment allowance[1] for instance, it is considered reasonable if:

- it is expressed as a percentage of the principal repaid and is below 10% of the nominal amount repaid; or
- it is determined according to a formula aimed at compensating the difference in the benchmark interest rate between the date on which the loan was granted and its early repayment date.

The analysis of contractual cash flows may also require their comparison with those of a reference instrument when the time value of money included in the interest is likely to change due to the contractual clauses of the instrument. Such is the case, for example, if the interest rate of the financial instrument is revised periodically, but the frequency of such revisions is unrelated to the period for which the interest rate was established (e.g. monthly revision of an annual interest rate), or if the interest rate of the financial instrument is revised periodically based on an average interest rate.

If the difference between the non-discounted contractual cash flows of the financial asset and those of the reference instrument is significant, or may become so, the financial asset cannot be considered as basic.

Depending on the case, the analysis is either qualitative or quantitative. The materiality or immateriality of the difference is assessed for each fiscal year, and cumulatively over the life of the instrument. The quantitative analysis takes into account a range of reasonably possible scenarios. To this effect, the group has used yield curves going back to the year 2000.

(1) The group is an early adopter of the amendment to IFRS 9 on early repayment clauses, scheduling negative compensation, adopted by the EU in March 2018.

Moreover, a specific analysis is conducted in the case of securitization where there is priority of payment among holders, and credit risk concentrations in the form of tranches. In that case, the analysis requires the examination of the contractual characteristics of the tranches in which the group has invested and of the underlying financial instruments, as well as the credit risk of the tranches in relation to the credit risk of the underlying financial instruments.

It should be noted that:

- embedded derivatives are no longer recognized separately, which means that the entire hybrid instrument is then considered as non-basic and recognized at fair value through profit or loss;
- units in UCITS or UCIs are not basic instruments and are recognized at fair value through profit or loss.

Business models

The business model represents the way in which the instruments are managed to generate cash flows and revenue. It is based on observable facts and not simply on management's intention. It is not assessed at the entity level, or on an instrument-by-instrument basis, but rather on a higher level of aggregation which reflects the way in which groups of financial assets are managed collectively. It is determined at initial recognition and may be reassessed in the event of a change in model (exceptional cases).

To determine the business model, it is necessary to consider all available information, including the following:

- how the activity's performance is reported to decision-makers;
- how managers are compensated;
- the frequency, timing and volumes of sales in previous periods;
- the reason for the sales;
- future sales forecasts;
- the way in which risk is assessed.

For the "hold to collect" business model, certain examples of authorized sales are explicitly set out in the standard:

- in response to an increase in credit risk;
- close to maturity and for an amount near the par amount;
- exceptional (for example, related to liquidity stress).

Such "authorized" sales are not included in the analysis of the significant and frequent nature of the sales made out of a portfolio. Frequent and/or significant sales would not be compatible with this business model. Moreover, sales related to changes in the regulatory or fiscal framework will be documented on a case-by-case basis to demonstrate the "infrequent" nature of such sales.

For other sales, thresholds have been defined based on the maturity of the securities portfolio, for example 2% for an average maturity of 2 years (the group does not sell its loans).

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

It also manages financial assets according to a model based on the collection of contractual cash flows from financial assets and the sale of these assets, as well as a model for other financial assets, in particular financial assets held for trading.

Within the group, the "hold to collect and sell" model applies primarily to proprietary cash management and liquidity portfolio management activities.

Financial assets held for trading consist of securities originally acquired with the intention of reselling them in the near future, as well as securities that are part of a portfolio of securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets at amortized cost

These mainly include:

- cash and cash equivalents, which comprise cash accounts, deposits, and demand loans and borrowings with central banks and credit institutions;
- other loans to credit institutions and loans to customers (granted directly, or the share in syndicated loans), not measured at fair value through profit or loss;
- a portion of the securities held by the group.

The financial assets classified in this category are initially recognized at their fair value, which is generally the net amount disbursed. The interest rates applied to loans granted are deemed to represent market rates, since they are constantly adjusted in line with the interest rates applied by the vast majority of competitor banks.

At subsequent reporting dates, the assets are measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts future cash payments or receipts over the estimated life of the financial instrument to obtain the net carrying amount of the financial asset or liability. It takes account of estimated cash flows without taking account of future losses on loans, and includes commissions paid or received when these are treated as interest, as well as directly related transaction costs, and all premiums and discounts.

For securities, the amortized cost takes account of the amortization of premiums and discounts, as well as acquisition costs, if significant. Purchases and sales of securities are recognized at the settlement date.

The income received is booked in the income statement under "Interest and similar income".

Commissions received or paid, which are directly linked to the arrangement of a loan and are treated as a component of interest, are spread over the term of the loan using the effective interest rate method and are booked to the income statement under interest items.

Commissions received in connection with the commercial renegotiation of loans are recognized over more than one period.

The restructuring of a loan following financial difficulties by the debtor leads to novation of the contract. Following the definition of this concept by the European Banking Authority, the group included it in the information systems in order to harmonize the accounting and prudential definitions.

The fair value of assets at amortized cost is disclosed in the notes to the financial statements at the end of each reporting period. It corresponds to the net present value of future cash flows estimated using a zero-coupon yield curve that includes an issuer cost inherent to the debtor.

Financial assets at fair value through shareholders' equity

Since the group does not sell its loans, this category solely consists of securities. They are recognized at fair value in the balance sheet at the time of their acquisition, on the settlement date and at subsequent reporting dates until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account, excluding accrued income. These unrealized gains or losses in shareholders' equity are only recognized on the income statement in the event of disposal or impairment (see Section "1.3.1.7). Derecognition of financial assets and liabilities" and "1.3.1.8. Measurement of credit risk").

Income accrued or received is recognized in profit or loss under "Interest and similar income", using the effective interest method.

Financial assets at fair value through profit or loss

These are recognized at fair value upon their initial recognition in the balance sheet and at subsequent reporting dates until their disposal (see section "1.3.1.7. Derecognition of financial assets and liabilities"). Changes in fair value are taken to the income statement under "Net gains/(losses) on financial instruments at fair value through profit or loss".

As from January 1, 2018, income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). Before, this interest was recognized under "Net gains/(losses) on financial instruments at fair value through profit or loss". This change was made for the sake of consistency with regulatory reports sent to the ECB as part of the Short-Term Exercise (STE), and for more clarity on interest received and paid.

Purchases and sales of securities measured at fair value through profit or loss are recognized on the settlement date. Changes in fair value between the transaction date and the settlement date are recognized in profit or loss.

Equity instruments acquired

Equity instruments acquired (shares, in particular) are classified as follows:

- fair value through profit or loss; or
- at fair value through other comprehensive income, at initial recognition, if the group irrevocably elects to do so.

Financial assets at fair value through shareholders' equity

Shares and other equity instruments are recognized in the balance sheet at their fair value at the time of their acquisition and at subsequent reporting dates until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account". These unrealized or deferred gains and losses booked to equity are never recognized in the income statement, even when they are sold (see Section 3.1.7 "Derecognition of financial assets and liabilities"). Only dividends received on variable-income securities are recognized in the income statement, under "Net gains/(losses) on financial assets at fair value through other comprehensive income".

Purchases and sales of securities are recognized at the settlement date.

Financial assets at fair value through profit or loss

Equity instruments are recognized in the same way as debt instruments at fair value through profit or loss.

1.3.1.2 Classification and valuation of financial liabilities

Financial liabilities are classified in one of the following two categories:

Financial liabilities measured at fair value through profit or loss

- those incurred for trading purposes including, by default, derivatives with a negative fair value which do not qualify as hedging instruments; and
- non-derivative financial liabilities that the group originally classified as measured at fair value through profit or loss (fair value option). This includes:
  - financial instruments containing one or more separable embedded derivatives,
  - instruments for which the accounting treatment would be inconsistent with that applied to another related instrument, were the fair value option not applied,
  - instruments belonging to a pool of financial assets measured and managed at fair value.

  The recognition of changes in fair value resulting from own credit risk concerning debts optionally designated at fair value through profit or loss is recognized in unrealized or deferred profit or loss in non-reclassifiable equity. The group is marginally concerned by the problem of own credit risk.

Financial liabilities at amortized cost

These consist of other non-derivative financial liabilities. These include amounts due to customers and to credit institutions, debt securities (certificates of deposit, interbank market securities, bonds, etc.), as well as dated and undated subordinated debt for which measurement at fair value through profit or loss was not opted for.

Subordinated debt is separated from other debt securities since, in the event liquidation of the debtor's assets, it is repaid only after claims by other creditors have been extinguished. Debt securities include the non-preferred senior debt instruments created by the Sapin 2 law.

These liabilities are initially recognized at fair value in the balance sheet. At subsequent reporting dates, they are measured at amortized cost using the effective interest rate method. The initial fair value of issued securities is their issue price less transaction costs, where applicable.

Regulated savings contracts

Amongst the liabilities at amortized cost are the mortgage saving agreements (CEL) and mortgage saving plans (PEL), which are regulated French products accessible to customers (natural persons). In the initial savings phase, account holders receive interest on amounts paid into these accounts, which subsequently entitle them to a mortgage loan (second phase). They generate two types of obligation for the distributing establishment:

- a commitment to pay interest in the future on paid-in amounts at a fixed rate (in the case of PEL accounts only, as interest payable on CEL accounts is regularly revised on the basis of an indexation formula and is therefore treated as variable-rate);
- a commitment to grant loans to customers at their request, at a rate set on inception of the contract (both PEL and CEL products).

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data. A provision is recognized in liabilities to cover the future costs relating to the risk that the terms of such products may be potentially unfavorable to the bank, compared to the interest rates offered by the bank to individual customers on similar, but non-regulated, products. This approach is managed based on generations of regulated PEL and CEL savings products with similar characteristics. The impact on income is included in interest paid to customers.

1.3.1.3 Distinction between debts and shareholders' equity

According to the IFRIC 2 interpretation, members' shares are shareholders' equity if the entity has an unconditional right to refuse redemption or if there are legal or statutory provisions prohibiting or significantly limiting redemption. Due to the existing statutory and legal provisions, the members' shares issued by structures composing the Crédit Mutuel Group's consolidating entity are recognized in shareholders' equity.

Other financial instruments issued by the group are classified as debt instruments in the group's accounts when the group has a contractual obligation to deliver cash to holders of the instruments. Such is the case with subordinated notes issued by the group.

1.3.1.4 Foreign currency transactions

Assets and liabilities denominated in a currency other than the local currency are translated at the exchange rates prevailing on the balance sheet date.

Monetary financial assets and liabilities

Foreign currency gains and losses on the translation of such items are recognized in the income statement under "Net gains/(losses) on portfolio at fair value through profit or loss".

Non-monetary financial assets and liabilities

Foreign exchange gains or losses arising from such translations are recognized in the income statement under "Net gains/(losses) at fair value through profit or loss" if measured at fair value through profit or loss, or recognized under "Unrealized or deferred capital gains/(losses)" if they are financial assets measured at fair value through other comprehensive income.

1.3.1.5 Derivatives and hedge accounting

IFRS 9 allows entities to choose, on first-time application, whether to apply the new provisions concerning hedge accounting or to retain those of IAS 39.

The group has elected to continue to apply the provisions of IAS 39. However, in accordance with IFRS 7 (revised), additional information on the management of risks and the impacts of hedge accounting on the financial statements is provided in the notes or in the management report.

Moreover, the provisions of IAS 39 concerning the fair value hedge of interest rate risk associated with a portfolio of financial assets or financial liabilities, as adopted by the European Union, continue to apply.

Derivatives are financial instruments which have the following three characteristics:

- their value fluctuates with the change in the underlying items (interest rates, exchange rates, share prices, indices, commodities, credit ratings, etc.);
- their initial cost is low or nil;
- their settlement takes place at a future date.

The Crédit Mutuel group handles simple derivatives (swaps, vanilla options), mainly interest rate derivatives, and classified essentially at level 2 of the value hierarchy.

All derivatives are carried at fair value under financial assets or financial liabilities. They are recognized by default as trading instruments unless they can be classified as hedging instruments.

Determination of the fair value of derivatives

Most over-the-counter derivatives, swaps, forward rate agreements, caps, floors and vanilla options are valued using standard, generally accepted models (discounted cash flow method, Black and Scholes model, interpolation techniques), based on observable market data such as yield curves. The valuations given by these models are adjusted to take into account the liquidity risk and the credit risk associated with the instrument or parameter concerned, and specific risk premiums intended to offset any additional costs resulting from a dynamic management strategy associated with the model in certain market conditions, as well as the counterparty risk captured by the positive fair value of over-the-counter derivatives. The latter includes the own counterparty risk present in the negative fair value of over-the-counter derivatives.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

Derivatives are recognized as financial assets when their market value is positive and as financial liabilities when their market value is negative.

Classification of derivatives and hedge accounting

Derivatives classified as financial assets and liabilities at fair value through profit or loss

By default, all derivatives not designated as hedging instruments under IFRS are classified as "financial assets or financial liabilities at fair value through profit or loss", even if they were contracted for the purpose of hedging one or more risks.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, meets the definition criteria for a derivative. It has the effect, notably, of changing certain cash flows in the same was as a stand-alone derivative.

The derivative is detached from the host contract and recognized separately as a derivative instrument at fair value through profit or loss only if all of the following conditions are satisfied:

- it meets the definition of a derivative;
- the hybrid instrument hosting the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics of the derivative and the associated risks are not considered as being closely related to those of the host contract;
- separate measurement of the embedded derivative is sufficiently reliable to provide relevant information.

For financial instruments under IFRS 9, only those derivatives embedded in financial liabilities may be detached from the host contract for separate recognition.

Recognition

Realized and unrealized gains and losses are recognized in the income statement under "Net gains/(losses) on financial instruments at fair value through profit or loss".

Hedge accounting

Risks hedged

In its accounts, the group only recognizes interest rate risk through micro-hedging, or on a broader scope through macro-hedging.

Micro-hedging is partial hedging of the risks incurred by an entity on its assets and liabilities. It specifically applies to one or more assets or liabilities for which the entity covers the risk of an unfavorable change in a type of risk, through derivatives.

Macro-hedging aims to cover all of the group's assets and liabilities against any unfavorable changes, particularly in interest rates.

The overall management of the interest rate risk is described in the management report, along with the management of all other risks (foreign exchange, credit, etc.) that may be hedged through the natural backing of assets to liabilities or the recognition of trading derivatives.

Micro-hedging is particularly done through asset swaps, usually in the aim of transforming fixed-rate instruments into variable-rate instruments.

Three types of hedging relationship are possible. The choice of the hedging relationship depends on the nature of the risk being hedged:

- a fair value hedge hedges the exposure to changes in the fair value of financial assets or financial liabilities;
- a cash flow hedge is a hedge of the exposure to variability in cash flows relating to financial assets or financial liabilities, firm commitments or forward transactions;
- the hedging of net investments in foreign currencies is recognized in the same way as cash flow hedging. The group has not used this form of hedging.

Hedging derivatives must meet the criteria stipulated by IAS 39 to be designated as hedging instruments for accounting purposes. In particular:

- the hedging instrument and the hedged item must both qualify for hedge accounting;
- the relationship between the hedged item and the hedging instrument must be documented formally immediately upon inception of the hedging relationship. This documentation sets outs the risk management objectives determined by management, the nature of the risk hedged, the underlying strategy, and the methods used to measure the effectiveness of the hedge.

The effectiveness of the edge must be demonstrated upon inception of the hedging relationship, subsequently throughout its life, and at the very least at each balance sheet date. The ratio of the change in value or gain/loss on the hedging instrument to that of the hedged item must be within a range of 80% to 125%.

Where applicable, hedge accounting is discontinued prospectively.

Fair value hedge of identified financial assets or liabilities

In a fair value hedging relationship, derivatives are remeasured at fair value through profit or loss under "Net gains/(losses) on financial instruments at fair value through profit or loss" symmetrically with the remeasurement of the hedged items to reflect the hedged risk. This rule also applies if the hedged item is recognized at amortized cost or is a debt instrument classified under "Financial assets at fair value through other comprehensive income". Changes in the fair value of the hedging instrument and the hedged risk component offset each other partially or totally; only the ineffective portion of the hedge is recognized in profit or loss. This may be due to:

- the "counterparty risk" component integrated in the value of the derivatives;
- the different value curve between the hedged items and hedging instruments. Indeed, swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve.

The portion corresponding to the rediscounting of the derivative financial instrument is recognized in the income statement under "Interest income/(expense)". The same treatment is applied to the interest income or expense relating to the hedged item.

If the hedging relationship is interrupted or the effectiveness criteria are not met, hedge accounting is discontinued on a prospective basis. The hedging derivatives are transferred to "Financial assets or financial liabilities at fair value through profit or loss" and are accounted for in accordance with the principles applicable to this category. The carrying amount of the hedged item is subsequently no longer adjusted to reflect changes in fair value. In the case of interest rate instruments initially identified as hedged, the remeasurement adjustment is amortized over their remaining life. If the hedged item has been derecognized in the balance sheet, due notably to early repayment, the cumulative adjustments are recognized immediately in the income statement.

Macro-hedging directives

The group has availed itself of the possibilities offered by the European Commission as regards accounting for macro-hedging transactions. In fact, the changes made by the European Union to IAS 39 (carve-out) allow the inclusion of customer demand deposits in portfolios of hedged fixed-rate liabilities with no measurement of ineffectiveness in case of under-hedging. Demand deposits are included based on the run-off rules defined for asset-liability management purposes.

For each portfolio of fixed-rate financial assets or liabilities, the maturity schedule of the hedging derivatives is reconciled with that of the hedged items to ensure that there is no over-hedging.

The accounting treatment of fair value macro-hedging derivatives is similar to that used for fair value hedging derivatives.

Changes in the fair value of the hedged portfolios are recorded in the balance sheet under "Remeasurement adjustment on interest-rate hedged portfolios", the counterpart being an income statement line item.

Cash flow hedges

In the case of a cash flow hedging relationship, derivatives are remeasured at fair value in the balance sheet, with the effective portion recognized in equity. The portion considered as ineffective is recognized in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss".

Amounts recognized in shareholders' equity are reclassified to profit or loss under "Interest income/(expense)" at the same time as the cash flows attributable to the hedged item affect profit or loss.

The hedged items continue to be recognized in accordance with the rules specific to their accounting category. If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued. The cumulative amounts recorded in shareholders' equity for the re-measurement of the hedging derivative are maintained in shareholders' equity until such time as the hedged transaction itself impacts profit or loss or until the transaction is no longer expected to occur. At this point, said amounts are transferred to profit or loss.

If the hedged item no longer exists, the cumulative amounts recorded in equity are immediately transferred to profit or loss.

1.3.1.6 Financial guarantees and funding commitments

Financial guarantees are treated like an insurance policy when they provide for specified payments to be made to reimburse the holder for a loss incurred because a specified debtor fails to make payment on a debt instrument on the due date.

In accordance with IFRS 4, such financial guarantees continue to be measured using French accounting standards, i.e. they are treated as off-balance sheet items, until such time as the current standards are revised. Accordingly, they are subject to a provision for liabilities if an outflow of resources is likely.

By contrast, financial guarantees that provide for payments in response to changes in a financial variable (price, credit rating, index, etc.) or a non-financial variable (provided that this variable is not specific to one of the parties to the agreement) fall within the scope of IFRS 9. These guarantees are thus treated as derivatives.

Financing commitments that are not considered as derivatives within the meaning of IFRS 9 are not shown on the balance sheet. However, they give rise to provisions in accordance with the requirements of IFRS 9.

1.3.1.7 Derecognition of financial assets and liabilities

The group partly or fully derecognizes a financial asset (or a group of similar assets) when the contractual rights to the asset's cash flows expire (in the case of commercial renegotiation), or when the group has transferred the contractual rights to the financial asset's cash flows, as well as most of the risks and advantages linked with ownership of the asset.

Upon derecognition of:

- a financial asset or liability at amortized cost or at fair value through profit or loss: a gain or loss on disposal is recognized in the income statement in an amount equal to the difference between the carrying amount of the asset or liability and the amount of the consideration received/paid;
- a debt instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under equity are taken to the income statement, as well as any capital gains/losses on disposal;
- an equity instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under other comprehensive income, as well as any capital gains/losses on disposal are recognized in consolidated reserves without going through the income statement.

The group derecognizes a financial liability when the contractual obligation is extinguished, is canceled or expires. A financial liability may also be derecognized in the event of a material change in its contractual terms and conditions, or an exchange with the lender for an instrument whose contractual terms and conditions are substantially different.

1.3.1.8 Evaluation of credit risk

The IFRS 9 impairment model is based on an "expected credit loss" approach while that of IAS 39 was based on an "incurred credit losses", for which the accounting of credit losses at the time of the financial crisis was considered too little too late.

Under the IFRS 9 model, financial assets for which no objective evidence of impairment exists on an individual basis are impaired on the basis of observed losses as well as reasonable and justifiable future cash flow forecasts.

The IFRS 9 impairment model thus applies to all debt instruments measured at amortized cost or at fair value through other comprehensive income, as well as to financing commitments and financial guarantees. These outstandings are split into three categories:

- **status 1 – non-downgraded performing loans:** provisioning on the basis of 12-month expected credit losses (resulting from default risks over the following 12 months) as from initial recognition of the financial assets, provided that the credit risk has not increased significantly since initial recognition;
- **status 2 – downgraded performing loans:** provisioning on the basis of the lifetime expected credit losses (resulting from default risks over the entire remaining life of the instrument) if the credit risk has increased significantly since initial recognition; and
- **status 3 – non-performing loans:** category comprising the financial assets for which there is objective evidence of impairment related to an event that has occurred since the loan was granted. This category is equivalent to the scope of outstandings currently impaired individually under IAS 39.

For statuses 1 and 2, the basis of calculation of interest income is the gross value of the asset before impairment while, for Status 3, it is the net value after impairment.

Governance

The models for compartment allocation, forward-looking scenarios, and parameter calculation methods constitute the methodological basis for impairment calculations. They are validated at the group's top level and are applicable to all entities according to the portfolios involved. The entire methodological base and any subsequent modification in terms of method, weighting of the scenarios, parameter calculation or provision calculation must be validated by the Crédit Mutuel group's governance bodies.

These bodies consist of the supervisory and executive boards as defined by Article 10 of the French Decree of November 3, 2014 relative to internal control. Given the specificities of the Crédit Mutuel group's decentralized organizational structure, the supervisory and executive bodies are divided into two levels – the national level and the regional level.

The principle of subsidiarity, applied across the Crédit Mutuel group, governs the breakdown of roles between national and regional levels, both on a project basis and for the ongoing implementation of the asset impairment calculation methodology.

At the national level, the Basel 3 Working Group approves the national procedures, models and methodologies to be applied by the regional groups.

At the regional level, regional groups are tasked with the calculation of the IRFS 9 provisions within their entities, under the responsibility and control of their respective executive and supervisory bodies.

Definition of the boundary between status 1 and status 2

The group employs models developed for regulatory purposes and so segregates its outstandings in that manner:

- low default portfolios (LDP), for which the rating model is based on an expert assessment: large accounts, banks, local governments, sovereigns, specialized financing. These portfolios are composed of products such as operating loans, short-term operating loans, current accounts, etc.;
- high default portfolios (HDP), for which the default data is sufficient to establish a statistical rating model: mass corporate, and retail. These portfolios include products such as home loans, consumer credit, revolving loans, current accounts, etc.

A significant increase in credit risk, which involves transferring a loan from status 1 to status 2, is measured by:

- factoring in all reasonable and justifiable information; and
- comparing the risk of default on the financial instrument at the reporting date to the risk at the initial recognition date.

For the group, this involves measuring the risk at the level of the borrower, where the counterparty rating system is common to the entire group. All the group's counterparties eligible for an internal approach are rated by the system. That system is based on:

- statistical algorithms or "mass ratings" based on one or more models, using a selection of representative and predictive risk variables (HDP); or
- rating grids developed by experts (LDP).

The change in risk since initial recognition is measured contract by contract. Unlike status 3, transferring a customer's contract to status 2 does not entail transferring all of its outstandings or those of its related parties (i.e., no contagion).

Note that the group immediately puts into status 1 any performing exposure that no longer meets the criteria for status 2 classification (both qualitative and quantitative).

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

Quantitative criteria

In LDPs, the boundary is based on an allocation matrix which relates the rating on origination to the rating on the reporting date. Thus, the riskier the rating of the loan, the less the relative tolerance of the group towards significant deterioration of the risk.

In HDPs, a boundary yield curve relates the default rate on origination to the default rate on the reporting date. The group does not use the operational simplification proposed by the standard that permits keeping outstandings at low risk on the reporting date in status 1.

Qualitative criteria

As well as this quantitative data, the group uses qualitative criteria such as payments not made or overdue by more than 30 days, the notion of restructured loans, etc.

Methods based exclusively on qualitative criteria are used for entities or small portfolios classified for prudential purposes under the standardized approach and that do not have a rating system.

Statuses 1 and 2 – Calculating expected credit losses

Expected credit losses are measured by multiplying the outstanding balance by its probability of default (PD) and by the loss given default (LGD) ratio. The off-balance sheet amount is converted to a balance sheet equivalent based on the probability of use. The probability of default within one year is used for status 1 and the probability curve at termination (1 to 10 years) for status 2.

These parameters have the same basis as the prudential models, with the formulas adapted to IFRS 9. They are used both for assigning loans to a status and for calculating expected losses.

Probability of default

This is based:

- for high default portfolios, on the models approved under the IRB-A approach;
- for low default portfolios, on an external probability of default scale based on a history dating back to 1981.

Loss given default

This is based:

- for high default portfolios, on the collection flows observed over a long period of time, discounted at the interest rates of the contracts, segmented according to types of products and types of guarantees;
- for low default portfolios, on fixed ratios (60% for sovereigns and 40% for the rest).

Conversion factors

For all products, including revolving loans, they are used to convert off-balance-sheet exposure to a balance sheet equivalent and are mainly based on prudential models.

Forward-looking dimension

To calculate expected credit losses, the standard requires taking reasonable and justifiable information into account, including forward-looking information. Creating a forward-looking dimension requires projecting the course of the economy and tying these projections into the risk parameters. This forward-looking dimension is set at the group level and applies to all parameters.

For high default portfolios, the forward-looking aspect included in the probability of default takes into account three scenarios (optimistic, neutral, pessimistic), which will be weighted based on the group's view of changes in the economic cycle over five years. The group mainly relies on macroeconomic data (GDP, unemployment rate, inflation rate, short-term and long-term interest rates, etc.) available from the OECD. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

- they are recent, meaning they occurred a few weeks before the reporting date;
- they are unable to be included in a scenario, as, for example, regulatory changes that will have a definite, material impact on the risk parameters that can be measured if certain assumptions are made.

The forward-looking dimension over different time horizons other than one year will largely be a function of the one-year dimension.

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

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

Status 3 – Non-performing loans

Impairment is recognized whenever there is objective proof of impairment due to one or more events occurring after a loan or group of loans have been made that might generate a loss. An analysis is done at each closing contract by contract. The impairment is equal to the difference between the carrying amount and the estimated future cash flows, allowing for collateral or other guarantees, present-discounted at the interest rate of the original loan. In the event of a variable rate, it is the last known contractual rate that is booked.

Originated credit-impaired financial assets

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

Recognition

Impairment charges and provisions are recognized in "counterparty risk". Reversals of impairment charges and provisions are recorded in "Counterparty risk" for the portion relating to the change in risk and in "Net interest" for the portion relating to the passage of time. Impairment is subtracted from assets for loans and receivables, and the provision is recognized as a liability under "provisions" for financing and guarantee commitments (see "1.3.1.6. Financial guarantees and financing commitments" and "1.3.3.2. Provisions"). For assets at fair value through other comprehensive income, the counter-entry for impairments recognized under "Net provision allocations/reversals for loan losses" is booked to "Unrealized or deferred gains and losses"

Loan losses are written off and the corresponding impairments and provisions are reversed.

1.3.1.9 Determination of the fair value of financial instruments

Fair value is the amount for which an asset could be sold, or a liability transferred, between knowledgeable willing parties in an arm's length transaction.

The fair value of an instrument upon initial recognition is generally its transaction price.

The fair value must be calculated for subsequent measurements. The calculation method to be applied varies depending on whether the instrument is traded on a market deemed to be active or not.

Instruments traded on an active market

When financial instruments are traded in an active market, fair value is determined by reference to their quoted price as this represents the best possible estimate of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available (from a stock exchange, dealer, broker or pricing service), and those prices represent actual market transactions regularly occurring on an arm's length basis.

Instruments traded on a non-active market

Observable market data are used provided they reflect the reality of a transaction at arm's length on the valuation date and there is no need to make an excessive adjustment to said value. In other cases, the group uses non-observable data (mark-to-model).

When observable data is not available or when market price adjustments require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, comprising adjustments linked to the risks the market would factor in. Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

In all cases, adjustments are made by the group in a reasonable and appropriate manner, based on judgment.

Fair value hierarchy

A three-level hierarchy is used for fair value measurement of financial instruments:

- level 1: quoted prices on active markets for identical assets or liabilities; In particular, these concern debt securities quoted by at least three contributors and derivatives quoted on an organized market;
- level 2: data other than the level 1 quoted prices, which are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. data derived from prices). Included, in particular, in level 2 are interest rate swaps whose fair value is generally determined with the help of yield curves based on market interest rates observed at the end of the reporting period;
- level 3: data relating to the asset or liability that are not observable market data (non-observable data). The main constituents of this category are investments in non-consolidated companies held in venture capital entities or otherwise and, in the capital markets activities, debt securities quoted by a single contributor and derivatives using mainly non-observable parameters. The instrument is classified at the same hierarchical level as the lowest level of the input having an important bearing on fair value considered as a whole. Given the diversity and volume of the instruments measured at level 3, the sensitivity of the fair value to a change in parameters would be immaterial.

1.3.2 Insurance business line

The insurance departments falling within the Conglomerate Directive, benefit from the deferred application of IFRS 9 until 2022, as scheduled by the amendment to IFRS 4 adopted by the European Union. As such, their financial instruments remain valued and recognized in accordance with IAS 39. In terms of presentation, the group chose to adopt an "IFRS audit" approach that allows all financial instruments under IAS 39 to be grouped together under the dedicated asset or liability items rather than by applying ANC recommendation 2017-02 strictly speaking, which entails the presentation of instruments under certain items pursuant to IAS 39 and IFRS 9. Thus, all the financial instruments of the insurance departments are grouped in assets under "Investments in insurance business and shares of reinsurers in technical provisions", and in liabilities under "Liabilities related to insurance business policies", also including technical provisions. Investment properties are also affected by the reclassification. The impact in the income statement of financial instruments and technical provisions is included under "Net income from insurance activities". Other assets/liabilities and income statement items are included under the "banking insurance" joint entries. Where relevant, the disclosures required by IFRS 7 are given separately for the insurance business lines.

In accordance with the adoption regulation of November 3, 2017, the group ensures there is no transfer of financial instruments with a derecognition effect, between the insurance and other sectors of the conglomerate, other than those recognized at fair value through profit or loss in both sectors.

The accounting principles and valuation rules specific to assets and liabilities generated by the issue of insurance policies are drafted in accordance with IFRS 4. This also applies to reinsurance contracts issued or subscribed, and to financial contracts incorporating a discretionary profit-sharing clause.

Except in the cases outlined above, the other assets held and liabilities issued by the insurance companies follow the rules common to all the group's assets and liabilities.

1.3.2.1 Insurance business line – Financial instruments

Under IAS 39, insurers' financial instruments may be classified in one of the following categories:

- financial assets/liabilities at fair value through profit or loss;
- available-for-sale financial assets;
- held-to-maturity financial assets;
- loans and receivables;
- financial liabilities at amortized cost.

They are grouped in assets under "Investments in insurance business and shares of reinsurers in technical provisions", and in liabilities under "Liabilities related to insurance business policies".

The classification in one or other of these categories reflects the management intention and determines the recognition rules for instruments.

The fair value of these instruments follows the general principles outlined in paragraph 1.3.1.9.

Financial assets and liabilities at fair value through profit or loss

Classification criteria

The classification of instruments in this category is a result either of a genuine intention to trade, or the use of the fair value option.

a) Instruments held for trading

Securities held for trading consist of securities originally acquired with the intention of reselling them in the near future, as well as securities that are part of a portfolio of securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

b) Instruments at fair value on option

Financial instruments may be classified by choice, from the outset and on an irrevocable basis, at fair value through profit or loss in the following circumstances:

a. financial instruments containing one or more separable embedded derivatives;

b. instruments for which the accounting treatment would be inconsistent with that applied to another related instrument, were the fair value option not applied;

c. instruments belonging to a pool of financial assets measured and managed at fair value.

This option is specifically used in connection with unit-linked contracts for insurance activities, to ensure consistency with the treatment of liabilities.

Basis of valuation and recognition of income and expenses

Assets classified as "Assets at fair value through profit or loss" are recognized when they are entered on the balance sheet at their fair value, and at subsequent closing dates, until disposal. Changes in fair value and the income received or accrued on these assets are recognized on the income statement under "Net income from insurance activities".

Available-for-sale financial assets

Classification criteria

Available-for-sale financial assets include those financial assets not classified as "loans and receivables", or "financial assets held-to-maturity" or "fair value through profit or loss".

Basis of valuation and recognition of income and expenses

They are recognized on the balance sheet at their fair value at the time of their acquisition, and at subsequent closing dates, until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account, excluding accrued income. These unrealized gains or losses in shareholders' equity are only recognized on the income statement in the event of disposal or sustainable impairment. On disposal, these unrealized gains or losses previously recognized in shareholders' equity are recognized in the income statement, along with gains and losses on disposal.

Income accrued or acquired from fixed-income securities is recognized in profit or loss, using the effective interest rate method. They are presented in "Net income from insurance activities", along with dividends received on variable-income securities.

Credit risk and impairment

a) Sustainable impairment, specific to shares and other capital instruments

Impairment is recognized on variable-income available-for-sale financial assets in the event of a prolonged or significant fall in fair value, compared to cost.

In the case of variable-income securities, the group considers that a fall in the security's value of at least 50% compared to its acquisition cost or over a period of more than 36 consecutive months shall result in an impairment. The analysis is carried out on a line-by-line basis. Judgment is also used when reviewing those securities that do not meet the above criteria, but for which management believes the recoverability of the amount invested may not reasonably be expected in the near future. The loss is recognized in income under "Net income from insurance activities".

Any subsequent fall is also recognized on the income statement.

Long-term impairment losses on shares or other capital instruments posted in income are irreversible as long as the instrument appears on the balance sheet. In the event of subsequent appreciation, this will be recognized in shareholders' equity under "unrealized or deferred gains or losses".

b) Impairment due to credit risk

Impairment losses on fixed-income available-for-sale financial assets (specifically bonds) are recognized under "Cost of risk". In fact, only the existence of credit risk may lead to the impairment of these fixed-income instruments, since impairment in the event of loss due to a simple rate increase is not permitted. In the event of impairment, all combined unrealized losses in shareholders' equity must be recognized in profit or loss. These impairments are reversible; any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "cost of risk", in case of improvement of the issuer's credit situation.

Held-to-maturity financial assets

Classification criteria

This category includes determinable or fixed-income securities with a maturity date that the entity intends and is able to hold until maturity.

Any interest-rate hedging operations performed on this category of securities are not eligible for hedge accounting as set out in IAS 39.

Furthermore, the possibilities to dispose of or transfer securities of this portfolio are extremely limited, given the provisions of IAS 39, on pain of downgrading the entire portfolio at group level in the "available-for-sale financial assets" category, and forbidding access to this category for two years.

Basis of valuation and recognition of income and expenses

Securities classified in this category are initially recognized at fair value, then valued at amortized cost according to the effective interest rate method, which incorporates amortization of premiums and discounts, as well as acquisition expenses, if these are material.

Income received on these securities is given in "Net income from insurance activities" on the income statement.

Credit risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). An analysis is performed at each closing, on a security-by-security basis. Impairment is assessed by comparing the carrying amount and the present value at the original interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "Cost of risk". Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "Cost of risk".

Loans and receivables

Classification criteria

Loans and receivables are determinable or fixed-income financial assets not listed on an active market and not intended for sale upon acquisition or grant. They are recognized at their fair value when they initially appear on the balance sheet which is generally the net amount disbursed. These outstandings are then valued on subsequent closing dates at amortized cost using the effective interest-rate method (except for those recognized using the fair value option method).

Credit risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). Impairment is assessed by comparing the carrying amount and the present value at the effective interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "Cost of risk". Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "Cost of risk".

Financial liabilities at amortized cost

These cover debts due to customers and credit institutions, debt securities (certificates of deposit, interbank market securities, bond issues, etc.), term or undated subordinated debt, not classified at fair value through profit or loss on option.

These liabilities are initially recognized at fair value in the balance sheet. At subsequent reporting dates, they are measured at amortized cost using the effective interest rate method. The initial fair value of issued securities is their issue price less transaction costs, where applicable.

1.3.2.2 Insurance business line – Non-financial assets

Investment property and fixed assets follow the accounting methods outlined elsewhere.

1.3.2.3 Insurance activities – Non-financial liabilities

Insurance liabilities, representing commitments to subscribers and beneficiaries, are included under "technical provisions of insurance policies". They remain valued, recognized and consolidated according to French standards.

The technical provisions of life insurance policies consist primarily of mathematical provisions, which generally correspond to the redemption values of the contracts. The risks covered are primarily death, disability and incapacity for work (for borrower insurance).

Technical reserves for unit-linked contracts are valued on the reporting date based on the realizable value of the assets used to support these contracts.

Provisions for non-life insurance contracts correspond to unearned premiums (portion of premiums issued relating to subsequent years) and to claims payable.

Those insurance contracts benefiting from a discretionary profit-sharing clause are subject to "shadow accounting". The resulting deferred profit-sharing provision represents the portion of asset capital gains and losses, which accrues to the insured parties. These provisions for deferred profit-sharing appear as liabilities or assets, by legal entity and without offset between entities within the scope of consolidation. On the asset side, they appear as a separate item.

At the reporting date, a liability adequacy test recognized on these contracts (net of other related assets or liabilities, such as deferred acquisition costs and portfolio securities acquired) is conducted: the recognized liability is audited to ensure it is sufficient to hedge estimated future cash flows on that date. Any shortfall in the technical provisions is recognized in profit or loss for the period (and may subsequently be reversed if necessary).

1.3.3 Non-financial instruments

1.3.3.1 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Ownership may or may not eventually be transferred.

An operating lease is any lease that is not a finance lease.

Lessor finance lease transactions

In accordance with IAS 17, finance lease transactions with non-group companies are reported in the consolidated balance sheet at their financial accounting amount.

In the lessor's financial statements, the analysis of the economic substance of the transaction results in:

- the recognition of a financial receivable due from the customer, reduced in line with the lease payments received;
- the breakdown of the lease payments received between interest and principal repayment, known as financial amortization;
- the recognition of a net latent reserve, equal to the difference between:
  - the net financial outstanding amount, being the debt of the lessee in the form of the outstanding principal and the interest accrued at the end of the financial year,
  - the net carrying amount of the leased assets,
  - the deferred tax provision.

Credit risk related to financial receivables is measured and recognized under IFRS 9 (see Section 1.3.1.8. "Measurement of credit risk").

Lessee finance lease transactions

In accordance with IAS 17, the fixed assets concerned are recorded on the balance sheet as assets and the borrowing from credit institutions is recorded as a liability. Lease payments are broken down between interest expense and repayment of principal.

1.3.3.2 Provisions

Provisions and reversals of provisions are classified by type under the corresponding item of income or expenditure.

A provision is recognized whenever it is probable that an outflow of resources representing economic benefits will be necessary to extinguish an obligation arising from a past event and when the amount of the obligation can be estimated accurately. Where applicable, the net present value of this obligation is calculated to determine the amount of the provision to be set aside.

The provisions constituted by the group cover, in particular:

- operational risks;
- social commitments;
- execution risk on signature commitments;
- litigation risk and guarantee commitments given;
- tax risks;
- risks related to mortgage saving agreements.

1.3.3.3 Employee benefits

Where applicable, provisions in respect of employee obligations are recognized under "Provisions". Any movements in in this provision are recognized in the income statement under "Employee benefits expense" except for the portion resulting from actuarial gains/(losses), which is recognized in unrealized or deferred gains and losses, under equity.

Post-employment benefits under a defined benefit plan

These comprise retirement, early retirement and supplementary retirement plans under which the group has a formal or implicit obligation to provide employees with pre-defined benefits.

These obligations are calculated using the projected unit credit method, which involves allocating entitlement to benefits to periods of service by applying the contractual formula for calculating plan benefits. Such entitlements are then discounted using demographic and financial assumptions such as:

- a discount rate, determined by reference to the long-term rate on private-sector borrowings consistent with the term of the commitments;
- the salary increase rate, assessed in accordance with age brackets, Executive/Non-Executive class and regional characteristics;
- inflation rates, estimated by comparing French treasury bond rates and inflation-linked French treasury bond rates at different maturities;
- staff turnover rates, determined by age bracket, using the three-year average for the ratio of resignations and dismissals relative to the year-end number of employees under permanent contracts;
- retirement age: estimated on a case-by-case basis using the actual or estimated date of commencement of full-time employment and the assumptions set out in the law reforming pensions, with a ceiling set at 67 years of age;
- mortality according to the INSEE TH/TF 00-02 table.

Differences arising from changes in these assumptions and from differences between previous assumptions and actual experience constitute actuarial gains or losses. When the plan is funded by assets, these are measured at fair value and recognized in the income statement for their expected yield. Differences between actual and expected yields also constitute actuarial gains or losses.

Actuarial gains and losses are recognized in equity, within unrealized or deferred gains and losses. Curtailments and settlements of the plan produce a change in the commitment, which is recognized in the profit (loss) for the period.

Supplementary pensions within the pension funds

The AFB transitional agreement dated September 13, 1993 modified the banking industry pension schemes. Since January 1, 1994, the banks have been under the government-sponsored Arrco and Agirc schemes. The four pension funds to which the group's banks contributed were merged. They pay the various benefits covered by the transitional agreement. In the event that fund assets are not sufficient to cover these benefit obligations, the banks are required to make additional contributions. The average contribution rate for the next ten years is capped at 4% of the payroll. The pension fund resulting from the mergers was converted into an IGRS (a French supplementary pension management institution), in 2009. It does not have an asset shortfall.

Other post-employment benefits under a defined benefit plan

Retirement benefits and supplementary pensions, including special schemes, are provisioned. They are assessed on the basis of the rights acquired for all active employees, based specifically on the turnover rate of the staff specific to the consolidated entities and the estimated future salary that the beneficiary will earn upon retirement plus social security contributions, where applicable. In France, retirement benefits in the group's banks are at least 60% covered by insurance from ACM Vie – an insurance company which is part of the Crédit Mutuel group and is fully consolidated.

Post-employment benefits under a defined contribution plan

group entities contribute to various retirement plans managed by independent organizations, to which they have no formal or implicit obligation to make supplementary payments in the event, notably, that the fund's assets are insufficient to meet its commitments.

Since such plans do not represent a commitment for the group they are not subject to a provision. Expenses are recognized in the fiscal year in which the contribution must be paid.

Long-term benefits

These represent benefits other than post-employment benefits and termination benefits expected to be paid more than 12 months after the end of the fiscal year in which the staff rendered the corresponding service. They include, for example, long-service awards.

The group's commitment in respect of other long-term benefits is measured using the projected unit credit method. However, actuarial gains and losses are recognized immediately in profit or loss.

Commitments for long service awards are sometimes covered by insurance policies. Only the unhedged portion of this commitment is subject to a provision.

Supplemental pension plan for employees

In addition to mandatory pension schemes, employees of the entities covered by the group collective agreement also benefit from a supplementary defined contribution pension plan provided by ACM Vie SA.

Termination benefits

These are benefits granted by the group when an employment contract is terminated before the usual retirement age or following the employee's decision to leave the group voluntarily in exchange for an indemnity. The related provisions are discounted if payment is expected to take place more than 12 months after the reporting date.

Short-term benefits

These are benefits, other than termination benefits, payable within the 12 months following the reporting date. They include salaries, social security contributions and certain bonuses.

A charge is recognized in respect of short-term benefits in the period in which the services giving rise to the entitlement to the benefit are provided to the entity.

1.3.3.4 Fixed assets

Non-current assets reported on the balance sheet include property, plant and equipment and intangible assets used in operations as well as investment property. Operating assets are used for the production of services or for administrative purposes. Investment property consists of real estate assets held to generate rental income and/or capital gains. The historical cost method is used to recognize both operating and investment properties.

Non-current assets are initially recognized at acquisition cost plus any directly attributable costs necessary to make them operational and usable. They are subsequently measured at amortized historical cost, i.e. their cost less accumulated depreciation and any impairment.

When a fixed asset is comprised of several components that could be subject to replacement at regular intervals, having different rates of use or procuring economic benefits at different rates, each component is recognized separately from the start and each of the components is depreciated according to a plan that is appropriate to the component. The component approach was retained for operating buildings and investment properties.

The depreciable or amortizable amount of a non-current asset is determined after deducting its residual value, net of disposal costs. As the useful life of non-current assets is generally equal to their expected economic life, no residual value is recognized.

Non-current assets are depreciated or amortized over their estimated useful life at rates reflecting the estimated consumption of the assets' economic benefits by the entity. Intangible assets with an indefinite useful life are not amortized.

Depreciation and amortization charges on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement.

Depreciation charges on investment property are recognized under "Expenses on other activities" in the income statement.

The following depreciation and amortization periods are used:

Property, plant and equipment

- Land and network improvements: 15-30 years.
- Buildings – shell: 20-80 years (depending on type of building).
- Buildings – equipment: 10-40 years.
- Fixtures and fittings: 5-15 years.
- Office furniture and equipment: 5-10 years.
- Safety equipment: 3-10 years.
- Rolling stock: 3-5 years.
- Computer equipment: 3-5 years.

Intangible assets

- Software purchased or developed in-house: 1-10 years.
- Business goodwill acquired: 9-10 years (if customer contract portfolio acquired).

Depreciable property, plant and equipment are subject to depreciation tests when on closing date when there are indications of impairment loss. Non-amortizable non-current assets such as lease rights are tested for impairment once a year.

If an indication of impairment exists, the recoverable value of the asset is compared to its net carrying amount. In the event of loss of value, depreciation is recognized on the income statement; it changes the depreciable amount of the asset prospectively. Depreciation is written back in the event of changes to the estimated recoverable amount or if indications of impairment disappear. The net carrying amount following the reversal of an impairment provision cannot exceed the net carrying amount that would have been calculated if no impairment had been recognized.

Impairment charges and reversals on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating non-current assets" in the income statement.

Impairment charges and reversals on investment property are recognized in the income statement under "Expenses on other activities" and "Income from other activities", respectively.

Capital gains or losses on disposals of operating assets are recorded in the income statement on the line "Net gains/(losses) on other assets".

The gains and losses on disposal of investment property are recorded on the income statement on the line "Income from other activities" or "Expenses from other activities."

1.3.3.5 Fees and commissions

Fees and commissions in respect of services are recorded as income and expenses according to the nature of the services involved.

Fees and commissions linked directly to the grant of a loan are spread using the effective interest method.

Fees and commissions remunerating a service provided on a continuous basis are recognized over the period during which the service is provided.

Fees and commissions remunerating a significant service are recognized in full in the income statement upon execution of the service.

Fees considered as an additional interest are an integral part of the effective interest rate. These fees are thus recognized either as interest income or expense.

1.3.3.6 Income taxes

The income tax expense includes all tax, both current and deferred, payable in respect of the income for the period under review.

The income tax payable is determined in accordance with applicable tax regulations.

Deferred tax

As required by IAS 12, deferred taxes are recognized in respect of temporary differences between the carrying amount of an asset or liability on the consolidated balance sheet and its taxable value, with the exception of goodwill.

Deferred taxes are calculated using the liability method using the income tax rate known at the end of the fiscal year, and applicable to subsequent years.

Deferred tax assets net of deferred tax liabilities are recognized only when there is a high probability that they will be utilized. Current or deferred tax is recognized as income or a charge, except for that relating to unrealized or deferred gains or losses recognized in equity, for which the deferred tax is allocated directly to equity.

Deferred tax assets and liabilities are netted if they arise in the same entity or in the same tax group, are subject to the same tax authority and there is a legal right to do so.

Deferred tax is not discounted.

1.3.3.7 Interest borne by the State for certain loans

Pursuant to measures to support the agricultural and rural sector, as well as the purchase of housing, some group entities grant loans at reduced rates, which are set by the State. Consequently, these entities receive a subsidy from the government equal to the interest rate differential existing between the rate granted to customers and a predefined benchmark rate. As a result, no discounting occurs on loans that benefit from these grants.

The arrangements governing this offset mechanism are periodically reviewed by the State.

Government subsidies received are recognized under "Interest and similar income" and allocated over the life of the corresponding loans, in accordance with IAS 20.

1.3.3.8 Non-current assets classified as held for sale and discontinued operations

Non-current assets, or groups of assets, are classified as held for sale if they are available-for-sale and there is a high probability that their sale will take place within the next 12 months.

The related assets and liabilities are shown separately in the balance sheet, on the lines "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale". They are recognized at the lower of their carrying amount and their fair value less selling costs, and are no longer depreciated or amortized.

Any impairment loss on such assets and liabilities is recognized in the income statement.

Discontinued operations consist of businesses held for sale or which have been discontinued, or subsidiaries acquired exclusively with a view to resale. All gains and losses related to discontinued operations are shown separately in the income statement, on the line "Post-tax gain/(loss) on discontinued operations and assets held for sale".

1.3.4 Judgments and estimates used in the preparation of the financial statements

Preparation of the group's financial statements requires the use of assumptions for the purpose of the necessary measurements, which entails risks and uncertainties as to whether these assumptions will materialize in the future.

The future outcome of such assumptions may be influenced by several factors, in particular:

- the activities of national and international markets;
- fluctuations in interest rates and foreign exchange rates;
- economic and political conditions in certain business sectors or countries;
- regulatory and legislative changes.

Accounting estimates requiring the formulation of assumptions are mainly used for the measurement of the following:

- the fair value of financial instruments not quoted on an active market – the definition of a forced transaction and the definition of observable data require the exercise of judgment;
- retirement plans and other future employee benefits;
- impairment of assets, in particular expected credit losses;
- provisions;
- impairment of intangible assets and goodwill;
- deferred tax assets.

1.4 Standards and interpretations adopted by the European Union and not yet applied

IFRS 16 – Leases

This new standard, which was published in early 2016 and adopted by the EU on October 31, 2017, will take effect on January 1, 2019. IFRS 16 will replace IAS 17 and the interpretations relating to lease accounting.

Under IFRS 16, for a contract to qualify as a lease, there must be both the identification of an asset and control by the lessee of the right to use said asset.

From the lessor's point of view, the impact is expected to be limited since the provisions adopted remain substantially the same as those of the current IAS 17.

For the lessee, operating leases and finance leases will be accounted for based on a single model, with recognition of:

- an asset representing the right to use the leased item during the lease term;
- offset by a liability in respect of the lease payment obligation;
- straight-line depreciation of the asset and an interest expense in the income statement using the diminishing balance method.

As a reminder, according to IAS 17, currently in force, no amount is recorded on the lessee's balance sheet for an operating lease and lease payments are shown under operating expenses.

In 2018, the group continued its analysis of the impacts of this standard, the practical details regarding first-time application and implementation in the information systems. The group has opted for the following:

- to apply the new lease definition to all current leases. Certain types of equipment will thus be excluded from the scope of application of IFRS 16, due to their substitutable nature (computer equipment in particular, except for a few significant leases that will be capitalized);
- the modified prospective approach and related simplification measures for first-time application. No impact on equity is expected at January 1, 2019;
- exemptions for short terms and low value (set at €5,000);
- failing a clear normative position on whether deferred tax should be taken into account or not, the group has decided to apply the IAS 12 exemptions and thus not to recognize deferred tax, pending a future IASB amendment in this regard.

The group also conducted a review of all its real estate and equipment leases (IT equipment, vehicle fleet, etc.). It will mainly capitalize its real estate leases using, on first application (for the leases not automatically renewed), their remaining life and the corresponding incremental borrowing rate applied to the rent (excluding taxes). Moreover, the group will follow the ANC position on commercial leases: any new lease of this type will be capitalized for a term of 9 years.

IFRIC 23 – Uncertainty over Income Tax Treatments

Published on June 7, 2017, the IFRIC interpretation IFRIC 23 – Uncertainty over Income Tax Treatments came into effect on January 1, 2019.

This text induces the presumption that the tax authority:

- will audit all amounts reported;
- has access to all required documentation and knowledge.

The entity must assess the probability that the tax authority will or will not accept the position opted for, and draw the relevant consequences on its taxable income, losses carried forward, unused tax credits and taxation rates. In the event of an uncertain tax position (i.e. it is likely that the tax authority will not accept the position opted for), the amounts payable are appraised on the basis of the most likely amount or the expected amount according to the method that reflects the best estimate of the amount to be paid or received.

At this stage, the group considers that the scope of application of IFRIC 23 is limited to income tax and that it will not lead to any change to the current practice. At present, a risk is recognized when a tax adjustment is made. Such an adjustment may concern the entity itself, a related entity, or a third entity.

1.5 Standards and interpretations not yet adopted by the European Union

These mainly concern IFRS 17 – Insurance Contracts.

IFRS 17 – Insurance Contracts

From 2022, it will replace IFRS 4, which allows insurance companies to conserve their local accounting principles for their insurance contracts and other contracts within the scope of IFRS 4. This is detrimental to the comparability of financial statements of entities in the sector.

The aim of IFRS 17 is to harmonize the recognition of the various types of insurance contracts and to base their valuation on a prospective assessment of insurers' commitments. This requires increasing use of complex models and concepts similar to those of Solvency II. Financial communication will also have to be broadly adapted.

Given the numerous, complex issues raised by the various stakeholders (25 points were noted by the IASB), including French bank insurers, the board decided to postpone the implementation of the standard for one year, thus until January 1, 2022. The application of IFRS 9 for insurance entities that have chosen the deferred option (the group case) has also been postponed until the same date.

NOTES TO THE FINANCIAL STATEMENT ITEMS

Explanatory notes are presented in € millions.

NOTE 1B First-time application

Reclassification of financial assets and liabilities and impact of IFRS 9 on their measurement

Financial assets	Amount at 12/31/2017 (IAS 39)	Financial assets at fair value through profit or loss		Hedging derivatives	Financial assets at FVOCI		Financial assets at amortized cost (Securities, loans to credit institutions and customers)		Insurance business investments and reinsurers' share in technical provisions
		Amount reclassified/ maintained	IFRS 9 impact	Amount reclassified/ maintained	Amount reclassified/ maintained	IFRS 9 impact	Amount reclassified/ maintained	IFRS 9 impact	
Financial assets at fair value through profit or loss	32,742	14,794			0	0	0	0	18,160
Hedging derivatives	3,010			3,010					0
Available-for-sale financial assets	103,164	1,253	-2	0	26,776	-20	2,568	-5	72,446
of which impairment	*-1,593*					*-9*		*-5*	
Loans and receivables to credit institutions	37,609	0	0	0	0	0	36,052	-6	1,435
of which impairment	*-53*		*0*					*-6*	
Loans and receivables to customers	344,942	0	0	0	0	0	344,635	-1,163	76
of which impairment	*-7,017*					*0*		*-1,163*	
Held-to-maturity financial assets	10,720	0	0		0	0	20		10,700
of which impairment	*-24*								
Technical provisions/Other assets									700
Insurance investment property	2,816								2,743
Sundry debtors, reclassified	5,940						5,529		
AMOUNTS AT 01/01/2018 (IFRS 9)		**16,045**		**3,010**	**26,756**		**387,630**		**106,260**

Financial liabilities	Amount at 12/31/2017 (IAS 39)	Financial liabilities at fair value through profit or loss	Due to credit institutions		Due to customers		Debt securities		Liabilities related to insurance business policies
		Amount reclassified/ maintained	Amount reclassified/ maintained	IFRS 9 impact	Amount reclassified/ maintained	IFRS 9 impact	Amount reclassified/ maintained	IFRS 9 impact	
Financial liabilities at fair value through profit or loss	9,821	5,449							4,371
of which financial liabilities at FVO	*4,371*	*0*							*4,371*
Debt securities at amortized cost	112,431						112,431	0	0
Due to credit institutions and similar items at amortized cost	43,890		43,445	-4					447
Amounts due to customers at amortized cost	288,532				288,532	0			
Subordinated debt at amortized cost	7,725						7,725	0	0
Liabilities related to insurance business policies	96,423								96,424
Sundry creditors, reclassified	3,731		3,515		-89				304
AMOUNTS AT 01/01/2018 (IFRS 9)		**5,449**	**46,956**		**288,443**		**120,156**		**101,546**

Guarantee deposits, which were recognized under “Sundry debtors/creditors” in 2017, were reclassified into “Loans – credit institutions”, “Loans and receivables due from customers at amortized cost”, “Due to credit institutions” and “Due to customers”.

The notes to the financial statements affected by IFRS 9 – Financial Instruments present a comparison at January 1, 2018.

Impacts of first-time application of IFRS 9 by type	Reported shareholders' equity
As of 01/01/2018 excluding IFRS 9	**40,990**
■ Effect of reclassifications at fair value through profit or loss	-1
■ Effect of reclassifications at fair value through shareholders' equity	8
■ Effect of reclassifications at amortized cost	-13
■ Reversal of collective impairment, IAS 39	510
■ IFRS 9 impairment	-1,806
■ Effect of deferred taxes	344
■ Equity method	-51
AS OF 01/01/2018 AFTER APPLICATION OF IFRS 9	**39,981**

Financial assets at FVOCI reclassified to assets at amortized cost	Fair value at 12/31/2018	FV gain/loss recognized for the period without reclassification to OCI
Financial assets at fair value through shareholders' equity reclassified as assets at amortized cost	2,144	-34
■ Government securities and similar instruments	1,646	-223
■ Bonds and variable-income securities	498	189

NOTE 2 Analysis of the balance sheet and income statement by business segment and geographic area

The businesses are as follows:

- retail banking comprises the banks of the Crédit Mutuel Alliance Fédérale network, the CIC regional banks, TARGOBANK in Germany and Spain, COFIDIS and all specialized businesses whose products are marketed by the network: real estate and equipment leasing, factoring, collective management, employee savings, real estate;
- the insurance business line is composed of Groupe des Assurances du Crédit Mutuel;
- financing and market businesses are composed of:
  - a) financing of large companies and institutional customers, specialized financing, international business and foreign branches,
  - b) capital markets which are composed of investments in interest rate, currency and equity activities, including stock market brokering;
- private banking comprises all companies engaged primarily in wealth management, both within and outside France;
- private equity in proprietary trading and financial engineering are one business center;
- the holding structure brings together those items that cannot be assigned to another business (holding company) as well as the press and logistics structures: intermediary holdings, non-controlling interests, operating real estate hosted in specific entities, press and IT entities.

Consolidated entities are fully allocated to their core business based on their contribution to the consolidated financial statements. Only two entities are an exception, CIC and BFCM because of their presence in several businesses. In this case, the annual financial statements are broken down analytically. The balance sheet breakdown occurs in the same way.

2a Balance sheet breakdown by business

12/31/2018	Retail banking	Insurance	Financing and markets	Private banking	Private equity	Logistics and holding company services	Total
ASSETS							
Cash, central banks	4,033		1,679	3,154		47,829	56,696
Financial assets at fair value through profit or loss	466		13,302	150	2,537	2,134	18,590
Hedging derivatives	8		199	9		2,424	2,640
Financial assets at amortized cost	354,867	1	34,649	16,596	23	11,908	418,044
▪ *Loans and receivables to credit institutions and similar, at amortized cost*	*25,364*	*1*	*5,549*	*1,502*	*2*	*11,750*	*44,168*
▪ *Loans and receivables to customers at amortized cost*	*329,117*		*28,617*	*12,987*	*12*	*153*	*370,886*
Financial assets at fair value through shareholders' equity	247		11,302	64		15,568	27,182
Short-term investments in the insurance business line and reinsurers' share of technical provisions		122,004					122,004
Investment in equity consolidated companies	64	144				511	719
LIABILITIES							
Central banks						350	350
Financial liabilities at fair value through profit or loss	2		3,964	158		268	4,392
Hedging derivatives – Liabilities	9		1,354	81		905	2,350
Due to credit institutions			53,636				53,635
Due to customers	267,516		11,197	21,991	10	3,604	304,319
Debt securities	19,200		16,413	16		84,052	119,680

2b Breakdown of income statement by business

12/31/2018	Retail banking	Insurance	Financing and markets	Private banking	Private equity	Logistics and holding company services	Interbank business	Total
Net banking income	10,284	1,822	639	551	278	1,330	-835	14,070
General operating expenses	-6,495	-584	-324	-375	-50	-1,722	835	-8,714
Gross operating income	3,789	1,238	316	176	229	-391	0	5,356
Cost of counterparty risk	-867		8	-16	1	-30		-904
Earnings on other assets*	6	28	0	26		50		111
Profit/(loss) before tax	2,928	1,267	323	186	230	-371	0	4,563
Income tax	-1,040	-423	-86	-47	1	25		-1,569
Gains and losses net of tax on discontinued assets								0
Net profit/(loss)	**1,889**	**844**	**237**	**139**	**231**	**-346**	**0**	**2,993**
Non-controlling interests								298
Net profit/(loss) attributable to the group								**2,695**

* *Includes net profit/(loss) of entities accounted for using the equity method and impairment losses on goodwill (notes 17 and 20).*

12/31/2017	Retail banking	Insurance	Financing and markets	Private banking	Private equity	Logistics and holding company services	Interbank business	Total
Net banking income	10,031	1,764	765	509	259	1,459	-777	14,009
General operating expenses	-6,327	-521	-321	-353	-48	-1,665	777	-8,458
Gross operating income	3,704	1,242	444	155	212	-206	0	5,551
Cost of counterparty risk	-849		-11	-5		-6		-871
Earnings on other assets*	-7	31	0	4		-374		-346
Profit/(loss) before tax	2,849	1,273	433	154	212	-587		4,334
Income tax	-996	-532	-142	-35	1	-226		-1,929
Gains and losses net of tax on discontinued assets				22				22
Net profit/(loss)	**1,853**	**742**	**291**	**141**	**213**	**-813**		**2,427**
Non-controlling interests								219
Net profit/(loss) attributable to the group								**2,208**

* *Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.*

2c Balance sheet breakdown by geographic area

	12/31/2018				01/01/2018			
	France	Europe outside France	Other countries*	Total	France	Europe outside France	Other countries*	Total
ASSETS								
Cash, central banks	49,464	5,547	1,684	56,696	50,636	5,424	989	57,049
Financial assets at fair value through profit or loss	15,958	155	2,476	18,590	14,414	154	1,478	16,045
Hedging derivatives	2,626	9	5	2,640	2,999	6	5	3,010
Financial assets at amortized cost	365,576	44,798	7,669	418,044	341,186	40,260	6,184	387,630
of which loans and receivables to credit institutions	*41,532*	*1,790*	*846*	*44,168*	*39,539*	*1,089*	*580*	*41,208*
of which loans and receivables to customers	*323,645*	*40,580*	*6,661*	*370,886*	*301,350*	*36,520*	*5,315*	*343,185*
Financial assets at fair value through shareholders' equity	21,235	311	5,636	27,182	22,600	296	3,860	26,756
Short-term investments in the insurance business line and reinsurers' share of technical provisions	117,708	4,296	0	122,004	104,697	1,562	0	106,260
Investments in associates	469	19	231	719	939	123	631	1,693
LIABILITIES								
Central banks	350	0	0	350	285	0	0	285
Financial liabilities at fair value through profit or loss	4,058	159	176	4,392	5,110	154	186	5,449
Hedging derivatives	2,267	81	2	2,350	3,146	107	1	3,254
Due to credit institutions	38,680	6,695	8,260	53,635	35,864	6,114	4,979	46,956
Due to customers	261,672	41,765	882	304,319	249,460	38,283	700	288,443
Debt securities	107,352	5,122	7,206	119,680	103,946	2,653	5,832	112,431

* *USA, Singapore, Hong-Kong, Saint Martin, Tunisia and Morocco.*

2d Breakdown of income statement by geographic area

	12/31/2018				12/31/2017			
	France	Europe excluding France	Other countries*	Total	France	Europe excluding France	Other countries*	Total
Net banking income**	10,951	2,940	179	14,070	11,060	2,776	173	14,009
General operating expenses	-6,935	-1,698	-81	-8,714	-6,743	-1,628	-88	-8,458
Gross operating income	4,016	1,242	98	5,356	4,317	1,149	85	5,551
Cost of counterparty risk	-527	-378	1	-904	-534	-348	10	-871
Gains on other assets***	-12	32	91	111	-428	1	82	-346
Profit/(loss) before tax	3,477	895	190	4,563	3,355	802	177	4,334
Total net profit/(loss)	2,187	631	175	2,993	1,720	545	162	2,427
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**1,949**	**578**	**168**	**2,695**	**1,559**	**493**	**157**	**2,208**

* *USA, Singapore, Hong-Kong, Saint Martin, Tunisia and Morocco.*
** *23% of NBI (excluding the logistics and holding business line) was generated abroad in 2018.*
*** *Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.*

NOTE 3 Consolidation scope

3a Composition of the consolidation scope

In line with the opinion of the French Banking Commission, the group's parent company is made up of the companies included within the scope of globalization. The entities that make it up are:

- Fédération du Crédit Mutuel Centre Est Europe (FCMCEE);
- Fédération du Crédit Mutuel du Sud-Est (FCMSE);
- Fédération du Crédit Mutuel d'Île-de-France (FCMIDF);
- Fédération du Crédit Mutuel de Savoie-Mont Blanc (FCMSMB);
- Fédération du Crédit Mutuel Midi-Atlantique (FCMMA);
- Fédération du Crédit Mutuel Loire-Atlantique Centre-Ouest (FCMLACO);
- Fédération du Crédit Mutuel Centre (FCMC);
- Fédération du Crédit Mutuel Dauphiné-Vivarais (FCMDV);
- Fédération du Crédit Mutuel Méditerranée (FCMM);
- Fédération du Crédit Mutuel Normandie (FCMN);
- Fédération du Crédit Mutuel Anjou (FCMA);
- Caisse Fédérale de Crédit Mutuel (CF de CM);
- Caisse Régionale du Crédit Mutuel Sud-Est (CRCMSE);
- Caisse Régionale du Crédit Mutuel Île-de-France (CRCMIDF);
- Caisse Régionale du Crédit Mutuel de Savoie-Mont Blanc (CRCMSMB);
- Caisse Régionale du Crédit Mutuel Midi-Atlantique (CRCMMA);
- Caisse Régionale du Crédit Loire-Atlantique Centre-Ouest (CRCMLACO);
- Caisse Régionale du Crédit Mutuel Centre (CRCMC);
- Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais (CRCMDV);
- Caisse Régionale du Crédit Mutuel Méditerranée (CRCMM);
- Caisse Régionale du Crédit Mutuel Normandie (CRCMN);
- Caisse Régionale du Crédit Mutuel Anjou (CRMA);
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Centre Est Europe;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Sud-Est;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Île-de-France;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel de Savoie-Mont Blanc;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Midi-Atlantique;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Loire-Atlantique Centre-Ouest;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Centre;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Dauphiné-Vivarais;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Méditerranée;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Normandie;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Anjou.

Compared to December 31, 2017, changes in the scope of consolidation are as follows:

- Entering the scope of consolidation: ACMN Vie SA, Nord Europe Assurance (NEA), Nord Europe Life Luxembourg (NELL), CPBK Ré, Banque de Luxembourg Investments SA;
- Mergers and Acquisitions: ACMN Vie SA with ACM Vie SA, Nord Europe Assurance (NEA) with GACM SA, ACMN IARD with ACM IARD, Targo Management AG with TARGOBANK AG, Targo Realty Services with Targo Deutschland, Targo Commercial Finance with TARGOBANK AG, Transatlantique gestion with Dubly Douilhet, Amsyr Agrupacio with Agrupacio AMCI;
- Change of consolidation method: Nord Europe Life Belgium (NELB) from EM to FC, ACMN IARD from EM to FC;
- Changes in scope: disposal of CPBK Ré, disposal of ACM Ré, loss of significant influence on BMCE.

In 2018, the Crédit Mutuel Insurance group finalized the merger-absorption operations of Nord Europe Assurance and its subsidiaries. These operations were approved by the competent supervisory authorities, particularly by the ACPR, in a decision published in the Journal Officiel of June 27, 2018. In the consolidated financial statements, the operation was analyzed as a group of companies held under common control due to the consolidation of both holdings by the Confédération Nationale du Crédit Mutuel.

Banque de Luxembourg Investments SA: this entity, a wholly-owned subsidiary of Banque de Luxembourg, was previously excluded from the scope of consolidation as it was immaterial according to the criteria outlined in note 1 on accounting principles. The profit/(loss) of Banque de Luxembourg Investments SA was included in the accounts of Banque de Luxembourg through fees and commissions. However, the coming into force of MIFID II in 2018 substantially modified the treatment of commissions between those two entities. In the aim of providing a better economic vision of the group, a decision was taken in 2018 to consolidate Banque de Luxembourg Investments SA. The cumulative retained earnings of Banque de Luxembourg Investments SA, amounting to €18 million, were recognized in the income statement under "Gains/(losses) on other assets".

The withdrawal of BMCE from the scope of consolidation occurred September 30, 2018, driven specifically by the group's repeated inability to influence the company's management decisions. As of September 30, 2018, BMCE securities are now recognized at fair value through profit or loss. This deconsolidation did not generate a significant impact on the group's income statement.

		12/31/2018			12/31/2017		
	Country	Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
A. BANKING NETWORK							
Banque Européenne du Crédit Mutuel (BECM)	France	100	98	FC	100	98	FC
BECM Francfort (BECM branch)	Germany	100	98	FC	100	98	FC
BECM Saint Martin (BECM branch)	Saint Martin	100	98	FC	100	98	FC
Caisse Agricole du Crédit Mutuel	France	100	100	FC	100	100	FC
CIC Est (East)	France	100	98	FC	100	98	FC
CIC Iberbanco	France	100	98	FC	100	98	FC
CIC Lyonnaise de Banque (LB)	France	100	98	FC	100	98	FC
CIC Nord Ouest (Northwest)	France	100	98	FC	100	98	FC
CIC Ouest (West)	France	100	98	FC	100	98	FC
CIC Sud Ouest (Southwest)	France	100	98	FC	100	98	FC
Crédit Industriel et Commercial (CIC)	France	100	98	FC	100	98	FC
CIC Grand Cayman (CIC branch)**	Cayman Islands	100	98	FC			
CIC Hong-Kong (CIC branch)	Hong-Kong	100	98	FC	100	98	FC
CIC London (CIC branch)	United Kingdom	100	98	FC	100	98	FC
CIC New York (CIC branch)	United States	100	98	FC	100	98	FC
CIC Singapore (CIC branch)	Singapore	100	98	FC	100	98	FC
TARGOBANK AG	Germany	100	98	FC	100	98	FC
TARGOBANK Spain	Spain	100	98	FC	100	98	FC
B. SUBSIDIARIES OF THE BANKING NETWORK							
Bancas	France	50	49	EM	50	49	EM
Banque du Groupe Casino	France	50	49	EM	50	49	EM
Banque Européenne du Crédit Mutuel Monaco	Monaco	100	98	FC	100	98	FC
Cartes et Crédits à la Consommation (C2C)	France	100	98	FC	100	98	FC
CM-CIC Asset Management	France	90	92	FC	90	92	FC
CM-CIC Bail	France	100	98	FC	100	98	FC
CM-CIC Bail Spain (CM-CIC Bail branch)	Spain	100	98	FC	100	98	FC
CM-CIC Caution Habitat SA	France	100	98	FC	100	98	FC
CM-CIC Épargne Salariale	France	100	98	FC	100	98	FC
CM-CIC Factor	France	95	96	FC	95	96	FC
CM-CIC Gestion	France	100	92	FC	100	92	FC
CM-CIC Home Loan SFH	France	100	98	FC	100	98	FC
CM-CIC Lease	France	100	98	FC	100	98	FC
CM-CIC Leasing Benelux	Belgium	100	98	FC	100	98	FC
CM-CIC Leasing GmbH	Germany	100	98	FC	100	98	FC
CM-CIC Leasing Solutions SAS	France	100	98	FC	100	98	FC
Cofacredit	France	100	98	FC	64	63	FC
COFIDIS Belgium	Belgium	100	69	FC	100	69	FC
COFIDIS France	France	100	69	FC	100	69	FC
COFIDIS Spain (COFIDIS France branch)	Spain	100	69	FC	100	69	FC
COFIDIS Hungary (COFIDIS France branch)	Hungary	100	69	FC	100	69	FC
COFIDIS Portugal (COFIDIS France branch)	Portugal	100	69	FC	100	69	FC
COFIDIS SA Poland (COFIDIS France branch)	Poland	100	69	FC	100	69	FC
COFIDIS SA Slovakia (COFIDIS France branch)	Slovakia	100	69	FC	100	69	FC
COFIDIS Italy	Italy	100	69	FC	100	69	FC

	Country	12/31/2018 Percentage Control	12/31/2018 Percentage Interest	12/31/2018 Method*	12/31/2017 Percentage Control	12/31/2017 Percentage Interest	12/31/2017 Method*
COFIDIS Czech Republic	Czech Republic	100	69	FC	100	69	FC
Creatis	France	100	69	FC	100	69	FC
Factofrance	France	100	98	FC	100	98	FC
FCT CM-CIC Home loans	France	100	98	FC	100	98	FC
Gesteurop	France	100	98	FC	100	98	FC
Lyf SA (formerly Fivory)	France	46	45	EM	44	43	EM
Monabanq	France	100	69	FC	100	69	FC
SCI La Tréflière	France	100	99	FC	100	99	FC
Targo Commercial Finance AG	Germany			MGD	100	98	FC
Targo Factoring GmbH	Germany	100	98	FC	100	98	FC
Targo Finanzberatung GmbH	Germany	100	98	FC	100	98	FC
Targo Leasing GmbH	Germany	100	98	FC	100	98	FC
C. CORPORATE BANKING AND CAPITAL MARKETS							
Banque Fédérative du Crédit Mutuel (BFCM)	France	98	98	FC	98	98	FC
Cigogne Management	Luxembourg	100	98	FC	100	98	FC
D. PRIVATE BANKING							
Banque de Luxembourg	Luxembourg	100	98	FC	100	98	FC
Banque de Luxembourg Investments SA (BLI)	Luxembourg	100	98	FC			
Banque Transatlantique (BT)	France	100	98	FC	100	98	FC
Banque Transatlantique Londres (BT branch)	United Kingdom	100	98	FC	100	98	FC
Banque Transatlantique Belgium	Belgium	100	98	FC	100	98	FC
Banque Transatlantique Luxembourg	Luxembourg	100	98	FC	100	98	FC
CIC Suisse	Switzerland	100	98	FC	100	98	FC
DublyTransatlantique Gestion (formerly DublyDouilhet Gestion)	France	100	98	FC	100	98	FC
Transatlantique Gestion	France			MGD	100	98	FC
E. PRIVATE EQUITY							
CM-CIC Capital (formerly CM-CIC Capital et Participations)	France	100	98	FC	100	98	FC
CM-CIC Conseil	France	100	98	FC	100	98	FC
CM-CIC Innovation	France	100	98	FC	100	98	FC
CM-CIC Investissement	France	100	98	FC	100	98	FC
CM-CIC Investissement SCR	France	100	98	FC	100	98	FC
F. LOGISTICS AND HOLDING COMPANY SERVICES							
Actimut	France	100	100	FC	100	100	FC
Banque de Tunisie	Tunisia	34	33	EM	34	33	EM
Banque Marocaine du Commerce Extérieur (BMCE)	Morocco			NC	26	26	EM
Caisse Centrale du Crédit Mutuel	France	53	53	EM	53	53	EM
CIC Participations	France	100	98	FC	100	98	FC
CM-CIC Services	France	100	100	FC	100	100	FC
COFIDIS Participations	France	71	69	FC	71	69	FC
Euro Automatic Cash	Spain	50	40	EM	50	40	EM
Euro-Information	France	80	80	FC	80	80	FC
Euro-Information Développements	France	100	80	FC	100	80	FC
EIP	France	100	100	FC	100	100	FC
EI Télécom	France	95	76	FC	95	76	FC
Euro Protection Surveillance	France	100	84	FC	100	84	FC

		12/31/2018			12/31/2017		
	Country	Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
Lyf SAS (formerly Fivory SAS)	France	46	36	EM	43	34	EM
Groupe Républicain Lorrain Communication (GRLC)	France	100	98	FC	100	98	FC
L'Est Républicain	France	100	98	FC	95	93	FC
Mutuelles Investissement	France	100	98	FC	100	98	FC
SAP Alsace	France	100	98	FC	99	97	FC
Société d'Investissements Médias (SIM)	France	100	98	FC	100	98	FC
Société de Presse Investissement (SPI)	France	100	98	FC	100	98	FC
Targo Deutschland GmbH	Germany	100	98	FC	100	98	FC
Targo Dienstleistungs GmbH	Germany	100	98	FC	100	98	FC
Targo Technology (formerly IT Consulting) GmbH	Germany	100	98	FC	100	98	FC
Targo Technology (formerly IT Consulting) GmbH Singapore (Targo Technology GmbH branch)	Singapore	100	98	FC	100	98	FC
Targo Management AG	Germany			MGD	100	98	FC
Targo Realty Services GmbH	Germany			MGD	100	98	FC
G. INSURANCE COMPANIES							
ACM GIE	France	100	78	FC	100	87	FC
ACM IARD	France	97	76	FC	96	84	FC
ACM Nord IARD	France			MGD	49	43	EM
ACM Nord Vie SA	France			MGD			
ACM RE	Luxembourg			NC	100	87	FC
ACM Services	France	100	78	FC	100	87	FC
ACM Vie SA	France	100	78	FC	100	87	FC
ACM Vie, Société d'Assurance Mutuelle	France	100	100	FC	100	100	FC
Adepi	France	100	100	FC	100	98	FC
Agrupació AMCI d'Assegurances i Reassegurances SA	Spain	95	75	FC	95	83	FC
Targopensiones, entidad gestora de fondos de pensiones, SA (formerly Agrupacion pensiones)	Spain	100	75	FC	100	83	FC
Agrupació serveis administratius	Spain	100	75	FC	100	83	FC
AMDIF	Spain	100	75	FC	100	83	FC
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	Spain	100	78	FC	100	87	FC
AMSYR	Spain			MGD	100	83	FC
Asesoramiento en Seguros y Previsión Atlantis SL	Spain	80	63	FC	80	69	FC
Asistencia Avançada Barcelona	Spain	100	75	FC	100	83	FC
ASTREE Assurances	Tunisia	30	23	EM	30	26	EM
Atlantis Asesores SL	Spain	80	63	FC	80	69	FC
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Spain	60	47	FC	60	52	FC
Atlantis Vida, Compañía de Seguros y Reaseguros SA	Spain	88	70	FC	88	78	FC
CPBK RE	Luxembourg			NC			
GACM España	Spain	100	78	FC	100	87	FC
Groupe des Assurances du Crédit Mutuel (GACM)	France	80	78	FC	88	87	FC
ICM Life	Luxembourg	100	78	FC	100	87	FC
Margem-Mediação Seguros, Lda	Portugal	100	69	FC	100	69	FC
MTRL	France	100	100	FC	100	100	FC
Nord Europe Assurances (NEA)	France			MGD			
NELB (North Europe Life Belgium)	Belgium	100	78	FC	49	43	EM
Nord Europe Life Luxembourg (NELL)	Luxembourg	100	78	FC			
Partners	Belgium	100	78	FC	51	44	FC

		12/31/2018			12/31/2017		
	Country	Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
Procourtage	France	100	78	FC	100	87	FC
Royale Marocaine d'Assurance (formerly RMA Watanya)	Morocco	22	17	EM	22	19	EM
Serenis Assurances	France	100	78	FC	100	86	FC
Targo seguros mediacion (formerly Voy Mediación)	Spain	90	69	FC	90	77	FC
H. OTHER COMPANIES							
Affiches d'Alsace Lorraine	France	100	97	FC	100	97	FC
Alsacienne de Portage des DNA	France	100	97	FC	100	97	FC
CM-CIC Immobilier	France	100	98	FC	100	98	FC
Est Bourgogne Médias	France	100	98	FC	100	98	FC
Foncière Massena	France	100	78	FC	100	87	FC
France Régie	France	100	97	FC	100	97	FC
GEIE Synergie	France	100	69	FC	100	69	FC
Groupe Dauphiné Media	France	100	98	FC	100	98	FC
Groupe Progrès	France	100	98	FC	100	98	FC
Groupe Républicain Lorrain Imprimeries (GRLI)	France	100	98	FC	100	98	FC
Journal de la Haute Marne	France	50	49	EM	50	47	EM
La Liberté de l'Est	France	97	95	FC	97	91	FC
La Tribune	France	100	98	FC	100	98	FC
Le Dauphiné Libéré	France	100	98	FC	100	98	FC
Le Républicain Lorrain	France	100	98	FC	100	98	FC
Les Dernières Nouvelles d'Alsace	France	99	97	FC	99	97	FC
Lumedia	Luxembourg	50	49	EM	50	49	EM
Mediaportage	France	100	98	FC	100	97	FC
Presse Diffusion	France	100	98	FC	100	98	FC
Publiprint Province n°1	France	100	98	FC	100	98	FC
Républicain Lorrain Communication	France	100	98	FC	100	98	FC
Républicain Lorrain – TV news	France	100	98	FC	100	98	FC
SCI ACM	France	100	78	FC	100	87	FC
SCI ACM Cotentin	France	100	78	FC	100	87	FC
SCI Le Progrès Confluence	France	100	98	FC	100	98	FC
SCI Provence Lafayette	France	100	78	FC	67	58	FC
SCI 14 Rue de Londres	France	100	78	FC	67	58	FC
SCI Saint Augustin	France	100	78	FC	67	58	FC
SCI Tombe Issoire	France	100	78	FC	100	87	FC
Société d'édition de l'hebdomadaire du Louhannais et du Jura (SEHLJ)	France	100	98	FC	100	98	FC

* *Method: FC = Full Consolidation; EM = Equity method; NC = Not consolidated; MER = Merged.*

** *Entity included in the accounts of the New York branch, whose sole purpose is to refinance the New York branch through USD borrowing transactions with money market funds.*

3b Information on entities included in the consolidation scope

Under Article L.511-45 of the French Monetary and Financial Code, credit institutions are required to publish information on their presence and activities in each state or territory. The country of each establishment is given in the scope of consolidation. The group does not possess any establishments that meet the criteria set out in the order of October 6, 2009 in non-cooperative countries (NCCs) listed in the order of April 8, 2016.

Country	Net banking income	Income (loss) before tax	Current tax	Deferred tax	Other taxes and social security contributions	Workforce	Public subsidies
Germany	1,616	625	-148	-21	-106	5,803	0
Belgium	145	44	-15	2	-8	610	0
Spain	412	87	-30	8	-21	2,469	0
United States of America	118	78	-8	-4	-10	87	0
France	10,948	5,273	-1,224	-66	-1,797	52,113	0
Hong-Kong	7	2	-0	0	-0	13	0
Hungary	36	5	0	0	-2	338	0
Italy	49	6	-0	0	-4	236	0
Luxembourg	335	166	-33	4	-27	936	0
Morocco*	0	73	0	0	0	0	0
Monaco	2	1	0	-0	-0	9	0
Poland	2	-1	0	0	-0	46	0
Portugal	172	94	-30	3	-6	714	0
Czech Republic	7	-2	0	0	-1	146	0
United Kingdom	38	22	2	0	-4	68	0
Saint Martin (Dutch part)	3	1	0	0	-0	9	0
Singapore	51	33	-3	0	-4	137	0
Slovakia	2	-3	0	0	-1	57	0
Switzerland	125	44	-6	-1	-11	338	0
Tunisia*	0	18	0	0	0	0	0
TOTAL	**14,070**	**6,565**	**-1,495**	**-74**	**-2,002**	**64,129**	**0**

* *Entities consolidated using the equity method.*

3c Entities fully consolidated having significant non-controlling interests

	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities*			
12/31/2018	Percentage of interest	Net profit/(loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Balance sheet total	Net profit/(loss)	Unrealized reserves	Net banking income
Euro-Information	20%	19	211	-1	1,495	112	0	1,279
Groupe des Assurances du Crédit Mutuel (GACM)	22%	182	2,035	-74	116,041	806	938	1,722
COFIDIS Belgium	31%	4	217	0	852	13	0	97
COFIDIS France	31%	19	334	0	8,593	71	-4	546

* *Amounts before elimination of intercompany balances and transactions.*

12/31/2017	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities*			
	Percentage of interest	Net profit/(loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Balance sheet total	Net profit/(loss)	Unrealized reserves	Net banking income
Euro-Information	20%	21	189	-1	1,365	99	90	1,124
Groupe des Assurances du Crédit Mutuel (GACM)	13%	101	1,203	-36	100,029	691	1,176	1,681
COFIDIS Belgium	31%	3	217	0	831	8	-1	98
COFIDIS France	31%	19	332	0	8,292	55	-4	525

* *Amounts before elimination of intercompany balances and transactions.*

3d Investments in non-consolidated structured entities

The group is related to structured non-consolidated entities in the context of its activities and to fulfil the requirements of its customers.

The main categories of sponsored structured non-consolidated entities are the following:

- asset Backed Commercial Paper (ABCP) securitization conduit;

  The group owns a conduit, named General Funding Ltd, whose function is to carry out the refinancing by commercial paper of securitization transactions carried out by its customers. The group acts in order to grant the conduit an investment guarantee for commercial paper;
- asset financing:

  The group grants loans to structured entities whose sole purpose is to hold assets to be leased; the rents received enable the structured entity to repay its borrowings. These entities are dissolved following the financing operation. The group is generally the sole shareholder.

  For these two categories, the maximum exposure to losses in respect of the structured entities corresponds to the carrying amount of the structured entity's financed asset;
- collective investment undertakings or funds:

  The group acts as fund manager and custodian. It offers its clients funds in which it does not intend to invest. The group markets and manages these dedicated or public funds, and is paid by means of fees.

For certain funds offering guarantees to unitholders, the group may be a counterparty to the swaps put in place. In exceptional circumstances where the group would be both manager and investor, with the result that it would be required to act firstly for its own account, such entity would then be included in the consolidation scope.

An interest in a structured non-consolidated entity is a contractual or non-contractual connection that exposes the group to the variable yields associated with the performance of the entity.

The main risk to which the group is exposed is an operational risk, i.e. the risk of default in respect of its mandate to act as manager or custodian and, where relevant, it is also exposed to a risk equal to the amounts invested.

No financial support has been granted to the structured entities of the group over the fiscal year.

12/31/2018	Special Purpose Vehicles (SPV)	Asset Management (UCITS/SCPI)*	Other structured entities**
Balance sheet total	0	23,733	1,974
Carrying amounts of financial assets	0	11,962	949

* *The amounts shown concern those UCITS that are more than 20% owned and managed by the group, including unit-linked items held by the insured parties.*

** *Other structured entities correspond to asset financing entities.*

12/31/2017	Special Purpose Vehicles (SPV)	Asset Management (UCITS/SCPI)*	Other structured entities**
Balance sheet total	0	20,778	2,237
Carrying amounts of financial assets	0	9,787	954

* *The amounts shown concern those UCITS that are more than 20% owned and managed by the group, including unit-linked items held by the insured parties.*

** *Other structured entities correspond to asset financing entities.*

NOTE 4 Cash, central banks (assets/liabilities)

	12/31/2018	01/01/2018
Cash, central banks – assets		
Central banks	55,460	55,856
of which mandatory reserves	*2,745*	*2,465*
Cash	1,236	1,193
Total	**56,696**	**57,049**
Central banks – liabilities	**350**	**285**

NOTE 5 Financial assets and liabilities at fair value through profit or loss

5a Financial assets at fair value through profit or loss

	12/31/2018				01/01/2018			
	Trading	Fair value option	Other FVPL	Total	Trading	Fair value option	Other FVPL	Total
Securities	**10,455**	**418**	**4,413**	**15,286**	**8,822**	**470**	**3,495**	**12,787**
■ Government securities	774	0	0	774	865	0	0	865
■ Bonds and other debt securities	9,135	418	149	9,702	6,989	470	125	7,584
Listed	9,135	82	25	9,242	6,989	107	47	7,143
Unlisted	0	336	124	460	0	363	78	441
of which UCI	*130*		*7*	*137*	*98*		*0*	*98*
■ Shares and other equity instruments	546		3,253	3,799	968		2,375	3,343
Listed	546		1,068	1,614	968		332	1,300
Unlisted	0		2,185	2,185	0		2,043	2,043
■ Tong-term investments			1,011	1,011			995	995
Investments in non-consolidated companies			365	365			369	369
Other long-term investments			180	180			204	204
Investments in associates			437	437			397	397
Other long-term investments			29	29			25	25
Derivative instruments	**3,302**			**3,302**	**3,258**			**3,258**
TOTAL	**13,757**	**418**	**4,413**	**18,588**	**12,080**	**470**	**3,495**	**16,045**

5b Financial liabilities at fair value through profit or loss

	12/31/2018	01/01/2018
Financial liabilities held for trading	4,392	5,449
Financial liabilities at fair value through profit or loss on option	0	0
TOTAL	**4,392**	**5,449**

FINANCIAL LIABILITIES HELD FOR TRADING

	12/31/2018	01/01/2018
Short sales of securities	1,227	2,111
■ Government securities	3	0
■ Bonds and other debt securities	585	917
■ Shares and other equity instruments	639	1,194
Debts in respect of securities sold under repurchase agreements	0	0
Trading derivatives	3,160	3,242
Other financial liabilities held for trading	5	97
TOTAL	**4,392**	**5,450**

5c Analysis of trading derivatives

	12/31/2018			01/01/2018		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
TRADING DERIVATIVES						
Rate instruments	380,426	1,945	1,814	341,651	2,082	2,020
Swaps	72,900	1,600	1,682	73,586	1,978	1,836
Other firm contracts	282,649	6	4	244,581	7	7
Options and conditional instruments	24,877	339	128	23,484	97	177
Foreign exchange derivatives	123,103	980	881	127,180	869	846
Swaps	88,357	37	44	90,727	45	53
Other firm contracts	7,749	846	740	10,177	705	682
Options and conditional instruments	26,997	97	97	26,276	119	111
Other derivatives	27,187	375	466	23,010	307	375
Swaps	10,668	93	130	12,995	131	162
Other firm contracts	8,401	14	90	5,526	42	75
Options and conditional instruments	8,118	268	246	4,489	134	138
TOTAL	**530,716**	**3,300**	**3,161**	**491,841**	**3,258**	**3,241**

Swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve. The difference resulting from the use of different valuation curves for the hedged items and the hedging instruments is accounted for as hedge ineffectiveness. Moreover, the value of derivatives takes counterparty risk into account.

NOTE 6 Hedging

6a Hedging derivatives

	12/31/2018			01/01/2018		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
HEDGING DERIVATIVES						
Fair Value Hedges	165,570	2,640	2,350	123,566	3,009	3,254
Swaps	61,010	2,643	2,349	74,825	3,013	3,253
Other firm contracts	103,504	0	0	47,399	0	0
Options and conditional instruments	1,056	(3)	1	1,342	(4)	1
TOTAL	**165,570**	**2,640**	**2,350**	**123,566**	**3,009**	**3,254**

Swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve. The difference resulting from the use of different valuation curves for the hedged items and the hedging instruments is accounted for as hedge ineffectiveness.

Moreover, the value of derivatives takes counterparty risk into account.

ANALYSIS OF THE NOMINAL VALUE OF HEDGING DERIVATIVES

	Less than 3 months	3 months to less than 1 year	1 to 5 years	Over 5 years	12/31/2018
HEDGING DERIVATIVES					
Fair Value Hedges	**7,106**	**13,750**	**70,243**	**74,471**	**165,570**
Swaps	5,708	7,080	37,626	10,596	61,010
Other firm contracts	1,327	6,456	31,848	63,873	103,504
Options and conditional instruments	71	214	769	1	1,056
Cash Flow Hedges	**0**	**0**	**0**	**0**	**0**
Swaps	0	0	0	0	0
Other firm contracts	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0
TOTAL	**7,106**	**13,750**	**70,243**	**74,471**	**165,570**

6b Remeasurement adjustment on interest-risk hedged portfolios

	12/31/2018	01/01/2018
FAIR VALUE OF PORTFOLIO INTEREST RATE RISK		
■ of financial assets	1,169	429
■ of financial liabilities	19	-518

The presentation of the remeasurement adjustment was modified as of January 1, 2018. The net amount resulting from the adjustment of hedged assets and liabilities is now recognized under assets or liabilities.

6c Items micro-hedged under Fair Value Hedging

ASSET ITEMS HEDGED

	12/31/2018		
	Carrying amount	Of which revaluation relating to hedging	Of which revaluation for the fiscal year*
Loans and receivables due from credit institutions at amortized cost	1,503	0	0
Customer loans at amortized cost	115,753	1,190	-3
Securities at amortized cost	1,455	55	-20
Financial assets at fair value through shareholders' equity	16,373	109	8
TOTAL	**175,084**	**1,354**	**-15**

** To recognize the inefficiency of hedging over the fiscal year. (à rajouter en style attention)*

LIABILITY ITEMS HEDGED

	12/31/2018		
	Carrying amount	Of which revaluation relating to hedging	Of which revaluation for the fiscal year*
Debt securities	53,798	1,031	3
Due to credit institutions	12,850	827	2
Due to customers	45,048	8	0
TOTAL	**111,696**	**1,866**	**5**

** To recognize the inefficiency of hedging over the fiscal year.*

NOTE 7 Financial assets at fair value through shareholders' equity

7a Financial assets at fair value through shareholders' equity by product type

	12/31/2018	01/01/2018
Government securities	9,574	11,023
Bonds and other debt securities	17,081	15,155
■ Listed	16,700	14,791
■ Unlisted	381	364
Accrued interest	156	167
Debt securities sub-total, gross	**26,811**	**26,345**
Of which impaired debt securities (S3)	2	141
Impairment on performing loans (S1/S2)	-11	-9
Other impairment (S3)	-1	-1
Debt securities sub-total, net	**26,799**	**26,335**
Shares and other equity instruments	22	89
■ Listed	19	19
■ Unlisted	3	70
Tong-term investments	362	332
■ Investments in non-consolidated companies	44	40
■ Other long-term investments	243	180
■ Investments in associates	75	112
Sub-total, equity instruments	**384**	**421**
TOTAL	**27,183**	**26,756**
Of which unrealized capital gains or losses recognized under equity	-54	28
Of which Investments in listed non-consolidated companies.	-6	-6

7b List of main investments in non-consolidated companies

		% held	Equity	Balance sheet total	Net banking income or revenue	Net profit/(loss)
Ardian Holding	Unlisted	< 20%	382	829	429	264
Banque Marocaine du Commerce Extérieur[(1)]	Listed	< 30%	24,684	313,344	13,368	2,844
Covivio (formerly Foncière des Régions)	Listed	< 10%	10,168	21,733	850	1,353
Covivio Hôtels (formerly Foncière des Murs)	Listed	10%	2,405	4,380	205	284
Crédit Logement	Unlisted	< 10%	1,871	10,770	239	121
CRH (Caisse de refinancement de l'habitat)	Unlisted	< 40%	563	32,180	0	0

The figures (except the percentage held) relate to fiscal year 2017.
(1) In millions of Moroccan dirham.

7c Exposure to sovereign risk

COUNTRIES BENEFITING FROM A SUPPORT PLAN

	12/31/2018		01/01/2018	
Net exposures*	**Portugal**	**Ireland**	**Portugal**	**Ireland**
Financial assets at fair value through profit or loss	22		8	
Financial assets at fair value through shareholders' equity		195	52	115
Investments in insurance business	18	22		16
TOTAL	**39**	**217**	**60**	**131**

* *The amounts of net exposure are after taking into account the share in the profit of insured parties for the insurance part.*

Residual contractual term	Portugal	Ireland	Portugal	Ireland
< 1 year		89	50	
1-3 years	1	5		94
3-5 years		30	2	30
5-10 years	19	93	5	7
> 10 years	19		3	
TOTAL	**39**	**217**	**60**	**131**

OTHER SOVEREIGN EXPOSURES OF THE BANKING PORTFOLIO

	12/31/2018		01/01/2018	
Net exposures	**Spain**	**Italy**	**Spain**	**Italy**
Financial assets at fair value through profit or loss	65	93	42	98
Financial assets at fair value through shareholders' equity	504	290	282	647
TOTAL	**569**	**383**	**324**	**745**

Capital markets activities are shown at market value, and other businesses at nominal value. Outstandings are presented net of CDS.

Residual contractual term	Spain	Italy	Spain	Italy
< 1 year		283	169	565
1-3 years	14	51	26	82
3-5 years	41	40	36	33
5-10 years	124	5	58	54
> 10 years	390	4	35	11
TOTAL	**569**	**383**	**324**	**745**

3

NOTE 8 Fair value hierarchy of financial instruments carried at fair value

12/31/2018	Level 1	Level 2	Level 3	Total
IFRS 9 FINANCIAL ASSETS				
Fair value through shareholders' equity	23,080	2,726	1,376	27,182
Government securities and similar instruments	9,612	37	0	9,648
Bonds and other debt securities	13,320	2,687	1,152	17,159
Shares and other equity instruments	19	2	0	22
Investments and other long-term securities	129	0	159	288
Investments in subsidiaries and associates	0	0	65	65
Trading/Fair value option/Other	10,658	3,613	4,318	18,589
Government securities and similar instruments – Trading	615	159	0	774
Government securities and similar instruments – Fair value option	0	0	0	0
Government securities and similar instruments – Other FVPL	0	0	0	0
Bonds and other debt securities – Trading	7,882	926	327	9,135
Bonds and other debt securities – Fair value option	35	20	363	418
Bonds and other debt securities – Other FVPL	102	0	48	149
Shares and other equity instruments – Trading	546	0	0	546
Shares and other equity instruments – Other FVPR[1]	1,227	0	2,027	3,254
Investments and other long-term securities – Other FVPL	4	1	552	556
Investments in subsidiaries and associates – Other FVPL	0	0	442	442
Loans and receivables due from credit institutions – Fair value option	0	0	0	0
Loans and receivables due from credit institutions – Other FVPL	0	0	0	0
Loans and receivables due from customers – Fair value option	0	0	0	0
Loans and receivables due from customers – Other FVPL	0	0	0	0
Derivatives and other financial assets – Trading	247	2,507	560	3,314
Hedging derivatives	0	2,628	11	2,640
TOTAL	**33,738**	**8,967**	**5,706**	**48,411**
FINANCIAL ASSETS IAS 39 – INVESTMENTS IN INSURANCE BUSINESS				
Fair value through profit or loss	22,771	4,752	0	27,523
Trading	0	0	0	0
Fair value option – debt securities	2,275	3,094	0	5,369
Fair value option – capital instruments	20,496	1,658	0	22,154
Hedging derivatives	0	0	0	0
Available-for-sale assets	72,562	2,234	520	75,316
of which SPPI assets	*61,284*	*89*	*9*	*61,382*
Government securities and similar instruments	18,200	104	0	18,303
Bonds and other debt securities	43,811	81	0	43,893
Shares and other equity instruments	9,786	2,024	1	11,811
Investments, shares in subsidiaries and associates and other long-term investments	765	25	519	1,309
TOTAL	**95,333**	**6,986**	**520**	**102,839**
IFRS 9 FINANCIAL LIABILITIES				
Trading/Fair value option	1,443	2,168	781	4,392
Hedging derivatives	0	2,329	21	2,350
TOTAL	**1,443**	**4,497**	**802**	**6,741**
FINANCIAL LIABILITIES RELATED TO IAS 39 INSURANCE BUSINESS POLICIES				
Fair value through profit or loss	0	6,007	0	6,007
Trading	0	-1	0	-1
Fair value option	0	6,008	0	6,008
Hedging derivatives	0	0	0	0
TOTAL	**0**	**6,007**	**0**	**6,007**

(1) Notably includes the equity investments held by the private equity companies of the group.

- level 1: price quoted in an active market;
- level 2: prices quoted in active markets for similar instruments, and measurement method in which all significant inputs are based on observable market information;
- level 3: measurement based on internal models containing significant unobservable inputs.

Instruments in the trading portfolio classified under levels 2 or 3 mainly consist of derivatives and securities considered as illiquid.

There are uncertainties surrounding the measurement of all these instruments, which result in value adjustments reflecting the risk premium that a market participant would incorporate when establishing the price.

Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions and the counterparty risk present in the fair value of over-the-counter derivatives. The methods used may change. The latter include the own counterparty risk present in the fair value of over-the-counter derivatives.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

Fair Value Hierarchy – Level 3 in detail	Start of period	Purchases	Sales	Transfers	Gains and losses in the income statement	Gains and losses in shareholders' equity	Other movements	End of period
Shares and other equity instruments – Other FVPL	1,846	524	-642	62	240	0	-3	2,027

NOTE 9 Note on securitization outstandings

In accordance with the request of the bank supervisory body and the market regulator, the following sensitive exposures are outlined based on FSB recommendations.

Trading and fair value portfolios by shareholders' equity were valued at market price using external data from organized markets, major brokers or if no price was available, from comparable securities listed on the market.

Summary	Carrying amount 12/31/2018
RMBS	1,518
CMBS	543
CLO	3,211
Other ABS	2,404
Sub-total	**7,677**
CLO hedged by CDS	0
Liquidity lines of ABCP programs	215
TOTAL	**7,892**

Unless otherwise stated, securities are not hedged by CDS.

Exposures as of 12/31/2018	RMBS	CMBS	CLO	Other ABS	Total
Trading	472	-	-	253	725
Financial assets at fair value through shareholders' equity	810	543	2,951	1,895	6,199
Financial assets at amortized cost	237	-	260	256	753
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
France	251	-	555	644	1,450
Spain	125	-	-	195	320
United Kingdom	344	-	135	211	690
Europe excluding France, Spain, United Kingdom	310	-	363	1,199	1,871
USA	293	543	639	1	1,476
Other	197	-	1,519	155	1,870
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
US Agencies	125	-	-	-	125
AAA	1,045	543	3,041	1,634	6,262
AA	141	-	120	508	770
A	20	-	38	57	115
BBB	7	-	-	200	207
BB	18	-	-	7	24
Less than or equal to B	162	-	-	-	162
Unlisted	-	-	11	-	11
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
Origination 2005 and prior	60	-	-	-	60
Origination 2006-2008	283	-	-	56	338
Origination 2009-2011	31	1	-	-	32
Origination 2012-2018	1,144	542	3,211	2,349	7,247
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**

NOTE 10 Offset of financial assets and liabilities

12/31/2018	Gross amount of financial assets	Gross amount of financial liabilities offset on the balance sheet	Net amounts presented on the balance sheet	Related amounts not offset on the balance sheet: Impact of master netting agreements	Related amounts not offset on the balance sheet: Financial instruments received as collateral	Related amounts not offset on the balance sheet: Cash collateral received	Net amount
FINANCIAL ASSETS							
Derivatives	7,517	-1,576	5,941	-1,118	0	-3,194	1,629
Pensions	19,297	0	19,297	0	-19,011	-185	101
TOTAL	**26,814**	**-1,576**	**25,238**	**-1,118**	**-19,011**	**-3,379**	**1,731**

12/31/2018	Gross amount of financial liabilities	Gross amount of financial assets offset on the balance sheet	Net amounts presented on the balance sheet	Related amounts not offset on the balance sheet: Impact of master netting agreements	Related amounts not offset on the balance sheet: Financial instruments pledged as collateral	Related amounts not offset on the balance sheet: Cash collateral paid	Net amount
FINANCIAL LIABILITIES							
Derivatives	7,085	-1,576	5,509	-1,150	0	-2,828	1,531
Pensions	37,004	0	37,004	0	-36,206	-791	7
TOTAL	**44,089**	**-1,576**	**42,513**	**-1,150**	**-36,206**	**-3,619**	**1,538**

01/01/2018	Gross amount of financial assets	Gross amount of financial liabilities offseton the balance sheet	Net amounts presented on the balance sheet	Related amounts not offset on the balance sheet: Impact of master netting agreements	Related amounts not offset on the balance sheet: Financial instruments received as collateral	Related amounts not offset on the balance sheet: Cash collateral received	Net amount
FINANCIAL ASSETS							
Derivatives	6,268	0	6,268	-1,819	0	-2,548	1,901
Pensions	16,672	0	16,672	0	-16,580	-69	23
TOTAL	**22,940**	**0**	**22,940**	**-1,819**	**-16,580**	**-2,617**	**1,924**

01/01/2018	Gross amount of financial liabilities	Gross amount of financial assets offset on the balance sheet	Net amounts presented on the balance sheet	Related amounts not offset on the balance sheet: Impact of master netting agreements	Related amounts not offset on the balance sheet: Financial instruments pledged as collateral	Related amounts not offset on the balance sheet: Cash collateral paid	Net amount
FINANCIAL LIABILITIES							
Derivatives	6,495	0	6,495	-1,860	0	-3,555	1,080
Pensions	30,050	0	30,050	0	-29,831	-208	11
TOTAL	**36,545**	**0**	**36,545**	**-1,860**	**-29,831**	**-3,763**	**1,091**

This information, required by an amendment to IFRS 7, is intended to allow comparability with the treatment applicable under US Generally Accepted Accounting Principles (US GAAP), which is less restrictive than IFRS.

The amounts in the second column corresponding to accounting offsets, in accordance with IAS 32, for clearing transactions.

The "impact of master netting agreements" column corresponds to the outstanding transaction amounts pursuant to enforceable contracts that are not subject to accounting offsetting. In particular, this covers transactions for which the right to offsetting is exercised in the event of default, insolvency or bankruptcy of one of the parties to the agreements. This covers derivatives and pensions, regardless of whether or not they are processed *via* clearing houses.

The "financial instruments received/pledged as collateral" column includes collateral exchanged as securities at market value.

The "cash collateral received/paid" column includes security deposits received or pledged in return for the positive or negative market values of financial instruments. They are recognized on the balance sheet in the miscellaneous asset or liability accounts.

NOTE 11 Financial assets at amortized cost

	12/31/2018	01/01/2018
Loans and receivables to credit institutions	44,168	41,209
Loans and receivables to customers	370,886	343,183
Securities at amortized cost	2,990	3,237
TOTAL	**418,044**	**387,629**

11a Securities at amortized cost

	12/31/2018	01/01/2018
Securities	3,189	3,299
▪ Government securities	1,921	2,246
▪ Bonds and other debt securities	1,268	1,053
▪ Listed	489	396
▪ Unlisted	779	657
Accrued interest	14	20
GROSS TOTAL	**3,203**	**3,319**
of which impaired assets (S3)	392	356
Impairment on performing loans (S1/S2)	0	-1
Other impairments (S3)[1]	-213	-81
NET TOTAL	**2,990**	**3,237**

(1) The change in other S3 impairments relates to a transfer of provisions from liabilities (see note 21a).

11b Loans and receivables to credit institutions at amortized cost

	12/31/2018	01/01/2018
Performing loans (S1/S2)	43,890	41,045
Crédit Mutuel network accounts[1]	22,503	19,656
Other ordinary accounts	3,385	2,273
Loans	3,898	3,915
Other receivables	6,927	7,364
Pensions	7,177	7,836
Gross receivables subject to individual impairment (S3)	0	0
Accrued interest	281	169
Impairment on performing loans (S1/S2)	-3	-6
Other impairments (S3)	0	0
TOTAL	**44,168**	**41,208**

(1) Relates primarily to outstanding CDC repayments: LEP, LDD, Livret bleu, Livret A).

11c Loans and receivables to customers at amortized cost

	12/31/2018	01/01/2018
Performing loans (S1/S2)	353,154	326,523
Commercial loans	15,357	14,789
Other financing to customers	337,163	311,148
■ Home loans	179,338	167,715
■ Other financings and miscellaneous receivables o/w pensions	157,825	143,433
Accrued interest	634	586
Insurance and reinsurance receivables	0	0
Gross receivables subject to individual impairment (S3)	11,150	11,307
Gross receivables	**364,304**	**337,830**
Impairment on performing loans (S1/S2)	-1,736	-1,629
Other impairments (S3)	-6,073	-6,246
Sub-total I	**356,495**	**329,955**
Finance leases (net investment)	14,263	13,108
■ Real estate	9,983	9,045
■ Real estate	4,280	4,065
Gross receivables subject to individual impairment (S3)	427	429
Impairment on performing loans (S1/S2)	-110	-106
Other impairments (S3)	-190	-201
Sub-total II	**14,390**	**13,230**
TOTAL	**370,885**	**343,185**
of which subordinated loans	13	14
of which pensions	9,205	7,207

FINANCE LEASE TRANSACTIONS WITH CUSTOMERS

	01/01/2018	Increase	Decrease	Other	12/31/2018
Gross carrying amount	13,539	1,609	506	48	14,690
Unrecoverable rent impairment	-307	-88	146	-51	-300
Net carrying amount	13,232	1,521	-360	-3	14,390

BREAKDOWN BY TERM OF MINIMUM FUTURE RENT PAYMENTS TO RECEIVE UNDER FINANCE LEASES*

	< 1 year	> 1 year and < 5 years	> 5 years	Total
Minimum future rents to receive	3,606	7,067	2,677	13,351
Discounted values of future rents	3,543	6,906	2,295	12,744
UNEARNED FINANCIAL INCOME	**63**	**161**	**382**	**607**

* *These figures do not include CM-CIC Leasing Solutions SAS.*

NOTE 12 Financial liabilities at amortized cost

12a Debt securities at amortized cost

	12/31/2018	01/01/2018
Certificates of deposit	216	460
Interbank Certificates & Negotiable debt instruments	56,406	55,292
Bonds	62,293	55,898
Non-preferred senior securities	0	0
Related debt	766	781
TOTAL	**119,681**	**112,431**

12b Due to credit institutions

	12/31/2018	01/01/2018
Other ordinary accounts	2,546	2,330
Borrowings	15,934	12,509
Other debt	6,158	8,438
Pensions	28,897	23,631
Related debt	100	48
TOTAL	**53,635**	**46,956**

The group participates in the second Targeted Long-Term Refinancing Operation (TLTRO II) set up by the ECB for €9,994 million as of December 31, 2018.

12c Due to customers at amortized cost

	12/31/2018	01/01/2018
Special savings accounts	126,222	119,270
■ current	86,016	80,541
■ term deposit	40,206	38,729
Related debt on savings accounts	31	38
Sub-total	**126,253**	**119,308**
Current accounts	133,501	120,147
Term deposits and term loans	42,230	46,607
Pensions	2,024	2,017
Related debt	301	350
Other debt	11	14
Sub-total	**178,067**	**169,135**
TOTAL	**304,320**	**288,443**

NOTE 13 Gross value and framework for impairment

13a Gross values subject to impairment

	12/31/2018	01/01/2018
Financial assets at amortized cost – loans and receivables Credit institutions subject to	44,171	41,214
expected losses at 12 months (S1)	44,158	41,152
expected losses at maturity (S2)	13	62
expected losses on impaired assets (S3) at closing but not impaired from the outset	0	0
expected losses on impaired assets (S3) at closing and from the outset	0	0
Financial assets at amortized cost – loans and receivables from customers subject to	378,995	351,367
expected losses at 12 months (S1)	346,423	319,076
expected losses at maturity (S2)	20,995	20,555
of which receivables under IFRS 15	0	0
expected losses on impaired assets (S3) at closing but not impaired from the outset	11,532	11,707
expected losses on impaired assets (S3) at closing and from the outset	45	29
Financial assets at amortized cost – securities	3,203	3,319
subject to expected losses at 12 months (S1)	2,810	2,927
subject to expected losses at maturity (S2)	0	37
expected losses on impaired assets (S3) at closing but not impaired from the outset	392	356
expected losses on impaired assets (S3) at closing and from the outset	0	0
Financial assets at fair value through shareholders' equity – debt securities	26,811	26,345
expected losses at 12 months (S1)	26,702	25,912
expected losses at maturity (S2)	107	205
expected losses on impaired assets (S3) at closing but not impaired from the outset	2	141
expected losses on impaired assets (S3) at closing and from the outset	0	0
TOTAL	**453,180**	**422,245**

13b Impairment framework

	01/01/2018	Provision	Reversal	Other	12/31/2018
Financial assets at amortized cost – loans and receivables from credit institutions	-6	-2	4	1	-3
Financial assets at amortized cost – loans and receivables from customers	-8,182	-2,018	2,102	-11	-8,109
Financial assets at amortized cost – securities	-82	-3	7	-135	-213
Financial assets at fair value through shareholders' equity – debt securities	-10	-6	5	-1	-12
Financial assets at fair value through shareholders' equity – Loans	0	0	0	0	0
TOTAL	**-8,280**	**-2,029**	**2,118**	**-146**	**-8,337**

	01/01/2018	Provision	Reversal	Other	12/31/2018
Loans and receivables from credit institutions	**-6**	**-2**	**4**	**1**	**-3**
of which impaired assets (S3) from the outset	0	0	0	0	0
expected losses at 12 months (S1)	-3	-2	1	1	-3
expected losses at maturity (S2)	-3	0	3	0	0
expected losses on impaired assets (S3) at closing but not impaired from the outset	0	0	0	0	0
expected losses on impaired assets (S3) at closing and from the outset	0	0	0	0	0
Loans and receivables on customers	**-8,182**	**-2,018**	**2,102**	**-11**	**-8,109**
of which impaired assets (S3) from the outset	0	0	0	0	0
expected losses at 12 months (S1)	-773	-388	305	12	-844
expected losses at maturity (S2)	-981	-507	478	8	-1,002
of which receivables under IFRS 15	0	0	0	0	0
expected losses on impaired assets (S3) at closing but not impaired from the outset	-6,428	-1,123	1,319	-31	-6,263
expected losses on impaired assets (S3) at closing and from the outset	0	0	0	0	0
Financial assets at amortized cost – securities	**-82**	**-3**	**7**	**-135**	**-213**
of which impaired assets (S3) from the outset	0	0	0	0	0
expected losses at 12 months (S1)	0	0	0	0	0
expected losses at maturity (S2)	0	0	0	0	0
expected losses on impaired assets (S3) at closing but not impaired from the outset	-81	-3	7	-136	-213
expected losses on impaired assets (S3) at closing and from the outset	0	0	0	0	0
Financial assets in FVSE – debt securities	**-10**	**-6**	**5**	**-1**	**-12**
of which impaired assets (S3) from the outset	0	0	0	0	0
expected losses at 12 months (S1)	-9	-6	5	-1	-11
expected losses at maturity (S2)	0	0	0	0	0
expected losses on impaired assets (S3) at closing but not impaired from the outset	-1	0	0	0	-1
expected losses on impaired assets (S3) at closing and from the outset	0	0	0	0	0
TOTAL	**-8,280**	**-2,029**	**2,118**	**-146**	**-8,337**

NOTE 14 Investments/assets and liabilities related to insurance business policies

14a Investments in insurance business and shares of reinsurers in technical provisions

Financial assets	12/31/2018	01/01/2018
Fair value through profit or loss	27,523	18,160
■ Transaction	0	1
■ Fair value on options – debt securities	5,369	1,458
■ Fair value on options – capital instruments	22,154	16,701
Hedging derivatives	0	0
Available-for-sale[1]	75,316	72,446
■ Government securities and related securities	18,303	16,922
■ Bonds and other debt securities	43,893	42,078
■ Shares and other capital instruments	11,811	12,206
■ Investments, shares in subsidiaries and associates and other securities held for long-term investment	1,309	1,240
Loans and receivables	3,033	1,511
Held-to-maturity	11,988	10,700
Sub-total financial assets	**117,860**	**102,817**
Investment property	**3,383**	**2,743**
Reinsurer shares in technical provisions and other assets	**762**	**699**
TOTAL	**122,005**	**106,259**

The fair value of the buildings recognized at amortized cost is €4,292 million as of 12/31/2018.
(1) Of which SPPI assets €61,382 million.

Breakdown of SPPI insurance assets by Standard & Poor's rating

Standard & Poor's Rating	SPPI insurance assets
AAA	6%
AA+	2%
AA	27%
AA-	5%
A+	10%
A	13%
A-	10%
BBB+	9%
BBB	6%
BBB-	1%
BB+	0%
NR*	11%
TOTAL	**100%**

* *Not rated.*

14b Liabilities related to insurance business policies

Technical provisions of insurance policies	12/31/2018	01/01/2018
Life	92,551	83,527
Non-life	3,764	3,390
Unit-linked	12,129	9,209
Other	307	297
Total	**108,751**	**96,423**
Of which deferred profit-sharing liabilities	*12,225*	*13,211*
Reinsurers' share in technical provisions	348	310
NET TECHNICAL PROVISIONS	**108,403**	**96,113**

Financial liabilities	12/31/2018	01/01/2018
Fair value through profit or loss	6,007	4,371
■ Transaction	-1	0
■ Fair value on options	6,008	4,371
Due to credit institutions	167	447
Subordinated debt	300	0
Sub-total	**6,474**	**4,818**
Other liabilities	**339**	**304**
TOTAL	**6,813**	**5,122**

NOTE 15 Taxes

15a Current taxes

	12/31/2018	01/01/2018
Assets (through profit)	1,852	1,832
Liabilities (through profit)	648	831

15b Deferred taxes

	12/31/2018	01/01/2018
Assets (through profit)	1,291	1,369
Assets (through shareholders' equity)	182	169
Liabilities (through profit)	650	655
Liabilities (through shareholders' equity)	381	559

Breakdown of deferred taxes by broad category

	12/31/2018		01/01/2018	
	Assets	Liabilities	Assets	Liabilities
Temporary differences on				
■ provisions	891		981	
■ Unrealized finance lease reserve		352		237
■ Revaluation of financial instruments	437	653	408	832
■ Accruals and receivables	235	127	211	105
■ Results of transparent companies				
■ Tax deficits	3		4	
■ Insurance business line	74	125	15	138
■ Other temporary differences	111	55	53	37
Offsets	-279	-281	-134	-134
TOTAL DEFERRED TAX ASSETS AND LIABILITIES	**1,473**	**1,031**	**1,538**	**1,214**

Deferred taxes are calculated according to the variable carry-forward principle.

NOTE 16 Accruals – miscellaneous prepaid expenses and deferred income

16a Accruals and miscellaneous prepaid expenses

	12/31/2018	01/01/2018
ACCRUALS – PREPAID EXPENSES		
Securities received on collection	291	519
Currency adjustment accounts	268	52
Receivables	533	633
Miscellaneous accruals	3,735	2,330
Sub-total	**4,827**	**3,534**
OTHER ASSETS		
Settlement accounts on securities transactions	104	86
Miscellaneous debtors	4,077	4,357
Stocks and related items	44	20
Other miscellaneous uses	48	49
Sub-total	**4,273**	**4,512**
TOTAL	**9,100**	**8,046**

16b Accruals and miscellaneous deferred income

	12/31/2018	01/01/2018
ACCRUALS – DEFERRED INCOME		
Accounts not available on collection transactions	26	290
Currency adjustment accounts	85	54
Accruals	1,500	1,331
Prepaid income	1,463	1,447
Miscellaneous accruals	6,001	2,001
Sub-total	**9,075**	**5,123**
OTHER LIABILITIES		
Settlement accounts on securities transactions	422	594
Remaining payments to be made on securities	71	79
Miscellaneous creditors	1,722	1,678
Sub-total	**2,215**	**2,351**
TOTAL	**11,290**	**7,474**

NOTE 17 Investment in equity consolidated companies

17a Share in net profit/(loss) of equity consolidated companies

	12/31/2018					
	Country	% interest	Value of equity consolidation	Share in net profit/(loss)	Dividends received	Fair value of equity investment (if listed)
ENTITIES UNDER SIGNIFICANT INFLUENCE						
ASTREE Assurances	Tunisia	30.00%	14	1	1	19
Banque de Tunisie	Tunisia	34.00%	160	16	7	171
Banque Marocaine du Commerce Extérieur (BMCE)**	Morocco	NA	NA	56	19	NA
Caisse Centrale du Crédit Mutuel	France	53.17%	341	7	2	NC*
Lyf SA (formerly Fivory)	France	46.00%	8	-1	0	NC*
Royale Marocaine d'Assurance (formerly RMA Watanya)	Morocco	22.02%	130	17	12	NC*
Other equity investments			-9	-12		
Total (1)			**643**	**85**	**40**	
JOINT VENTURE						
Bancas	France	50.00%	1	0	0	NC*
Euro Automatic Cash	Spain	50.00%	19	-23	6	NC*
Banque du Groupe Casino	France	50.00%	55	5	0	NC*
Total (2)			**75**	**-19**	**6**	
TOTAL (1)+(2)			**719**	**67**	**46**	

* *NC: Not communicated.*

** *BMCE withdrawn from scope of consolidation in 2018 following the loss of significant influence – see note 3.*

	01/01/2018					
	Country	% interest	Value of equity consolidation	Share in net profit/(loss)	Dividends received	Fair value of equity investment (if listed)
ENTITIES UNDER SIGNIFICANT INFLUENCE						
ACM Nord IARD	France	49.00%	39	8	8	NC*
ASTREE Assurances	Tunisia	30.00%	14	2	1	23
Banco Popular Español	Spain	0.00%	0	-246	0	0
Banque de Tunisie	Tunisia	34.00%	159	15	7	166
Banque Marocaine du Commerce Extérieur (BMCE)	Morocco	26.21%	833	-130	18	897
Caisse Centrale du Crédit Mutuel	France	52.84%	333	1	0	NC*
Lyf SA (formerly Fivory)	France	43.50%	8	0	0	NC*
NELB (North Europe Life Belgium)	Belgium	49.00%	104	1	2	NC*
Royale Marocaine d'Assurance (formerly RMA Watanya)	Morocco	22.02%	114	20	11	NC*
Other equity investments			1	-10	0	NC*
Total (1)			**1,605**	**-339**	**48**	
JOINT VENTURE						
Bancas	France	50.00%	1	0	0	NC*
Euro Automatic Cash	Spain	50.00%	48	9	0	NC*
Banque du Groupe Casino	France	50.00%	40	-4	0	NC*
Total (2)			**88**	**4**	**0**	
Total (1)+(2)			**1,683**	**-334**	**48**	

17b Financial data published by the main equity consolidated companies

	12/31/2018					
	Balance sheet total	NBI or Revenues	RBE	Net profit/(loss)	OCI Reserves	Equity
ENTITIES UNDER SIGNIFICANT INFLUENCE						
ASTREE Assurance[2]	525	122	22	17	55	179
Banque de Tunisie[1] [2]	5,279	269	164	136	NC*	801
CCCM	4,700	16	11	9	9	661
Lyf SAS (formerly Fivory SAS)	11	1	-26	-26	0	-24
Lyf SA (formerly Fivory)	18	-1	-1	-1	0	16
RMA Watanya[1] [3]	351,720	18,695	4,630	1,119	3,961	6,558
JOINT VENTURE						
Euro Automatic Cash	99	20	9	-18	1	56
Banque du Groupe Casino	1,198	136	63	9	0	112

(1) 2017 amounts.
(2) In millions of Tunisian dinar.
(3) In millions of Moroccan dirham.
NC: Not communicated.*

	12/31/2017					
	Balance sheet total	NBI or Revenues	RBE	Net profit/(loss)	OCI Reserves	Equity
ENTITIES UNDER SIGNIFICANT INFLUENCE						
ACM Nord	215	159	26	17	2	74
ASTREE Assurance[2]	441	146	23	14	39	155
Banque de Tunisie[1] [2]	4,718	236	129	101	NC*	730
Banque Marocaine du Commerce Extérieur[1] [3]	305,923	12,990	5,615	2,835	-6	23,583
CCCM	4,870	125	120	113	52	656
Lyf SAS (formerly Fivory SAS)	7	3	-24	-24	0	-4
Lyf SA (formerly Fivory)	18	0	-1	-1	0	18
NELB	2,010	58	7	3	3	213
RMA Watanya[1] [3]	342,166	17,756	4,551	905	4,997	5,529
JOINT VENTURE						
Euro Automatic Cash	102	28	17	12	1	84
Banque du Groupe Casino	978	118	53	6	0	97

(1) 2016 amounts.
(2) In millions of Tunisian dinar.
(3) In millions of Moroccan dirham.
NC: Not communicated.*

NOTE 18 Investment property

	01/01/2018	Increase	Decrease	Other	12/31/2018
Historical cost	135	991	-9	-957	160
Depreciation, amortization and impairment	-61	-36	4	19	-74
NET AMOUNT	**74**	**955**	**-5**	**-938**	**86**

The fair value of investment property recognized at amortized cost is comparable to its carrying amount.

NOTE 19 Property, plant and equipment and intangible assets

19a Property, plant and equipment

	01/01/2018	Increase	Decrease	Other	12/31/2018
HISTORICAL COST					
Land	551	7	-1	14	571
Buildings	4,913	193	-81	-52	4,973
Other property, plant and equipment	2,609	323	-264	45	2,713
Total	**8,073**	**523**	**-346**	**7**	**8,257**
DEPRECIATION, AMORTIZATION AND IMPAIRMENT					
Land	-8	-2	0	0	-9
Buildings	-3,025	-194	78	5	-3,136
Other property, plant and equipment	-2,071	-204	141	-5	-2,139
Total	**-5,104**	**-400**	**219**	**0**	**-5,284**
NET AMOUNT	**2,969**	**123**	**-127**	**7**	**2,973**

OF WHICH PROPERTIES RENTED UNDER FINANCE LEASES

	01/01/2018	Increase	Decrease	Other	12/31/2018
Land	7				7
Buildings	109			-3	106
TOTAL	**116**	**0**	**0**	**-3**	**113**

19b Intangible assets

	01/01/2018	Increase	Decrease	Other	12/31/2018
HISTORICAL COST					
Assets generated internally	0	0	0	0	0
Acquired assets	1,931	106	-23	16	2,030
■ software	497	29	-9	2	519
■ other	1,434	77	-14	14	1,511
Total	**1,931**	**106**	**-23**	**16**	**2,030**
DEPRECIATION, AMORTIZATION AND IMPAIRMENT					
Assets generated internally	0	0	0	0	0
Acquired assets	-1,241	-82	7	5	-1,311
■ software	-454	-18	1	-3	-474
■ other	-787	-64	6	8	-837
Total	**-1,241**	**-82**	**7**	**5**	**-1,311**
NET AMOUNT	**690**	**24**	**-16**	**21**	**719**

NOTE 20 Goodwill

	01/01/2018	Increase	Decrease	Variation in impairment	Other	12/31/2018
Gross goodwill	4,608				5	4,613
Impairment	-490				-5	-495
NET GOODWILL	**4,118**				**0**	**4,118**

Subsidiaries	Value of goodwill at 01/01/2018	Increase	Decrease	Variation in impairment	Other[1]	Value of goodwill at 12/31/2018
TARGOBANK Germany	2,787				63	2,851
Crédit Industriel et Commercial (CIC)	497					497
COFIDIS Participations	378					378
COFIDIS France	79					79
El Télécom	78					78
Factofrance SA	68					68
Heller Gmbh and Targo Leasing GmbH	63				-63	-
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	53					53
SIIC Foncière Massena	26					26
CM-CIC Investissement SCR	21					21
Banque de Luxembourg	13					13
Agrupació AMCI d'Assegurances i Reassegurances SA	12					12
COFIDIS Italy	9					9
Banque Transatlantique	6					6
Dubly Transatlantique Gestion	5					5
Other	22					22
TOTAL	**4,118**	**0**	**0**	**0**	**0**	**4,118**

(1) Following the merger of Targo Commercial Finance and TARGOBANK AG.

The cash-generating units to which goodwill is allocated are audited annually to check their recoverable amount. A loss of value is recognized *via* an impairment of goodwill when the recoverable amount is less than the carrying amount.

The recoverable amount is determined according to two methods:

- the fair value net of selling costs, based on observing valuation ratios on comparable transactions or market parameters selected by analysts on entities with similar activities;
- the value in use, based on discounting expected future cash flows.

To determine the value in use, cash flows are based on business plans drafted by management for a maximum term of five years, then on an ad infinitum forecast according to a long-term growth rate. The latter figure is set at 2% for the whole of Europe, giving a measured assumption compared to the rate of inflation observed over a very long period.

The discount rate for cash flows corresponds to the cost of capital, which is determined using a long-term risk-free rate plus a risk premium. The risk premium is calculated by observing the price sensitivity relative to the market in the case of a listed asset, or by an analyst's estimate in the case of unlisted assets.

The main sensitivity factors of the recoverable amount test based on the value in use are the discount rate and the expected levels of future cash flows. When the value in use was used as an impairment test, the parameters and their sensitivity were as follows:

	TARGOBANK Germany	COFIDIS
	Network banking	Consumer loan
Cost of capital	9.00%	9.00%
Effect of a 50 bp increase in the cost of capital	-427	-220
Effect of a 1% decrease in future flows	-67	-35

NOTE 21 Provisions and contingent liabilities

21a Provisions

	01/01/2018	Provisions for the fiscal year	Reversals for the year (provision used)	Reversals for the year (provision not used)	Other variations	12/31/2018
Provisions for risks	**700**	**165**	**-26**	**-186**	**-243**	**410**
On guarantee commitments	***210***	***92***	***-2***	***-96***	***1***	***205***
■ of which expected losses at 12 months (S1)	33	19	0	-19	-1	32
■ of which expected losses at maturity (S2)	44	25	-1	-31	0	37
On funding commitments	***64***	***37***	***-4***	***-37***	***1***	***61***
■ of which expected losses at 12 months (S1)	46	28	-3	-22	1	50
■ of which expected losses at maturity (S2)	15	9	-1	-13	0	10
Provisions for taxes	33	0	-3	-5	0	25
Provisions for disputes	130	17	-18	-43	-2	84
Provisions for risks on miscellaneous receivables	265	17	0	-5	-242	35
Other provisions	**1,114**	**430**	**-87**	**-25**	**103**	**1,535**
Provision for mortgage saving agreements	171	28	0	0	0	199
Provisions for miscellaneous contingencies[1]	586	290	-73	-11	133	925
Other provisions[2]	357	112	-14	-14	-30	411
Provisions for retirement commitments	**1,358**	**45**	**-24**	**-16**	**-42**	**1,321**
TOTAL	**3,172**	**640**	**-137**	**-227**	**-182**	**3,266**

(1) Other variations in provisions for miscellaneous contingencies include a €131 million transfer of provisions to reduce assets assessed at amortized cost (see note 11a).
(2) Other provisions specifically include provisions for EIGs of €339 million.

21b Retirement commitments and similar benefits

	01/01/2018	Net provisions for the fiscal year	Reversals for the fiscal year	Other variation	12/31/2018
DEFINED-BENEFIT PENSION COMMITMENTS AND RELATED ITEMS EXCLUDING PENSION FUNDS:					
Retirement benefits	981	51	-27	-63	942
Supplementary pensions	219	8	-10	-9	208
Bonuses related to long-service awards (other long-term benefits)	147	18	-2	-15	148
Sub-total recognized	**1,347**	**77**	**-39**	**-87**	**1,298**
SUPPLEMENTARY DEFINED-BENEFIT PENSION PLANS INSURED BY GROUP PENSION FUNDS:					
Commitments to employees and retirees[1]	11	6	-1	7	23
Fair value of assets					
Sub-total recognized	**11**	**6**	**-1**	**7**	**23**
TOTAL RECOGNIZED	**1,358**	**83**	**-40**	**-80**	**1,321**

Defined-benefit scheme: Main actuarial assumptions	12/31/2018	01/01/2018
Discount rate[2]	1.50%	1.3%
Expected rate of salary increase[3]	Minimum 1%	Minimum 1%

(1) The provisions covering shortfalls in pension funds relate to entities located abroad.
(2) The discount rate, determined by reference to long-term private sector borrowing rates, is estimated using the iBoxx index.
(3) The annual increase in wages is an estimate of future inflation combined with the wage increase; it also depends on the employee's age.

Changes in the provision relating to retirement benefits

	12/31/2017	Impact of discount	Financial income	Cost of services rendered	Others including cost of previous services	Actuarial difference relating to changes in assumptions: demo-graphic	Actuarial difference relating to changes in assumptions: financial	Payment to bene-ficiaries	Plan contri-butions	Mobility Transfer	Other	12/31/2018
Commitments	1,550	20	0	55	-2	3	-80	-51	0	1	5	1,502
Insurance contracts outside the group and assets managed externally	569	0	4	0	-1	0	-22	-7	18	0	0	560
Provisions	981	20	-4	55	-1	3	-58	-44	-18	1	5	942

Discount rate sensitivity

Liabilities at 1% (-50 bp)	Liabilities at 2% (+50 bp)	Duration
159	-155	18

	12/31/2016	Impact of discount	Financial income	Cost of services rendered	Others including cost of previous services	Actuarial difference relating to changes in assumptions: demo-graphic	Actuarial difference relating to changes in assumptions: financial	Payment to bene-ficiaries	Plan contri-butions	Mobility Transfer	Other	12/31/2017
Commitments	1,410	17	0	59	-1	-3	-2	-52	0	0	-3	1,424
Insurance contracts outside the group and assets managed externally	408	0	5	0	0	0	18	0	13	0	0	443
Provisions	1,002	17	-5	59	-1	-3	-20	-52	-13	0	-3	981

Change in fair value of plan assets

	Fair value of assets 12/31/2017	Impact of discount	Actuarial gains and losses	Yield of plan assets	Contri-butions by plan members	Contributions by employer	Payment to beneficiaries	Effect of exchange rate variations	Other	Fair value of assets 12/31/2018
Fair value of plan assets	971	8	-17	31	4	58	-35	0	-36	984

	Fair value of assets 12/31/2016	Impact of discount	Actuarial gains and losses	Yield of plan assets	Contri-butions by plan members	Contributions by employer	Payment to beneficiaries	Effect of exchange rate variations	Other	Fair value of assets 12/31/2017
Fair value of plan assets	946	6	-24	32	13	34	-44	-	-0	962

Details of fair value of plan assets

	Assets listed on an active market				Assets unlisted on an active market			
	Debt securities	Capital instruments	Real estate	Other	Debt securities	Capital instruments	Real estate	Other
Asset offsetting assets	70%	16%	0%	13%	0%	0%	1%	0%

21c Provisions for risks on mortgage saving agreements

OUTSTANDING MORTGAGE SAVINGS ACCOUNTS AND PLANS

	12/31/2018	01/01/2018
Outstanding mortgage savings plans (PEL)		
< 10 years old	21,022	19,496
> 10 years old	10,963	11,079
Total	**31,985**	**30,575**
Outstanding mortgage savings accounts	**2,945**	**2,895**
TOTAL MORTGAGE SAVINGS PLANS (PEL) AND ACCOUNTS	**34,930**	**33,470**

MORTGAGE SAVINGS LOANS

	12/31/2018	12/31/2017
Outstanding mortgage savings loans behind provisions for risks recognized as balance sheet assets	126	177

PROVISIONS FOR MORTGAGE SAVINGS PLANS

	12/31/2017	Net provisions or reversals	Other variations	12/31/2018
On mortgage savings accounts	14	-11	0	3
On mortgage savings plans	153	41	0	194
On mortgage savings loans	3	-1		2
Total	**170**	**29**	**0**	**199**
ANALYSIS BY AGE OF PROVISIONS ON MORTGAGE SAVINGS PLANS (PEL)				
< 10 years old	96	46	0	142
> 10 years old	57	-5	0	52
TOTAL	**153**	**41**	**0**	**194**

Mortgage savings accounts (CEL) and mortgage savings plans (PEL) are regulated French products open to natural persons. They combine an interest-bearing savings phase that gives rights to a mortgage loan in a subsequent phase. They generate commitments of two kinds for the granting institution:

- a future remuneration from savings commitment at a fixed rate (only on PELs, the remuneration rate for CELs being akin to a variable rate, periodically revised based on an indexation formula);
- a loan agreement commitment to customers who request it, at predefined conditions (PEL and CEL). These commitments were estimated on the basis of behavioral statistics for customers and market data.

A provision is made as a liability on the balance sheet to cover future expenses relating to the potentially unfavorable conditions of these products, compared to the interest rates offered to individual customers for similar products, but which are not regulated in terms of compensation. This approach is conducted *via* homogeneous generation as regards regulated PEL conditions. Any impacts on profit are recognized as interest paid to customers.

A change to the provision is primarily due to the implementation of a new rate model (Hull and White), replacing the Cox-Ingersoll-Ross (CIR) model.

3

NOTE 22 Subordinated debt

	12/31/2018	01/01/2018
Subordinated debt	6,116	6,613
Participating loans	21	23
Undated subordinated debt	1,006	1,014
Related debt	81	76
TOTAL	**7,224**	**7,726**

Principal subordinated debt

(in € millions)	Type	Date Issue	Amount Issue	Amount balance sheet date[1]	Rate	Maturity
Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	10/22/2010	€1,000m	€916m	4.00	10/22/2020
Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	05/21/2014	€1,000m	€1,000m	3.00	05/21/2024
Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	09/11/2015	€1,000m	€1,000m	3.00	09/11/2025
Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	03/24/2016	€1,000m	€1,000m	2.375	03/24/2026
Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	11/04/2016	€700m	€700m	1.875	11/04/2026
Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	03/31/2017	€500m	€500m	2.625	03/31/2027
Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	11/15/2017	€500m	€500m	1.625	11/15/2027
Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	05/25/2018	€500m	€500m	2.5	05/25/2028
CIC	Participating	05/28/1985	€137m	€9m	[2]	[3]
Banque Fédérative du Crédit Mutuel	Super-subordinated notes	12/15/2004	€750m	€734m	[4]	TBD
Banque Fédérative du Crédit Mutuel	Super-subordinated notes	02/25/2005	€250m	€250m	[5]	TBD

(1) Intra-group net amounts.
(2) Minimum 85% (annual monetary rate (TAM)+ average bond yield (TMO))/2 Maximum 130% (TAM+TMO)/2.
(3) Non-amortizable, but repayable at the borrower's request as of 05/28/1997 at 130% of the nominal value adjusted by 1.5% per annum for subsequent years.
(4) CMS 10Y ISDA CIC +10 basis points.
(5) CMS 10Y ISDA +10 basis points.

NOTE 23 Reserves related to capital and reserves

23a Shareholders' equity attributable to the group (excluding profit and loss and unrealized gains and losses)

	12/31/2018	01/01/2018
Capital and reserves related to capital	6,167	6,010
■ Capital	6,167	6,010
■ Contribution, merger, split, conversion, issue premium	0	0
Consolidated reserves	30,926	28,599
■ of which profit on disposal of capital instruments	6	0
■ of which retained earnings	114	136
TOTAL	**37,093**	**34,609**

The share capital of Crédit Mutuel banks is composed of:

- A shares, non-transferable;
- B shares, transferable;
- P shares, with priority interests.

B shares may only be subscribed by those members holding at least one A share. The Articles of association of the local banks limit the subscription of B shares by any given member to €50,000 (with the exception of reinvestment of dividends paid in B shares). In accordance with the law of September 10, 1947, the capital cannot be lower, following withdrawal of contributions, than one-quarter of the highest amount achieved by the share capital in the past.

The redemption plan for B shares differs according to whether they were subscribed before or after December 31, 1988:

- units subscribed up to December 31, 1988 may be redeemed at the member's request on January 1 each year. This reimbursement, which is subject to compliance with the provisions governing the reduction of capital, is subject to a minimum notice period of 3 months;
- shares subscribed on or after January 1, 1989 may be redeemed at the member's request upon five years' notice, except in the event of marriage, death or unemployment. These operations are also subject to compliance with the provisions governing the reduction of capital.

By decision of the board of directors and in agreement with the supervisory board, the bank may refund all or part of the shares in this class under the same conditions.

P shares with priority interests are issued by the regional banks of Crédit Mutuel de Normandie and Midi-Atlantique, and by Crédit Mutuel's "Cautionnement Mutuel de l'Habitat" bank, a mutual guarantee company that since 1999 has issued members' shares with priority interests whose subscription is reserved for bonded credit distributors excluding Crédit Mutuel Alliance Fédérale.

As of December 31, 2018, the capital of the Crédit Mutuel banks is as follows:

- €198.4 million for A shares;
- €5,957.9 million for B shares;
- €10.8 million for P shares.

23b Unrealized or deferred gains or losses

	12/31/2018	01/01/2018
UNREALIZED OR DEFERRED GAINS OR LOSSES* RELATING TO:		
■ insurance business investments (assets available-for-sale)	794	1,112
■ financial assets at fair value through recyclable shareholders' equity – debt instruments	-23	147
■ financial assets at fair value through non-recyclable shareholders' equity – capital instruments	-22	-65
■ cash flow hedges (CFH)	3	4
■ internal credit risk on financial liabilities in FVO	0	0
■ Other	-249	-326
TOTAL	**503**	**872**

* *Balances net of corporation tax and after shadow accounting treatment.*

23c Recycling of gains and losses directly recognized in shareholders' equity

	12/31/2018 Operations	01/01/2018 Operations
Translation adjustments		
Reclassification to profit	0	0
Other operations	42	-146
Sub-total	42	-146
Revaluation of financial assets at FVSE – debt instruments		
Reclassification to profit	0	3
Other operations	-169	56
Sub-total	-169	59
Revaluation of financial assets at FVSE – capital instruments		
Reclassification to profit	-1	-130
Other operations	56	189
Sub-total	55	59
Revaluation of hedging derivatives		
Reclassification to profit	0	0
Other operations	-2	36
Sub-total	-2	36
Revaluation of insurance business investments		
Reclassification to profit	0	
Other operations	-274	
Sub-total	-274	0
Revaluation of fixed assets	0	
Revaluation difference relating to internal credit risk on financial liabilities in FVO transferred to reserves	0	0
Actuarial difference of defined benefit plans	33	32
Share of unrealized or deferred gains or losses on equity consolidated companies	-10	0
TOTAL	-326	40

23d Tax relating to gains and losses directly recognized in shareholders' equity

	12/31/2018			01/01/2018		
	Gross value	Tax	Net value	Gross value	Tax	Net value
Translation adjustments	42	0	42	-146	0	-146
Revaluation of financial assets at FVSE – debt instruments	-204	34	-170	75	-15	60
Revaluation of financial assets at FVSE – capital instruments	55	0	55	25	33	58
Revaluation of hedging derivatives	-3	1	-2	35	1	36
Revaluation of insurance business investments	-433	158	-275			
Revaluation of fixed assets	0	0	0	0	0	0
Revaluation difference relating to internal credit risk on financial liabilities in FVO transferred to reserves	0	0	0	0	0	0
Actuarial difference of defined benefit plans	37	-4	33	58	-26	32
Share of unrealized or deferred gains or losses on equity consolidated companies	-10	0	-10	0	0	0
TOTAL CHANGES IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUITY	**-516**	**189**	**-327**	**47**	**-7**	**40**

NOTE 24 Commitments pledged and received

COMMITMENTS GIVEN

	12/31/2018	01/01/2018
Funding commitments	**65,447**	**60,767**
Liabilities due to lending institutions	1,143	1,217
Liabilities due to customers	64,304	59,550
Guarantee commitments	**21,878**	**19,816**
Liabilities due lending institutions	4,527	3,294
Liabilities due to customers	17,351	16,522
Commitments of securities	**3,440**	**1,542**
Other commitments given	3,440	1,542
Commitments pledged from the insurance business line	**2,562**	**1,734**

COMMITMENTS RECEIVED

	12/31/2018	01/01/2018
Funding commitments	**13,322**	**18,234**
Commitments received from lending institutions	13,322	18,234
Guarantee commitments	**75,943**	**62,722**
Commitments received from lending institutions	46,296	43,182
Commitments received from customers	29,647	19,540
Commitments of securities	**1,598**	**464**
Other commitments received	1,598	464
Commitments received from the insurance business line	**4,740**	**4,446**

SECURITIES PLEDGED IN REPURCHASE AGREEMENT

	12/31/2018	01/01/2018
Assets pledged in repurchase agreement	37,063	30,022
Related liabilities	36,933	30,019

OTHER ASSETS PLEDGED AS COLLATERAL FOR LIABILITIES

	12/31/2018	01/01/2018
Security deposits on market transactions	4,434	5,528
TOTAL	**4,434**	**5,528**

For its refinancing activity, the group makes repurchases of debt securities and/or shareholders' equity. This is reflected in the transfer of ownership of securities that the beneficiary may lend in turn. Coupons or dividends benefit the borrower. These transactions are subject to margin calls and the group is exposed to the risk that securities may not be returned.

Other assets pledged as collateral for liabilities pertain to derivatives for which margin calls are made when their fair value is negative. These amounts include initial margins and those paid subsequently.

NOTE 25 Interest and similar income/expenses

	12/31/2018		12/31/2017	
	Income	Expenses	Income	Expenses
Credit institutions & central banks	374	-629	338	-369
Customers	12,997	-5,699	12,039	-4,768
■ of which finance leases and operating leases	4,061	-3,711	3,099	-2,753
Hedging derivatives	3,161	-2,843	2,577	-3,129
Financial assets at fair value through profit or loss	4,923	-4,907	0	0
Financial assets at fair value through shareholders' equity/Assets available-for-sale	385	0	567	0
Securities at amortized cost	135	0	103	0
Debt securities	0	-1,676	0	-1,634
Subordinated debt	0	-12	0	-11
TOTAL	**21,975**	**-15,766**	**15,624**	**-9,911**
Of which interest income and expense calculated at effective interest rate	*13,893*	*-8,016*	*13,047*	*-6,782*

From January 1, 2018, income received or accrued from financial instruments at fair value through profit or loss is recognized on the income statement as interest income or expense. This change was made to ensure consistency with regulatory statements sent to the ECB as part of the Short-Term Exercise (STE) and to enhance clarity in terms of interest received and paid. In addition, the interests of paying and receiving legs of derivatives are recognized separately in interest income and expense, respectively. For comparison, the 2017 income and expense posts of these assets with the 2018 presentation stood respectively at €4,324 and -€4,306 million.

NOTE 26 Fees

	12/31/2018		12/31/2017	
	Income	Expenses	Income	Expenses
Credit institutions	9	-7	9	-10
Customers	1,752	-29	1,714	-26
Securities	837	-38	801	-39
■ of which activities managed on behalf of third parties	616	0	580	0
Derivatives	4	-8	3	-5
Exchange	21	-2	21	-2
Guarantee and financing commitments	67	-3	92	-3
Provision of services	2,227	-1,217	2,079	-1,123
TOTAL	**4,917**	**-1,304**	**4,719**	**-1,208**

NOTE 27 Net gains on financial instruments at fair value through profit or loss

	12/31/2018	12/31/2017
Transaction instruments	215	398
Instruments at fair value on option[1]	29	443
Ineffectiveness of hedges	-18	-32
On cash flow hedge (CFH)	0	0
On fair value hedge (FVH)	-18	-32
■ Fair value changes in hedged items	106	-532
■ Fair value changes in hedging items	-124	500
Foreign exchange result	147	76
Other instruments at fair value on profit or loss(1)	243	0
TOTAL CHANGES IN FAIR VALUE	**616**	**885**

(1) Of which €209 million from the private equity business in 2018 classified in other instruments at fair value through profit or loss, compared to €254 million in 2017 classified as fair value instruments on options.

NOTE 28 Net gains or losses on financial assets at fair value through shareholders' equity (2018)/ assets available-for-sale (2017)

	12/31/2018	12/31/2017
Dividends	8	129
■ of which arises from instruments derecognized over the period		
Gain/loss realized on debt instruments	184	270
Gain/loss realized on capital instruments (2017)		-118
Gain/loss realized on debt instruments (2017)		93
TOTAL	**192**	**374**

NOTE 29 Net gains or losses from derecognition of financial assets at amortized cost

	12/31/2018	12/31/2017
FINANCIAL ASSETS AT AMORTIZED COST		
Gains and losses realized on:	1	0
■ Government securities	0	0
■ Bonds and TRFs	1	0
■ Loans	0	0
FINANCIAL LIABILITIES AT AMORTIZED COST		
Gains and losses realized on:	0	0
■ Non-subordinated securities issued	0	0
■ Subordinated securities issued	0	0
TOTAL	**1**	**0**

NOTE 30 Net income from insurance activities

	12/31/2018	12/31/2017
INSURANCE POLICIES		
Premiums earned	11,652	9,786
Service charges	-8,670	-7,596
Change in provisions	-1,582	-3,198
Other technical and non-technical income and expenses	101	80
Net income from investments	1,079	3,443
Net income on insurance policies	**2,580**	**2,515**
Interest margin/fees	-9	0
Net income on financial assets	**-9**	**0**
Other net income	**8**	**0**
NET INCOME FROM INSURANCE ACTIVITIES	**2,579**	**2,515**

NOTE 31 Income and expenses from other activities

	12/31/2018	12/31/2017
INCOME FROM OTHER ACTIVITIES		
Investment property*:	0	3
■ Reversals of provisions/amortizations	0	3
Rebilled expenses	93	87
Other income	1,785	1,935
Sub-total	**1,878**	**2,025**
EXPENSES FROM OTHER ACTIVITIES		
Investment property:	-4	-38
■ Allocation to provisions/amortizations	-4	-38
Other expenses	-1,015	-975
Sub-total	**-1,019**	**-1,013**
NET TOTAL OF OTHER INCOME AND EXPENSES	**859**	**1,012**

* *Excludes insurance business.*

NOTE 32 General operating expenses

	12/31/2018	12/31/2017
Employee benefits expense	-5,054	-4,856
Other expenses	-3,660	-3,602
TOTAL	**-8,714**	**-8,458**

32a Employee benefits expense

	12/31/2018	12/31/2017
Wages and salaries	-3,205	-3,060
Social security contributions[1]	-1,192	-1,155
Short-term employee benefits	-3	-2
Employee profit sharing and participation	-311	-305
Taxes, duties and similar payments on compensation	-343	-330
Other	0	-4
TOTAL	**-5,054**	**-4,856**

(1) The amount of the French Competitiveness and Employment Tax Credit (CICE) recognized as a credit item in employee benefits expense amounted to €66 million in 2018.

In particular, the CICE made it possible to maintain or even increase the funding of employee training to a level well beyond that scheduled by the regulatory allocations, and to improve the group's overall competitiveness by way of efforts covering:

- investment in new technologies such as digital tools (tablets) and videoconferencing systems;
- the development of a virtual assistant based on cognitive technologies, designed to provide even greater quality of service to both members and customers;
- the development of new means of payment by telephone and related services;
- research into new services for corporate customers;
- the deployment of electronic signing for remote policies.

WORKFORCE

Average workforce	12/31/2018	12/31/2017*
Banking technicians	38,510	38,381
Executives	25,619	25,025
TOTAL	**64,129**	**63,406**
Of which France	52,113	51,706
Of which those abroad	12,016	11,700
TOTAL	**64,129**	**63,406**

* *After applying the group method to the calculation of TARGOBANK group FTES in Germany.*

	12/31/2018	12/31/2017
Registered workforce*	70,499	69,670

* *The registered workforce corresponds to the total number of employees at end-of-period for entities controlled by the group, which differs from the average full-time equivalent (so-called FTE) workforce, which focuses solely on full consolidation.*

32b Other operating expenses

	12/31/2018	12/31/2017
Taxes and duties	-472	-425
External services	-2,591	-2,584
Other miscellaneous expenses	-131	-117
TOTAL	**-3,194**	**-3,126**

32c Provisions and reversals on depreciation, amortization and provisions on property, plant and equipment and intangible assets

	12/31/2018	12/31/2017
Amortization	-465	-465
■ property, plant and equipment	-394	-401
■ Intangible assets	-72	-64
Impairment	-1	-11
■ property, plant and equipment	0	0
■ Intangible assets	-1	-11
TOTAL	**-466**	**-476**

NOTE 33 Cost of counterparty risk

	12/31/2018	12/31/2017
Expected losses at 12 months (S1)	-89	0
Expected losses at maturity (S2)[1]	-73	-35
Impaired assets (S3)	-741	-836
TOTAL	**-903**	**-871**

(1) Relates to collective provisions in 2017 pursuant to IAS 39.

As of December 31, 2018

	Provisions	Reversals	Loan losses covered	Loan losses not covered	Recovery on settled claims	Total
Expected losses at 12 months (S1)	**-442**	**353**				**-89**
■ Loans and receivables from credit institutions at amortized cost	-2	1				-1
■ Loans and receivables on customers at amortized cost	-387	304				-83
of which finance lease	*-41*	*30*				*-11*
■ Financial assets at amortized cost – securities	0	0				0
■ Financial assets at fair value through shareholders' equity – debt securities	-6	5				-1
■ Financial assets at fair value through shareholders' equity – loans	0	0				0
■ Commitments given	-47	43				-4
Expected losses at maturity (S2)	**-598**	**526**				**-72**
■ Loans and receivables from credit institutions at amortized cost	0	3				3
■ Loans and receivables on customers at amortized cost	-506	478				-28
of which finance lease	*-39*	*45*				*6*
■ Financial assets at amortized cost – securities	0	0				0
■ Financial assets at fair value through shareholders' equity – debt securities	0	0				0
■ Financial assets at fair value through shareholders' equity – loans	0	0				0
■ Commitments given	-92	45				-47
Impaired assets (S3)	**-1,156**	**1,314**	**-650**	**-393**	**144**	**-741**
■ Loans and receivables from credit institutions at amortized cost	0	0	0	0	0	0
■ Loans and receivables on customers at amortized cost	-1,073	1,247	-640	-384	134	-716
of which finance lease	*-31*	*33*	*-9*	*-5*	*3*	*-9*
■ Financial assets at amortized cost – securities	-4	5	0	0	0	1
■ Financial assets at fair value through shareholders' equity – debt securities	-3	1	-2	-7	10	-1
■ Financial assets at fair value through shareholders' equity – loans	0	0	0	0	0	0
■ Commitments given	-76	61	-8	-2	0	-25
TOTAL	**-2,196**	**2,193**	**-650**	**-393**	**144**	**-902**

As of December 31, 2017

	Provisions	Reversals	Loan losses covered	Loan losses not covered	Recovery on settled claims	Total
Expected losses at maturity (S2)	**-119**	**84**				**-35**
■ Loans and receivables from credit institutions at amortized cost	0	0				0
■ Loans and receivables on customers at amortized cost*	-119	84				-35
of which finance lease	*0*	*0*				*0*
■ Financial assets at amortized cost – securities	0	0				0
■ Financial assets at fair value through shareholders' equity – debt securities	0	0				0
■ Financial assets at fair value through shareholders' equity – loans	0	0				0
■ Commitments given	0	0				0
Impaired assets (S3)	**-1,735**	**1,902**	**-834**	**-365**	**196**	**-836**
■ Loans and receivables from credit institutions at amortized cost	0	0	0	0	2	2
■ Loans and receivables on customers at amortized cost	-1,638	1,798	-822	-353	188	-827
of which finance lease	*-53*	*67*	*-24*	*-2*	*5*	*-7*
■ Financial assets at amortized cost – securities	-12	17	0	0	0	5
■ Financial assets at fair value through shareholders' equity – debt securities	-2	8	-2	-12	6	-2
■ Financial assets at fair value through shareholders' equity – loans	0	0				0
■ Commitments given	-83	79	-10	0		-14
TOTAL	**-1,854**	**1,986**	**-834**	**-365**	**196**	**-871**

* *Expected losses at maturity (S2) in 2017 correspond to collective provisions pursuant to IAS 39.*

NOTE 34 Gains or losses on other assets

	12/31/2018	12/31/2017
Tangible and intangible assets	15	3
■ Capital losses on disposal	-24	-22
■ Capital gains on disposal	39	25
Net gains or losses on consolidated securities(1)	29	0
TOTAL	**44**	**3**

(1) Of which €18 million relating to the consolidation of Banque de Luxembourg Investments SA (see note 3a).

NOTE 35 Changes in the value of goodwill

	12/31/2018	12/31/2017
Impairment of goodwill	0	-15
Negative goodwill stated in profit or loss	0	0
TOTAL	**0**	**-15**

NOTE 36 Income tax

Breakdown of income tax expense

	12/31/2018	12/31/2017
Income tax expense due	-1,529	-1,896
Deferred income tax expense	-74	-39
Adjustments for previous fiscal years	34	6
TOTAL	**-1,569**	**-1,929**

Reconciliation between the recognized income tax expense and the theoretical income tax expense

	12/31/2018	12/31/2017
Taxable result	4,496	4,691
Theoretical tax rate	34.43%	34.43%
Theoretical tax expense	**-1,548**	**-1,615**
Impact of specific SCR and SICOMI schemes	78	68
Impact of reduced rate on long-term capital gains	54	14
Impact of specific tax rates for foreign entities	44	28
Permanent differences	-157	-38
Other[1]	**-40**	**-386**
Income tax expense	**-1,569**	**-1,929**
Effective tax rate	34.90%	41.12%

(1) The 2017 figure specifically includes the non-recurring surcharge on corporation tax recorded in the amended 2017 French finance law in the amount of €296 million.

NOTE 37 Outstanding related party transactions

Balance sheet items pertaining to related party transactions

	12/31/2018		01/01/2018	
	Companies consolidated using the equity method	Other establishments belonging to the French Confederation	Companies consolidated using the equity method	Other establishments belonging to the French Confederation
ASSETS				
Assets at fair value through profit or loss	35	42	15	69
Financial assets at fair value through shareholders' equity	0	40	0	70
Financial assets at amortized cost	3,158	4,673	2,854	3,876
Insurance business investments	0	609	0	118
Miscellaneous assets	16	22	3	5
TOTAL	**3,209**	**5,387**	**2,873**	**4,138**
LIABILITIES				
Liabilities at fair value through profit or loss	0	36	5	47
Debt securities	0	29	0	329
Due to credit institutions	1,144	1,625	1,393	1,327
Due to customers	28	1,532	24	1,528
Liabilities related to insurance business policies	0	196	0	100
Subordinated debt	0	0	0	0
Miscellaneous liabilities	0	0	0	25
TOTAL	**1,172**	**3,417**	**1,422**	**3,356**
Financing commitments pledged	115	0	470	0
Guarantee commitments pledged	15	109	29	110
Financing commitments received	0	0	0	0
Guarantee commitments received	0	629	0	563

Profit and loss items pertaining to related party transactions

	12/31/2018		12/31/2017	
	Companies consolidated using the equity method	Other establishments belonging to the French Confederation	Companies consolidated using the equity method	Other establishments belonging to the French Confederation
Interest received	2	138	5	31
Interest paid	4	-123	0	-26
Fees received	1	15	5	15
Fees paid	0	-4	0	0
Net gains or losses on financial assets at fair value through shareholders' equity and fair value through profit or loss	33	-6	0	9
Net income from insurance activities	-13	-207		
Other income and expenses	28	107	37	0
General operating expenses	3	-19	10	-17
TOTAL	**57**	**-99**	**57**	**13**

NOTE 38 Fair value hierarchy of financial instruments recognized at amortized cost

The fair values presented are an estimate based on the parameters noted as of December 31, 2018. They are the result of a discounting calculation for future cash flows estimated using a risk-free interest-rate curve to which, for the calculation of assets, is added a credit spread calculated overall for Crédit Mutuel Alliance Fédérale and reviewed each year.

The financial instruments presented in this information are composed of loans and borrowings. They do not include non-monetary items (shares), supplier accounts, other asset and liability accounts, or accruals. Non-financial instruments are not included in this information.

The fair value of financial instruments due on demand and of regulated customer savings policies is the value due on demand to the customer, i.e. their carrying amount.

A number of group entities may also apply assumptions: the market value is the carrying amount for policies whose terms refer to a floating rate, or whose remaining term is less than or equal to one year.

Readers' attention is drawn to the fact that, except for held-to-maturity financial assets, financial instruments recognized at amortized cost are not transferable or are not, in practice, disposed of prior to maturity. Consequently, capital gains or losses will not be recognized.

However, if the financial instruments recognized at amortized cost were to be disposed of, the price of said disposal may differ significantly from the fair value calculated as of December 31, 2018.

	12/31/2018						
	Market value	Carrying amount	Unrealized gains or losses	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost – IFRS 9	**429,159**	**418,044**	**11,116**	**2,284**	**51,749**	**375,126**	**429,159**
Loans and receivables on credit institutions	44,328	44,168	160	0	44,101	226	44,327
Loans and receivables to customers	381,674	370,886	10,788	0	7,331	374,343	381,674
Securities	3,158	2,990	168	2,284	317	557	3,158
Insurance business investments at amortized cost	**15,919**	**15,021**	**898**	**12,886**	**3,033**	**0**	**15,919**
Of which SPPI assets	*12,848*	*11,950*	*898*	*12,848*	*0*	*0*	*12,848*
Loans and receivables	3,033	3,033	0	0	3,033	0	3,033
Held-to-maturity	12,886	11,988	898	12,886	0	0	12,886
Financial liabilities at amortized cost – IFRS 9	**491,472**	**484,859**	**6,613**	**0**	**317,668**	**173,805**	**491,473**
Due to credit institutions	53,124	53,635	-512	0	53,055	69	53,124
Due to customers	307,192	304,319	2,873	0	133,507	173,685	307,192
Debt securities	123,164	119,680	3,483	0	123,112	51	123,164
Subordinated debt	7,993	7,224	769	0	7,993	0	7,993
Insurance business liabilities at amortized cost	**467**	**467**	**0**	**0**	**467**	**0**	**467**
Due to credit institutions	167	167	0	0	167	0	167
Debt securities	0	0	0	0	0	0	0
Subordinated debt	300	300	0	0	300	0	300

NOTE 39 Relations with the group's key executives

In connection with changes to the regulations (decree of November 3, 2014) and compliance with professional recommendations, the group's decision-making bodies and more particularly the board of directors of the Banque Fédérale made commitments in terms of the compensation of market professionals, as well as corporate officers.

These commitments were the subject of declarations to the AMF and publications on the institution's website. Compensation received by the group's key executives includes a portion relating to their activities within Crédit Mutuel and the CIC. For each activity, they consist of a fixed portion and a variable portion. This compensation is set by the decision-making bodies of BFCM and CIC based on proposals from the respective compensation committees. No variable portion has been paid in the last four years. During the fiscal year, the group's key executives also benefited from the collective and supplementary retirement savings plans instituted for all group employees.

On the other hand, the group's key executives did not enjoy any other specific benefits. No capital securities or securities giving access to capital or the right to acquire capital securities of BFCM or the CIC was allocated to them. In addition, they do not receive attendance fees because of their office, whether in group companies or in other companies, but because of their functions within the group. The group's key executives may also hold assets or loans in the group's banks, under the conditions offered to all employees.

Compensation paid overall to key executives* *(in € thousands)*	12/31/2018	12/31/2017
	Overall compensation	**Overall compensation**
Corporate officers – Management committee – board Members receiving compensation	7,958	8,832

* *See also the section on corporate governance.*
The amount of provisions for retirement benefits and long-service awards amounted to €2,227,000 as of December 31, 2018.

As of February 26, 2015, the board of directors of BFCM decided to award termination benefits to the Chairman of the board of directors, Nicolas Théry, paid on condition of performance, representing one year of benefits as a corporate officer, thus an estimated commitment of €720,000 (inclusive of social security contributions). For his term of office, Nicolas Théry also benefits from a supplementary pension plan, whose conditions are identical to those of BFCM employees, and whose contributions paid to the company over the entirety of this commitment amounted to €15,893 in 2018.

As of April 6, 2017, the board of directors of BFCM decided to award termination benefits to the chief executive officer, Daniel Baal, paid on condition of performance, representing one year of benefits as a corporate officer, thus an estimated commitment of €1,100,000 (inclusive of social security contributions).

For his term of office, Baal also benefits from a supplementary pension plan, whose conditions are identical to those of BFCM employees, and whose contributions paid to the company over the entirety of this commitment amounted to €15,893 in 2018.

NOTE 40 Events after the reporting period and other information

The consolidated financial statements of Crédit Mutuel Alliance Fédérale, closed as of December 31, 2018, were approved by the board of directors as of February 20, 2019.

NOTE 41 Risk exposure

The information on risk exposure as required by IFRS 7 is given in Section 4: Risks in the management report.

NOTE 42 Statutory auditors' fees

	12/31/2018			
	ERNST & YOUNG et Autres		PricewaterhouseCoopers France	
	Amount in € millions exclusive of tax	%	Amount in € millions exclusive of tax	%
CERTIFICATION OF FINANCIAL STATEMENTS				
■ Parent entity	0.241	6%	0.086	2%
■ Subsidiaries included by way of full consolidation	3.061	70%	2.746	61%
SERVICES OTHER THAN CERTIFICATION OF FINANCIAL STATEMENTS				
■ Parent entity	0.005	0%	-	0%
■ Subsidiaries included by way of full consolidation	1.041	24%	1.686	37%
TOTAL	**4.348**	**100%**	**4.518**	**100%**
Of which fees paid to the statutory auditors in France for certification of the financial statements	1.630		2.165	
Of which fees paid to the statutory auditors in France for services other than certification of the financial statements	0.620		0.372	

	12/31/2017			
	ERNST & YOUNG et Autres		PricewaterhouseCoopers France	
	Amount in € millions exclusive of tax	%	Amount in € millions exclusive of tax	%
CERTIFICATION OF FINANCIAL STATEMENTS				
■ Parent entity	0.182	4%	0.124	2%
■ Subsidiaries included by way of full consolidation	3.692	90%	3.034	53%
NON-AUDIT SERVICES*				
■ Parent entity	0.005	0%	-	0%
■ Subsidiaries included by way of full consolidation	0.225	5%	2.601	45%
TOTAL	**4.104**	**100%**	**5.759**	**100%**
Of which fees paid to the statutory auditors in France for certification of the financial statements	1.859		2.359	
Of which fees paid to the statutory auditors in France for services other than certification of the financial statements	0.195		0.413	

* *In 2017, services other than certification of financial statements specifically include comfort letters in connection with market transactions as well as the reports and certificates required for regulatory purposes.*

3.5 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

PricewaterhouseCoopers France

63, rue de Villiers
92208 Neuilly-sur-Seine Cedex, France
French limited liability company (SARL) with capital of €86,000
Statutory auditors
Member of the Regional Company of statutory auditors of Versailles

ERNST & YOUNG et Autres

1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1, France
Simplified joint-stock company (SAS) with variable capital
Statutory auditors
Member of the Regional Company of statutory auditors of Versailles

Fiscal year ended December 31, 2018

Statutory auditors' report on the consolidated financial statements

The Shareholders' meeting,

Opinion

In performance of the mission entrusted to us by your shareholders' meeting, we have audited the consolidated financial statements of Crédit Mutuel Alliance Fédérale for the year ended December 31, 2018, as appended to this report.

We certify that in accordance with the IFRS as adopted in the European Union, the consolidated financial statements are accurate and sincere, and give a true and fair view of the results of transactions over the past fiscal year as well as the financial position and assets at the end of the fiscal year of the group composed of the persons and entities included within the scope of consolidation.

Basis of opinion

Audit basis

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

The responsibilities falling to us pursuant to these standards are set out in the "statutory auditors' responsibilities relating to the audit of the Consolidated Financial Statements" section of this report.

Independence

We have performed our audit mission in accordance with the applicable independence rules, from January 1, 2018 until the date of our report, and in particular we have not provided any services that are forbidden by the code of conduct for the statutory auditors' profession.

Observation

Though we do not call into question the opinion expressed above, your attention is drawn to the change of accounting method relating to the application of the new IFRS 9 – Financial Instruments, as well as the change of method relating to the presentation of interest income and expenses on financial instruments at fair value through profit or loss set out in note 1 "Accounting policies and principles" of the consolidated financial statements, and in the other Notes that give figures related to these changes in accounting method.

Justification of the assessments

Under the provisions of Articles L.8239 and R.8237 of the French Commercial Code relating to the justification of our assessments, your attention is drawn to the following assessments which, in our professional judgment, have been the most significant in the audit of the consolidated financial statements for the fiscal year.

The assessments made in this way fall within the scope of the audit of the consolidated financial statements taken as a whole and the formation of our opinion as expressed above. We do not express any opinion on any items of said consolidated financial statements taken on their own.

- As mentioned above, the notes to the financial statements set out the change of accounting method relating to the application of the new IFRS 9 – Financial Instruments, as well as the change of method relating to the presentation of interest income and expenses on financial instruments at fair value through profit or loss. As part of our assessment of the accounting principles followed by Crédit Mutuel Alliance Fédérale, we have checked the validity of these changes and the presentation pertaining thereto.
- Crédit Mutuel Alliance Fédérale uses internal models and methodologies to value financial instruments that are not traded on active markets, as well as to establish a number of provisions, as set out in note 1.3 of the Notes to the Consolidated Financial Statements. We have examined the control mechanism for these models and methodologies, the parameters used and the inventory of the financial instruments to which they apply.
- Crédit Mutuel Alliance Fédérale recognizes technical provisions on borrower insurance policies and reserves for tangible auto claims set out in note 1.3.2.3 of the Notes to the Consolidated Financial Statements. We assessed the relevance of the work performed by the statutory auditors of the ACMs on the methodologies chosen, the calculation assumptions and the actuarial formulas used.
- Crédit Mutuel Alliance Fédérale has performed impairment tests on the value of goodwill, which has led, where appropriate, to the recognition of impairments (notes 1.2 and 20 of the Notes to the Consolidated Financial Statements). We examined the procedures used to conduct these tests, the main assumptions and parameters used, and the resulting estimates.
- Crédit Mutuel Alliance Fédérale recognizes impairment to cover expected credit losses on performing loans, non-downgraded performing loans and non-performing receivables (notes 1.3 and 11 of the Notes to the Consolidated Financial Statements). We reviewed the control mechanism pertaining to the monitoring of credit risks, impairment methodologies, and the hedging of impairment losses by way of impairments and provisions.

Specific verifications

In accordance with the professional standards applicable in France, we have also performed the specific verifications required by the legal and regulatory texts as regards information concerning the group, given in the management report by the board of directors.

We have no comment to make as to their accuracy or consistency with the consolidated financial statements.

Responsibilities of management and the corporate governance officers relating to the consolidated financial statements

It is management's responsibility to prepare consolidated financial statements that give a true and fair view in line with IFRS as adopted in the European Union, as well as to implement the internal control mechanisms it deems necessary to prepare consolidated financial statements that contain no material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, to present in these financial statements the required information relating to continuity of operations where appropriate, and to apply the going concern accounting policy unless the company's liquidation or withdrawal from trading are scheduled.

The consolidated financial statements have been approved by the board of directors.

Statutory auditors' Responsibilities relating to the Audit of the Consolidated Financial Statements

It is our responsibility to draft a report on the consolidated financial statements. Our aim is to obtain reasonable assurance that the consolidated financial statements taken as a whole do not contain any material misstatements. Reasonable assurance does mean a high level of assurance, but it does not guarantee that an audit performed in accordance with professional standards will routinely detect all material misstatements. Misstatements may arise due to fraud or error and are considered material where it can reasonably be expected that taken individually or as a whole, they may influence the economic decisions that users of financial statements make based on said documents.

As stated in Article L.823101 of the French Commercial Code, our audit mission is not intended to guarantee the viability or the quality of the management of your company.

In the context of an audit conducted in line with the professional standards applicable in France, the statutory auditors exercise their professional judgment throughout this audit. In addition:

- they identify and assess the risks that the consolidated financial statements may contain material misstatements, whether due to fraud or error, and they set out and perform audit procedures for such risks, collecting information that they deem sufficient and appropriate on which to base their opinion. The risk of detection of a material misstatement from fraud is greater than that of a material misstatement from an error, as fraud may involve collusion, forgery, voluntary omissions, misrepresentation or the bypassing of internal control;
- they become familiar with the relevant internal control for the audit to define audit procedures that fit the circumstances, rather than to express an opinion on the effectiveness of the said internal control;
- they assess the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the information concerning management given in the consolidated financial statements;
- they assess the appropriateness of management's application of the going concern accounting policy and, according to the evidence gathered, the existence or otherwise of material uncertainty relating to events or circumstances likely to jeopardize the company's ability to continue as a going concern. This assessment is based on information collected up to the date of their report, although it is made clear that subsequent circumstances or events may jeopardize viability as a going concern. If they conclude that material uncertainty exists, they draw the attention of the readers of their report to the information given in the consolidated financial statements as regards this uncertainty or, if this information is not provided or not relevant, they issue a certification with reserves or a refusal to certify;
- they assess the overall presentation of the consolidated financial statements and assess whether or not the consolidated financial statements reflect the underlying transactions and events to provide a true and fair view thereof;
- regarding the financial information of the persons or entities included within the scope of consolidation, they gather items deemed sufficient and appropriate to express an opinion on the consolidated financial statements. They are responsible for the management, supervision and completion of the audit of the consolidated financial statements and the opinion expressed in relation thereto.

Neuilly-sur-Seine and Paris-La Défense, April 10, 2019
The statutory auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Lévi	Hassan Baaj

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to address technological
and human challenges

4

INFORMATION ON THE BASEL ARRANGEMENTS PILLAR 3*

* *As transposed into European regulations.*

INTRODUCTION

The purpose of the Crédit Mutuel Alliance Fédéral's Pillar 3 report is to supply information supplementary to the minimum regulatory requirements concerning shareholders' equity and risks called for in Basel agreement pillars 1 and 2, in the form of additional data concerning shareholders' equity and risks. These supplements primarily serve to meet the guidelines on reporting requirements found in part 8 of EU Regulation 575/2013 on capital requirements and the guidelines of the European Banking Authority on reporting liquidity coverage ratios (LCR).

Since the 2008 crisis, the Basel Committee, the bulk of whose directives have been transposed into European law, the regulatory authority and the European supervisor have sought to make banks stronger and more able to absorb economic shocks, notably by a stricter definition of shareholders' equity, more homogeneous rules for calculating weighted assets, and the introduction of a leverage ratio, a short-term liquidity coverage ratio (LCR) and a long-term one (NSFR or Net Stable Funding Ratio), a Single Supervisory Mechanism and a Single Resolution Mechanism.

Crédit Mutuel Alliance Fédérale has incorporated all of the regulatory changes and, from a solvency level already high before the crisis, continued to add to its shareholders' equity and its risk measurement and oversight system, as evidenced by the items cited in this section on Pillar 3.

The figures that have been checked for accuracy and consistency as required by Article L.823-10 of the French Commercial Code are marked with the letter "v" for "verified."

GLOSSARY

AMA Advanced Method Approach Optional approach requiring individual authorization by the regulator. The institution's request must be submitted as a formal application for authorization. In the absence of authorization to use the advanced approach, regulated institutions apply the standardized or even basic indicator approach. The latter may therefore be considered the standard procedure applicable by default.

CCF Credit Conversion Factor This is the ratio between (i) the unused amount of a commitment that could be drawn and at risk at the time of a default and (ii) the amount of the commitment not yet used. Under the standardized approach, the regulator determines this factor. Under the internal ratings-based (IRB) approach, the CCF is calculated by the bank based on a review of its own customers' behavior.

CCR Credit and counterparty risk Risk of loss due to the default of a customer or counterparty. RWAs and capital requirements concerning the Credit and Counterparty Risk include the amounts related to the hedging of CVAs inherent to over-the-counter derivatives other than credit derivatives recognized as reducing RWAs for credit risk, as well as RWAs and capital requirements pertaining to contributions to the default fund of a central counterparty.

CR Capital Requirement Its amount is obtained by applying a rate of 8% to the weighted risks (or RWAs).

CRM Credit Risk Mitigation Mitigation or credit risk by taking into account real collateral, personal collateral and credit derivatives, or clearing or novation mechanisms.

CVA Credit Valuation Adjustment accounting adjustment, introduced by IAS 39, to the fair value measurement of OTC derivatives (interest-rate swaps whether or not they are collateralized, etc.). The adjustment involves incorporating a discount equal to the market value of the counterparty default risk into the valuation of products. Technically, this means measuring the difference between the risk-free value of an OTC trading book in the absence of default risk and its value taking into account potential counterparty default. The CVA is reflected in the accounts with a provision to protect against statistically expected losses. Over time, these provisions change along with the exposures (new contracts, expired contracts) and the credit quality of the counterparties. In terms of regulations, CRD IV introduced a capital requirement for the CVA in January 2014. This requirement is intended to cover unexpected losses resulting from significant changes in the CVA related to sharp and rapid deteriorations in the credit quality of the counterparties (significant increases in credit spreads). These scenarios are not absorbed in the calculation of the above-referenced CVA provision.

DVA Debt Valuation Adjustment Accounting adjustment in the form of a provision, introduced in January 2013 by IFRS 13, for the fair value measurement of OTC derivatives. It matches the CVA provision in that it is an adjustment which aims to reflect the bank's own credit risk that it inflicts on its counterparty. The amount of the DVA, an adjustment to one of the bank's financial liabilities, corresponds overall to the CVA recognized as an asset by the counterparty with which the derivative contract has been made. The methods for calculating the DVA provision mirror those used to determine the CVA provision and therefore depend on the bank's own credit factors, i.e., its probability of default, market spread, recovery rate in the event of default, etc. Unlike the CVA, the risk reflected by the DVA is not subject to capital requirements.

EAD Exposure At Default Likely amount of exposure at risk at the time of default. This concerns the institution's on and off-balance sheet exposures in the event of counterparty default. Off-balance sheet exposures are converted to a balance sheet equivalent using internal or regulatory conversion factors.

EL Expected Loss Loss expected in the event of default. It is determined by multiplying exposure at default (EAD) by probability of default (PD) and by loss given default (LGD).

LGD Loss Given Default Loss in the event of default, expressed as a percentage of EAD: the ratio of the realized loss to the exposure in the event of default by a counterparty plus the amount of the exposure at the time of default.

LGD* A specific LGD for non-retail exposures using an in-house rating method. The value of the exposure is not directly altered by financial collateral. However, the value of the loss given default (LGD*) is altered using the formula LDG* = LGD*(E*/E). The value of the totally adjusted exposure (E*) is the value of the exposure not covered by the collateral measured at market value.

PD Probability of Default expressed as a % over a one-year horizon and calculated by the bank based on its observation of default rates over a long-term period. PD is calculated by type of borrower and type of loan.

RWA Risk Weighted Assets EAD x risk weight x LGD. Under the standard method the risk weight is set by regulation. Under the in-house rating method (IRB) it depends on the likelihood of default and expresses unexpected losses: RWA = EAD x f(PD) x LGD* 12.5 where f(PD) expresses loss distribution as a standard curve with a given confidence interval. (The PD is calculated by the bank, but the loss distribution formula and the confidence interval are set by regulation.) It is these unexpected losses that must be covered by shareholders' equity equal to 8% of the RWA.

4

KEY FIGURES

Solvency

Solvency ratio

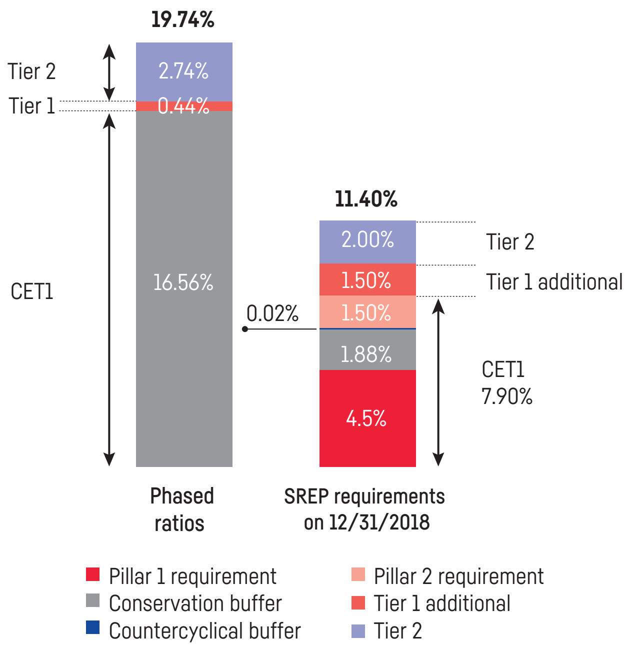
Table 1: Solvency ratios

	Phased ratios[1]		Non-phased ratios[2]	
(in € millions)	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Common Equity Tier 1 capital (CET1)	35,438	32,611	35,474	32,647
Additional Tier 1 capital (AT1)	953	1,146	87	77
Tier 2 capital (T2)	5,856	6,539	6,685	6,831
TOTAL SHAREHOLDERS' EQUITY	**42,247**	**40,296**	**42,246**	**39,555**
TOTAL RISK-WEIGHTED ASSETS	**214,048**	**198,374**	**214,048**	**198,374**
Common Equity T1 (CET1) ratio	16.6%	16.4%	16.6%	16.5%
Tier 1 (T1) ratio	17.0%	17.0%	16.6%	16.5%
Overall ratio	19.7%	20.3%	19.7%	19.9%

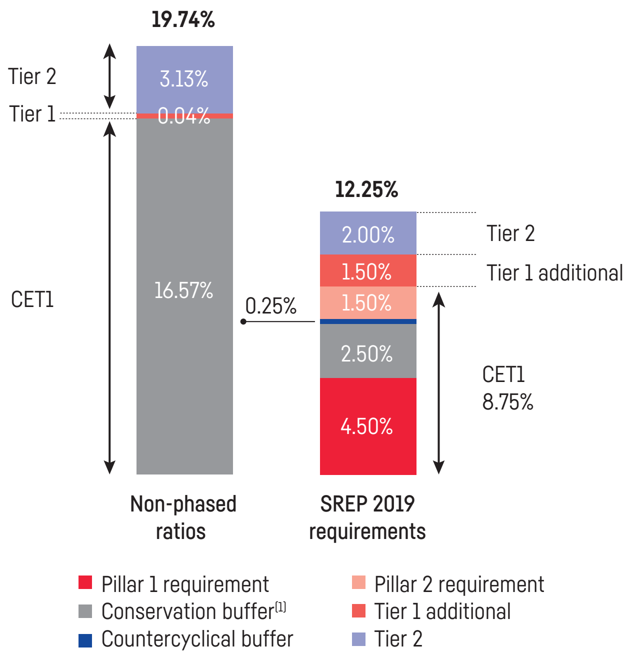
(1) Applying transitional measures.
(2) Without transitional measures.

Table 2: Regulatory requirements and solvency ratios

PHASED RATIOS AND SREP 12/31/2018 REQUIREMENTS



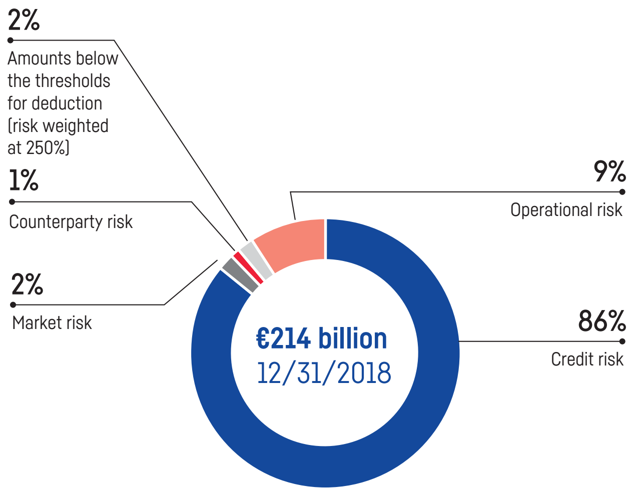
NON-PHASED RATIOS AND 2019 REQUIREMENTS



(1) estimate based on a counter-cyclical buffer of 0.25% applicable on exposure in France from July 2019.

Table 3: Risk-weighted assets (RWA) by type of risk

(in € millions)	12/31/2018	12/31/2017
Credit risk	183,290	172,285
Operational risk	19,620	17,551
Market risk	3,182	2,326
Counterparty risk	2,422	2,572
Securitization exposure in the banking book	822	681
Settlement risk	1	6
Amounts below the thresholds for deduction (subject to 250% risk weight)	4,711	2,952
TOTAL RWA	**214,048**	**198,374**



Credit risk

Table 4: Exposure at default (EAD) by category

(in € millions)	12/31/2018	12/31/2017
Retail clients	270,915	256,760
Corporate	124,418	112,939
Central Governments and similar, and central banks	104,484	102,960
Institutions (banks)	29,999	32,729
Shares	13,784	12,885
Other assets	5,971	5,507
TOTAL EAD	**549,571**	**523,780**

Excluding counterparty credit risk and securitization exposure in the banking book.

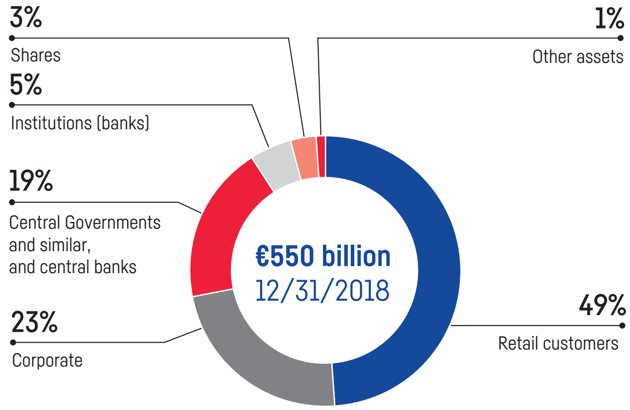
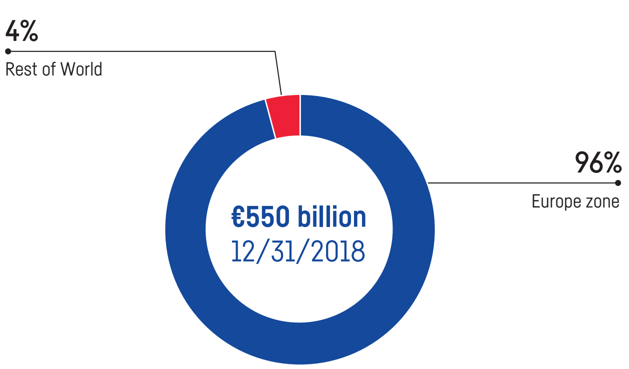


Table 5: Exposure at default (EAD) by geographic area

(in € millions)	12/31/2018	12/31/2017
Europe zone	**526,296**	**504,962**
France	455,788	439,693
Germany	28,199	26,951
Other countries	42,309	38,318
Rest of World	**23,275**	**18,818**
United States	9,514	7,190
Other countries	13,761	11,629
TOTAL EAD	**549,571**	**523,780**

Excluding counterparty credit risk and securitization exposure in the banking book.

EAD BY GEOGRAPHIC AREA



EAD BY GEOGRAPHIC AREA – EUROPE

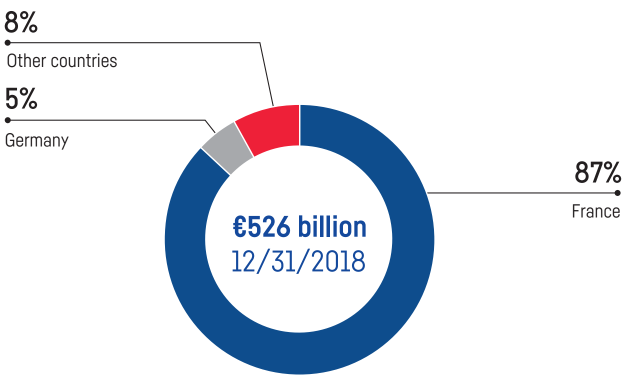


Table 6: Weighted credit risk (RWA) by category

(in € millions)	12/31/2018	12/31/2017
Corporate	76,395	69,317
Retail clients	53,998	52,434
Shares	44,146	41,821
Institutions (banks)	5,424	4,944
Central Governments and similar, and central banks	2,470	1,546
Other assets	5,568	5,175
TOTAL RWA	**188,001**	**175,237**

Excluding counterparty credit risk and securitization exposure in the banking book.

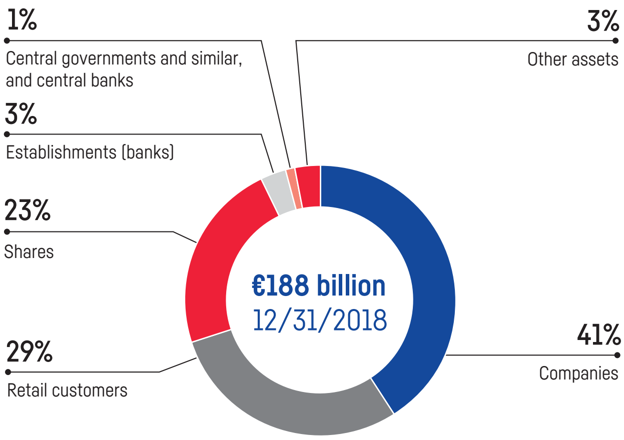
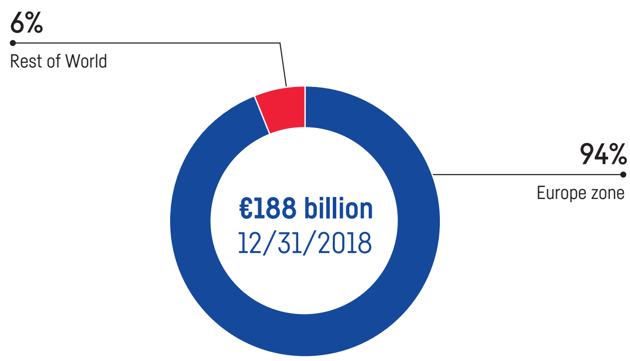


Table 7: Weighted credit risk (RWA) by geographic area

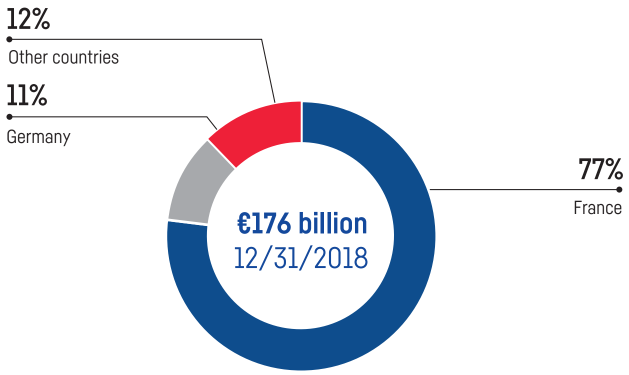
(in € millions)	12/31/2018	12/31/2017
Europe zone	**175,944**	**165,034**
France	135,769	130,608
Germany	18,648	17,386
Other countries	21,527	17,039
Rest of World	**12,057**	**10,203**
United States	4,477	3,405
Other countries	7,580	6,798
TOTAL RWA	**188,001**	**175,237**

Excluding counterparty credit risk and securitization exposure in the banking book.

RWA BY GEOGRAPHIC AREA



RWA BY GEOGRAPHIC AREA – EUROPE



Leverage ratio

Table 8: Leverage ratio

PHASED LEVERAGE RATIO[1]

(in € millions)	12/31/2018 Exempting savings centralized in the CDC	12/31/2018 Not exempting savings centralized in the CDC	12/31/2017
Tier 1 capital	36,391	36,391	33,757
TOTAL LEVERAGE EXPOSURE (TOTAL EXPOSURE MEASURE)[2]	**571,778**	**592,169**	**554,626**
Leverage ratio	6.4%	6.1%	6.1%

(1) Applying transitional measures.
(2) Starting January 1, 2019 the group is allowed to deduct from its leverage exposure the centralized savings in the Caisse des Dépôts et Consignations.

NON-PHASED LEVERAGE RATIO[1]

(in € millions)	12/31/2018 Exempting savings centralized in the CDC	12/31/2018 Not exempting savings centralized in the CDC	12/31/2017
Tier 1 capital	35,561	35,561	32,724
TOTAL LEVERAGE EXPOSURE (TOTAL EXPOSURE MEASURE)[2]	**571,778**	**592,169**	**554,626**
Leverage ratio	6.2%	6.0%	5.9%

(1) Without transitional measures.
(2) Starting January 1, 2019 the group is allowed to deduct from its leverage exposure the centralized savings in the Caisse des Dépôts et Consignations.

Liquidity

Table 9: Liquidity Coverage Ratios (LCR)

ANNUAL LCR (END OF MONTH)

(in € millions)	12/31/2018	12/31/2017
Liquidity buffer (after weightings)	**74,758**	**76,406**
o/w Central Bank exposures and collections	53,118	53,606
o/w other HQLA[1]	21,641	22,800
Liquidity Coverage Ratio (LCR)	125.8%	130.9%

(1) High Quality Liquid Assets.

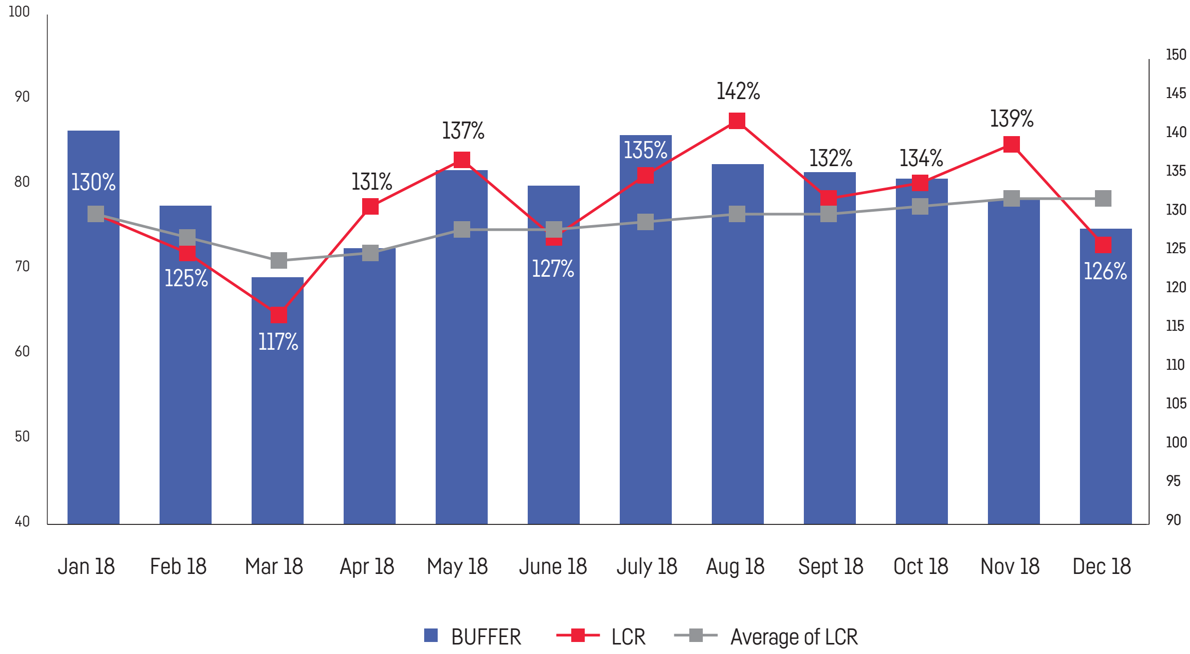
QUARTERLY LCR (AVERAGE)

(in € millions) (average)[1]	03/31/2018	06/30/2018	09/30/2018	12/31/2018
Average liquidity buffer (after weightings)	**80,047**	**79,061**	**80,128**	**79,170**
o/w Central Bank exposures and collections	58,749	58,232	59,488	58,756
o/w other HQLA	21,298	20,829	20,640	20,414
Average Liquidity Coverage Ratio (LCR)	129.8%	129.6%	131.4%	131.2%

(1) Number of data points used to calculate averages: 12.

4

LCR (%) AND BUFFER (€ BILLIONS) IN 2018



4.1 RISK MANAGEMENT (EU OVA)

Part 3.3 Crédit Mutuel Alliance Fédérale's Risk Management of section 3 describes the risks to which the Group is exposed and provides the list of major risks that might have a significant unfavorable effect on our business.

4.1.1 Risk profile of the institution

Crédit Mutuel Alliance Fédérale is a cooperative bank, not listed for trading and owned wholly by its members. It is not on the list of Global Systemically Important Financial Institutions (G-SIFIs)[1]. As of December 31, 2018 Only the Crédit Mutuel group is listed by the ACPR[2] among the other systemically important institutions (O-SII), in accordance with Article L.511-41-1 A of the French Monetary and Financial Code.

The group's strategy is based on long-term values which promote controlled, sustainable and profitable growth. Retail banking is its core business, as demonstrated by the share of credit risk in its total capital requirements and the predominance of the retail book in its total exposures. The CIC group operates predominantly in France and in neighboring European countries (Germany, Belgium, Luxembourg, Switzerland and Spain).

True to its cooperative model, Crédit Mutuel Alliance Fédérale strives to maintain and strengthen the financial strength from which its derives its soundness and durability. Regular allocations to reserves shore up its financial health. Its Common Equity Tier 1 (CET1) solvency ratio of 16.6%, applying transitional measures, positions it among the safest of European banks.

The group's approach to risk management is designed around its risk profile, its strategy and the appropriate risk management systems.

4.1.2 Risk appetite

Crédit Mutuel Alliance Fédérale's risk appetite framework evolved from the group's desire to have a general framework setting out its core principles with regard to risk. These result from its cooperative character and its choice of retail bank insurance.

In summary, the aim of the CIC group's risk tolerance policy is to:

- give Executive Management and the board of directors an acceptable level of confidence and comfort as regards the understanding and management of the full range of risks in line with the achievement of the group's objectives;
- be implemented at all levels within the group so as to provide a comprehensive view and enable best practice to be harmonized;
- identify the potential events likely to affect the group and its risk management.

The policy as to risk tolerance establishes a coherent framework in which the group's various businesses can develop in accordance with the values of Crédit Mutuel. It is intended to promote a strong and proactive culture regarding risk management. It is based on a medium-and long-term view and incorporated into our decision-making processes.

The group audit, compliance and risk management department monitors and oversees how the risk tolerance principles are applied.

The risk tolerance policy is taken into account when setting the strategic, financial and marketing objectives to benefit our members and customers.

The risk tolerance policy follows from the strategic guidelines set by Executive Management and the board of directors. It enables the group to:

- conduct business activities for which it has satisfied itself that the risks are adequately understood, controlled and managed;
- aim to achieve a level of profitability within a specified timescale which would not be detrimental to sound risk management;
- present the business lines' and entities' risk profiles with regard to earnings, capital consumption and financing requirements generated;
- identify risks in advance and manage them proactively, always adhering to the company's prudential profile.

Crédit Mutuel Alliance Fédérale has based its risk policy on three main foundations:

- ICAAP (Internal Capital Adequacy Assessment Process). At the conclusion of the risk analysis process, the capital level is deemed to be sufficient to cover the risk exposure. The ICAAP report, prepared in accordance with the Confédération Nationale du Crédit Mutuel (CNCM) methodology, and the economic capital projections and capital adequacy ratio over a three-year horizon, are updated annually and presented to the group risk committee and the group risk monitoring committee;
- ILAAP (Internal Liquidity Adequacy Assessment Process). the Crédit Mutuel Alliance Fédérale's liquidity risk tolerance policy is extremely cautious, with the aim of guaranteeing the funding of its activities over the long term; it is monitored by the control committees and the

(1) Indicators based on QIS for identifying these are published on the group's institutional website in the document titled "Systemic Indicators."
(2) The list of A-EIS is published on the ACPR website.

operational committees. To identify, measure and manage liquidity risk while meeting the needs of the entities and business lines, the group's asset-liability management (ALM) and treasury staff have established management indicators together with warning limits and alert thresholds; the reliability of operating procedures is checked on a regular basis using regulatory and internal stress scenarios;

- a comprehensive limits process. Several limits systems cover the majority of activities and risks, i.e., limits on credit risk (unit concentration limits, sector limits, country, sovereign and geographical limits, limits specific to each special-area loan committee, and as regards the network, uncentralized limits in each regional group), limits on interest rate, liquidity and ALM risks, limits on capital markets (specific limits by business line and set of rules, and exhaustive risk indicators and warning levels).

4.1.3 Management of risks

The management of risks is described in Part 3.3 Crédit Mutuel Alliance Fédérale's Risk Management of section 3.

4.1.1 Structure and organization of the risk management function

The structure and organization of the risk management function is described in Part 3.3 Crédit Mutuel Alliance Fédérale's Risk Management of section 3.

4.1.5 Risk management policy

The risk management policy is described in Part 3.3 Crédit Mutuel Alliance Fédérale's Risk Management of section 3.

4.2 SCOPE OF THE REGULATORY FRAMEWORK

Pursuant to EU Regulation 575/2013 of the European Parliament and the European Council relative to capital requirements applicable to credit institutions and investment firms (known as CRR), the accounting and regulatory entities are the same but how they are consolidated is not.

With respect to Crédit Mutuel Alliance Fédérale, the consolidation method differs primarily for entities in the insurance sector, publishing operations and special purpose entities. These are consolidated by the equity method, regardless of the percentage of control.

The differences between the accounting and regulatory consolidations of Crédit Mutuel Alliance Fédérale as at December 31, 2018 are given in the tables below.

Table 10: Differences between accounting and regulatory consolidations and a matching of items in the financial statements to the regulatory risk categories (EU LI1)

			Carrying amounts of items				
(in € millions)	Carrying amounts as per the published financial statements	Carrying amount as per the regulatory consolidation	subject to the credit risk framework	subject to the counterparty risk framework[1]	subject to provisions relating to securitization	subject to the market risk framework[1]	not subject to capital requirements or subject to deduction from equity
Assets							
Cash, central banks – Asset	56,696	56,696	56,696	-	-	-	-
Financial assets at fair value through P&L	18,608	18,818	4,809	3,554	-	14,009	-
Hedging derivatives Assets	2,640	2,640	-	2,640	-	-	-
Financial assets at fair value through equity	27,164	27,190	20,457	-	6,733	-	-
Securities at amortized cost	2,990	7,990	7,990	-	-	-	-
Loans and receivables with credit institutions and similar, at amortized cost	44,168	43,748	31,832	11,746	-	-	171
Loans and receivables to customers at amortized cost	370,886	373,436	362,308	11,128	-	-	-
Reval adjust on rate-hedged books	1,169	1,169	1,169	-	-	-	-
Investments of insurance business line and reinsurers' share of technical provisions	122,004	-0	-0	-	-	-	-
Current tax assets	1,852	1,570	1,570	-	-	-	-
Deferred tax assets	1,473	925	923	-	-	-	2
Accruals and misc. assets	9,100	8,897	8,897	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-
Deferred profit-sharing	-	-	-	-	-	-	-
Holdings in associates	719	9,166	8,919	-	-	-	247
Investment property	86	86	86	-	-	-	-
Property, plant and equipment and finance leases	2,973	2,703	2,703	-	-	-	-
Intangible assets	719	585	-0	-	-	-	585
goodwill	4,118	3,927	-	-	-	-	3,927
TOTAL ASSETS	**667,364**	**559,545**	**508,358**	**29,067**	**6,733**	**14,009**	**4,931**

(1) Financial assets may contain counterparty and market risks.

(in € millions)	Carrying amounts as per the published financial statements	Carrying amount as per the regulatory consolidation	Carrying amounts of items				
			subject to the credit risk framework	subject to the counterparty risk framework[1]	subject to provisions relating to securitization	subject to the market risk framework[1]	not subject to capital requirements or subject to deduction from equity
Liabilities							
Central banks – Liabilities	350	350	-	-	-	-	350
Financial liabilities at fair value through P&L	4,392	4,632	-	3,400	-	4,632	0
Hedging derivatives Liabilities	2,350	2,350	-	2,350	-	-	-
Due to credit institutions	53,635	53,724	-	18,973	-	-	34,751
Due to customers	304,319	309,843	-	2,033	-	-	307,810
Debt securities	119,680	125,684	-	-	-	-	125,684
Reval adjust on rate-hedged books	19	19	-	-	-	-	19
Current tax liabilities	648	534	-	-	-	-	534
Deferred tax liabilities	1,031	466	465	-	-	-	1
Accruals and misc. liabilities	11,289	10,673	-	2,503	-	-	8,171
Liabilities on assets held for sale	-	-	-	-	-	-	-
Technical provisions	108,752	-0	-	-	-	-	-0
Liabilities to cred inst. – JV	6,008	-	-	-	-	-	-
Debt securities – JV	-	-	-	-	-	-	-
Trading derivatives	-1	-	-	-	-	-	-
Liabilities to cred. inst.	167	-	-	-	-	-	-
Hedging derivatives – Liabilities	-	-	-	-	-	-	-
Other liabilities	339	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Subordinated debt issued by insurance cos.	300	-	-	-	-	-	-
Provisions	3,266	2,467	-	-	-	-	2,467
Subordinated debt issued by bank	7,224	7,308	-	-	-	-	7,308
Total shareholders' equity	43,595	41,494	-	-	-	-	41,494
Shareholders' equity – attributable to the group	40,289	40,289	-	-	-	-	40,289
Share capital and related pay-ins	6,167	6,167	-	-	-	-	6,167
Consolidated reserves – group	30,926	30,925	-	-	-	-	30,925
Unrealized gains and (losses) recognized directly in equity – group	502	502	-	-	-	-	502
Net income – group	2,695	2,695	-	-	-	-	2,695
Shareholders' equity – non-controlling interests	3,306	1,205	-	-	-	-	1,205
TOTAL LIABILITIES	**667,364**	**559,545**	**465**	**29,259**	**-**	**4,632**	**528,590**

(1) Financial assets may contain counterparty and market risks.

Table 11: Main sources of differences between carrying and regulatory amounts of exposures (EU LI2)

	(in € millions)	Total items involved	Items subject to credit risk framework	counterparty risk framework[1]	securitization provision	market risk framework
1	**Carrying amount of assets in the regulatory consolidation (per Table LI1)**	**558,168**	**508,358**	**29,067**	**6,733**	**14,009**
2	**Carrying amount of liabilities & equity in the regulatory consolidation (per Table LI1)**	**34,356**	**465**	**29,259**	**-**	**4,632**
3	**TOTAL PER THE REGULATORY CONSOLIDATION**	**523,812**	**507,893**	**-191**	**6,733**	**9,378**
4	**Off-balance-sheet commitments**	**119,961**	**119,698**		**263**	
	OBO valuation diff.	**-81,433**	**-81,433**		**-**	
5	Valuation diff.	3,071		3,071		
6	Diff. due to differing rules for offsetting other than those already in line 2[2]	9,012		10,980		-1,968
7	Diff. from the inclusion of provisions	4,748	4,748		-	
8	Diff. due to prudential filters	-	-			
9	Other	-1,335	-1,335		-	
10	**Regulatory amount of exposures**	**577,836**	**549,571**	**13,859**	**6,996**	**7,410**

(1) The data presented equal the net value of assets and liabilities of derivatives and pensions.

(2) Net credit balances after offsets are excluded from counterparty risk.

Table 12: Description of difference between the consolidation scopes (EU LI3)

Name of the entity/combination	Method of accounting consolidation	Regulatory method: Full consolidation	Proportional consolidation	Neither consolidated nor deducted[1]	Deducted	Description of the entity
Groupe des Assurances du Crédit Mutuel[2]	**Full consolidation[3]**			**X**		**Insurance companies**
Publishing[2]	**Full consolidation[4]**			**X**		**Other activities**
Banque du Groupe Casino	Equity method		X			Banking network subsidiaries
Bancas	Equity method		X			Banking network subsidiaries
FCT CM-CIC Home loans	Full consolidation			X		Banking network subsidiaries
Lyf SA (ex Fivory)	Equity method		X			Banking network subsidiaries
Euro Automatic Cash	Equity method		X			Logistics and holdings
EI Télécom	Full consolidation			X		Logistics and holdings
Euro Protection Surveillance	Full consolidation			X		Logistics and holdings
Lyf SAS (ex Fivory SAS)	Equity method		X			Logistics and holdings

(1) Refers to entities exempt from the deduction from equity or benefiting from the Danish Compromise These are included in the RWA as credit risk.

(2) Detail by entity appears in Appendix 1.

(3) Except ASTREE Assurances and Royale Marocaine d'Assurance, which are equity-accounted.

(4) Except Journal de la Haute Marne and Lumedia, which are equity-accounted.

Detail by entity of the description of the differences between consolidation scopes is presented in Appendix 1.

4.3 SHAREHOLDERS' EQUITY

4.3.1 Components of shareholders' equity

Since January 1, 2014, regulatory capital has been determined in accordance with section 1 of EU Regulation No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending EU Regulation No. 648/2012 (referred to as the "CRR"), supplemented by technical standards (delegated regulations and EU implementing regulations of the European Commission).

Capital is now the sum of:

- Tier 1 capital: consisting of Common Equity Tier 1 (CET1) capital net of deductions and Additional Tier 1 (AT1) capital net of deductions;
- and Tier 2 (T2) capital net of deductions.

The European regulations allow credit institutions a transitional period to achieve compliance with these requirements. Therefore, transitional provisions apply to certain components of capital.

Tier 1 capital

Common Equity Tier 1 (CET 1) capital consists of share capital instruments and the associated share premiums, reserves (including those relating to accumulated other comprehensive income) and retained earnings. Total flexibility of the payments is required and the instruments must be perpetual.

AT1 capital consists of perpetual debt instruments with no incentive or obligation to redeem (in particular step-ups in interest rates). AT1 instruments are subject to a loss absorption mechanism which is triggered when the CET1 ratio is below a minimum threshold of 5.125%. The instruments can be converted into shares or reduced in nominal value. Total payment flexibility is required, and coupon payments may be canceled at the issuer's discretion.

Common Equity Tier 1 capital is determined using the shareholders' equity carried on the group's accounting statements[1], calculated on the regulatory consolidation after applying "prudential filters" and a certain number of regulatory adjustments.

Beginning January 1, 2018, due to the end of the transitional clauses applied to unrealized gains arising from the equity-accounting of investments in associates (excluding shares used as cash flow hedges), those investments are no longer filtered and are now fully incorporated into common equity.

Conversely, unrealized gains and losses recognized for accounting purposes directly in equity due to a cash flow hedge and those relating to other financial instruments, including debt instruments, continue to be eliminated.

The other regulatory adjustments to CET1 mainly involve:

- anticipation of dividend distributions;
- deducting goodwill and other intangible assets;
- the negative difference between provisions and expected losses as well as expected losses on equities;
- value adjustments due to requirements for conservative valuation;
- deferred tax assets that rely on future profitability and do not arise from temporary differences net of related tax liabilities;
- gains or losses recorded by the institution on liabilities measured at fair value and that result from changes in the institution's credit standing;
- gains and losses at fair value on derivatives recognized as liabilities on the institution's statement of financial position and that result from changes in the institution's credit standing.

In addition, direct, indirect and synthetic holdings in CET1 instruments of financial sector entities are included in full in the threshold and are not therefore deducted from CET1.

Tier 2 capital

Tier 2 capital consists of subordinated debt instruments with a minimum maturity of 5 years. Incentives for early redemption are prohibited.

The amount of "eligible capital" is more limited. This concept is used to calculate large exposure thresholds and non-financial investments weighted at 1.250%. This is the sum of:

- Tier 1 capital; and
- Tier 2 capital, capped at 1/3 of Tier 1 capital.

(1) See Table 13 Reconciliation of the financial balance sheet, the regulatory balance sheet and shareholders' equity.

Table 13: Reconciliation of the financial balance sheet, the regulatory balance sheet and shareholders' equity.

(in € millions)	Accounting consolidation	Regulatory consolidation	Difference
Equity	**43,595**	**41,495**	
Shareholders' equity – attributable to the group – exc. OCI	**39,788**	**39,788**	
Subscribed capital and issue premiums	6,167	6,167	-
Consolidated reserves – group	30,926	30,926	-
Consolidated net income – group	2,695	2,695	-
Shareholders' equity – non-controlling interests – exc. OCI	**3,099**	**1,200**	**1,899**
Consolidated reserves – Non-controlling interests	2,801	1,074	1,727
Consolidated net income – Non-controlling interests	298	126	172
Unrealized gains or losses – Attributable to the group	**502**	**501**	**1**
O/w capital instruments	-23	-22	-1
o/w debt instruments	-21	-21	-
o/w cash flow hedges	3	3	-
Unrealized gains or losses – Non-controlling interests	**206**	**5**	**201**
Other balance sheet items			
Intangible assets (a)	719	585	134
Goodwill (Inc. In the value of equity-accounted investments)	4,191	4,174	17
Deferred taxes			
Assets	1,473	925	548
O/w DTA from tax loss	*2*	*2*	-
Liabilities	1,031	466	565
O/w DTL from intangible assets (b)	*52*	*52*	-
Subordinated debt	7,224	7,308	-84

	(in € millions)	CET1	AT1	T2
	Equity	**35,438**	**953**	**5,856**
①	**Shareholders' Equity**	**40,418**		
	Called-up capital paid in and issue premiums*	6,152		
	Prior year earnings not distributed	31,670		
	Profit or loss (attributable to the group)	2,695		
	(-) Share of interim profits or ineligible closing date profits	-99		
②	**Shareholders' equity – non-controlling interests**	**562**	**87**	**116**
	Eligible non-controlling interests*	562	87	116
③	**Unrealized gains or losses – Attributable to the group**	**-240**		**-**
	*O/w equity instruments**	*-21*		-
	*o/w debt instruments**	*-21*		
	o/w cash flow hedges	*3*		
	Other balance sheet items put into the calculation of equity capital	**-5,302**	**866**	**5,740**
④	(-) Gross amount of other intangible assets, Inc. DTL on intangible assets (a) – (b)	-533		
	(-) Goodwill on intangible assets	-4,174		
⑤	(-) DTA dependent on future profits and not arising from temporary differences net of related tax liabilities	-1		
⑥	Subordinated debt*		866	5,730
	Deductions and prudential filters *(details on following page)*	-594	-	11

Asterisks (*) indicate the existence of transitional clauses.

Differences from the regulatory balance sheet numbered below can be explained as follows:

① The difference reflects the treatment required by the notice of the General Secretariat of the ACPR concerning capital gains and losses on the books of companies accounted by the equity method (cf. Point 3);

② Non-controlling interests are subject to a special calculation under the CRR;

③ The difference reflects the treatment required by the notice of the General Secretariat of the ACPR concerning capital gains and losses on the books of companies accounted by the equity method (cf. Point 1);

④ Intangible assets deducted from equity includes the related deferred tax liabilities;

⑤ Deferred tax assets and liabilities are subject to special treatment under European regulations;

⑥ Subordinated debt held in shareholders' equity differs from the accounting statements due to items considered ineligible by the CRR and to the calculation of a regulatory discount over the past five years on dated debt.

(in € millions)	CET1	AT1	T2
Detail on deductions and prudential filters	**-594**	**-**	**11**
(-) Securitization positions that can, optionally, be weighted 1.250%	-171		
(-) Instruments of relevant entities in which the institution does not have a material investment*	-	-	-
(-) Instruments of relevant entities in which the institution has a material investment*	-	-	-
Excess deductions by level of capital	-	-	-
Using the IRB approach, the negative difference between provisions and expected losses	-349		
Using the IRB approach, the positive difference between provisions and expected losses			11
Credit risk adjustments – Standard approach			-
Prudential filter: Reserve for cash flow hedges	-3		
Prudential filter: Value adjustments due to requirements for conservative valuation	-68		
Prudential filter: Gains or losses in the JV resulting from own credit risk on derivative liability instruments	-3		
Other	-		-

The principal characteristics of equity instruments in the format of Appendix II to EU implementing regulation 1423/2013 of December 20, 2013 are presented in appendix 2.

Likewise, detailed information on shareholders' equity in the format of Appendix VI to EU implementing regulation 1423/2013 of December 20, 2013 are presented in appendix 3.

4.3.2 Capital requirements

Table 14: Overview of RWA (EU OV1)

(in € millions)		RWA (Risk Weighted Assets) 2018	RWA (Risk Weighted Assets) 2017	Minimum capital requirements 2018
	Credit risk (excl. counterparty risk – CCR)	**183,290**	**172,285**	**14,663**
Article 438(c)(d)	O/w standard approach	51,289	50,011	4,103
Article 438(c)(d)	O/w basic Internal ratings-based approach (IRB)	11,305	10,180	904
Article 438(c)(d)	O/w advanced Internal ratings-based approach	80,635	73,035	6,451
Article 438(d)	O/w shares using the internal ratings-based approach	40,061	39,059	3,205
Article 107, Article 438(c)(d)	**Counterparty risk**	**2,422**	**2,572**	**194**
Article 438(c)(d)	O/w market value	1,569	1,794	126
Article 438(c)(d)	O/w initial exposure	-	-	-
	O/w standard approach applied to Counterparty risk (SA – CCR)	-	-	-
	O/w internal models method (IMM)	-	-	-
Article 438(c)(d)	O/w amount of risk exposure for contributions To the default fund of an SPC	191	96	15
Article 438(c)(d)	O/w CVA	662	682	53
Article 438(e)	**Settlement risk**	**0**	**6**	**0**
Article 449(o)(i)	**Securitization exposure in the banking book**	**822**	**681**	**66**
	O/w internal ratings-based approach	761	630	61
	O/w supervisory formula method	-	-	-
	O/w internal valuation approach	-	-	-
	O/w standard approach (SA)	61	51	5
Article 438 (e)	**Market risk**	**3,182**	**2,326**	**255**
	O/w standard approach	3,182	2,326	255
	O/w approaches based on the internal models method	-	-	-
Article 438(e)	**Major exposures**	**-**	**-**	**-**
Article 438(f)	**Operational risk.**	**19,620**	**17,551**	**1,570**
	O/w base indicator approach	1,582	1,702	127
	O/w standard approach	720	2,779	58
	O/w advanced measurement approach	17,318	13,070	1,385
Article 437(2), Article 48 and Article 60	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**4,710**	**2,952**	**377**
Article 500	**Floor adjustment**	**-**	**-**	**-**
	TOTAL	**214,048**	**198,374**	**17,124**

4.4 PRUDENTIAL METRICS

4.4.1 Solvency ratio

The group's solvency ratios at December 31, 2018, after consolidation of net income after estimated dividend distribution, are presented in the following table.

Table 15: Solvency ratios

(in € millions)	12/31/2018	12/31/2017
Common Equity Tier 1 capital (CET1)	**35,438**	**32,611**
Capital	6,152	5,992
Eligible reserves before adjustments	34,624	33,064
Deductions from Common Equity Tier-1 capital	-5,338	-6,444
Additional Tier 1 capital (AT1)	**953**	**1,146**
Tier 2 capital (T2)	**5,856**	**6,539**
TOTAL SHAREHOLDERS' EQUITY	**42,247**	**40,296**
Risk-weighted assets for purposes of credit risk	190,583	177,809
Risk-weighted assets for purposes of market risk	3,845	3,014
Risk-weighted assets for purposes of operational risk	19,620	17,551
TOTAL RISK-WEIGHTED ASSETS	**214,048**	**198,374**
Solvency ratio		
Common Equity T1 (CET1) ratio	16.6%	16.4%
Tier 1 ratio	17.0%	17.0%
Overall ratio	19.7%	20.3%
For information: Ratios without transitional clauses		
Common Equity T1 (CET1) ratio	*16.6%*	*16.5%*
Tier 1 ratio	*16.6%*	*16.5%*
Overall ratio	*19.7%*	*19.9%*

Under the CRR[1], the total capital requirement is set at 8% of (Risk-Weighted Assets or RWA).

In addition to the minimum CET1 requirement, Crédit Mutuel Alliance Fédérale has since January 1, 2016 gradually become subject to extra capital requirements which take the form of:

- a capital conservation buffer, mandatory for all institutions, equal to 1.875% of weighted risks at December 31, 2018 and a targeted 2.5% of weighted risks (2019);
- a counter-cyclical capital buffer specific to each institution equal to 0.02% of weighted risks at December 31, 2018.

The countercyclical buffer, established in case of excessive credit growth (notably a deviation from the loans-to-NBI ratio), applies nationally when so decided by a designated authority and, because of reciprocity agreements, covers the exposures located in that country regardless of the nationality of the bank. In France the countercyclical buffer rate is set by the French Financial Stability Board (*Haut conseil de stabilité financière*). This rate is, in principle, in the range of 0% to 2.5% (and can be set above this percentage, in certain circumstances).

In 2018, the French Financial Stability Board set the rate applicable in France at 0%. It also recognized rates of 2% for Norway and 2% for Sweden. For 2018, the mandatory counter-cyclical capital buffer ratios recognized in the other European States is capped at 1.875%. Any ratios above that must be explicitly recognized by the French Financial Stability Board.

Crédit Mutuel Alliance Fédérale's specific counter-cyclical capital buffer ratio is calculated as the weighted average of counter-cyclical buffer ratios applied in the countries where the group's relevant credit exposures are located.

On July 23, 2019 the Stability Board decided to confirm July 1, 2019 as the effective date of the counter-cyclical capital buffer, at a ratio of 0.25% for exposures in France.

Crédit Mutuel Alliance Fédérale is not subject to the O--SII (Other Systemically Important Institutions) buffer, which applies solely at the nationally consolidated level.

(1) CRR: Part 3/heading1/chapter1/section1/Article92.

Table 16: Amount of counter-cyclical capital buffer specific to the institution

(in € millions)		12/2018	12/2017
010	Total risk-weighted assets	214,048	198,374
020	Counter-cyclical capital buffer specific to the institution	0.0202%	0.0059%
030	Required counter-cyclical capital buffer specific to the institution	43	12

Table 17: Geographical breakdown of relevant credit exposures for the calculation of the countercyclical capital buffer

12/2018

	General credit exposures		Trading book exposures		Securitization exposures		Capital requirements					
(in € millions)	Amount exposed to risk using standard approach	Amount exposed to risk using IR approach	Sum of long and short positions in the trading book	Value of trading book exposures using internal models	Amount exposed to risk using standard approach	Amount exposed to risk using IR approach	O/w general credit exposures	O/w trading book exposures	O/w securitization exposures	Total	Weighting of capital requirements	Counter-cyclical buffer ratio
United Kingdom	700	2,550				503	156		6	161	1.10%	1.00%
Hong-Kong	31	978				82	35		0	35	0.24%	1.88%
Sweden	99	842				0	18		0	18	0.12%	2.00%
Norway	21	374				6	7		0	7	0.05%	2.00%
Czech Republic	156	9				0	12		0	12	0.08%	1.00%
Slovakia	67	3				0	5		0	5	0.03%	1.25%
Lithuania	4	0				0	0		0	0	0.00%	0.50%
Iceland	1	0				0	0		0	0	0.00%	1.25%

12/2017

	General credit exposures		Trading book exposures		Securitization exposures		Capital requirements					
(in € millions)	Amount exposed to risk using standard approach	Amount exposed to risk using IR approach	Sum of long and short positions in the trading book	Value of trading book exposures using internal models	Amount exposed to risk using standard approach	Amount exposed to risk using IR approach	O/w general credit exposures	O/w trading book exposures	O/w securitization exposures	Total	Weighting of capital requirements	Counter-cyclical buffer ratio
Hong-Kong	14	907				0	29		0	29	0.21%	1.25%
Sweden	85	785				0	13		0	13	0.09%	2.00%
Norway	12	325				1	7		0	7	0.05%	1.50%
Czech Republic	160	7				0	12		0	12	0.08%	0.50%
Slovakia	65	1				0	5		0	5	0.03%	0.50%
Iceland	1	0				0	0		0	0	0.00%	1.25%

4.4.2 Large risks

Banks must measure and limit their exposures to a single recipient, customer or group of customers.

Article 395 of EU Regulation 575/2013 of June 26, 2013 states that net outstandings to a single recipient may not be greater than 25% of the bank's equity capital.

Article 392 of EU Regulation 575/2013 of June 26, 2013 states that gross outstandings to a single recipient greater than 10% of the bank's equity capital must be reported as a large risk.

Crédit Mutuel Alliance Fédérale does not have a large gross outstanding with a single recipient[1] Customer or customer group reaching the threshold of 10% of the bank's capital.

Table 18: Large risks

CORPORATE

Concentration of risks *(in € millions)*	**12/31/2018**	**12/31/2017**
COMMITMENTS IN EXCESS OF €300 MILLION		
Number of counterparty groups	55	47
Total commitments, o/w	34,882	30,006
Balance sheet total	14,273	12,110
Total off balance sheet	20,609	17,896
COMMITMENTS IN EXCESS OF €100 MILLION		
Number of counterparty groups	191	168
Total commitments, o/w	56,365	49,374
Balance sheet total	26,570	22,739
Total off-balance sheet	29,795	26,635

Source: "Large Risks" declaration across Crédit Mutuel Alliance Fédérale exc. Banque Casino.
Commitments: balance sheet +off balance sheet uses.
Public administrations, central banks and intra-group exposures are not co.nsidered to be single "customer" recipients.

BANKS

Concentration of risks *(in € millions)*	**12/31/2018**	**12/31/2017**
COMMITMENTS IN EXCESS OF €300 MILLION		
Number of counterparty groups	8	8
Total commitments, o/w	4,757	4,614
Balance sheet total	3,572	3,196
Total off balance sheet	1,185	1,418
COMMITMENTS IN EXCESS OF €100 MILLION		
Number of counterparty groups	26	25
Total commitments, o/w	7,517	7,389
Balance sheet total	5,709	5,418
Total off balance sheet	1,809	1,971

Source: "Large Risks" declaration across Crédit Mutuel Alliance Fédérale.
Commitments: balance sheet +off balance sheet uses.
Public administrations, central banks and intra-group exposures are not considered to be single "customer" recipients.

(1) Public administrations, central banks and intra-group exposures are not considered to be single "customer" recipients.

4.4.3 Supplementary supervision of financial conglomerates

Crédit Mutuel Alliance Fédérale is one of the financial conglomerates supervised by the ACPR General Secretariat.

The bank operates as a financial conglomerate because of the insurance group Groupe des Assurances du Crédit Mutuel (GACM), a subsidiary of Crédit Mutuel Alliance Fédérale.

This subsidiary market a broad line of life insurance, personal insurance, property insurance and liability insurance, the great majority of it through the banking networks of the Crédit Mutuel group.

As a dispensation from Articles 36 and 43 of CRR and in accordance with Article 49 of that regulation, the SGACPR (acronym for the General Secretariat of the French prudential supervisory and resolution authority) has authorized the group not to deduct capital instruments in insurance industry entities from its Common Equity Tier 1 capital but to adopt the so-called "weighted average exposure" method, which consists of weighting the shares held in the group's subsidiary insurance entities in the denominator of the solvency ratio.

Consequently and in accordance with the Order of November 3, 2014, the group is further subject to an extra requirement in terms of capital by using so-called "accounting consolidation" per the IFRS.

Thus the insurance entities fully consolidated for accounting purposes are also fully consolidated for regulatory purposes in calculating the extra requirement.

This supplementary supervision of the conglomeration has three aspects:

- calculating the extra requirement in terms of capital adequacy;
- tracking the concentration of risks by recipient;
- and auditing intra-group transactions between the banking and insurance segments, with detail provided for transactions over a certain threshold.

The first aspect, concerning the extra capital-adequacy requirement, makes it possible to check annually the coverage of the conglomerate's consolidated accounting equity (including the regulatory adjustments and transitional arrangements found in the CRR) of the solvency requirements for both the banking and insurance segments.

The conglomerate's minimum capital requirement is 100%, calculated as follows:

$$\text{Conglomerate Ratio} = \frac{\text{Total shareholders' equity of the conglomerate}}{\text{Banking requirements + Insurance requirements}}$$

At December 31, 2018 the group's conglomerate had a capital requirement coverage ratio of 175% after inclusion of earnings net of estimated dividends.

The second aspect, concerning concentration of risks per recipient on a consolidated basis, consists of reporting the accumulated gross risks on a single recipient greater than 10% of the conglomerate's consolidated equity or than €300 million, with at least the 10 largest exposures in the institutions and the 10 largest in the unregulated financial entities. The banking and insurance segments are kept separate with respect to each recipient.

The group does not have a large gross outstanding with a single recipient[1]. Customer or customer group reaching the threshold of 10% of the conglomerate's capital.

The last aspect, concerning the audit of intra-group transactions, calls for a summary plus detail by type of transaction between the conglomerate's banking and insurance segments with respect to refinancing, off-balance sheet commitments and income exchanged.

Table 19 Non-deductible holdings in insurance companies (EU INS1)

(in € millions)	Value
Capital instruments held in a financial sector entity in which the institution owns a large investment not deducted from equity (before risk-weighting)	8,335
TOTAL RWA	**30,838**

(1) Governmental units, central banks and intra-group exposures are not considered to be single "customer" recipients.

4.4.4 Leverage ratio

The procedures for managing excessive leverage risk have been validated by the Caisse Fédérale de Crédit Mutuel board of directors and concern the following points:

- the leverage ratio is one of the key indicators of solvency, and monitoring it is the responsibility of the risk committees of Crédit Mutuel Alliance Fédérale;
- an internal limit has been defined at the Crédit Mutuel Alliance Fédérale level;
- if the limit set by the supervisory body is breached, a specific procedure has been laid out, involving the executive management of the group in question and the boards of directors of the group and of Crédit Mutuel Alliance Fédérale.

Table 20: Leverage ratio – Joint statement

MAIN COMPONENTS OF THE LEVERAGE RATIO

(in € millions)		Exposures at 12/31/2018	Exposures at 12/31/2017
BALANCE SHEET (EXCLUDING DERIVATIVES AND TEMPORARY SALES OF SECURITIES)			
1	Balance Sheet items (excluding derivatives and temporary sales of securities, and fiduciary assets, but including collateral)	530,942	503,354
2	(Assets deducted to determine Tier-1)	-349	-919
3	**Total balance sheet exposures (excl. derivatives, temporary sales of securities and fiduciary assets) – sum of lines 1 and 2**	**530,593**	**502,435**
DERIVATIVES			
4	Replacement cost for all derivatives (i.e., net of eligible margin calls received)	947	1,138
5	Add-on for future potential exposures associated with derivatives (Mark-to-market method)	3,016	2,695
7	(Deductions of cash margin calls paid as part of transactions In derivatives)	-2,255	-4,054
9	Effective notional amount adjusted for credit derivatives sold	7,893	5,680
10	(Adjusted effective notional offsets and deductions of add-ons for credit derivatives sold)	-5,534	-4,619
11	Total exposures from derivatives – sum of lines 4-10	4,067	842
EXPOSURES FROM TEMPORARY SALES OF SECURITIES			
12	Gross assets equal to temporary sales of securities (without offset) after adjusting for transactions accounted as sales	17,819	12,754
14	Exposures to counterparty credit risk from assets related to temporary sales of securities	55	968
16	**Total exposures from temporary sales of securities – sum of lines 12-15a**	**17,874**	**13,722**
OTHER OFF BALANCE SHEET EXPOSURES			
17	Off-balance sheet exposures in gross notional amount	106,672	100,016
18	(Adjustments and equivalent credit risk amounts)	-67,037	-62,389
19	**Other off-balance sheet exposures – sum of lines 17-18**	**39,635**	**37,628**
EXEMPT EXPOSURES UNDER ARTICLES 429.7 AND 429.14 OF THE CRR (ON AND OFF BALANCE SHEET)			
EU-19a	(Exemption of intra-group exposures (individual basis) per Article 429.7 of the CRR (on and off-balance sheet))	-	-
EU-19b	(Exempt exposures under Articles 429.7 and 429.14 of the CRR (on and off balance sheet))	-	-
SHAREHOLDERS' EQUITY AND TOTAL EXPOSURE			
20	**Tier 1**	**36,391**	**33,757**
21	**Total exposures – sum of lines 3, 11, 16, 19, EU-19a and EU-19b**	**592,169**	**554,626**
LEVERAGE RATIO			
22	**Leverage ratio**	**6.1%**	**6.1%**
TRANSITIONAL ARRANGEMENTS CHOSEN AND AMOUNTS OF DE-RECOGNIZED FIDUCIARY ITEMS			
EU-23	**Transitional arrangements chosen to define the measurement of equity**	**YES**	**YES**

Starting January 1, 2019 the group is allowed to deduct from its leverage exposure the centralized savings in the Caisse des Dépôts et Consignations.

Table 21: Summary reconciliation of accounting assets and exposures for the purpose of the leverage ratio

(in € millions)		Exposures at 12/31/2018	Exposures at 12/31/2017
1	**Consolidated assets in the reported financial statements**	**667,364**	**619,199**
2	Adjustments for entities in the accounting consolidation but outside the regulatory consolidation	-107,819	-88,599
3	(Adjustments for fiduciary assets recognized in the accounting balance sheet under the applicable accounting framework but left out of the leverage ratio calculation in accordance with Article 429.13 of the CRR)	N/A for Crédit Mutuel Alliance Fédérale at today's date	
4	Adjustments for derivatives	-2,129	-5,442
5	Adjustments for temp sales of securities (SFTs)	-489	-2,341
6	Adjustments for off-balance sheet items (converted to credit equivalents)	39,635	37,628
EU-6a	(Adjustments for intra-group exposures left out of the leverage ratio calculation, in accordance with Article 429.7 of the CRR)	-	-
EU-6b	(Adjustments for exposures left out of the leverage ratio calculation, in accordance with Article 429.14 of the CRR) – CDC receivable	-	-
7	Other adjustments	-4,393	-5,817
8	**TOTAL LEVERAGE RATIO EXPOSURE**	**592,169**	**554,626**

Table 22: Breakdown of exposures on the balance sheet – except derivatives, SFTs and exempt exposures

(in € millions)		Exposures at 12/31/2018	Exposures at 12/31/2017
EU-1	**Total balance sheet exposures*, o/w:**	**528,687**	**499,300**
EU-2	**Trading book exposures**	**13,991**	**9,382**
EU-3	**Banking book exposures, o/w:**	**514,697**	**489,919**
EU-4	Exposures from covered bonds	2,995	2,963
EU-5	Exposures treated as sovereign	98,542	97,657
EU-6	Exposures from regional governments, multilateral development banks, international organizations and public sector entities not treated as sovereign	5,072	4,641
EU-7	Exposures from institutions	25,609	28,691
EU-8	Exposures from real estate mortgages	150,784	137,327
EU-9	Retail exposures	119,690	115,249
EU-10	Corporate exposures	80,488	74,881
EU-11	Exposures in default	5,027	5,194
EU-12	Other exposures (stock, securitizations and other assets unrelated to credit exposures)	26,488	23,316

* *Exc. Derivatives, temporary sales of securities and exempt exposures.*

4.5 CAPITAL ADEQUACY

Pillar 2 of the Basel accord requires banks to carry out their own assessment of their economic capital and to use stress scenarios to assess their capital requirements in the event of an economic downturn. The effect of this pillar is to structure the dialog between the bank and the supervisor on the adequacy of the institution's capital.

The work done by the group to bring it into compliance with the requirements of Pillar 2 fits into the improvements made to the credit risk measuring and monitoring procedures. During 2008, the group introduced its internal capital assessment process in accordance with the Internal Capital Adequacy Assessment Process (ICAAP). This assessment approach has since been gradually enhanced and is now formalized by a national framework process, which matches the general risk appetite framework and applies at all levels of the Crédit Mutuel group.

The ICAAP approach is fully integrated into the risk governance framework, which can be understood as having the following stages:

- identification of the significant risks incurred by the bank and the associated procedures, tied directly to risk monitoring;
- assessment of the capacity of these risks to be absorbed on an ongoing basis by the regulatory capital adequacy requirements in Pillar 1;
- determination of the level of any additional economic capital to be allocated.

The methods for measuring economic need have been broadened; and at the same time, management and control procedures have been written defining the Crédit Mutuel group's risk policy and overall stress program, based on a holistic, forward-looking approach.

The difference between economic capital and regulatory capital constitutes an added margin of safety. This margin depends on the Crédit Mutuel group's risk profile (taking into account its current and future activities) and its degree of risk aversion.

The results of the ICAAP are presented on a regular basis to the Crédit Mutuel group's key executives, demonstrating that the group has adequate capital to cover its exposure in line with its risk appetite.

4.6 CREDIT RISK

4.6.1 General qualitative information on credit risk (EU CRA)

A business model centered on retail banking

Because of its business model, Crédit Mutuel Alliance Fédérale's primary risk is credit risk. That model is largely focused on development of retail banking, with an extension to (primarily French) corporate lending since the acquisition of the CIC group. Since its consolidation into Crédit Mutuel Alliance Fédérale, CIC has focused its own development on individual customers as well. The group's retail banking activities, coupled with the distribution of insurance products to retail clients, account for the great majority of Crédit Mutuel Alliance Fédérale's sources of revenue. Nearly half of the outstanding loans to Crédit Mutuel Alliance Fédérale's customers consist of residential real estate loans to individuals and 67% of customer exposures involve retail customers.

A credit policy aimed at prudent growth

The credit risk policy identifies the markets and type of financing with which each network and specialized department of Crédit Mutuel Alliance Fédérale may be involved. It sets the lending criteria by type of customer or product, based mainly on the solvency of the borrowers and explicitly mentions the possible restrictions on the distribution of credit, either through the general policy (including specific or prohibited markets and products, "unbankable" persons, old lawsuits, bad ratings, etc.) or through sector policies that match the group's commitment to the environment and to financing energy transition. These policies are reviewed regularly for a further analysis of environmental, social and governance risks, primarily by incorporating into the lending process an extra-financial scoring of the counterparties being studied.

This risk policy supports several objectives:

- help manage the business by keeping loan commitments within limits and in line with the group's risk appetite;
- reduce the cost of risk over the long term;
- measure capital requirements;
- effective response to Basel III and to regulations as to internal control, and a return on the investment made in regulatory compliance.

The risk policy is worked out within the framework of the group's risk appetite as approved by the board of directors of Crédit Mutuel Alliance Fédérale, by means of a system of limits and alert thresholds, particularly as to concentration of loans by borrower, by sector and by geography. These limits use the Crédit Mutuel group rating system described in part 3.3 "Risk Management."

The risk policy is circulated through all entities in the Crédit Mutuel Alliance Fédérale consolidation by means of an intranet deployed in the group's French and foreign entities.

Risk management system

The risk management system is described in Part 3.3 "Crédit Mutuel Alliance Fédérale's Risk Management" of section 3.

Relationship among the management functions for credit risk, risk monitoring, compliance assurance and internal auditing

Crédit Mutuel Alliance Fédérale is careful to separate loan writing and loan management from operational control and auditing. This separation is ensured primarily by having these functions report to different and independent departments:

- originating and managing loans, located in the group lending department;
- monitoring and controlling the risk and compliance of transactions, located in the risk, control and compliance department;
- internal audit, located in the General Inspection division – Network auditing for third level control of transactions carried out in the networks and in the General Inspection division – Business line auditing for third-level control of transactions carried out by specialized business lines.

The risk, permanent controls and compliance department takes part in the credit oversight system, mainly through the quarterly meetings of the commitments oversight committee and the at-risk items committees for the monitoring primarily of doubtful risks. The department, working with the lending department, suggests the alert thresholds and internal limits on credit risk and ensures that the credit risk system is operating smoothly and that executive and deliberative bodies are kept informed of risk levels. Its permanent controls office performs second-level controls of credit transactions and verifies that the first-level control tasks have been properly performed by operating people and by the lending officers.

The General Inspection division ensures that the entire system is operating correctly, including the second-level system carried out by the risks, permanent control and compliance department, through general or specific inspections of loans.

The credit risk, risk monitoring, compliance assurance and internal auditing management system is described in detail in 3.3.2 "Credit Risks" and 3.3.10 "Internal control and risk monitoring system" in section 3.

4.6.2 Exposures

The group has focused on the "advanced" forms of the Basel II accord, beginning with its core business, retail banking. The *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) has authorized the group to use its internal ratings system to calculate its regulatory capital requirements in respect of credit risk:

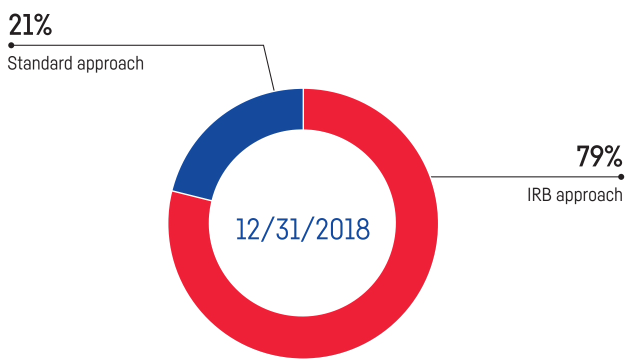
- using the advanced method, as from June 30, 2008, for the retail customer portfolio;
- using the foundation method, as from December 31, 2008, for the bank portfolio;
- using the advanced method, as from December 31, 2012, for the corporate and bank portfolio;
- using the advanced method, as from December 31, 2012, for the real estate development portfolio.

As part of the roll-out plan (transitioning to the IR method), the projects of using the advanced method throughout the factoring subsidiaries of the Crédit Mutuel group in France, COFIDIS France and TARGOBANK AG are well under way. The latter entities represent 8% of the Institutions, Corporate and Retail regulatory books.

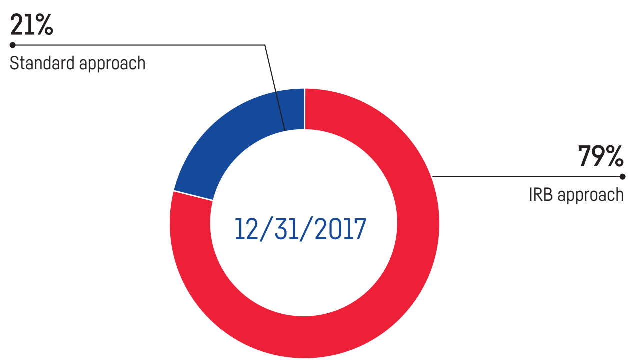
The percentage of exposures approved under the advanced internal rating method for the Institutions, Corporate and Retail regulatory books was 79% at December 31, 2018.

Table 23: Fraction of gross exposures under the advanced and standard methods

FRACTION OF GROSS EXPOSURES AT 12/31/2018*



FRACTION OF GROSS EXPOSURES AT 12/31/2017*



* *Measured on the scope of institutions, corporate and retail clients.*

Table 24: Total and average net amount of exposures (EU CRB-B)

(in € millions) At 12/31/2018	Net exposure at end of period	Average net exposures over the year
Governments and central banks	-	-
Institutions (banks)	29,735	31,608
Corporate	122,361	117,860
o/w: Specialized lending	9,327	8,954
o/w: SMEs	26,756	26,161
Retail clients	248,288	243,224
o/w: Secured by real estate mortgages	134,730	131,425
o/w: SMEs	20,425	19,858
o/w: Non SME	114,305	111,567
o/w revolving	16,464	16,042
o/w: Other retail customers	97,094	95,757
o/w: SMEs	27,923	27,718
o/w: Non SME	69,171	68,039
Shares	13,200	12,812
Other assets	4,695	4,717
Total IRB approach	**418,279**	**410,222**
Governments and central banks	75,011	77,156
Regional or local governments	5,503	5,257
Public sector (public organizations excluding central governments)	22,950	22,356
Multilateral development banks	765	811
International organizations	713	768
Institutions (banks)	2,437	1,731
Corporate	35,736	34,262
o/w: SMEs	4,642	3,451
Retail clients	44,051	42,367
o/w: SMEs	9,572	8,829
Exposures secured by real estate mortgages	6,997	6,623
o/w: SMEs	457	327
Exposures in default	1,783	1,640
Exposures presenting an especially high risk	497	515
Covered bonds	25	35
Exposures from institutions and companies given a short-term credit evaluation	-	-
Exposures in the form of UCIT shares or equities	3	1
Equity exposure	449	352
Other assets	1,276	1,313
Total standard approach	**198,197**	**195,186**
TOTAL	**616,476**	**605,408**

12/2017	Net exposure at end of period	Average net exposure over the year
Central governments or Central banks	-	-
Institutions (banks)	32,808	33,621
Corporate	107,152	105,004
Of which: Specialized lending	8,499	8,299
Of which: SMEs	24,911	24,372
Retail clients	235,032	231,461
Exposures secured by real estate mortgages	126,142	123,637
SMEs	18,885	18,349
Non SME	107,257	105,288
Revolving	15,109	14,549
Other – retail customers	93,781	93,275
SMEs	27,210	26,937
Non SME	66,571	66,338
Shares	12,604	12,652
Other assets	4,246	4,570
Total IRB approach	**391,841**	**387,309**
Central governments or Central banks	76,079	81,330
Regional or local governments	4,978	4,826
Public sector (public organizations excluding central governments)	20,461	20,464
Multilateral development banks	762	783
International organizations	868	966
Institutions (banks)	1,319	1,472
Corporate	36,418	35,827
Of which: SMEs	2,288	2,445
Retail clients	41,721	41,138
Of which: SMEs	9,070	8,727
Exposures secured by real estate mortgages	8,357	8,349
Of which: SMEs	196	259
Exposures in default	1,776	1,772
Exposures presenting an especially high risk	328	192
Covered bonds	61	80
Exposures from institutions and companies given a short-term credit evaluation	-	-
Exposures in the form of UCIT shares or equities	0	0
Equity exposure	280	236
Other assets	1,262	1,328
Total standard approach	**194,670**	**198,764**
TOTAL	**586,510**	**586,072**

Table 25: Geographical distribution of exposures (EU CRB-C)

	Net exposure													
(in € millions) At 12/31/2018	Europe zone	France	Germany	Belgium	Spain	Luxembourg	Netherlands	United Kingdom	Other	Rest of World	United States	Canada	Other	Total
Governments and central banks	**0**	0	0	0	0	0	0	0	0	**0**	0	0	0	0
Institutions (banks)	**26,638**	22,212	217	287	26	403	434	769	2,290	**3,097**	840	1,012	1,246	29,735
Corporate	**110,132**	95,532	3,605	1,238	639	2,076	2,058	2,105	2,879	**12,230**	5,718	177	6,335	122,361
Retail clients	**247,249**	245,029	216	289	94	166	32	359	1,064	**1,039**	253	53	733	248,288
Shares	**12,242**	12,159	2	16	0	62	0	1	2	**957**	70	0	887	13,200
Other assets	**4,670**	4,650	4	11	0	0	0	5	0	**24**	18	0	6	4,695
Total IRB approach	**400,932**	**379,582**	**4,044**	**1,841**	**759**	**2,708**	**2,524**	**3,238**	**6,235**	**17,347**	**6,898**	**1,241**	**9,207**	**418,279**
Governments and central banks	**68,194**	58,414	3,311	452	782	548	484	22	4,180	**6,816**	3,753	172	2,891	75,011
Regional or local governments	**5,409**	5,211	180	0	15	1	0	0	2	**94**	0	94	0	5,503
Public sector (public organizations excluding central governments)	**22,937**	22,550	379	0	0	8	0	0	0	**13**	0	13	0	22,950
Multilateral development banks	**0**	0	0	0	0	0	0	0	0	**765**	0	0	765	765
International organizations	**0**	0	0	0	0	0	0	0	0	**713**	0	0	713	713
Institutions (banks)	**2,332**	673	515	24	78	53	38	768	183	**105**	38	12	55	2,437
Corporate	**33,897**	9,604	13,529	983	1,458	1,832	553	852	5,086	**1,839**	586	45	1,209	35,736
Retail clients	**43,954**	12,883	23,083	1,233	2,257	225	20	94	4,159	**97**	31	3	63	44,051
Exposures secured by mortgage on real estate	**6,941**	240	25	69	996	1,059	4	39	4,509	**56**	1	0	55	6,997
Exposures in default	**1,728**	933	401	30	171	10	8	29	146	**54**	14	0	40	1,783
Exposures presenting an especially high risk	**463**	394	11	0	0	23	0	0	35	**34**	1	32	1	497
Covered bonds	**25**	25	0	0	0	0	0	0	0	**0**	0	0	0	25
Exposures from institutions and companies given a short-term credit evaluation	**0**	0	0	0	0	0	0	0	0	**0**	0	0	0	0
Exposures in the form of UCIT shares or equities	**3**	0	0	0	0	3	0	0	0	**0**	0	0	0	3
Equity exposure	**312**	186	3	10	3	77	0	0	33	**138**	138	0	0	449
Other assets	**1,276**	302	400	161	147	186	0	0	80	**0**	0	0	0	1,276
Total standard approach	**187,472**	**111,415**	**41,837**	**2,962**	**5,907**	**4,027**	**1,106**	**1,805**	**18,412**	**10,725**	**4,561**	**373**	**5,792**	**198,197**
TOTAL	**588,404**	**490,998**	**45,880**	**4,803**	**6,666**	**6,735**	**3,630**	**5,043**	**24,648**	**28,072**	**11,459**	**1,614**	**14,999**	**616,476**

12/2017	Net exposure													
	Europe zone	France	Germany	Belgium	Spain	Luxem-bourg	Nether-lands	United Kingdom	Other	Rest of World	United States	Canada	Other	Total
Central governments or Central banks	**0**	0	0	0	0	0	0	0	0	**0**	0	0	0	0
Institutions (banks)	**29,991**	25,765	187	124	136	97	308	1,737	1,635	**2,817**	561	930	1,326	32,808
Corporate	**97,295**	84,746	3,493	1,049	422	1,367	1,746	2,063	2,408	**9,858**	4,310	152	5,396	107,152
Retail clients	**234,056**	231,929	219	267	77	170	31	369	994	**976**	237	47	691	235,032
Shares	**12,515**	12,355	6	24	0	110	0	2	19	**89**	65	21	3	12,604
Other assets	**4,228**	4,213	4	0	0	0	0	10	0	**18**	-2	0	20	4,246
Total IRB approach	**378,084**	**359,008**	**3,910**	**1,464**	**635**	**1,744**	**2,085**	**4,181**	**5,057**	**13,757**	**5,172**	**1,150**	**7,436**	**391,841**
Central governments or Central banks	**72,230**	61,789	3,725	258	505	1,099	691	179	3,984	**3,849**	2,544	240	1,065	76,079
Regional or local governments	**4,939**	4,732	167	0	38	1	0	0	0	**39**	0	39	0	4,978
Public sector (public organizations excluding central governments)	**20,453**	19,855	589	0	0	9	0	0	0	**8**	0	6	1	20,461
Multilateral development banks	**0**	0	0	0	0	0	0	0	0	**762**	0	0	762	762
International organizations	**0**	0	0	0	0	0	0	0	0	**868**	0	0	868	868
Institutions (banks)	**1,222**	548	312	14	28	45	10	120	145	**97**	26	7	65	1,319
Corporate	**34,841**	11,861	13,262	899	1,366	1,444	538	841	4,631	**1,576**	520	43	1,013	36,418
Retail clients	**41,555**	12,393	21,959	1,227	2,297	198	29	71	3,381	**167**	37	5	125	41,722
Exposures secured by real estate mortgages	**8,298**	2,511	23	54	843	868	5	34	3,960	**59**	1	0	58	8,357
Exposures in default	**1,733**	1,143	138	38	178	6	3	13	215	**42**	5	1	37	1,776
Exposures presenting an especially high risk	**328**	328	0	0	0	0	0	0	0	**0**	0	0	0	328
Covered bonds	**61**	34	0	0	0	0	26	0	0	**0**	0	0	0	61
Exposures from institutions and companies given a short-term credit evaluation	**0**	0	0	0	0	0	0	0	0	**0**	0	0	0	0
Exposures in the form of UCIT shares or equities	**0**	0	0	0	0	0	0	0	0	**0**	0	0	0	0
Equity exposure	**165**	11	4	3	2	142	0	0	3	**115**	115	0	0	280
Other assets	**1,261**	219	450	153	139	220	0	0	79	**1**	0	0	1	1,262
Total standard approach	**187,087**	**115,425**	**40,628**	**2,646**	**5,397**	**4,031**	**1,303**	**1,259**	**16,399**	**7,583**	**3,248**	**341**	**3,994**	**194,670**
Total	**565,170**	**474,433**	**44,538**	**4,110**	**6,031**	**5,775**	**3,388**	**5,440**	**21,455**	**21,340**	**8,420**	**1,491**	**11,429**	**586,510**

Crédit Mutuel Alliance Fédérale is fundamentally a French and European firm. The geographic breakdown of net exposures at December 31, 2018 reflects that, with 95% of commitments in the European region.

Table 26: Concentration of exposures by type of industry or counterparty (EU CRB-D)

Crédit Mutuel Alliance Fédérale has traditionally shown a good diversity in its exposures. Such great diversity enables it to reduce the risk of concentration that might exist with heavy exposure to one sector. The two most significant sectors are private individuals (39%) and government bodies (18%).

Net exposure by type of industry or counterparty as of 12/31/2018 *(in € millions)*	Public administrations	Banks and financial institutions	Individuals	Individual business owners	Farmers	Non-profits	Other group subsidiaries*	Travel & leisure	Chemistry	Distribution	Automotive	Construction & building materials	Manufacturing goods and services
Governments & Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions (banks)	-	29,735	-	-	-	-	-	-	-	-	-	-	-
Corporate	-	-	-	253	1,039	1,413	325	4,251	1,364	11,014	3,071	8,850	8,068
Retail clients	-	-	201,217	14,601	6,137	627	0	2,188	47	3,840	679	2,644	1,920
Shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total IRB approach	**-**	**29,735**	**201,217**	**14,854**	**7,176**	**2,040**	**325**	**6,439**	**1,410**	**14,855**	**3,749**	**11,495**	**9,988**
Governments & Central banks	75,011	-	-	-	-	-	-	-	-	-	-	-	-
Regional or local governments	5,503	-	-	-	-	-	-	-	-	-	-	-	-
Public sector (public organizations excluding central governments)	22,950	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	765	-	-	-	-	-	-	-	-	-	-	-	-
International organizations	713	-	-	-	-	-	-	-	-	-	-	-	-
Institutions (banks)	-	2,437	-	-	-	-	-	-	-	-	-	-	-
Corporate	-	-	-	5	10	25	21,779	156	112	2,157	869	725	1,019
Retail clients	-	-	34,208	79	86	160	4,860	96	20	740	121	895	568
Exposures secured by real estate mortgages	-	-	3,627	216	-	-	2,828	28	-	18	3	11	8
Exposures in default	32	-	1,093	28	5	4	53	9	3	185	19	75	62
Exposures presenting an especially high risk	-	-	-	-	1	-	-	9	2	110	6	40	39
Covered bonds	-	25	-	-	-	-	-	-	-	-	-	-	-
Exposures from institutions and companies given a short-term credit evaluation	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of UCIT shares or equities	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposure	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total standard approach	**104,974**	**2,462**	**38,928**	**329**	**102**	**189**	**29,520**	**297**	**136**	**3,210**	**1,018**	**1,745**	**1,697**
TOTAL	**104,974**	**32,197**	**240,145**	**15,183**	**7,278**	**2,229**	**29,845**	**6,736**	**1,547**	**18,065**	**4,768**	**13,239**	**11,685**

* *CIC Suisse, BDL, leasing and factoring entities in Germany purchased from General Electric: no data for customer segment books.*

Health-care	Other financial activities	Industrial transportation	Household products	Real estate development	Other real estate (Inc. leasing and RE Invest. cos.)	Utilities	Food & beverage	Media	Holdings companies & conglomerates	High-tech	Oil & Gas Commodities	Telecommunications	Miscellaneous	Shares	Other assets	Total
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,735
3,219	7,882	5,969	1,972	6,337	14,258	3,018	6,082	2,228	9,037	4,446	5,358	1,602	11,305	-	-	122,361
406	2,085	1,143	323	-	1,781	257	573	164	821	187	97	13	6,538	-	-	248,288
-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,200	-	13,200
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,695	4,695
3,626	**9,967**	**7,112**	**2,294**	**6,337**	**16,039**	**3,275**	**6,654**	**2,392**	**9,858**	**4,634**	**5,454**	**1,615**	**17,843**	**13,200**	**4,695**	**418,279**
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75,011
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,503
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,950
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	765
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	713
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,437
184	144	447	303	16	156	327	489	123	259	580	208	249	5,394	-	-	35,736
108	61	237	85	-	74	31	135	67	67	75	38	9	1,234	-	-	44,051
13	1	6	1	-	162	2	8	1	1	-	1	-	63	-	-	6,997
3	4	20	10	-	18	9	15	8	9	13	17	-	86	-	-	1,783
9	3	11	5	-	-	4	11	5	8	22	5	54	21	131	-	497
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-	3
-	-	-	-	-	-	-	-	-	-	-	-	-	-	449	-	449
-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	1,276	1,276
318	**214**	**720**	**403**	**16**	**411**	**374**	**658**	**204**	**343**	**690**	**269**	**313**	**6,797**	**583**	**1,276**	**198,197**
3,943	**10,181**	**7,832**	**2,698**	**6,353**	**16,450**	**3,649**	**7,312**	**2,596**	**10,201**	**5,323**	**5,723**	**1,928**	**24,640**	**13,783**	**5,971**	**616,476**

Net exposure by type of industry or counterparty at 12/31/2017 *(in € millions)*	**Public adminis-trations**	**Banks and financial institu-tions**	**Indivi-duals**	**Indivi-dual business owners**	**Farmers**	**Non-profits**	**Other group subsi-diaries***	**Travel & leisure**	**Chemi-stry**	**Distribu-tion**	**Auto-motive**	**Construction & building materials**	**Manufacturing goods and services**
Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions (banks)	-	32,808	-	-	-	-	-	-	-	-	-	-	-
Corporate	-	-	-	214	1,020	1,351	231	3,685	1,205	10,820	3,183	8,281	6,961
Retail clients	-	-	189,706	13,758	5,918	600	-	2,102	42	3,871	661	2,553	1,885
Shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total IRB approach	**-**	**32,808**	**189,706**	**13,972**	**6,938**	**1,952**	**231**	**5,787**	**1,247**	**14,690**	**3,844**	**10,834**	**8,846**
Governments and central banks	76,079	-	-	-	-	-	-	-	-	-	-	-	-
Regional or local governments	4,978	-	-	-	-	-	-	-	-	-	-	-	-
Public sector (public organizations excluding central governments)	20,461	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	762	-	-	-	-	-	-	-	-	-	-	-	-
International organizations	868	-	-	-	-	-	-	-	-	-	-	-	-
Institutions (banks)	-	1,319	-	-	-	-	-	-	-	-	-	-	-
Corporate	-	-	-	-	2	2	26,858	116	57	1,389	355	420	456
Retail clients	-	-	32,800	82	16	3	6,490	63	15	490	55	651	343
Exposures secured by real estate mortgages	-	-	3,189	209	-	-	2,438	26	-	21	4	58	8
Exposures in default	30	1	876	31	1	-	472	6	6	50	6	73	36
Exposures presenting an especially high risk	-	-	-	-	-	-	-	5	1	59	8	29	68
Covered bonds	-	61	-	-	-	-	-	-	-	-	-	-	-
Exposures from institutions and companies given a short-term credit evaluation	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of UCIT shares or equities	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposure	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total standard approach	**103,178**	**1,381**	**36,865**	**322**	**19**	**6**	**36,257**	**216**	**79**	**2,009**	**428**	**1,230**	**910**
TOTAL	**103,178**	**34,188**	**226,571**	**14,295**	**6,958**	**1,958**	**36,487**	**6,004**	**1,326**	**16,700**	**4,272**	**12,064**	**9,756**

* *CIC Suisse, BDL, leasing and factoring entities purchased from General Electric: no data for customer segment books.*

Health-care	Other financial activities	Industrial transportation	Household products	Real estate development	Other real estate (Inc. rental and RE Invest. cos.)	Utilities	Food & beverage	Media	Holdings companies & conglomerates	High-tech	Oil & Gas Commodities	Telecommunications	Miscellaneous	Shares	Other assets	Total
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,808
2,927	7,322	5,174	1,879	-	12,445	2,803	5,626	2,499	8,266	4,249	4,858	1,357	10,796	-	-	107,152
411	1,977	1,105	332	-	1,647	265	575	161	733	175	97	14	6,444	-	-	235,032
-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,604	-	12,604
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,246	4,246
3,338	**9,298**	**6,279**	**2,211**	**-**	**14,092**	**3,069**	**6,201**	**2,660**	**8,999**	**4,424**	**4,955**	**1,371**	**17,239**	**12,604**	**4,246**	**391,841**
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76,079
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,978
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,461
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	762
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	868
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,319
79	54	276	122	3,388	135	190	285	48	95	274	103	223	1,493	-	-	36,418
26	18	135	60	-	35	18	109	35	23	40	29	7	178	-	-	41,721
14	-	10	1	2,267	72	2	8	1	2	-	-	-	28	-	-	8,357
3	3	10	7	57	24	3	9	4	4	13	1	2	48	-	-	1,776
1	7	9	2	97	-	2	3	5	7	12	2	9	-	-	-	328
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	-	-	-	-	-	-	280	-	280
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,262	1,262
123	**83**	**439**	**191**	**5,809**	**267**	**214**	**414**	**92**	**131**	**339**	**136**	**241**	**1,747**	**280**	**1,262**	**194,669**
3,461	**9,381**	**6,719**	**2,402**	**8,809**	**14,359**	**3,283**	**6,615**	**2,752**	**9,131**	**4,763**	**5,091**	**1,611**	**18,986**	**12,883**	**5,507**	**586,510**

Table 27: Aging of gross exposures (broken down by remaining maturity)

Gross exposure at 12/31/2018 *(in € millions)*	< 1 month	> 1 month < D < 3 months	> 3 months < D < 1 year	1 year < D < 2 years	2 years < D < 5 years	D > 5 years	Indefinite	Total
BALANCE SHEET								
Governments and central banks	58,571	1,779	4,782	2,252	4,448	26,348	10	98,191
Institutions	4,800	6,709	2,824	7,380	4,418	7,440	19	33,591
Corporate	28,094	9,302	8,185	9,230	23,897	21,751	596	101,056
Retail clients	15,579	6,323	20,341	25,463	63,925	131,922	32	263,584
TOTAL	**107,045**	**24,113**	**36,132**	**44,324**	**96,688**	**187,462**	**657**	**496,421**
OFF-BALANCE SHEET								
Governments and central banks	148	12	86	56	652	400	4	1,359
Institutions	1,897	81	343	199	457	714	351	4,042
Corporate	21,046	3,557	4,767	5,996	17,666	2,487	7,079	62,596
Retail clients	22,405	2,166	2,273	3,100	831	8,745	1,263	40,783
TOTAL	**45,496**	**5,816**	**7,469**	**9,350**	**19,606**	**12,346**	**8,697**	**108,780**

Gross exposure at 12/31/2017 *(in € millions)*	< 1 month	1 month < D < 3 months	3 months < D < 1 year	1 year < D < 2 years	2 years < D < 5 years	D > 5 years	Indefinite	Total
BALANCE SHEET								
Governments and central banks	58,723	1,371	5,364	3,386	4,426	23,820	220	97,308
Institutions	4,532	5,885	6,999	3,030	9,644	5,908	143	36,141
Corporate	20,725	11,286	7,534	7,577	23,354	20,090	151	90,716
Retail clients	14,739	6,896	19,122	24,172	61,085	123,116	45	249,174
TOTAL	**98,718**	**25,438**	**39,018**	**38,164**	**98,509**	**172,933**	**559**	**473,339**
OFF-BALANCE SHEET								
Governments and central banks	171	29	40	7	381	362	4	994
Institutions	1,290	98	201	44	420	484	384	2,921
Corporate	20,901	3,854	4,813	4,620	18,470	1,989	5,337	59,982
Retail clients	20,720	2,204	2,246	2,943	809	8,101	1,150	38,173
TOTAL	**43,081**	**6,185**	**7,300**	**7,614**	**20,079**	**10,936**	**6,875**	**102,070**

4.6.3 Credit quality of assets

Impaired and overdue exposures

A unified definition of default has been adopted for the entire Crédit Mutuel group. Based on the principle of aligning prudential information with accounting information (CRC 2002-03), this definition matches the Basel concept of loans in default and the accounting concept of non-performing loans and loans in litigation The computer software factors in contagion, extending the downgrading to related outstandings. The controls carried out by internal audit and by the statutory auditors ensure the reliability of the procedures for identifying defaults used to calculate capital requirements.

Default is declared on the 90th day whenever the materiality threshold is exceeded (i.e., one euro with respect to loans and €150 with respect to current accounts.)

The definitions and financial information concerning payment arrears are provided in the part of the financial report titled "Payment arrears".

Impairment for credit risk

IFRS 9 went into mandatory effect on January 1, 2018 and replaced IAS 39 "Financial instruments: Recognition and Measurement." It laid out new rules in terms of:

- the classification and measurement of financial instruments (phase 1);
- the impairment of the credit risk of financial assets (phase 2);
- hedge accounting, apart from macro-hedging transactions (phase 3).

Note that the group does not apply the transitional arrangements related to IFRS 9 (equity, capital ratios and leverage ratios that already reflect the total impact of IFRS 9.)

Pursuant to IFRS 9, the Crédit Mutuel group divides all debt instruments measured at amortized cost or at fair value through equity into three categories.

- Status 1: provisioned on the basis of 12-month expected credit losses (resulting from default risks over the following 12 months) as from initial recognition of the financial assets, provided that the credit risk has not increased significantly since initial recognition;

- Status 2: provisioned on the basis of the lifetime expected credit losses (resulting from default risks over the entire remaining life of the instrument) if the credit risk has increased significantly since initial recognition; and
- Status 3: category comprising credit-impaired financial assets for which there is an objective indication of impairment related to an event that has occurred since the loan was granted. This category is equivalent to the set of outstandings currently impaired individually under IAS 39.

Consequently and in accordance with the position of the EBA., all the group's write downs for credit risk are the result of specific impairments.

Definition of the boundary between Status 1 and Status 2

The group employs models developed for regulatory purposes and so segregates its outstandings in that manner:

- Low Default Portfolios (LDP);
- High Default Portfolios (HDP).

A significant increase in credit risk, which involves transferring a loan from Status 1 to Status 2, is measured by

- factoring in all reasonable and justifiable information; and
- comparing the risk of default on the financial instrument at the reporting date to the risk at the initial recognition date.

For the group, this means measuring the risk at the borrower level since the Crédit Mutuel system for rating its counterparties is the same throughout the group. All the group's counterparties eligible for an internal approach are rated by the system. That system is based on

- statistical algorithms or "mass ratings" reliant on one or more models based on a selection of variables that are representative and predictive of risk (HDP); or
- rating grids developed by experts (LDP).

The change in risk since initial recognition is measured contract by contract. Unlike Status 3, transferring a customer's contract to Status 2 does not entail transferring all of its outstandings or those of its related parties (i.e., no contagion).

Note that the group immediately puts into Status 1 any performing exposure that no longer meets the criteria for Status 2 classification (both qualitative and quantitative).

Quantitative criteria

In LDPs, the boundary is based on an allocation matrix which relates the rating on origination to the rating on the reporting date. Thus the riskier the rating of the loan, the less the relative tolerance of the group towards significant deterioration of the risk.

In HDPs, a boundary yield curve relates the default rate on origination to the default rate on the reporting date. The group does not use the operational simplification proposed by the standard that permits keeping outstandings at low risk on the reporting date in Status 1.

Qualitative criteria

To these qualitative criteria the group adds qualitative ones such as installments unpaid or late by more than 30 days, the fact that a loan has been restructured, etc.

Methods based exclusively on qualitative criteria are used for entities or small portfolios classified for prudential purposes under the standardized approach and that do not have a rating system.

Statuses 1 and 2 – Calculating expected credit losses

Expected credit losses are measured by multiplying the outstanding balance present-discounted by the contract rate by its probability of default (PD) and by the loss given default (LGD) ratio. The off-balance sheet amount is converted to a balance sheet equivalent based on the probability of use. The probability of default within one year is used for Status 1 and the probability curve at termination (1 to 10 years) for Status 2.

These parameters have the same basis as the prudential models, with the formulas adapted to IFRS 9. They are used both for assigning loans to a status and for calculating expected losses.

Forward-looking dimension

To calculate expected credit losses, the standard requires taking reasonable and justifiable information into account, including forward-looking information. Creating a forward-looking dimension requires projecting the course of the economy and tying these projections into the risk parameters. This forward-looking dimension is set at the group level and applies to all parameters.

For high default portfolios, the forward-looking dimension included in the probability of default combines three scenarios—optimistic, neutral and pessimistic—which are weighted to reflect the group's 5-year forecast of the business cycle, arrived at by the chief executive officers of the regional groups and of the Crédit Mutuel group. The group relies to a large degree on macroeconomic data from the OECD such as GDP, unemployment rates, inflation rates and short-and long term interest rates. The forward-looking approach is adjusted to include factors that may not have been captured by the scenarios because they are:

- recent, meaning that they were produced a few weeks before the balance sheet date;
- unable to be included in a scenario, as, for example, regulatory changes that will have a definite, material impact on the risk parameters that can be measured if certain assumptions are made.

The forward-looking dimension over different time horizons than one year will largely be a function of the one-year dimension.

The forward-looking dimension is also included in the LGD through the data observed in a past year that is not unlike current conditions.

With regard to low-default portfolios, the incorporation of forward-looking information is applied to the models for large corporate and banking customers but not to the models for municipal, sovereign or specialized lending customers. The approach is similar to that applied to the high-default portfolios.

Status 3 – Non-performing loans

In Status 3 impairment is recognized whenever there is objective proof of impairment due to one or more events occurring after a loan or group of loans have been made that might generate a loss. An analysis is done at each closing contract by contract. The impairment is equal to the difference between the carrying amount and the estimated future cash flows, allowing for collateral or other guarantees, present-discounted at the interest rate of the original loan. In the event of a variable rate, it is the last known contractual rate that is booked.

At December 31, 2018 outstandings and impairments by status break down as follows.

Table 28: Breakdown of outstandings and impairments by status

(in € millions)	Provisionable balance sheet outstandings[1]	Writedowns
Status 1	422,556	-868
Status 2	22,335	-1,007
Status 3	12,046	-6,521

(in € millions)	Off-balance-sheet outstandings before provisionable CCF[1]	Provisions
Status 1	117,727	-83
Status 2	2,199	-47
Status 3	300	-137

(1) Outstandings at amortized cost and fair value through equity, excluding demand deposits of credit institutions and central banks.

Restructured exposures

An exposure is restructured after a debtor encounters financial difficulties. This takes the form of concessions made to the debtor by the group, e.g., changing the terms of the loan agreement such as the interest rate or the maturity, partial forgiveness or additional financing that would not have been granted absent the difficulties. In its information systems the group has ways to identify the restructured exposures in its performing and non-performing books, as defined by the principles enunciated by the EBA on October 23, 2013. Restructuring does not automatically mean classification in default (Status 3) but does mean classification in Status 2 at least.

The following tables break down the non-performing and litigated loans and the provisions related to them as at December 31, 2018 by business sector or type of counterparty, their Basel treatment and their geographic area.

Table 29: Credit quality of exposures by category of exposure and by instrument (EU CR1-A)

(in € millions) At 12/31/2018	Gross exposures				
	Performing exposures	Non-performing exposures	Specific provisions	Collective provisions	Net exposure
Governments and central banks	-	-	-		-
Institutions (banks)	29,739	1	5		29,735
Corporate	121,895	1,940	1,474		122,361
o/w: Specialized lending	*9,272*	*89*	*33*		*9,327*
o/w: SMEs	*26,437*	*879*	*561*		*26,756*
Retail clients	246,282	5,061	3,054		248,288
o/w: Secured by real estate mortgages	*133,437*	*2,423*	*1,130*		*134,730*
o/w: SMEs	*20,133*	*610*	*319*		*20,425*
o/w: Non SME	*113,303*	*1,813*	*811*		*114,305*
o/w revolving	*16,460*	*136*	*132*		*16,464*
o/w: Other retail customers	*96,385*	*2,502*	*1,792*		*97,094*
o/w: SMEs	*27,441*	*1,708*	*1,226*		*27,923*
o/w: Non SME	*68,944*	*793*	*566*		*69,171*
Shares	13,201	-	2		13,200
Other assets	4,695	-	0		4,695
Total IRB approach	**415,812**	**7,002**	**4,535**	**-**	**418,279**
Governments and central banks	75,012	-	1		75,011
Regional or local governments	5,507	-	3		5,503
Public sector (public organizations excluding central governments)	22,950	-	0		22,950
Multilateral development banks	765	-	0		765
International organizations	713	-	0		713
Institutions (banks)	2,437	-	0		2,437
Corporate	35,817	-	81		35,736
o/w: SMEs	4,649	-	7		4,642
Retail clients	44,962	-	911		44,051
o/w: SMEs	9,582	-	10		9,572
Exposures secured by real estate mortgages	7,008	-	11		6,997
o/w: SMEs	457	-	0		457
Exposures in default	-	4,722	2,939		1,783
Exposures presenting an especially high risk	497	-	0		497
Covered bonds	25	-	-		25
Exposures from institutions and companies given a short-term credit evaluation	-	-	-		-
Exposures in the form of UCIT shares or equities	3	-	-		3
Equity exposure	449	-	-		449
Other assets	1,276	-	-		1,276
Total standard approach	**197,421**	**4,722**	**3,946**	**-**	**198,197**
TOTAL	**613,233**	**11,724**	**8,481**	**-**	**616,476**

Table 30: Credit quality of exposures by business sector or type of counterparty (EU CR1-B)

(in € millions) At 12/31/2018	Gross exposures		Specific provisions	Collective provisions	Net exposure
	Performing exposures	Non-performing exposures			
Public administrations	104,946	35	8		104,974
Banks and financial institutions	32,201	1	5		32,197
Private individuals	238,639	6,508	5,002		240,145
Individual business owners	15,039	402	258		15,183
Farmers	7,174	254	150		7,278
Non-profit organizations	2,231	21	23		2,229
Other group subsidiaries*	29,831	98	84		29,845
Travel & leisure	6,595	359	218		6,736
Chemistry	1,542	14	10		1,547
Distribution	17,694	884	513		18,065
Automotive	4,729	102	64		4,768
Construction & Building Materials	13,024	432	216		13,239
Manufacturing goods and services	11,536	346	197		11,685
Healthcare	3,934	35	26		3,943
Other financial activities	10,082	372	273		10,181
Industrial transportation	7,746	191	105		7,832
Household products	2,661	98	61		2,698
Real estate development	6,294	186	127		6,353
Other real estate (Inc. rental and RE Invest. cos.)	16,382	168	100		16,450
Utilities	3,638	21	9		3,649
Food & beverages	7,246	184	118		7,312
Media	2,585	41	30		2,596
Holdings & conglomerates	10,142	131	71		10,201
High technology	5,304	44	25		5,323
Oil & Gas Commodities	5,664	205	146		5,723
Telecommunications	1,883	51	6		1,928
Miscellaneous	24,733	542	635		24,640
Shares	13,784	-	2		13,783
Other assets	5,971	-	0		5,971
TOTAL	**613,233**	**11,724**	**8,481**	**-**	**616,476**

* *CIC Suisse, BDL, leasing and factoring entities in Germany purchased from General Electric.*

(in € millions) **At 12/31/2017**	Gross exposures				
	Performing exposures	Non-performing exposures	Specific provisions	Collective provisions	Net exposure
Public administrations	103,148	35	5		
Banks and financial institutions	34,176	17	4		
Private individuals	224,100	6,518	3,888		
Individual business owners	14,059	437	201		
Farmers	6,813	257	112		
Non-profit organizations	1,943	23	8		
Other group subsidiaries*	36,048	621	182		
Travel & leisure	5,850	335	181		
Chemistry	1,317	19	10		
Distribution	16,406	687	393		
Automotive	4,230	102	60		
Construction & Building Materials	11,814	475	225		
Manufacturing goods and services	9,613	330	187		
Healthcare	3,435	42	15		
Other financial activities	9,244	378	242		
Industrial transportation	6,614	185	80		
Household products	2,358	107	63		
Real estate development	5,752	173	115		
Other real estate (Inc. rental and RE Invest. cos.)	14,261	154	55		
Utilities	3,277	11	6		
Food & beverages	6,524	197	106		
Media	2,741	34	23		
Holdings & conglomerates	9,002	207	79		
High technology	4,742	40	19		
Oil & Gas Commodities	4,972	234	115		
Telecommunications	1,562	53	3		
Miscellaneous	19,097	641	397		
Shares	12,886	-	2		
Other assets	5,507	-	-		
TOTAL	**581,490**	**12,313**	**6,777**	**515**	**586,510**

* *CIC Suisse, BDL, leasing and factoring entities purchased from General Electric.*

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Table 31: Credit quality of exposures by geographic area (EU CR1-C)

(in € millions) At 12/31/2018	Gross exposures: Performing exposures	Gross exposures: Non-performing exposures	Specific provisions	Collective provisions	Net exposure
Europe zone	**585,287**	**11,519**	**8,402**		**588,404**
France	488,045	8,786	5,833		490,998
Germany	45,939	1,450	1,508		45,880
Belgium	4,793	93	82		4,803
Spain	6,582	515	430		6,666
Luxembourg	6,726	42	33		6,735
Netherlands	3,625	10	5		3,630
United Kingdom	5,012	49	18		5,043
Other	24,567	575	494		24,648
Rest of World	**27,945**	**205**	**78**		**28,072**
United States	11,414	86	41		11,459
Canada	1,614	2	2		1,614
Other	14,917	118	35		14,999
TOTAL	**613,233**	**11,724**	**8,481**	**-**	**616,476**

(in € millions) At 12/31/2017	Gross exposures: Performing exposures	Gross exposures: Non-performing exposures	Specific provisions	Collective provisions	Net exposure
Europe zone	**560,361**	**12,040**	**6,732**		
France	470,079	9,346	4,719		
Germany	44,493	1,372	1,147		
Belgium	4,072	100	59		
Spain	5,884	499	327		
Luxembourg	5,773	23	21		
Netherlands	3,383	6	1		
United Kingdom	5,426	40	21		
Other	21,252	653	438		
Rest of World	**21,128**	**273**	**44**		
United States	8,346	100	10		
Canada	1,483	11	4		
Other	11,299	162	31		
TOTAL	**581,490**	**12,312**	**6,777**	**515**	**586,510**

Table 32: Age of past-due exposures (EU CR1-D)

(in € millions) At 12/31/2018	Gross carrying amount – Performing loans: No arrears or in arrears < 30 days	Performing loans: 30 days < 90 days	Non-performing loans: Probability of arrears or in arrears < 90 days	Non-performing loans: In arrears > 90 days and < 180 days	Non-performing loans: In arrears > 180 days and <= 1 year	Non-performing loans: In arrears > 1 year <= 5 years	Non-performing loans: In arrears > 5 years
Loans	467,965	1,198	2,691	379	639	7,658	286
Debt securities	35,177	-	261	-	-	134	-
TOTAL	**503,142**	**1,198**	**2,952**	**379**	**639**	**7,791**	**286**

Table 33: Non-performing, renegotiated exposures (EU CR1-E)

(in € millions) At 12/31/2017	Gross carrying amount of performing and non-performing exposures							Accumulated impairment and negative adjustment of fair value attributable to Credit Risk				Sureties and guarantees received	
				O/w Non-performing loans				O/w performing loans		O/w Non-performing loans			
		O/w performing loans with arrears >30 days and <90 days	O/w performing restructured loans		O/w loans in default	O/w loans downgraded on the books	O/w restructured loans		O/w restructured loans		O/w restructured loans	O/w non-performing loans	O/w restructured loans
Debt securities	**35,571**	**-**	**-**	**394**	**394**	**394**	**134**	**12**	**-**	**214**	**-**	**-**	**-**
Loans and advances	**480,815**	**1,198**	**789**	**11,652**	**11,652**	**11,652**	**2,033**	**1,863**	**76**	**6,307**	**998**	**2,806**	**991**
Of which: small and medium-sized enterprises	*117,742*	*657*	*195*	*4,519*	*4,519*	*4,519*	*507*	*493*	*9*	*2,266*	*193*	*1,555*	*426*
Of which: Households – loans secured by residential real estate	*91,768*	*84*	*73*	*1,202*	*1,202*	*1,202*	*285*	*147*	*2*	*349*	*58*	*800*	*295*
Of which: Households – consumer credit	*40,442*	*226*	*416*	*3,840*	*3,840*	*3,840*	*813*	*913*	*60*	*2,755*	*517*	*25*	*15*
Off-balance sheet	**120,226**		**-**	**300**	**300**		**-**	**130**	**-**	**137**	**-**	**72**	**-**

4.6.4 Reconciliation of adjustments for credit risk

The following table shows the change over time in the balance of adjustments for credit risk.

Table 34: Change in the balance of adjustment for credit risk (EU CR2-A)

(in € millions) At 12/31/2018	Cumulative adjustments for specific credit risk	Cumulative adjustments or specific credit risk
Opening balance	**-8,333**	
Increases due at origination and on acquisition	-0	
Decreases due on derecognition	0	
Changes due to changes in (net) credit risks	-404	
Changes due to (net) amendments without derecognition	0	
Change due to updating the models	0	
Reversals of provisions due to classification in loss	686	
Currency translation adjustment	0	
Recombination of companies, including acquisitions/disposals of subsidiaries	0	
Other	-344	
Closing balance	**-8,395**	
Recoveries of assets previously classified in loss	147	
Classification in loss	-1,090	

4.6.5 Standard approach

Exposures treated using the standard method is given in the table below.

The Crédit Mutuel group uses the evaluations of rating agencies to measure the sovereign risk in its exposures linked to central governments and central banks. Since September 2017, the group has relied primarily on the estimates provided by the Banque de France with regard to its corporate exposures.

The cross-reference table used to match the credit quality steps to the external ratings adopted is the one called for by regulation.

Table 35: Breakdown of exposures under the standard approach (EU CR5)

Categories of exposure at 12/31/2018 *(in € millions)*	Weighting									
	0%	10%	20%	35%	50%	75%	100%	150%	250%	Total
Governments and central banks	72,788	0	319	0	46	0	41	0	510	73,705
Regional or local governments	84	0	5,256	0	0	0	0	0	0	5,340
Public sector (public organizations excluding central governments)	23,921	0	28	0	0	0	0	0	0	23,950
Multilateral development banks	765	0	0	0	0	0	0	0	0	765
International organizations	713	0	0	0	0	0	0	0	0	713
Institutions (banks)	16	0	2,055	0	49	0	1	0	0	2,121
Corporate	0	0	707	0	1,840	0	18,353	173	0	21,073
Retail clients	0	0	0	0	0	31,931	0	0	0	31,931
Exposures secured by real estate mortgages	0	0	0	5,370	1,352	149	66	0	0	6,936
Exposures in default	4	0	0	0	0	0	1,148	556	0	1,708
Exposures presenting an especially high risk	0	0	0	0	0	0	0	474	0	474
Covered bonds	0	25	0	0	0	0	0	0	0	25
Exposures from institutions and companies given a short-term credit evaluation	0	0	0	0	0	0	0	0	0	0
Exposures in the form of UCIT shares or equities	0	0	0	0	0	0	3	0	0	3
Equity exposure	0	0	0	0	0	0	449	0	1	449
Other assets	0	0	0	0	0	0	1,276	0	0	1,276
TOTAL	**98,291**	**25**	**8,367**	**5,370**	**3,287**	**32,080**	**21,337**	**1,202**	**511**	**170,469**

Categories of exposure at 12/31/2017 *(in € millions)*	Weighting									
	0%	10%	20%	35%	50%	75%	100%	150%	250%	Total
Central governments or Central banks	74,441	0	134	0	13	0	37	0	190	74,814
Regional or local governments	115	0	4,798	0	0	0	0	0	0	4,912
Public sector (public organizations excluding central governments)	21,455	0	133	0	0	0	4	0	0	21,592
Multilateral development banks	762	0	0	0	0	0	0	0	0	762
International organizations	870	0	0	0	0	0	0	0	0	870
Institutions (banks)	2	0	1,234	0	1	0	1	0	0	1,238
Corporate	0	0	858	0	2,309	0	17,140	289	0	20,595
Retail clients	0	0	0	0	0	30,587	0	0	0	30,587
Exposures secured by real estate mortgages	0	0	0	4,903	1,579	87	1,318	0	0	7,887
Exposures in default	3	0	0	0	0	0	964	711	0	1,678
Exposures presenting an especially high risk	0	0	0	0	0	0	0	304	0	304
Covered bonds	0	61	0	0	0	0	0	0	0	61
Exposures from institutions and companies given a short-term credit evaluation	0	0	0	0	0	0	0	0	0	0
Exposures in the form of UCIT shares or equities	0	0	0	0	0	0	0	0	0	0
Equity exposure	0	0	0	0	0	0	277	0	3	280
Other assets	0	0	0	0	0	0	1,261	0	0	1,262
Total	**97,646**	**61**	**7,156**	**4,903**	**3,901**	**30,675**	**21,002**	**1,304**	**193**	**166,842**

Totals include outstandings weighted 250%, which are deferred assets.

The exposure to governments and central banks is nearly entirely weighted 0%. The capital requirements for this book demonstrate a sovereign risk for Crédit Mutuel Alliance Fédérale limited to high quality counterparties.

4.6.6 Internal rating system

Rating procedures and parameters

Rating algorithms and expert models have been developed to improve the group's credit risk assessment and to comply with the regulatory requirements concerning internal rating approaches.

Confédération Nationale du Crédit Mutuel is responsible for defining the rating methodologies for all portfolios. Nevertheless, the regional entities are directly involved in carrying out and approving working parties' assignments on specific subjects and the work related to data quality and applications acceptance tests. Therefore, in carrying out the accreditation work, the subsidiaries draw support from the expertise of the entity concerned, the staff employed by their parent company (risk and finance) and the Confédération Nationale staff.

The counterparty rating system is common to the entire group.

Probability of default (PD) is the likelihood that a counterparty of the bank will default within a one-year period. The group's counterparties eligible for internal approaches are rated by a single system which is based on:

- statistical algorithms or "mass ratings" reliant on one or more models based on a selection of variables that are representative and predictive of risk;
- rating grids developed by experts.

These models are used to differentiate and correctly classify risk. The value scale reflects the manner in which the risk changes and is broken down into eleven positions including nine performing positions (A+, A-, B+, B-, C+, C-, D+, D-and E+) and two default positions (E-and F).

In the so-called "mass" corporate and retail scopes, following the internal rating process, each borrower is given a score. Based on this score as well as other characteristics, performing borrowers are grouped into homogeneous risk classes, prior to measuring the regulatory parameter PD (probability of default). The grouping analyses are performed on the segments defined for the purposes of modeling the algorithms. A risk class' probabilities of default are then estimated on the basis of the historical default rates observed on the exposures belonging to this class, based on a record of more than ten years of observations. Safety margins are added to reflect the uncertainty of estimates.

In the other scopes, too few defaults are available to ensure the relevance and reliability of statistical estimates. The probabilities of default associated with the internal ratings are calibrated on the basis of external data.

Loss Given Default (LGD) is the ratio of the loss on an exposure in the event of a counterparty default to the amount of exposure at the time of default, including also additional drawdowns made after the transfer to non-performing.

Internal models for estimating LGD have been developed by the group and approved for the corporate and retail bank exposure classes.

In the "mass" corporate and retail scopes, LGD is calculated separately for each class, the classes being defined according to the type of loan and nature of the collateral. LDG is estimated based on the updated monthly collections observed for each class. Safety margins are added to reflect the uncertainty of estimates and the "downturn" nature of LGD. The calculations are based on an internal record of defaults and losses covering more than ten years.

In the other scopes, for which there are too few defaults to ensure the relevance and reliability of statistical estimates, LGDs are estimated on the basis of quantitative information provided by experts, benchmarks and external data and a conservative approach (the downturn effect is taken into account.)

The **conversion factor** (CCF) is the ratio of the portion currently undrawn of a credit line that could be drawn and would therefore be exposed in the event of default and the portion of said credit currently undrawn.

In the case of the corporate and retail customer books, the Crédit Mutuel group calculates the conversion factors (CCF) using an internal method approved for financing commitments. In the case of secured loans and Banking exposures, regulatory values (standardized approach) are applied.

In the corporate and retail scopes, the internal CCFs are estimated based on average historical CCFs weighted by the number of contracts, using a product-focused segmentation. They are calibrated on the basis of internal data.

The parameters used to calculate weighted risks are national and apply to all group entities.

Model mapping

Parameter modeled	Category of exposure	Portfolios	Number of models	Methodology
PD	**Institutions**	Financial institutions	2 models: Banks, *Covered Bonds*	Expert-type models based on grids containing qualitative and quantitative variables
	Corporate	Large corporates (LC) (Rev > €500m)	6 models depending on the type of counterparty and sector	Expert-type models based on grids containing qualitative and quantitative variables
		"Mass" corporate (Rev <€500m)	3 models	Quantitative type models with qualitative grids provided by experts
		Acquisition financing, Large corporates	1 model	Expert-type model based on grid containing qualitative and quantitative variables
		Corporate acquisition financing	1 model	Quantitative type models combined with qualitative grids provided by experts
		Specialized lending	Spec asset lending: 6 models according to the asset type Spec. project lending: 4 models according to the industry Spec. real estate lending: 1 model	Expert-type model based on a grid containing qualitative and quantitative variables
		Other Corporate	2 models: RE Invest. Cos., Insurance	Expert-type models based on grids containing qualitative and quantitative variables
	Retail	Private individuals	6 models depending on the type of loan (real estate, personal, etc.)	Quantitative type models
		Legal Entities	4 models depending on type of customer	Quantitative type models
		Individual business owners	3 models depending on type of business (merchants, artisans, etc.)	Quantitative type models
		Farmers	6 models depending on the condition of the account and type of operation (cyclical or not)	Quantitative type models
		Non-profit organizations	1 model	Quantitative type models
		SCIs (RE partnerships)	1 model	Quantitative type model
LGD	**Institutions**	Financial institutions	1 model	Expert type model dependent on the counterparty and the contract, based on qualitative and quantitative information
	Corporate	Large corporates (LC), Acquisition financing, RE Invest. cos. and Insurance	1 model with sector parameters	Expert type model dependent on the counterparty and the contract, based on qualitative and quantitative information
		"Mass" corporate	1 model applied to 8 segments according to the type of loan and nature of security	Quantitative type models based on flow of internal collections
	Retail		1 model applied to 10 segments according to the type of loan and nature of security	Quantitative type models based on flow of internal collections
CCF	**Corporate**	"Mass" corporate	1 model applied to 4 segments according to the type of loan	Quantitative model, calibration of CCFs based on internal data
	Retail		1 model applied to 8 segments according to the type of loan	Quantitative model, calibration of CCFs based on internal data

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Table 36: Internal ratings approach – Exposure to credit risk by category of exposures and scale of PD (EU CR6)

(in € millions) At 12/31/2018	Scale of PD	Gross exposures initially on balance sheet	Off-balance sheet exposures pre-CCF
INSTITUTIONS (BANKS)			
	0 to < 0.15	25,388	2,230
	0.15 to < 0.25	347	402
	0.25 to < 0.50	572	234
	0.50 to < 0.75	0	0
	0.75 to < 2.50	78	131
	2.50 to < 10.00	214	120
	10.00 to < 100.00	11	12
	100.00 (default)	1	0
	Sub-total	**26,611**	**3,129**
CORPORATE			
	0 to < 0.15	7,554	13,693
	0.15 to < 0.25	0	0
	0.25 to < 0.50	13,600	14,840
	0.50 to < 0.75	9,589	2,733
	0.75 to < 2.50	26,789	9,268
	2.50 to < 10.00	9,829	2,672
	10.00 to < 100.00	1,557	500
	100.00 (default)	1,683	168
	Sub-total	**70,600**	**43,874**
Of which: SMEs			
	0 to < 0.15	0	0
	0.15 to < 0.25	0	0
	0.25 to < 0.50	3,685	498
	0.50 to < 0.75	5,298	778
	0.75 to < 2.50	10,376	1,565
	2.50 to < 10.00	3,213	384
	10.00 to < 100.00	564	75
	100.00 (default)	806	74
	Sub-total	**23,943**	**3,374**
RETAIL CLIENTS			
	0 to < 0.15	79,972	9,994
	0.15 to < 0.25	30,043	3,592
	0.25 to < 0.50	44,453	3,572
	0.50 to < 0.75	6,332	2,339
	0.75 to < 2.50	31,472	4,231
	2.50 to < 10.00	19,926	3,687
	10.00 to < 100.00	6,222	446
	100.00 (default)	4,953	107
	Sub-total	**223,374**	**27,968**

Average CCF (%)	EAD	Average PD (%)	Average LGD (%)	Average maturity (years)	RWA	Density of RWAs (%)	EL	Corrected values & provisions
36	26,111	0.04	36	2.5	3,500	13	3	1
68	663	0.23	36	2.5	354	53	1	0
60	669	0.42	36	2.5	482	72	1	1
0	0	0.00	-	0.0	0	0	0	0
47	140	1.02	49	2.5	191	136	1	0
29	249	2.80	43	2.5	394	158	3	1
38	20	21.61	51	2.5	64	326	2	1
0	1	99.96	45	2.5	0	0	1	1
42	**27,853**	**0.10**	**36**	**2.5**	**4,985**	**18**	**12**	**5**
46	13,869	0.10	31	2.5	2,995	22	4	5
58	0	0.20	39	2.5	0	50	0	0
45	20,160	0.34	28	2.5	7,587	38	19	19
46	10,847	0.57	23	2.5	4,024	37	14	6
49	31,021	1.31	28	2.5	19,441	63	113	68
51	11,118	4.43	29	2.5	10,209	92	135	167
47	1,720	17.89	27	2.5	2,320	135	84	76
83	1,823	100.00	67	2.5	960	53	1,185	1,098
47	**90,557**	**3.50**	**29**	**2.5**	**47,536**	**52**	**1,556**	**1,439**
			-					
0	0	0.00	-	-	-	-	-	-
0	0	0.00	-	-	-	-	-	-
48	3,926	0.32	23	3	1,022	26	3	1
49	5,678	0.55	22	3	1,826	32	7	3
52	11,187	1.31	22	3	4,873	44	32	28
51	3,411	4.53	23	3	2,215	65	35	30
41	595	18.63	22	3	570	96	25	21
89	871	100.00	70	3	584	67	562	477
51	**25,667**	**5.17**	**24**	**3**	**11,091**	**43**	**664**	**561**
34	83,385	0.07	15		2,142	3	8	6
36	31,330	0.18	15		1,716	5	9	7
41	45,910	0.37	15		4,125	9	26	18
35	7,145	0.62	20		889	12	9	6
39	33,107	1.34	16		6,462	20	75	74
41	21,435	4.92	17		7,500	35	177	236
40	6,399	19.92	17		3,980	62	219	286
79	5,038	100.00	50		1,300	26	2,413	2,421
37	**233,750**	**3.48**	**16**		**28,114**	**12**	**2,935**	**3,054**

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(in € millions) **At 12/31/2018**	**Scale of PD**	**Gross exposures initially on balance sheet**	**Off-balance sheet exposures pre-CCF**
Of which: Exposures secured by mortgage on real estate			
	0 to < 0.15	44,969	1,409
	0.15 to < 0.25	18,378	484
	0.25 to < 0.50	32,027	766
	0.50 to < 0.75	936	38
	0.75 to < 2.50	18,886	516
	2.50 to < 10.00	11,027	383
	10.00 to < 100.00	3,571	48
	100.00 (default)	2,416	8
	Sub-total	**132,209**	**3,651**
Of which: SMEs			
	0 to < 0.15	0	0
	0.15 to < 0.25	1,250	37
	0.25 to < 0.50	9,147	204
	0.50 to < 0.75	658	22
	0.75 to < 2.50	4,073	134
	2.50 to < 10.00	3,170	120
	10.00 to < 100.00	1,298	20
	100.00 (default)	609	1
	Sub-total	**20,205**	**538**
Of which: Non SME			
	0 to < 0.15	44,969	1,409
	0.15 to < 0.25	17,128	447
	0.25 to < 0.50	22,879	562
	0.50 to < 0.75	278	16
	0.75 to < 2.50	14,813	382
	2.50 to < 10.00	7,857	263
	10.00 to < 100.00	2,273	28
	100.00 (default)	1,807	7
	Sub-total	**112,003**	**3,113**
Of which: Revolving			
	0 to < 0.15	2,168	5,078
	0.15 to < 0.25	1,059	1,504
	0.25 to < 0.50	512	564
	0.50 to < 0.75	760	851
	0.75 to < 2.50	1,439	1,136
	2.50 to < 10.00	604	347
	10.00 to < 100.00	329	109
	100.00 (default)	131	5
	Sub-total	**7,002**	**9,595**

Average CCF (%)	EAD	Average PD (%)	Average LGD (%)	Average maturity (years)	RWA	Density of RWAs (%)	EL	Corrected values & provisions
41	45,548	0.07	14		1,169	3	4	3
41	18,577	0.18	14		992	5	5	4
42	32,346	0.37	15		2,963	9	18	13
43	953	0.64	16		127	13	1	1
42	19,101	1.25	15		3,945	21	35	42
42	11,188	4.64	15		5,021	45	77	137
42	3,591	19.51	15		2,792	78	105	162
42	2,419	100.00	43		705	29	995	767
41	**133,722**	**3.04**	**15**		**17,714**	**13**	**1,239**	**1,130**
0	0	0.00	-		-	-	-	-
42	1,265	0.16	15		52	4	0	0
42	9,234	0.37	16		754	8	6	4
45	668	0.66	17		88	13	1	1
43	4,130	1.49	16		863	21	10	10
44	3,223	4.73	16		1,317	41	25	37
43	1,306	18.81	16		884	68	40	63
43	609	100.00	45		174	29	260	203
43	**20,436**	**5.43**	**17**		**4,132**	**20**	**340**	**319**
41	45,548	0.07	14		1,169	3	4	3
41	17,312	0.18	14		940	5	4	4
41	23,112	0.37	14		2,210	10	12	9
41	285	0.59	15		39	14	0	0
41	14,971	1.19	14		3,082	21	25	31
41	7,966	4.60	14		3,703	46	52	100
42	2,285	19.90	14		1,908	84	65	99
41	1,809	100.00	43		531	29	735	564
41	**113,286**	**2.61**	**15**		**13,582**	**12**	**899**	**811**
20	3,188	0.08	34		60	2	1	0
20	1,362	0.20	34		53	4	1	1
20	625	0.38	34		40	6	1	0
20	932	0.53	34		79	8	2	1
20	1,667	1.53	34		312	19	9	6
20	673	4.65	34		279	41	11	7
20	351	16.75	34		299	85	20	13
20	132	100.00	57		29	22	73	104
20	**8,930**	**2.91**	**34**		**1,152**	**13**	**117**	**132**

(in € millions) At 12/31/2018	Scale of PD	Gross exposures initially on balance sheet	Off-balance sheet exposures pre-CCF
Of which: Other – retail customers			
	0 to < 0.15	32,836	3,507
	0.15 to < 0.25	10,606	1,604
	0.25 to < 0.50	11,914	2,242
	0.50 to < 0.75	4,635	1,450
	0.75 to < 2.50	11,148	2,579
	2.50 to < 10.00	8,295	2,957
	10.00 to < 100.00	2,323	289
	100.00 (default)	2,407	95
	Sub-total	**84,164**	**14,722**
Of which: SMEs			
	0 to < 0.15	0	0
	0.15 to < 0.25	2,171	474
	0.25 to < 0.50	3,921	902
	0.50 to < 0.75	3,672	947
	0.75 to < 2.50	5,356	1,192
	2.50 to < 10.00	5,857	1,261
	10.00 to < 100.00	1,505	184
	100.00 (default)	1,629	79
	Sub-total	**24,110**	**5,039**
Of which: Non SME			
	0 to < 0.15	32,836	3,507
	0.15 to < 0.25	8,435	1,130
	0.25 to < 0.50	7,993	1,340
	0.50 to < 0.75	963	503
	0.75 to < 2.50	5,792	1,388
	2.50 to < 10.00	2,439	1,696
	10.00 to < 100.00	818	105
	100.00 (default)	778	16
	Sub-total	**60,054**	**9,683**
TOTAL		**320,586**	**74,971**

Average CCF (%)	EAD	Average PD (%)	Average LGD (%)	Average maturity (years)	RWA	Density of RWAs (%)	EL	Corrected values & provisions
52	34,649	0.06	14		912	3	3	2
49	11,392	0.18	15		672	6	3	3
46	12,939	0.36	15		1,121	9	7	5
43	5,260	0.64	18		683	13	6	4
46	12,339	1.46	17		2,205	18	31	26
43	9,573	5.28	17		2,200	23	89	91
47	2,458	20.99	18		889	36	94	111
85	2,488	100.00	56		566	23	1,344	1,550
47	**91,098**	**4.18**	**17**		**9,247**	**10**	**1,578**	**1,792**
44	0	0.09	18		0	3	-	0
38	2,352	0.19	18		137	6	1	1
34	4,227	0.34	17		335	8	3	2
32	3,979	0.67	18		491	12	5	3
36	5,786	1.61	18		1,003	17	17	14
38	6,333	5.57	18		1,389	22	64	62
38	1,574	22.55	18		523	33	65	73
88	1,699	100.00	56		387	23	918	1,072
37	**25,951**	**9.81**	**20**		**4,265**	**16**	**1,072**	**1,226**
52	34,649	0.06	14		912	3	3	2
53	9,040	0.18	15		534	6	2	2
54	8,712	0.36	14		786	9	5	3
63	1,281	0.54	19		192	15	1	1
55	6,553	1.32	16		1,202	18	14	13
47	3,240	4.70	16		811	25	25	29
63	884	18.22	19		366	41	30	38
72	789	100.00	56		179	23	426	478
53	**65,147**	**1.94**	**15**		**4,983**	**8**	**507**	**566**
43	**352,161**	**3.22**	**21**	**2.5**	**80,635**	**23**	**4,503**	**4,499**

(in € millions) At 12/31/2017	Scale of PD	Gross exposures initially on balance sheet	Off-balance sheet exposures pre-CFF
INSTITUTIONS (BANKS)			
	0.00 to < 0.15	29,277	1,854
	0.15 to < 0.25	360	225
	0.25 to < 0.50	321	138
	0.50 to < 0.75	0	0
	0.75 to < 2.50	166	93
	2.50 to < 10.00	295	53
	10.00 to < 100.00	1	12
	100.00 (default)	16	0
	Sub-total	**30,436**	**2,376**
CORPORATE			
	0.00 to < 0.15	6,471	11,241
	0.15 to < 0.25	0	3
	0.25 to < 0.50	11,789	14,166
	0.50 to < 0.75	7,560	1,437
	0.75 to < 2.50	23,531	9,165
	2.50 to < 10.00	8,085	2,394
	10.00 to < 100.00	1,557	447
	100.00 (default)	1,666	199
	Sub-total	**60,660**	**39,053**
Of which: SMEs			
	0.00 to < 0.15	0	0
	0.15 to < 0.25	0	0
	0.25 to < 0.50	3,471	558
	0.50 to < 0.75	4,777	633
	0.75 to < 2.50	9,511	1,333
	2.50 to < 10.00	3,017	372
	10.00 to < 100.00	683	93
	100.00 (default)	826	76
	Sub-total	**22,284**	**3,065**
RETAIL CLIENTS			
	0.00 to < 0.15	72,790	8,856
	0.15 to < 0.25	26,651	3,115
	0.25 to < 0.50	45,625	4,952
	0.50 to < 0.75	0	0
	0.75 to < 2.50	35,709	4,981
	2.50 to < 10.00	20,027	3,676
	10.00 to < 100.00	5,684	350
	100.00 (default)	5,273	111
	Sub-total	**211,760**	**26,040**

Average CCF (%)	EAD	Average PD (%)	Average LGD (%)	Average maturity (years)	RWA	Density of RWAs (%)	EL	Corrected values & provisions
40	30,021	0.03	37	2.5	3,461	12	3	
52	529	0.23	32	2.5	251	48	0	
50	389	0.42	36	2.5	283	73	1	
0	0	0.00	-		0	0	0	
39	204	1.07	44	2.5	252	124	1	
32	265	2.79	44	2.5	427	161	3	
30	5	21.61	45	2.5	13	288	0	
0	16	100.00	45	2.5	0	0	4	
41	**31,428**	**0.12**	**37**	**2.5**	**4,688**	**15**	**13**	**4**
50	12,023	0.10	33	2.5	2,751	23	4	
20	1	0.43	42	2.5	0	1	0	
47	18,274	0.35	27	2.5	6,646	36	17	
48	8,246	0.56	21	2.5	2,722	33	10	
47	27,566	1.31	27	2.5	16,252	59	94	
52	9,271	4.71	29	2.5	8,810	95	122	
47	1,700	17.25	27	2.5	2,334	137	79	
70	1,805	100.00	61	2.5	964	53	1,010	
48	**78,886**	**3.83**	**28**	**2.5**	**40,479**	**51**	**1,337**	**1,060**
			-					
0	0	0.00	-		0	0	0	
0	0	0.00	-		0	0	0	
49	3,742	0.33	21	2.5	938	25	3	
49	5,089	0.55	21	2.5	1,546	30	6	
48	10,153	1.35	21	2.5	4,172	41	29	
49	3,198	4.85	22	2.5	2,018	63	33	
50	729	18.59	21	2.5	687	94	28	
87	892	100.00	65	2.5	641	72	528	
50	**23,803**	**5.71**	**23**	**2.5**	**10,002**	**42**	**627**	**439**
35	75,898	0.06	14		1,768	2	7	
37	27,789	0.18	15		1,453	5	7	
40	47,597	0.38	16		4,428	9	29	
0	0	0.00	-		0	0	0	
38	37,601	1.32	17		7,323	19	86	
41	21,552	5.26	17		7,854	36	203	
41	5,826	20.85	18		3,762	65	216	
80	5,256	100.00	46		1,281	24	2,340	
38	**221,519**	**3.78**	**16**		**27,868**	**13**	**2,888**	**2,768**

(in € millions) **At 12/31/2017**	**Scale of PD**	**Gross exposures initially on balance sheet**	**Off-balance sheet exposures pre-CFF**
Of which: Exposures secured by mortgage on real estate			
	0.00 to < 0.15	40,688	1,222
	0.15 to < 0.25	16,683	454
	0.25 to < 0.50	30,206	691
	0.50 to < 0.75	0	0
	0.75 to < 2.50	19,299	507
	2.50 to < 10.00	10,842	368
	10.00 to < 100.00	3,412	41
	100.00 (default)	2,539	8
	Sub-total	**123,669**	**3,290**
Of which: SMEs			
	0.00 to < 0.15	0	0
	0.15 to < 0.25	911	26
	0.25 to < 0.50	8,436	170
	0.50 to < 0.75	0	0
	0.75 to < 2.50	4,346	142
	2.50 to < 10.00	3,056	99
	10.00 to < 100.00	1,254	18
	100.00 (default)	637	1
	Sub-total	**18,640**	**457**
Of which: Non SME			
	0.00 to < 0.15	40,688	1,222
	0.15 to < 0.25	15,772	428
	0.25 to < 0.50	21,770	521
	0.50 to < 0.75	0	0
	0.75 to < 2.50	14,953	365
	2.50 to < 10.00	7,786	268
	10.00 to < 100.00	2,157	23
	100.00 (default)	1,901	6
	Sub-total	**105,028**	**2,833**
Of which: Revolving			
	0.00 to < 0.15	2,011	4,389
	0.15 to < 0.25	995	1,353
	0.25 to < 0.50	1,202	1,326
	0.50 to < 0.75	0	0
	0.75 to < 2.50	1,392	1,104
	2.50 to < 10.00	698	389
	10.00 to < 100.00	173	49
	100.00 (default)	131	3
	Sub-total	**6,602**	**8,613**

Average CCF (%)	EAD	Average PD (%)	Average LGD (%)	Average maturity (years)	RWA	Density of RWAs (%)	EL	Corrected values & provisions
42	41,203	0.06	14		978	2	4	
42	16,874	0.18	14		887	5	4	
43	30,502	0.37	15		2,865	9	17	
0	0	0.00	-		0	0	0	
43	19,516	1.26	15		4,092	21	37	
43	11,000	4.75	15		5,084	46	79	
43	3,429	19.67	15		2,731	80	104	
42	2,542	100.00	39		713	28	923	
42	**125,066**	**3.32**	**15**		**17,349**	**14**	**1,168**	**817**
0	0	0.00	-		0	0	0	
42	922	0.15	14		35	4	0	
44	8,510	0.38	17		749	9	6	
0	0	0.00	-		0	0	0	
44	4,409	1.46	17		979	22	11	
45	3,100	5.01	17		1,397	45	27	
44	1,262	19.07	17		911	72	41	
43	638	100.00	41		171	27	249	
44	**18,842**	**6.01**	**18**		**4,243**	**23**	**335**	**213**
42	41,203	0.06	14		978	2	4	
42	15,952	0.18	14		853	5	4	
42	21,992	0.37	14		2,116	10	12	
0	0	0.00	-		0	0	0	
42	15,107	1.19	14		3,112	21	26	
42	7,899	4.65	14		3,686	47	52	
43	2,167	20.02	14		1,819	84	63	
42	1,904	100.00	38		541	28	674	
42	**106,225**	**2.84**	**14**		**13,106**	**12**	**833**	**604**
20	2,893	0.07	33		46	2	1	
20	1,267	0.19	33		45	4	1	
20	1,469	0.43	33		102	7	2	
0	0	0.00	-		0	0	0	
20	1,613	1.49	33		286	18	8	
20	776	5.34	33		336	43	14	
20	183	19.82	33		166	91	12	
20	132	100.00	56		26	20	72	
20	**8,333**	**2.93**	**33**		**1,008**	**12**	**109**	**105**

(in € millions) **At 12/31/2017**	**Scale of PD**	**Gross exposures initially on balance sheet**	**Off-balance sheet exposures pre-CFF**
Of which: Other – retail clients			
	0.00 to < 0.15	30,091	3,246
	0.15 to < 0.25	8,973	1,308
	0.25 to < 0.50	14,216	2,934
	0.50 to < 0.75	0	0
	0.75 to < 2.50	15,018	3,370
	2.50 to < 10.00	8,488	2,920
	10.00 to < 100.00	2,099	260
	100.00 (default)	2,603	100
	Sub-total	**81,489**	**14,137**
Of which: SMEs			
	0.00 to < 0.15	0	0
	0.15 to < 0.25	884	224
	0.25 to < 0.50	5,020	1,098
	0.50 to < 0.75	0	0
	0.75 to < 2.50	8,684	2,012
	2.50 to < 10.00	5,760	1,194
	10.00 to < 100.00	1,439	198
	100.00 (default)	1,678	82
	Sub-total	**23,465**	**4,809**
Of which: Non SME			
	0.00 to < 0.15	30,091	3,246
	0.15 to < 0.25	8,089	1,084
	0.25 to < 0.50	9,196	1,836
	0.50 to < 0.75	0	0
	0.75 to < 2.50	6,334	1,358
	2.50 to < 10.00	2,728	1,725
	10.00 to < 100.00	661	62
	100.00 (default)	925	18
	Sub-total	**58,024**	**9,329**
TOTAL		**302,855**	**67,469**

Average CCF (%)	EAD	Average PD (%)	Average LGD (%)	Average maturity (years)	RWA	Density of RWAs (%)	EL	Corrected values & provisions
53	31,802	0.06	13		743	2	3	
52	9,648	0.18	14		521	5	2	
48	15,626	0.38	16		1,461	9	10	
0	0	0.00	-		0	0	0	
43	16,472	1.38	18		2,945	18	42	
44	9,777	5.84	19		2,434	25	110	
44	2,214	22.77	20		865	39	100	
85	2,582	100.00	54		542	21	1,345	
48	**88,119**	**4.52**	**17**		**9,511**	**11**	**1,611**	**1,845**
0	0	0.00	-		0	0	0	
39	970	0.15	18		46	5	0	
35	5,403	0.38	19		504	9	4	
0	0	0.00	-		0	0	0	
35	9,383	1.45	20		1,702	18	27	
38	6,217	6.36	20		1,569	25	81	
38	1,515	24.05	21		585	39	76	
88	1,750	100.00	54		366	21	916	
37	**25,238**	**10.57**	**22**		**4,771**	**19**	**1,104**	**1,063**
53	31,802	0.06	13		743	2	3	
54	8,678	0.18	14		475	5	2	
56	10,223	0.38	15		957	9	6	
0	0	0.00	-		0	0	0	
56	7,088	1.29	15		1,244	18	14	
48	3,560	4.92	15		864	24	28	
62	699	19.97	17		280	40	24	
75	831	100.00	53		177	21	429	
53	**62,881**	**2.08**	**14**		**4,739**	**8**	**506**	**782**
44	**331,833**	**3.45**	**21**	**2.5**	**73,035**	**22**	**4,238**	**3,832**

Backtesting

The quality of the ratings system is monitored using national procedures which specify the topics to be reviewed, the warning thresholds and responsibilities of the personnel involved. These documents are updated by the Confédération Nationale du Crédit Mutuel risk department if necessary as decisions are ratified.

Reporting of the monitoring of the mass rating models focuses on three main aspects: stability assessment, performance assessment and various additional analyses. These reports are created for each mass rating model on a quarterly basis and supplemented by reviews and annual and half-yearly audits at a deeper level of detail, in that all of the elements making up each models are analyzed.

As regards the expert grids, the approach includes comprehensive annual monitoring based on performance tests, with an analysis of rating concentrations, of transition matrices and of consistency with the external rating system.

The annual review of default probabilities is carried out before new estimates are made of that regulatory parameter. Depending on the portfolio, the annual review is supplemented by an intermediate review, conducted semi-annually. The procedures for tracking LGD and CCFs are implemented on an annual basis, their main objective being to validate, at the segment level, the values used by these parameters. In the case of loss given default, this validation is carried out mainly by verifying the strength of the prudence margin calculation methods and by reconciling the LGD estimators with the most recent data and actual figures. As regards the CCF, it is validated by reconciling the estimators with the most recent CCFs observed.

Since a nation-wide procedure have been established for monitoring the parameters, the quantitative elements relating to the back-testing of the parameters and to the change in RWA under the internal ratings-based approach are presented in the confederal Pillar 3 report.

Permanent and periodic control

The Crédit Mutuel group's Basel II permanent control plan comprises two levels. At the national level, permanent control is involved in (a) validating new models and significant adjustments made to existing models and (b) the ongoing monitoring of the internal ratings system, especially its parameters. At the regional level, permanent control acts as guidance, coordination and standardization for the entire Crédit Mutuel group control function, covering the controls relating to the overall suitability of the internal rating system, the operational aspects related to the production and calculation of ratings, the credit risk management procedures directly related to the internal rating system and the quality of the data.

As for periodic control, the Crédit Mutuel group's audit unit carries out an annual review of the internal rating system. A framework procedure defines the type of assignments to be carried out on an ongoing basis on the Basel II procedures as well as the breakdown of responsibilities between the regional and national audit units.

Additional quantitative information

The risk-weighted assets of equity exposures are obtained using the simple risk-weighted approach, which involves applying specific risk weighting to the carrying amounts of the exposures.

The risk-weighted assets of "specialized financing" exposures are obtained using the slotting criteria method.

Table 37: Statement of RWA flows related to exposures to credit risk under the IR approach (EU CR8)

On and off balance sheet *(in € millions)*	**RWA**	**EFP**
RWA December 2017	**176,014**	**14,081**
Amount of assets	12,845	1,028
Quality of assets	932	75
Update of models	179	14
Methodology and policy	0	0
Acquisitions and sales	0	0
Currency fluctuations	0	0
Other*	-956	-76
RWA December 2018	**189,014**	**15,121**

* *Including the impact of certifying real estate development algorithms under IRBA.*

Table 38: IR approach – Back-testing of the PD by category of exposure (EU CR9)

The information associated with this table is presented at the national level in the Crédit Mutuel group's Pillar 3 report.

Table 39: IR approach – specialized lending and equities (EU CR10)

SPECIALIZED LENDING (amounts in € millions)

Regulatory categories	Residual maturity	Amount on balance sheet	Amount off balance sheet	Weighting	Amount of exposure	RWA	Expected losses
	Less than 2.5 years	675	166	50%	811	406	0
Category 1	2.5 years or more	5,025	296	70%	5,249	3,674	21
	Under 2.5 years	152	68	70%	204	143	1
Category 2	2.5 years or more	1,591	326	90%	1,837	1,653	15
	Under 2.5 years	19	3	115%	20	22	1
Category 3	2.5 years or more	505	300	115%	724	833	20
	Under 2.5 years	3	75	250%	59	147	5
Category 4	2.5 years or more	27	35	250%	54	135	4
	Under 2.5 years	19	2	0%	26	0	13
Category 5	2.5 years or more	40	0	0%	62	0	31
	Under 2.5 years	**866**	**315**		**1,120**	**718**	**19**
TOTAL	**2.5 years or more**	**7,189**	**957**		**7,926**	**6,295**	**91**

EQUITIES USING THE SIMPLE WEIGHTING METHOD (amounts in € millions)

Categories	Amount of exposure	Weighting	RWA	Capital requirements
Exposures in capital requirements	2,044	190%	3,884	311
Exposures to equities traded on regulated exchanges	8	290%	22	2
Other equity exposure[1]	9,762	370%	36,127	2,890
Large investments in the financial sector[2]	1,385	250%	3,463	277
TOTAL	**13,200**		**43,496**	**3,480**

(1) Including €8,335 million of exposures related to the Groupe des Assurances du Crédit Mutuel, treated according to the Danish compromise.

(2) Including Banque de Tunisie and Caisse Centrale de Crédit Mutuel.

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4.7 COUNTER-PARTY RISK

Qualitative information reporting requirements on CCR (EU CCRA)

Objectives and risk management policies regarding CCR

In terms of trading room counterparty risk, the objective in managing it is to estimate the economic loss that the group would suffer in the event of instant default by a counterparty before applying a recovery rate.

The method used to assign operational limits in terms of internal capital for exposures to risk of counterparty credit risk

The limits on trading room credit risk and counterparty risk are basically internal ratings of the counterparties and of the type of exposure to them, such as money market instruments, investment in equity or debt securities, derivative products and repurchase agreements.

Policies concerning guarantees and other risk mitigation techniques and counterparty risk assessment

In keeping with what is indicated in the CCR1 statement, trading room counterparty transactional risk is calculated (i) using the market price method accompanied by an add-on for exposures through derivatives and (ii) using the general method based on financial collateral for exposures through repurchase transactions. Margin call flows (collateralization) mitigate the risks of these exposures. Hedging through CDSs may also be used to manage credit risk for certain Large Corporate counterparties. Lastly, as regards the mitigation of counterparty risk, the measures applied are: (i) signing offsetting contracts with certain counterparties or certain products (cf. close-out netting in the event of default by a counterparty) and (ii) offsetting transactions on certain over-the-counter derivatives with a central counterparty.

The policies applied as regards exposure to correlation risk

The risk of unfavorable correlation, known as wrong way risk, is monitored for both of its components, specific risk and general risk. A procedure for monitoring specific correlation risk is in place to detect transactions that might create exposure. General correlation risk is calculated by combing a scenario where the probabilities of default (historical and market) deteriorate and a scenario where the primary risk factors to which the portfolio is sensitive are altered.

Table 40: Analysis of the CCR exposure by approach (EU CCR1)

(in € millions) **At 12/31/2018**	Notional value	Replacement cost/ current market value	Potential future credit exposure	Effective positive exposure anticipated	Multiplier	EAD (value exposed to post-ARC risk)	RWA
Method using market prices		3,236	2,311			3,319	1,515
Initial exposure							
Standard approach							
IMM (for derivatives and SFTs)							
O/w equity financing transactions							
O/w derivatives and deferred settlement transactions							
O/w resulting from a contractual cross product netting agreement							
Simple method based on financial collateral (for SFTs)							
General method based on financial collateral (for SFTs)						9,479	33
VaR for SFTs							
TOTAL							**1,548**

(in € millions) **At 12/31/2017**	Notional value	Replacement cost/ current market value	Future potential credit exposure	Effective positive exposure anticipated	Multiplier	EAD (value exposed to post ARC risk)	RWA
Method using market prices		3,530	2,315			3,391	1,768
Initial exposure							
Standard approach							
IMM (for derivatives and SFTs)							
O/w equity financing transactions							
O/w derivatives and deferred settlement transactions							
O/w resulting from a contractual cross product netting agreement							
Simple method based on financial collateral (for SFTs)							
General method based on financial collateral (for SFTs)						7,672	13
VaR for SFTs							
TOTAL							**1,781**

Table 41: Capital requirements for CVAs (EU CCR2)

(in € millions) At 12/31/2018	Amount of the exposure	RWA
Total portfolios subject to advanced CVA requirement		
i) VaR component (including 3x multiplier)	-	-
ii) SVaR component under stress (including the 3x multiplier)	-	-
Total portfolios subject to standard CVA requirement	**1,970**	**662**
Total of method based on original exposure	-	-
TOTAL	**1,970**	**662**

(in € millions) At 12/31/2017	Amount of the exposure	RWA
Total portfolios subject to advanced CVA requirement		
i) VaR component (including 3x multiplier)	-	-
ii) SVaR component under stress (including the 3x multiplier)	-	-
Total portfolios subject to standard CVA requirement	**1,850**	**682**
Total of method based on original exposure	-	-
TOTAL	**1,850**	**682**

Table 42: Standard approach – CCR exposures by regulatory portfolio and by risk weighting (EU CCR3)

Categories of exposure at 12/31/2018 *(in € millions)*	EAD						
	Weighting						
	0%	2%	20%	50%	75%	100%	Total
Central governments or Central banks	0	0	0	0	0	0	0
Regional or local governments	7	0	0	0	0	3	10
Public sector (public organizations excluding central governments)	1	0	0	0	0	3	5
Multilateral development banks	12	0	0	0	0	0	12
International organizations	0	0	0	0	0	0	0
Institutions (banks)	0	1,060	37	0	0	0	1,098
Corporate	0	0	0	0	0	140	140
Retail clients	0	0	0	0	1	0	1
Institutions and companies given a short-term credit evaluation	0	0	0	0	0	0	0
Other assets	0	0	0	0	0	15	15
TOTAL	**21**	**1,060**	**38**	**0**	**1**	**162**	**1,282**

Categories of exposure at 12/31/2017 *(in € millions)*	EAD						
	Weighting						
	0%	2%	20%	50%	75%	100%	Total
Central governments or Central banks	0	0	0	6	0	0	6
Regional or local governments	10	0	0	0	0	4	14
Public sector (public organizations excluding central governments)	2	0	0	0	0	4	5
Multilateral development banks	0	0	0	0	0	0	0
International organizations	0	0	0	0	0	0	0
Institutions (banks)	0	648	43	0	0	0	691
Corporate	0	1	0	0	0	227	228
Retail clients	0	0	0	0	1	0	1
Institutions and companies given a short-term credit evaluation	0	0	0	0	0	0	0
Other assets	0	0	0	0	0	0	0
TOTAL	**12**	**649**	**43**	**6**	**1**	**234**	**945**

Table 43: IRB approach – CCR exposures by portfolio and PD scale (EU CCR4)

Amount in € million at 12/31/2018	PD range	EAD	Average PD	Average LGD	Average range	RWA	RWA density
INSTITUTIONS (BANKS)							
	0 to < 0.15	7,735	0.05	13	1.8	422	5
	0.15 to < 0.25	1,051	0.23	17	1.8	237	23
	0.25 to < 0.50	670	0.44	2	1.2	1	0
	0.50 to < 0.75	0	0.00	0	0.0	0	0
	0.75 to < 2.50	0	0.00	0	0.0	0	0
	2.50 to < 10.00	0	0.00	0	0.0	0	0
	10.00 to < 100.00	0	0.00	0	0.0	0	0
	100.00 (default)	0	0.00	0	0.0	0	0
	Sub-total	**9,456**	**0.10**	**13**	**1.8**	**660**	**7**
CORPORATE CLIENTS							
	0 to < 0.15	2,321	0.05	8	2.5	121	5
	0.15 to < 0.25	0	0.00	0	0.0	0	0
	0.25 to < 0.50	221	0.35	34	2.5	103	47
	0.50 to < 0.75	64	0.54	37	2.5	41	63
	0.75 to < 2.50	202	1.19	35	2.5	165	82
	2.50 to < 10.00	56	4.25	43	2.5	80	143
	10.00 to < 100.00	13	17.32	43	2.5	31	227
	100.00 (default)	2	99.99	45	2.5	0	0
	Sub-total	**2,879**	**0.39**	**14**	**2.5**	**540**	**19**
RETAIL CLIENTS							
	0 to < 0.15	2	0.09	45		0	3
	0.15 to < 0.25	1	0.23	45		0	5
	0.25 to < 0.50	0	0.00	0		0	0
	0.50 to < 0.75	1	0.53	45		0	9
	0.75 to < 2.50	0	1.29	45		0	13
	2.50 to < 10.00	0	4.34	45		0	18
	10.00 to < 100.00	0	12.86	45		0	21
	100.00 (default)	0	0.00	0		0	0
	Sub-total	**4**	**0.50**	**45**		**0**	**5**
TOTAL		**12,339**	**0.17**	**13**	**2.4**	**1,201**	**10**

Amount (in € millions) at 12/31/2017	PD range	EAD	Average PD	Average LGD	Average range	RWA	RWA density
INSTITUTIONS (BANKS)							
	0.00 to < 0.15	6,635	0.05	13	1.9	400	6
	0.15 to < 0.25	1,664	0.23	8	2.0	155	9
	0.25 to < 0.50	2	0.44	38	2.0	0	14
	0.50 to < 0.75	0	0.00	0	0.0	0	0
	0.75 to < 2.50	0	1.02	45	2.5	0	126
	2.50 to < 10.00	1	2.79	45	2.5	2	164
	10.00 to < 100.00	0	0.00	0	0.0	0	0
	100.00 (default)	0	0.00	0	0.0	0	0
	Sub-total	**8,303**	**0.09**	**12**	**1.9**	**558**	**7**
CORPORATE CLIENTS							
	0.00 to < 0.15	1,183	0.04	9	2.5	64	5
	0.15 to < 0.25	0	0.00	0	0.0	0	0
	0.25 to < 0.50	319	0.36	39	2.5	172	54
	0.50 to < 0.75	84	0.58	37	2.5	54	64
	0.75 to < 2.50	493	1.16	24	2.5	280	57
	2.50 to < 10.00	86	4.81	42	2.5	126	147
	10.00 to < 100.00	38	16.60	48	2.5	97	254
	100.00 (default)	5	100.01	45	2.5	0	0
	Sub-total	**2,207**	**1.05**	**20**	**2.5**	**794**	**36**
RETAIL CLIENTS							
	0.00 to < 0.15	4	0.08	45		0	3
	0.15 to < 0.25	3	0.20	45		0	6
	0.25 to < 0.50	2	0.47	45		0	10
	0.50 to < 0.75	0	0.00	0		0	0
	0.75 to < 2.50	1	2.03	45		0	19
	2.50 to < 10.00	0	5.48	45		0	26
	10.00 to < 100.00	0	15.52	38		0	32
	100.00 (default)	0	0.00	0		0	0
	Sub-total	**11**	**0.47**	**45**		**1**	**7**
TOTAL		**10,521**	**0.29**	**14**	**2.5**	**1,352**	**13**

Table 44: Credit derivative exposures (EU CCR6)

(in € millions) As of 12/31/2018	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notional amounts			
Single-name credit default swaps	7,946	4,759	
Index credit default swaps	2,611	3,025	
Total index credit default swaps			
Credit options	87	109	
Other credit derivatives			
TOTAL NOTIONALS	**10,644**	**7,893**	
Fair values			
Positive fair value (asset)	-	93	
Negative fair value (liability)	91	30	

(in € millions) As of 12/31/2017	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notional amounts			
Single-name credit default swaps	4,095	2,458	
Index credit default swaps	3,219	3,222	
Total index credit default swaps			
Credit options			
Other credit derivatives			
Total notionals	**7,315**	**5,680**	
Fair values			
Positive fair value (asset)	-	131	
Negative fair value (liability)	147	15	

Table 45: RWA flow statements of CCR exposures under the model method (EU CCR7)

Derivatives and repurchase agreements *(in € millions)*	RWA	Capital requirements
RWA December 2017	**1,794**	**144**
Total assets	255	20
Asset quality	-476	-38
Model upgrades	-4	0
Methodology and policy	0	0
Acquisitions and disposals	0	0
Currency movements	0	0
Other	0	0
RWA December 2018	**1,569**	**126**

Table 46: Exposures to central counter-parties (EU CCR8)

(in € millions) As of 12/31/2018	EAD post-CRM	RWA
EXPOSURES TO QCCPS[1] (TOTAL)		
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
(i) OTC derivatives	631	13
(ii) Exchange-traded derivatives	221	4
(iii) SFTs	209	4
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin	2,721	
Non-segregated initial margin		
Pre-funded default fund contributions	80	191
Alternative calculation of equity requirements for exposures		
EXPOSURES TO NON-QCCPS[1] (TOTAL)		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
(i) OTC derivatives		
(ii) Exchange-traded derivatives		
(iii) SFTs		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Pre-funded default fund contributions		
Unfunded default fund contributions		

(in € millions) As of 12/31/2017	EAD post-CRM	RWA
EXPOSURES TO QCCPS[1] (TOTAL)		
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
(I) OTC derivatives	441	9
(II) Exchange-traded derivatives	19	0
(III) SFTs	123	2
(IV) Netting sets where cross-product netting has been approved		
Segregated initial margin	1,127	
Non-segregated initial margin		
Pre-funded default fund contributions	36	96
Alternative calculation of own funds requirements for exposures		
EXPOSURES TO NON-QCCPS[1] (TOTAL)		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
(I) OTC derivatives		
(II) Exchange-traded derivatives		
(III) SFTs		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Pre-funded default fund contributions		
Unfunded default fund contributions		

(1) Qualifying central counterparty.

4

4.8 CREDIT RISK MITIGATION TECHNIQUES

Financial, personal and physical collateral may be used directly to reduce the calculation of capital requirements measured for credit risk and included in the calculation of the group's solvency ratio. The use of guarantees as risk mitigation techniques is however subject to compliance with the eligibility and minimum requirement conditions imposed by the regulations.

4.8.1 Netting and collateralization of repurchase transactions and over-the-counter derivatives

When a framework agreement is entered into with a counterparty, the signatory entity nets the latter's exposure.

With credit institution counter-parties, Crédit Mutuel supplements these agreements with collateralization agreements (CSA). The operational management of these agreements is based on the TriOptima platform.

Regular margin calls significantly reduce the residual net credit risk on over-the-counter derivatives and repurchase transactions.

4.8.2 Description of the main categories of collateral taken into account by the institution

The Crédit Mutuel group uses guarantees in different ways when calculating weighted risks, depending on the type of borrower, the calculation method applied for the exposure covered and the type of guarantee.

For retail banking customer contracts based on an advanced IRB approach, the guarantees are used as an element for segmenting the loss in the event of default, calculated statistically on all the group's nonperforming loans and loans in litigation. For this scope, the group therefore does not use risk mitigation techniques in its capital requirements calculation.

For contracts concerning the "Sovereign" and "Institution" portfolios and, to some extent, the "Corporate" portfolio, personal collateral and financial collateral are used as risk mitigation techniques, as defined by regulations:

- personal collateral corresponds to a commitment made by a third party to take the place of the primary debtor if the latter defaults. By extension, credit derivatives (purchase of protection) are included in this category;
- financial collateral is defined by the group as a right for the institution to liquidate, retain or obtain the transfer of ownership of certain amounts or assets, such as pledged cash deposits, debt securities, equities or convertible bonds, gold, UCITS units, life insurance policies and instruments of all kinds issued by a third party and redeemable on request.

Use of the guarantee is only effective if said guarantee meets the legal and operational criteria laid down by the regulations. Downstream processing to calculate weighted risks taking into account risk mitigation techniques is largely automated. Verification of compliance with the eligibility and minimum requirements conditions imposed by the regulations must be conducted and formalized when the guarantee is processed.

4.8.3 Procedures applied to value and manage instruments constituting physical collateral

The valuation procedures for guarantees vary depending on the type of instrument comprising the physical collateral. Generally speaking, research carried out within the Crédit Mutuel group is based on statistical estimation methodologies, integrated directly into the applications, using external indices with potential discounts applied depending on the type of asset accepted as collateral (for example, the valuation of assets financed under finance leases takes into account the economic obsolescence of the asset). For real-estate collateral, the initial valuation is generally calculated using the acquisition cost or construction value of the asset.

On an exceptional basis, specific procedures include expert valuations, particularly in cases where the limits set for outstandings are exceeded. These procedures are drawn up at the national level.

To perform the controls necessary for compliance with the conditions related to the guarantee agreements and the guarantors, the identification of guarantees in the information systems, and compliance with the standards and rules on eligibility in force at the Crédit Mutuel group, the regional groups use common tools and dedicated operational procedures that list the types of guarantees that are deemed eligible, present the IT mechanisms developed in the guarantee management applications to define eligibility, and detail the questions the asset manager must answer to determine the eligibility of the guarantee when it is processed. These procedures are regularly updated by CNCM and submitted for authorization to the Basel III governance bodies. The permanent control department is involved in second-level controls to verify the eligibility and its justification.

The guarantee is periodically revalued over its lifetime in accordance with the rules set out in the procedures.

4.8.4 Main categories of protection providers

With the exception of intra-group guarantees, the main categories of protection providers taken into account are mutual guarantee companies such as Crédit Logement.

Table 47: Credit risk mitigation (CRM) techniques – overview (EU CR3)

(in € millions) **As of 12/31/2018**	Unsecured exposures – Carrying amount	Secured exposures – Carrying amount*	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	571,533	4,596	3,641	955	0
Total debt securities	20,595	0	0	0	0
Total exposures	**592,129**	**4,596**	**3,641**	**955**	**0**
of which defaulted	5,174	64	20	43	0

* *Column only includes secured exposures that are subject to a credit risk mitigation technique in the regulatory sense. The small amount of secured exposures reflects the fact that for retail customer contracts based on an advanced IRB approach the guarantees are used as an element for segmenting the loss in the event of default and, as such, CRM techniques are not used.*

(in € millions) **As of 12/31/2017**	Unsecured exposures – Carrying amount	Secured exposures – Carrying amount	Secured exposures by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	542,382	4,270	3,465	805	0
Total debt securities	21,468	0	0	0	0
Total exposures	**563,850**	**4,270**	**3,465**	**805**	**0**
of which defaulted	5,507	90	24	66	0

* *Column only includes secured exposures that are subject to a credit risk mitigation technique in the regulatory sense. The small amount of secured exposures reflects the fact that for retail customer contracts based on an advanced IRB approach the guarantees are used as an element for segmenting the loss in the event of default and, as such, CRM techniques are not used.*

Under the standardized approach, small discrepancies between exposure amounts pre-and post-CRM show that the impact of the collateral is not material.

Potential concentrations resulting from CRM measures (by guarantor and by sector) are monitored as part of credit risk management and included in the quarterly report, in particular the monitoring of compliance with concentration limits (monitoring carried out after guarantors are taken into account). No specific concentration has resulted from implementation of CRM techniques.

Table 48: Standardized approach – credit risk exposure and CRM effects (CR4)

Exposure classes as of 12/31/2018 *(in € millions)*	Net exposures		EAD		RWAs and RWA density	
	Amount on-balance sheet	Amount off-balance sheet	Amount on-balance sheet	Amount off-balance sheet	RWA	RWA density (%)
Central governments or central banks	73,918	1,093	73,347	358	1,403	2
Regional or local authorities	4,993	510	5,156	184	1,051	20
Public sector (government agencies excluding central governments)	22,682	268	23,633	317	6	0
Multilateral development banks	765	0	765	0	0	0
International organizations	713	0	713	0	0	0
Institutions (bank)	2,034	403	2,032	89	437	21
Corporate clients	18,416	17,320	17,835	3,238	19,568	93
Retail clients	31,317	12,734	30,996	935	22,981	72
Exposures secured by a mortgage on real estate property	6,883	114	6,883	53	2,704	39
Exposures in default	1,749	34	1,685	23	1,982	116
Exposures associated with an especially high risk	476	22	463	11	702	148
Covered bond	25	0	25	0	3	10
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	3	0	3	0	3	100
Equity exposures	449	0	449	0	450	100
Other assets	1,276	0	1,276	0	1,276	100
TOTAL	**165,699**	**32,498**	**165,262**	**5,207**	**52,564**	**31**

	Net exposures		EAD		RWAs and RWA density	
Exposure classes as of 12/31/2017 *(in € millions)*	**Amount on-balance sheet**	**Amount off-balance sheet**	**Amount on-balance sheet**	**Amount off-balance sheet**	**RWA**	**RWA density (%)**
Central governments or central banks	75,324	755	74,732	81	544	1
Regional or local authorities	4,539	439	4,754	158	960	20
Public sector (government agencies excluding central governments)	20,211	250	21,174	419	31	0
Multilateral development banks	762	0	762	0	0	0
International organizations	868	0	870	0	0	0
Institutions (banks)	1,213	107	1,211	27	249	20
Corporate clients	17,517	18,913	17,004	3,591	18,847	92
Retail clients	29,894	12,074	29,612	975	21,939	72
Exposures secured by a mortgage	7,540	817	7,540	347	3,881	49
Exposures in default	1,683	93	1,594	84	2,031	121
Exposures associated with an especially high risk	289	39	289	16	452	148
Covered bonds	61	0	61	0	6	10
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	0	0	0	0	0	100
Equity exposures	280	0	280	0	285	102
Other assets	1,262	0	1,262	0	1,261	100
TOTAL	**161,441**	**33,486**	**161,144**	**5,698**	**50,486**	**30**

Table 49: IRB approach – Effect on RWA of credit derivatives used as CRM techniques (EU CR7)

The effect of credit derivatives as a CRM technique (EU CR7) is not material for Crédit Mutuel Alliance Fédérale.

Table 50: Impact of netting and collateral held on exposure values (EU CCR5-A)

(in € millions) **As of 12/31/2018**	**Gross positive fair value or net carrying amount**	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure**
Derivatives	10,203	6,750	3,453	2,298	1,155
Repurchase agreements*	18,864	823	18,041	9,516	8,525
Cross-product netting			0		0
TOTAL	**29,067**	**7,573**	**21,494**	**11,814**	**9,680**

* *Under the internal ratings-based approach, net exposures to repurchase and lending/borrowing transactions do not include collateral held, as the latter is included in the calculation of the effective loss given default (LGD*) method used by the Crédit Mutuel group in accordance with Article 228 §2 of the CRR.*

(in € millions) **As of 12/31/2017**	**Gross positive fair value or net carrying amount**	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure**
Derivatives	11,405	7,677	3,729	2,507	1,222
Repurchase agreements*	15,966	2,438	13,528	5,733	7,795
Cross-product netting					
Total	**27,372**	**10,115**	**17,257**	**8,240**	**9,017**

* *Under the internal ratings-based approach, net exposures to repurchase and lending/borrowing transactions do not include collateral held, as the latter is included in the calculation of the effective loss given default (LGD*) method used by the Crédit Mutuel group in accordance with Article 228 §2 of the CRR.*

Table 51: Composition of collateral for exposures to CCR risk (EU CCR5-B)

(in € millions) As of 12/31/2018	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Non-segregated	Segregated	Non-segregated		
Variation margin		2,433		2,463	83	158
Initial margin	-		2,059		17,437	19,930
TOTAL	**-**	**2,433**	**2,059**	**2,463**	**17,520**	**20,088**

Segregated: refers to collateral that is protected from default.

(in € millions) As of 12/31/2017	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Non-segregated	Segregated	Non-segregated		
Variation margin		3,450		4,028	71	98
Initial margin	-		1,536		12,261	14,720
Total	**-**	**3,450**	**1,536**	**4,028**	**12,332**	**14,818**

Segregated: refers to collateral that is protected from default.

4.9 SECURITIZATION

4.9.1 Objectives

In connection with its capital markets activities, the group carries out operations on the securitization market by taking up investment positions with three objectives: achieving returns, taking risks and diversifying. The risks primarily concern credit risk on the underlying assets and liquidity risk, particularly with the changes in the European Central Bank's eligibility criteria.

The activity is exclusively an investor activity with senior or mezzanine tranches, which always have external ratings.

For specialized financing facilities, the group supports its customers as a sponsor (arranger or co-arranger) or sometimes as an investor with the securitization of commercial loans. The conduit used is General Funding Ltd (GFL), which subscribes for the senior units in the securitization vehicle and issues commercial paper. GFL benefits from a liquidity line granted by the group guaranteeing it will place the conduit's commercial paper. The group is exposed mainly to credit risk on the portfolio of transferred loans and to the risk of the capital markets drying up.

4.9.2 Control and monitoring procedures for capital market activities

Market risks on securitization positions are monitored by the risk and results control function, focusing on various areas, with day-to-day procedures making it possible to monitor changes in market risks. The CRR analyzes changes in the results of securitization strategies each day and explains them in relation to the risk factors. It monitors compliance with the limits which are defined in the body of rules, approved by the group's lending department and reviewed at least once a year. The Body of Rules strictly governs the investment and risk portfolios.

The group also observes the credit quality of the securitization tranches on a daily basis by monitoring the ratings set by the external credit rating agencies Standard & Poor's, Moody's and Fitch Ratings. The actions taken by these agencies (upgrades, downgrades or watches are analyzed. In addition, a quarterly summary of rating changes is drawn up.

In connection with the procedure for managing counterparty limits, the following work is carried out: in-depth analysis of securitizations that have reached the level of delegation for group commitments, analysis of certain sensitive securitizations (from the eurozone's peripheral countries or subject to significant downgrades). The purpose of these analyses is notably to assess the position's level of credit and the underlying performances.

In addition, each securitization tranche, irrespective of the delegation level, is covered by a form. These forms incorporate the main characteristics of the tranche held, as well as the structure and the underlying portfolio. For securitizations issued from January 1, 2011, information on the underlying asset's performances has been added. This information is updated once a month. The branches' pre-sales documentation and the issue prospectuses are also recorded and made available with the forms, in addition to the investor reports for securitizations issued from January 1, 2011.

Lastly, the capital markets activities have an application for measuring the impact of various scenarios on the positions (notably changes in prepayments, defaults and recovery rates).

Monthly stress tests are also carried out on the portfolios. An asset quality review (AQR) was conducted by the European Central Bank in 2014 and completed by stress-tests in 2014, 2016 and again in 2018, with very satisfactory results.

4.9.3 Quantified data related to capital market activities

In 2018, group securitization investments increased by €2.3 billion (up +32%), and represented a carrying amount of €9.7 billion as of December 31, 2018. Capital market investments represented 93% of securitization investments.

Securitization portfolios are managed on a prudent basis and comprise mainly senior securities with high credit ratings. The increase in investments in 2018, consisting mainly of AAA securities (investments of +€2.5 billion), further enhanced the overall quality of the portfolios, as 86% of the securities are rated AAA (versus 79% in 2016) and 11% rated between A-and AA+. The portfolios are diversified, both in terms of type of exposure (RMBS, CMBS, CLO, ABS, auto loans, ABS consumer loans, ABS credit cards) and geographical exposure (the United States, the Netherlands, the United Kingdom, France, Italy and Germany).

Table 52: Breakdown of securitization investments

Breakdown of outstandings by portfolio *(in € millions)*	12/31/2018	12/31/2017
Network portfolio	8,899	6,860
Trading portfolio	784	474
TOTAL	**9,683**	**7,334**

Investment grade/non-investment grade outstandings *(%)*	12/31/2018	12/31/2017
Investment grade (o/w AAA 86%)	98%	96%
Non-investment grade	2%	4%
TOTAL	**100%**	**100%**

Breakdown of outstandings by geographic zone *(%)*	12/31/2018
USA	50.91%
France	14.07%
Germany	9.27%
The UK	6.68%
The Netherlands	5.70%
Italy	4.07%
Spain	3.17%
Australia	2.65%
Hong Kong	0.85%
Ireland	0,81%
Austria	0.48%
Switzerland	0.32%
Finland	0.31%
Portugal	0.16%
Belgium	0.15%
South Korea	0.13%
Greece	0.11%
Luxembourg	0.10%
Norway	0.06%
Other countries	0.81%
TOTAL	**100.00%**

The group has very little exposure to the EU countries which were the most affected by the last financial crisis (Ireland: 0.8%, Portugal: 0.2%, Greece: 0.1%.) Moreover, there was closer monitoring of non-investment grade investments and, in the case of Greece, provisions written.

The New York branch holds a residual RMBS portfolio of American non investment grade dating before 2008 and managed on a run-off basis. The net carrying amount of this portfolio totaled €158 million as of December 31, 2018 down sharply compared to end-2017 with a reduction in investments in the amount of €116 million (-42%) due to disposals. All expected losses on this portfolio have been provisioned.

4.9.4 Capital-market activity credit risk hedging policies

While capital-market activities traditionally buy securities, purchases of credit default swaps for hedging purposes may be authorized and, as applicable, are governed by capital markets procedures.

4.9.5 Prudential approaches and methods

Entities included in the scope for approval of the credit risk internal rating approach apply the ratings-based method. Otherwise, the standardized approach is retained.

4.9.6 Accounting policies and principles

Securitization securities are recognized on the basis of their accounting classification in the same way as for other debt securities. The accounting policies and principles are presented in note 1 to the financial statements.

4.9.7 Exposure by type of securitization

Exposures are stated net of provisions.

Table 53: Securitization by category

	2018				2017			
	Network portfolio		Trading portfolio	Correlation portfolio	Network portfolio		Trading portfolio	Correlation portfolio
Credit quality *EAD (in € millions)*	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
Investor								
Traditional securitization	74	7,092	725		82	5,427	1,666	
Synthetic securitization				309				471
Traditional securitization								
Synthetic securitization								
Sponsor								
TOTAL	**74**	**7,092**	**725**	**309**	**82**	**5,427**	**1,666**	**471**

Table 54: Detailed breakdown of outstandings by credit rating

	2018				2017			
	Network portfolio		Trading portfolio	Correlation portfolio	Network portfolio		Trading portfolio	Correlation portfolio
Credit quality *EAD (in € millions)*	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach[1]	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach[1]
E1		5,810	578			4,017	1,522	
E2	50	594	138		60	805	122	
E3		271				20	3	
E4		38				26	3	
E5	6	2			7	13	1	
E6		25				32		
E7	7					48	5	
E8		175				180		
E9					8			
E10		5						
E11	10	2	7				7	
Positions weighted at 1,250%		171	3		7	286	4	
TOTAL	**74**	**7,092**	**725**	**309**	**82**	**5,427**	**1,666**	**471**

(1) The securitization of the correlation portfolio is calculated using the regulatory formula and there is therefore no data by credit quality.

Table 55: Capital requirements

	2018				2017			
	Network portfolio		Trading portfolio	Correlation portfolio	Network portfolio		Trading portfolio	Correlation portfolio
Capital requirements *(in € millions)*	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
TOTAL	**5**	**61**	**7**	**6**	**4**	**50**	**12**	**7**

Exposures weighted at 1250% are deducted from shareholders' equity.

4.10 CAPITAL MARKET RISKS

4.10.1 General structure

The group's capital markets activities are organized around three business lines: group treasury (transactions which are mainly recognized in BFCM's balance sheet), commercial, and fixed-income, equity and credit products (recognized on CIC's balance sheet), with the last two business lines constituting CM-CIC Marchés. The management of these three business lines is "sound and prudent."

Group activities are concentrated in France and in branches in London (group treasury activities), New York (investment activities) and Singapore (investment and commercial activities.) Crédit Mutuel Alliance Fédérale's appetite for capital-market activities is minimal. Equity consumption for market risk purposes was capped at around 1% of the group's total equity at the end of 2018.

Group treasury

This business line is organized into three teams, one of which is dedicated to treasury management and centralizes all of Crédit Mutuel Alliance Fédérale's refinancing activities. It seeks to diversify its investor base in Paris and London, as well as in the United States (US 144A format), Asia (Samurai format) and in Australia (Kangaroo format), and its refinancing tools, including Crédit Mutuel - CIC Home Loan SFH. A second team is dedicated to collateral management and a third to the bank's settlement activities (including the various risks which are integrated into the business line risks).

Most of these products are monetary or bond instruments and futures used to hedge interest rates and exchange rates.

In addition to pure refinancing positions, this business line also includes a portfolio of available-for-sale securities which are held mainly for use in the event of a liquidity crisis.

Commercial

CM-CIC Market Solutions is the department responsible for commercial activities. It is a comprehensive platform of market solutions for customers on all primary and secondary markets that also offer depository solutions (UCI depository and securities account keeping). This notably enables the group to better assist customers with their market financing.

The sales teams have access to a unified range of tools and products. They are organized into five activities.

The Global Fixed-income/Forex/Commodities Execution Solutions team, which operates from Paris or within the regional banks, and is responsible for marketing OTC interest rate and forex hedging products. It aims to optimize prices, preserve commercial margins and reverse positions on exchange rate and interest rate instruments. The Global Execution Solutions offering also markets underlying equities, bonds and derivatives. In parallel, the Execution teams are assisted by the Solution Sales teams.

The Investment Solutions (IS) team markets investment products such as *Libre Arbitre* and Stork EMTN, resulting directly from the expertise of the investment business and aimed at the customers of Crédit Mutuel's and CIC's different networks, as well as institutional customers, business customers and individual customers. In the event of partial marketing or early exit by customers, the IS team may have to temporarily carry capital-consuming securities.

The other three commercial activities do not present any market or credit risk. These include Global Research, Primary Market Solutions and Custody Solutions.

Regarding the CM-CIC Market Solution scope, agricultural commodities present no market risk as these operations involve pure back-to-back transactions.

These are carried out at the request of the customer on over-the-counter derivative instruments. CM-CIC Market Solutions ha no influence over commodity prices.

Fixed income-Equities-Credit Investments

This business line is organized around desks specialized in investments in equities/hybrid instruments, credit spreads and fixed income. These activities mainly involve purchases and sales of financial securities acquired with the view to holding them for a long period of time, as well as for trading in related financial instruments. These activities must create value in a disciplined risk environment in order to drive commercial development and provide expertise or services to other group entities.

4.10.2 Internal control system

The control mechanism is underpinned by a reference framework and a dedicated organizational structure.

The reference framework integrates a unified system of limits that structure capital market activities including those applied by CIC branches. This reference framework is formalized in two "bodies of rules". A CM-CIC Marchés body of rules for the Commercial and Investment business lines and a group treasury body of rules. Regular updates are carried out throughout the year, to include the introduction of new products and risk-measurement monitoring improvements, and a complete formal validation conducted at least once a year.

The group has adopted a trading policy that describes the rules governing the assignment of market transactions to one of the two prudential books, the banking book and the trading book. This policy covers both the Investment and Commercial business lines (CM-CIC Marchés) and the transactions carried out by group treasury. For the Investment business line, an appendix to the policy provides a granular definition – by investment specialty – of the holding period for positions, the prudential classification and the justification for the classification.

Both the reference framework and the application of the trading policy are subject to specific controls within the context of the first-level permanent control process.

The organization structure is underpinned by the players, functions and a comitology procedure dedicated to capital market activities.

The front-office units that execute transactions are separated from those responsible for monitoring risks and results (control function) and from those in charge of transaction validation, settlement and recording (back office function).

Internal control teams operate under the responsibility of the group's risk department, which compiles scorecards summarizing risk exposures and presents the levels of capital allocated/consumed to be approved by the boards of directors of CIC and BFCM.

The permanent control system is based on first-level controls performed by three Post-Market teams: (i) the risks and results control team which validates production, monitors results on a daily basis and ensures compliance with limits, (ii) the post-market accounting and regulatory team responsible for reconciling accounting and economic results, as well as regulatory matters, and (iii) the legal and tax team in charge of first-level legal and tax compliance.

Second level controls are organized around (i) the permanent controls function of the capital market business lines (CPMM), which supervises first-level permanent controls carried out by CM-CIC Marchés and conducts its own direct controls on activities, (ii) the group's lending department, which monitors at-risk outstandings for each counterparty group, (iii) the group's legal and tax department, which works with the CM-CIC Marchés legal and tax department, and (iv) CIC's finance department, which supervises accounting procedures and templates and is responsible for accounting and regulatory controls.

A third level of controls is organized around (i) periodic controls of Crédit Mutuel Alliance Fédérale performed retrospectively by a team of specialist auditors who carry out audits, controls and compliance checks in respect of capital markets activities, and (ii) the General Inspectorate of Confédération Nationale du Crédit Mutuel (CNCM) which supplements the audits performed by periodic business-line controls.

A market risk committee that meets monthly and a group treasury risk committee that meets quarterly monitor the strategy, results and risks of CM-CIC Marchés (in France and at the branches) and group treasury, respectively, within the limits set by the boards of directors of CIC and BFCM.

The market risk committee is chaired by the member of Executive Management in charge of CM-CIC Marchés and includes the chief executive officer of CIC and BFCM, the front office managers, the post-market team managers and the managers of the risk department and the group permanent control department. It approves the operational limits established as part of the general limits set by the boards of directors of CIC and BFCM, which are kept regularly informed on the risks and results of these activities.

The group treasury risk committee is chaired by the chief executive officer of BFCM and comprises the heads of the group treasury and the group ALM departments, as well as the post-market team manager and the manager of the risk department. The committee analyzes transactions relating to market refinancing, refinancing of group entities and liquidity assets.

The group risk committee (executive level) and the group risk monitoring committee (specialized committee of the governing body), both of which are supervised by the group risk department; conduct quarterly analyses of all the risks to which the group is exposed. They review outstandings, risks, results, consumption of capital (regulatory and internal), regulatory developments and ongoing projects and audits (internal and external) for capital market activities.

Table 56: Market risk under standardized approach (EU MR1)

(in € millions)

As of 12/31/2018	RWAs	Capital requirements
Outright products		
Interest rate risk (general and specific)	1,420	114
Equity risk (general and specific)	859	69
Foreign exchange risk	755	60
Commodity risk	-	-
Options		
Simplified approach	-	-
Delta-plus method	54	4
Scenario approach	-	-
Securitization (specific risk)	94	7
TOTAL	**3,182**	**255**

(in € millions) As of 12/31/2017	RWAs	Capital requirements
Outright products		
Interest rate risk (general and specific)	1,094	88
Equity risk (general and specific)	909	73
Foreign exchange risk	-	-
Commodity risk	-	-
Options		
Simplified approach	-	-
Delta-plus method	147	12
Scenario approach	-	-
Securitization (specific risk)	176	14
TOTAL	**2,326**	**186**

4.10.3 Risk management V

The system used to set exposure limits for market risk is based on:

- a global limit for regulatory capital (CAD/European capital adequacy) based on a standard internal measurement close to the regulatory value, broken down by desk, and by VaR;
- internal rules and scenarios (CAD risks, historical VaR and stress-tests) which convert exposures into potential losses.

The limits system covers various types of market risk (interest-rate, currency, equity and counterparty risks). The aggregate limit is broken down into sub-limits for each type of risk for each activity.

If the overall limit and/or the limit assigned to each business line is exceeded, the group risk department is responsible for monitoring and managing the excess exposure.

Risks are monitored on the basis of first-tier indicators such as sensitivity to various market risk factors (mainly for traders), and second-tier indicators such as potential losses, to give decision-makers an overview of capital market exposures.

The capital allocated in 2018 for the fixed-income, equity, credit and commercial business lines remained stable on 2017 levels. At the end of 2018, the limits on these activities were reconfirmed for 2019. The risk monitoring procedure also includes the calculation of a capital allocation for the credit valuation adjustment (CVA) charge.

The Crédit Mutuel Alliance Fédérale value at risk stood at €7.3 million at end-2018. A general stress-tests policy and a stress test mechanism was introduced as part of risk management, with an escalation procedure in the event that limits are exceeded.

The capital consumed by the RMBS business conducted in the New York branch continued to fall in line with the amortization and sale of the portfolio securities managed on a run-off basis. Trading activities were maintained in New York within reduced limits under the supervision of CM-CIC Marchés.

The overnight cash borrowing position of CM-CIC Marchés must not exceed a limit set at €1 billion for 2019, with an intermediate warning limit, defined by management and approved by the boards of directors of CIC and BFCM. The refinancing period for portfolio assets is also subject to monitoring and limits.

The principal CM-CIC Marchés trading desk risks are as follows:

1 –Refinancing:

BFCM's capital consumption mainly relates to the HQLA portfolio. It is calculated based on the CAD and the European capital adequacy ratio.

In 2018, the overall consumption of risk capital according to French accounting standards rose from €55.6 million to a high of €69.3 million in December.

This increase stems mainly from the European capital adequacy off-balance sheet items (increase in EADs, notably add-ons) and European capital adequacy on-balance sheet items (security purchases for the liquidity portfolio).

2 – Hybrid instruments:

The consumption of capital was €65.8 million on average in 2018, and €64.9 million at the end of the year. The stock of convertible bonds remained stable on 2017 levels, reaching €1.9 billion at year-end 2018.

3 – Credit:

These positions correspond to securities/CDS arbitrage (credit default swaps) or ABS ((asset backed securities). For the corporate and financial institution loan portfolio, after peaking at €65.8 million in February 2018, capital consumption averaged €60.6 million over the year and was €61.6 million at the end of 2018. This change was due to the maturing of CDS and iTraxx tranches. Regarding the ABS portfolio, capital risk consumption totaled around €30.7 million (€31.7 million at year-end) due to prudent risk management in peripheral countries and scaled-back positions in these countries.

4 – M&A and other activities:

Capital consumption averaged €46.9 million in 2018, reaching a high at €65.5 million in February. Due to the change in outstandings and the removal of corporate actions from M&A. Outstandings related to this activity therefore stood at €209 million in December 2018 (peaking at €473 million in February) compared with €246 million at year-end 2017.

5 – Fixed income:

These positions mainly concern directional investments and yield-curve arbitrage, typically with European underlying government securities. Positions on peripheral countries are very limited. In Italy, outstandings at end-2018 were below €60 million and have remained low since the redemption of €1.7 billion in September 2014. Total government bond investments amounted to €1.3 billion at end-2017 against €1 billion at end 2018, of which €0.7 billion in France.

4.10.4 Model-based risk

CM-CIC Marché's Risks and Results Control (RRC) team is in charge of developing the specific models used for valuing its positions. In 2018, four such models were used as in the previous year. These models are governed by a general policy validated annually by the market risks committee. It provides for development and documentation by the RRC team, as well as monitoring of their performance, also prepared by the RRC team and reviewed by the permanent control department and group risk department for presentation to the markets risks committee. These models are also included in the audit program undertaken by the group's periodic controls team.

4.10.5 Credit derivatives

These products are used by CM-CIC Marchés and recognized in its trading portfolio.

CM-CIC Marchés monitors risk limits by issuer or counterparty for all types of products. Outstanding amounts are monitored on a daily basis and exposure limits reviewed periodically by the lending committees and the capital markets risk committees.

4.11 ASSET-LIABILITY MANAGEMENT (ALM) RISK

4.11.1 General structure

Crédit Mutuel Alliance Fédérale's asset-liability management functions are centralized.

The group's decision-making committees for matters concerning liquidity and interest-rate risk management include:

- the ALM technical committee which manages liquidity and interest rate risk in accordance with the risk limits applied within the Crédit Mutuel Alliance Fédérale. This committee is composed of the heads of the relevant business lines (finance department, asset-liability management, refinancing and treasury, risks, marketing) and meets at least once every three months. The indicators compiled at consolidated level and by entity are static and dynamic liquidity gaps (normal and Basel III scenarios), static interest-rate gaps and sensitivity of net banking income and net asset value. Breaches of limits and alert thresholds are systematically examined by the ALM technical committee;
- the ALM monitoring committee, which comprises the senior executives of Alliance Fédérale together with representatives of the treasury, financial, asset-liability management and risk functions, examines changes in risks related to asset-liability management and validates the risk limits and alert thresholds. The ALM monitoring committee validates breaches (twice a year).

Hedging decisions are aimed at maintaining the risk indicators (sensitivity of net interest income and gaps) within the limits and the alert thresholds set for the Crédit Mutuel Alliance Fédérale as a whole and below the alert thresholds for each of the banks comprising the group. The hedges are assigned to the banks concerned, in accordance with their needs.

ALM analyses are also presented every quarter to the group risk committee. Interest-rate risk and liquidity risk are also reviewed every six months by the boards of directors of the CFCM, BFCM and other Crédit Mutuel Alliance Fédérale entities (CIC regional banks, BECM, etc.).

The role and principles governing asset-liability management are defined as follows:

- asset-liability management is a distinct function from that of the trading floor and has its own resources;
- the primary objective of asset-liability management is to shield commercial margins from the effects of interest and exchange rate fluctuations and to ensure that the bank has sufficient liquidity to meet its obligations and protect it from a liquidity crisis;
- asset-liability management does not operate as a profit center but as a function that serves the bank's profitability and development strategy, as well as the management of liquidity risk and interest-rate risk arising from network activity.

4.11.2 Interest risk management [V]

1. Interest risk governance and monitoring

Interest-rate risk is governed and monitored by the asset-liability management (ALM) function of Crédit Mutuel Alliance Fédérale.

The role and principles governing asset-liability management are defined as follows:

- asset-liability management is a distinct function from that of the trading floor and has its own resources;
- the primary objective of asset-liability management is to shield commercial margins from the effects of interest and exchange rate fluctuations and to ensure that the bank has sufficient liquidity to meet its obligations and protect it from a liquidity crisis;
- asset-liability management does not operate as a profit center but as a function that serves the bank's profitability and development strategy, as well as the management of liquidity risk and interest-rate risk arising from network activity.

The liquidity risk management mechanism is monitored and supervised by the control committees.

The ALM technical committee manages liquidity and interest rate risk in accordance with the risk limits applied within the Crédit Mutuel Alliance Fédérale. The ALM monitoring committee examines changes in asset-liability management risks and validates the risk limits and alert thresholds.

The technical committee decides which hedges to put in place and allocates them pro rata to the needs of each entity. Hedging decisions are aimed at maintaining the risk indicators (net interest income sensitivity and gaps) within the limits and alert thresholds set for the Crédit Mutuel Alliance Fédérale as a whole and below the alert thresholds for each of the banks comprising the group.

2. Measurement and monitoring systems and hedging mechanism

Interest rate risk arising from the group's commercial activities stems from interest rate differentials and differences in benchmark lending and borrowing rates. Analysis of this risk also takes into account the volatility of outstandings on products with no contractual maturity date and embedded options (early repayment and roll-over options for loans and confirmed credit line draw-downs, etc.).

The group uses macro-hedging to manage and cover residual interest-rate risk on the balance sheet arising from all operations connected with the banking network's business, and specific hedging to manage customer loans involving a material amount or an unusual structure. Risk limits and alert thresholds are set in relation to the annual net banking income of the Crédit Mutuel Alliance Fédérale. Each Crédit Mutuel Alliance Fédérale bank is subject to the same alert thresholds as the limits applicable to the CMAF scope as a whole.

Interest rate risk is analyzed based on the main indicators below, which are updated on a quarterly basis:

- the static fixed-rate gap, corresponding to on and off balance sheet items, whose cash flows are considered to be certain over a horizon ranging from one month to twenty years, is governed by limits or alert thresholds from three to seven years, measured by a net banking income ratio;
- the static "saving rate and inflation" gap over a horizon of one month to twenty years;
- the sensitivity of the net interest margin, calculated based on a set of national scenarios and subject to limits or alert thresholds. This is measured in annual stages, over a two-year horizon and expressed as a percentage of each entity's net banking income.

Several interest rate scenarios are analyzed:

Normalized interest rate shocks

S1. A 100bp increase in the yield curve (used for limits/alert thresholds).

S2. A 100bp decrease in the yield curve, with no floor rate (used for limits/alert thresholds).

S3. A 200bp increase in the yield curve.

S4. A 200bp decrease in the yield curve with a floor rate of 0%.

S5. A steepening of the yield curve due to a 25bp increase in long-term rates every six months over two years cumulative shock of 100bp), with short-term rates remaining sable.

Stress scenarios

S6. Flattening/inversion of the yield curve due to a 50bp increase in short-term rates every six months over two years (cumulative shock of 200bp).

S7. Flattening of the yield curve due to a fall in long-term rates (giving a yield curve close to zero).

Two scenarios are examined relative to funding the liquidity gap:

S6 bis funding at 100% of the 3-month Euribor;

S7 bis alternative funding applicable to relevant scenarios (non-linear and non-progressive evolution of interest rate scenarios), based on a distinct indexation of positions in stock (indexation at short-term rates maintained), and of positions resulting from new business (based on the intrinsic characteristics of the underlying positions).

As of December 31, 2018, the net interest income of Crédit Mutuel Alliance Fédérale's and the BFCM group's banking book had no. 1-year exposures, according to the reference scenario. Neither were they exposed to an increase or a drop in interest rates. At two years, sensitivity translates into the risk of a drop in interest rates (scenario 2).

For these two scopes of consolidation, interest sensitivities were as follows:

- for Crédit Mutuel Alliance Fédérale, the sensitivity to a drop in interest rates is+0.61% over one year (+€74.1 million in absolute value) and -1.11% over two years (-€134.6 million). The risk limits (NBI sensitivity of 3% over one year and of 4% over two years) and the alert thresholds (2.7% over one year and 3.6% over two years) were respected;
- for the BFCM group, sensitivity is +€1.3 million over one year and -€73.4 million over two years 0.01% and -0.79%, respectively as a percentage of NBI.

The NBI sensitivity indicators were as follows:

Table 57: NBI sensitivity indicators

Normalized interest rate shocks As of 12/31/2018	Sensitivity as a % of NBI		Limit	
	1 year	2 years	1 year	2 years
Scenario S1	0.53%	2.06%	3%	4%
Scenario S2	0.61%	-1.11%	3%	4%
Scenario S3	1.06%	3.49%		
Scenario S4	0.84%	-1.67%		
Scenario S5	0.29%	2.15%		
Scenario S1 constant balance sheet	0.31%	1.64%		
Scenario S2 constant balance sheet	0.81%	-0.70%		

Stress scenarios As of 12/31/2018	Sensitivity as a % of NBI	
	1 year	2 years
Scenario S6	-2.10%	-8.32%
Scenario S6 bis*	-2.12%	-0.56%
Scenario S7	-0.33%	-1.84%
Scenario S7 bis*	-0.58%	-1.07%

**Alternative funding rule.*

Normalized interest rate shocks As of 12/31/2017	Sensitivity as a % of NBI		Limit	
	1 year	2 years	1 year	2 years
Scenario S1	1.38%	2.67%	3%	4%
Scenario S2	-0.22%	-1.81%	3%	4%
Scenario S3	1.10%	4.81%		
Scenario S4	0.81%	-3.49%		
Scenario S5	0.54%	2.91%		
Scenario S1 constant balance sheet	0.94%	2.05%		
Scenario S2 constant balance sheet	0.21%	-1.21%		

Stress scenarios As of 12/31/2017	Sensitivity as a % of NBI	
	1 year	2 years
Scenario S6	-1.02%	-3.58%
Scenario S6 bis*	-1.43%	-0.96%
Scenario S7	0.44%	-2.08%
Scenario S7 bis*	0.24%	-1.69%

* *Alternative funding rule.*

3. Regulatory indicator

The sensitivity of Basel II net asset value (NAV) is calculated in accordance with the EBA's recommendations:

- exclusion of capital and maturity of fixed assets on d+1;
- discounting of flows using a swap rate curve (with no liquidity spread and no credit spread);
- as the average duration of non-maturing deposits is less than five years, the five-year cap required by regulation is irrelevant.

By applying a uniform 200 bp increase or decrease to the entire balance sheet (with a floor of 0% for market rates), it is possible to measure, as a percentage of equity, the change in the net discounted value of the main balance sheet items based on various scenarios.

Overall, regarding NAV, Crédit Mutuel Alliance Fédérale's sensitivity to:

- a 200bp drop in interest rates makes for a decline of -5.47% in Tier 1 capital (-€1906 million in absolute value);
- a 200bp rise in interest rates makes for a decline of -1.94% (-€676 million).

Crédit Mutuel Alliance Fédérale respected the 15% alert threshold for Tier 1 capital.

Table 58: Sensitivity of NAV to a 200bp increase/decrease

(as a % of capital)	12/31/2018	12/31/2017
Sensitivity +200 bp	-1.9%	-2.5%
Sensitivity -200 bp	-5.5%	-4.9%

4. Statement

Crédit Mutuel Alliance Fédérale certifies that its interest-rate risk management arrangements are appropriate to the risk profile of the commercial activities and the risk appetite defined by the governance bodies.

The interest risk management, measurement, oversight, control and monitoring arrangements have been approved by the management body.

This policy is consistent with the group's risk profile and were approved by Executive Management and the governing bodies. It is tailored to the risk profile, nature and size of the group's activities.

Interest-rate risk is reviewed every six months by the boards of directors of CFdeCM, BFCM and other entities of Crédit Mutuel Alliance Fédérale (regional banks, BECM, etc.).

4.11.3 Liquidity risk management

Table on qualitative/quantitative information of liquidity risk in accordance with Article 435(1) of Regulation (EU) 575/2013 (EU LIQA)

1. Liquidity risk strategy and monitoring

Protecting customers, preserving its mutualist culture and organization, and financing and supporting economic activity in the regions are central to Crédit Mutuel Alliance Fédérale's strategy.

To manage liquidity risk, the group refers to Internal Liquidity Adequacy Assessment Processes(ILAAP) as defined by the general recommendations of the Basel Committee (09-2008), as well as those of the Supervisory Review and Evaluation Process (SREP) dated July 2014, the November 3, 2014 Decree relative to internal controls of companies in the banking sector, payment services and investment services, EBA guidelines (2015/26) dated December 2015 and ECB guidelines relative to ILAAP dated November 2018.

The group has adopted a two-fold risk appetite policy comprising a risk tolerance policy for general risks and a specific risk aversion policy for risk attached to liquidity and refinancing. This is in line with a sound and prudent management approach as required by law No. 2013-672 of July 26 2013 on the separation and regulation of banking activities, Title 1, Article 2 which gives priority to long-term sustainability, with a sole medium-long-term debt issuer, Banque Fédérative du Crédit Mutuel (BFCM). Its aim is to shield the operating accounts of the cooperative banks and branches from liquidity and interest-rate risks, disseminate the market prices necessary for appropriate customer pricing, and guarantee commercial network margins.

The Crédit Mutuel Alliance Fédérale liquidity risk monitoring mechanism is based on the following procedures:

- liquidity risk management that ensures its centralized monitoring and decision-making in technical monitoring and control committee;
- determining liquidity gaps that are subject to limits and alert thresholds to secure and optimize the refinancing policy;
- monitoring the Liquidity Coverage Ratio (LCR), which is representative of the group's short-term liquidity situation;
- steering and monitoring the commitment coefficient (loan-to-deposit ratio);
- determining and monitoring liquidity needs under normal circumstances and under stress.

2. Governance and structure of the liquidity management function – Centralization of liquidity management and interactions between the group's units

2-1 Governance and structure of the liquidity management function

Liquidity is governed by technical and monitoring committees and is supervised by the control committees.

At the operating level, liquidity management is shared between the group treasury, whose Central Treasury and Liquidity function ensures the interface between the entities of the centralized scope, and the group ALM, which measures requirements and implements hedges for commercial activities. Group ALM and group treasury report to Executive Management of Crédit Mutuel Alliance Fédérale group and act in accordance with the decisions of the *ad hoc* committees (ALM technical committee, group treasury risk committee, Central treasury and liquidity committee, Emergency plan management committee).

Neither the ALM nor the group treasury are profit centers or managed as such. The group's financing needs identified by ALM, through the ALM technical committee, are communicated to Central Treasury which is responsible for borrowing the necessary funds on the markets.

From a Control standpoint, the group risk department performs the risk management function for every type of risk for all of group entities. It reports to the chief executive officer and submits reports to the decision-making and executive-governance bodies.

Group treasury

The group's cash management approach meets two closely related objectives to secure and refinance the group's needs under the best possible terms and to monitor the group's reputation on the market.

On the markets, the dedicated group treasury team manages and coordinates the issue programs, supervises listings and carries out interest-rate and foreign-exchange risk hedging transactions.

Because of its direct relationship with investors, it has a thorough understanding of all the components of access to the markets, a continuous presence through its listings, centralized portfolio management and the immediate ability to issue liquidity and refinancing instruments to diversify its vehicles, currencies and source countries.

BFCM is the sole issuer of medium/long-term debt on the capital markets; secured debt is issued through Crédit Mutuel - CIC Home Loan SFH. BFCM ensures that the Crédit Mutuel Alliance Fédérale is able to meet its refinancing needs, manage its development challenges and safeguard its solvency.

Asset-Liability Management (ALM)

The purpose of the ALM function is to shield the sales margins of local entities and specialized business lines from risk. The mechanism in place ensures the management of risk through annual revisions of the alert thresholds/limits in compliance with prudential constraints.

Liquidity risk for the commercial banking activity is stringently managed through the systematic hedging through resources of the transformation generated on maturities ranging from three months to seven years, for assets and liabilities whose estimated future cash flows are close to the LCR and NSFR weightings, with restrictive alert thresholds for liquidity gaps in a Basel III stress scenario.

Group risk department

The group risk department implements liquidity risk control and supervision. It reports regularly to the governing bodies (quarterly reports) and coordinates and participates in the various control committees (group risk monitoring committee, group risk committee, audit and accounting committee and control and compliance committee), monitoring committees, technical committees concerned with liquidity risk, and boards of directors. It coordinates the network of Risk correspondents from the group's various business lines and entities. The group risk department is the first point of contact for the ECB and the national central banks. It also coordinates the monitoring of the implementation of supervisory authority inspection recommendations.

2-2 Centralization of liquidity management and interaction between the group's units (EU LIQ1.19)

Crédit Mutuel Alliance Fédérale centralizes liquidity management and oversight at both the asset-liability management (ALM) and group treasury levels, with a common set of uniform rules for the business lines regarding risk measures and allocations across all group entities without exception.

Centralization enables the group to optimize treasury exposure management, as well as the decisions taken by the technical, monitoring and control committees.

ALM does not allow entities to lend to each other but administers available liquidity by maturity to entities in need, thereby pooling the positions and optimizing recourse to group treasury and the market.

The scope administered by Asset-Liability Management (ALM) covers 100% of customer loans, 100% of customer deposits for the consolidated group and 100% of group treasury market liabilities.

This scope is relevant for certifying liquidity and interest-rate risk measures and hedges for the Crédit Mutuel Alliance Fédérale excluding insurance companies and asset management.

The insurance company and asset management entities enjoy autonomy in the measurement and operational management of their liquidity, have a robust liquidity risk monitoring system and regularly report the results of their business-appropriate liquidity stress tests to the group.

3. Risk oversight and measurement systems

The risk oversight and measurement systems are comprehensive and cover the entire scope of the group. Non-financial entities are excluded.

ALM indicators are compiled at the consolidated level and by entity: These indicators include:

- the static liquidity gap, based on contractual and agreed maturities and incorporating off-balance sheet commitments. Transformation ratios sources/applications of funds) are calculated on maturities ranging from three months to five years and are subject to limits;
- the dynamic liquidity gap over five years, incorporating new loans granted, thus facilitating the measurement of future financing needs related to the development of commercial activity;
- the liquidity gap in a Basel III stress scenario, whose estimated future cash flows are based on net stable funding ratio (NSFR) weightings. Transformation ratios (sources/applications of funds) are calculated at maturities ranging from three months to seven years and are subject to limits and alert thresholds in order to secure and optimize the refinancing policy.

The ALM technical committee decides on the liquidity hedges to be put in place in light of all these indicators.

These hedges are allocated pro rata to the cumulative needs.

The limits system is comprehensive and, where applicable, is broken down and applied to each entity or business line in a granular way (LCR, Basel III liquidity gaps).

These rules limit liquidity exposures across the cash curve to prevent excessive transformation.

4. Treasury management and concentration of sources (EU LIQ1.19)

The information below concerns the scope of the group treasury.

Group treasury management is based on the relevant calibration of short, medium and long term sources for the purpose of refinancing the group in an efficient and prudent manner. This is ensured *via* public issues and private placements on national and international markets as well as by holding a liquidity reserve that complies with regulatory liquidity ratios and the group's resistance to severe stress. The consolidated needs of the commercial banking businesses are fully funded by medium-and long term (MLT) debt.

The gradual rebound in inflation rates in the euro zone, together with the progressive phasing out of asset purchases by the European Central Bank (ECB), the continued rise in interest rates in the United States, political risks in Europe and international trade tensions, notably between the United States and China, underpinned tensions and the irregular functioning of the debt market in 2018.

In total, external resources raised by the group treasury, *via* BFCM and its subsidiary Crédit Mutuel - CIC Home Loan SFH, amounted to €138 billion at the end of December 2018, up 4.5% on end-2017. Market debt originally denominated in euros stood at 75%, of which 64% in MLT resources and 36% in short-term resources.

This structure is more supportive of stable market refinancing over time, and is more resilient to cyclical movements due to the lower short-term exposure.

Short-term funding (less than one year) totaled €49.6 billion at end-2018, up 5.2% year-on-year. This represents 36% of all funds raised on the market over the period, in line with 2017. Crédit Mutuel Alliance Fédérale has all the short-term issue programs necessary to ensure the effective diversification of its sources. At December 31, 2018, Euro Commercial Paper (ECP) and Negotiable European Commercial Paper (NEU CP) represented 28% and 53%, respectively. The percentage denominated in Euros was 62%, in GBP 16.5% and in USD around 21%. Indicators of the diversity of the sources of refinancing by country and by counterparty type are based on information available at the time of issue, and consequently include both the names of the dealers buying in large volumes for resale and the names of the so-called end-investors. The bulk of foreign currency funds are converted into euros.

Medium-and long-term funding totaled €88.4 billion at end-2018, up 4.1% on 2017. At December 31, 2018, secured debt represented 31% of total MLT market resources, senior debt 60% and subordinated debt 9%. The percentage denominated in euros was 82%.

The concentration of MLT refinancing sources by country and counterparty type can be analyzed only for the participants at the origin of each issue. On this basis, the UK accounted for 22%, France for 17%, Germany 15%, Japan 10% and the USA 11%. Asset managers accounted for 52%, banks for 22% and insurance companies for 14%. The remainder consisted of other investors and central banks.

In 2018, Crédit Mutuel Alliance Fédérale raised €13.bn in MLT funds primarily *via* BFCM, and to a lesser degree *via* its subsidiary Crédit Mutuel - CIC Home Loan SFH, which issues (covered bonds) and benefits from the best ratings of the group's agencies. 69% of these MLT funds were raised in euros and the remaining 31% in foreign currencies (US dollar, yen, Pound sterling, Swiss franc, Australian dollar), underscoring the efficiency of the group's investor diversification strategy. Public issues and private placements accounted for 71% and 29%, respectively.

Another aspect of the group's refinancing policy is to maintain control of encumbered assets. Medium-long term security (SFH) refinancing represents 15% of total MLT funds raised in 2018.

The average term of MLT funds raised in 2018 was 5.5 years, close to the end-2017 level of 5.8 years.

In 2018, public issues raised €9.6 billion and break down as follows:

- BFCM by way of senior European Medium-Term Notes (EMTN) of which:
  - €1.5 billion over 7 years, issued in January,
  - €2.25 billion over 4-10 years, issued in July,
  - GBP 800 million over 4 years, issued in January and July,
  - SF 200 million in 2 tranches of SF100 million over 7 and 8 years, respectively, issued in April and November,
  - USD 1.5 billion over 5 years, issued in July (US144A format),
  - 107.9 5 billion yen over 5, 7 and 10 years, issued in October (Samurai format),
  - 200 million Australian dollars over 5 years issued in November (Kangaroo format); the first issue of its kind for BFCM;
- BFCM (subordinate EMTN format): €500 million over 10 years, issued in May;
- Crédit Mutuel - CIC Home Loan SFH: a total of €2 billion in two tranches of €1 billion over 8 and 10 years, respectively, issued in February and April.

In 2018, the European Investment Bank (EIB) allocated BFCM another SME/ISE lending package in the amount of €250 million which it can draw on in two tranches. The first tranche (tranche A) of €150 million was fully drawn down in the 4th quarter over 5 years. Tranche B of the SME/ISE lending package will be drawn down during the first half of 2019.

In addition, a new partnership with the EIB was concluded at the end of December 2018: "Crédit Mutuel Mid-Cap Co-Financing Platform". This concerns loans co-financed by the EIB for up to €150 million that are granted to eligible parties. Another initiative will be introduced in 2019 to promote SME/ISE financing.

5. Regulatory liquidity indicators

Since March 2014, credit institutions in the euro zone have been required to report their liquidity levels to their supervisory body as defined by the EBA which takes into account:

- the short-term liquidity ratio, or LCR (Liquidity Coverage Ratio), on a monthly basis; and
- and the long-term structural liquidity ratio, or NSFR (Net Stable Funding Ratio), on a quarterly basis.

The LCR is designed to ensure the resilience of banks' liquidity risk profile in the short term by requiring that they maintain sufficient high quality unencumbered liquid assets) (HQLA) that can be easily and immediately converted to cash on private markets in the event of a liquidity crisis lasting up to 30 calendar days. The LCR liquidity reserve is funded through short-term debt (maturing in up to 1 year).

Regarding NSFR, certain weightings are still under discussion at the present time and the ratio has not yet been fully defined in European regulations; the regulatory framework is to be finalized in 2019. Based on current regulations in force and from what we have seen, Crédit Mutuel Alliance Fédérale already complies with NSFR ratio requirements.

The liquidity situation of the consolidated scope of Crédit Mutuel Alliance Fédérale in 2018 was as follows:

- an average LCR ratio of 131.2%;
- average HQLA liquidity assets totaling €79.17 billion, of which 72.6% deposited with central banks (mainly the ECB).

Table 59: Liquidity resource

Amount after ECB haircut *(in € millions)*	**12/31/2018**	**12/31/2017**
Cash deposited in central banks	51,053	52,414
LCR shares	22,471	22,800
Other eligible central bank assets	35,819	45,433
TOTAL LIQUIDITY RESERVES	**109,343**	**120,647**

Table 60: Short-term liquidity ratio – LCR (EU LIQ1.18)

(in € millions) As of 12/31/2018		Unweighted value				Weighted value			
Quarter ending on:		**03/31/2018**	**06/30/2018**	**09/30/2018**	**12/31/2018**	**03/31/2018**	**06/30/2018**	**09/30/2018**	**12/31/2018**
Number of data points used in the calculation of averages: 12									
HIGH-QUALITY LIQUID ASSETS									
1	**Total high-quality liquid assets**					**80,047**	**79,061**	**80,128**	**79,170**
CASH OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	190,019	192,225	195,274	198,491	12,702	12,797	12,992	13,208
3	Stable deposits	137,695	139,883	142,145	144,383	6,885	6,994	7,107	7,219
4	Less stable deposits	52,293	52,312	53,099	54,078	5,786	5,772	5,854	5,959
5	Unsecured wholesale funding, of which:	92,239	92,326	93,275	93,433	56,184	55,214	55,121	54,251
6	*Operational deposits (all counter-parties) and deposits with cooperative bank network*	18,826	19,907	20,446	21,041	4,493	4,755	4,885	5,029
7	*Non-operational deposits (all counter-parties)*	64,604	64,367	65,066	65,158	42,882	42,407	42,472	41,988
8	*Unsecured debt*	8,810	8,052	7,764	7,235	8,810	8,052	7,764	7,235
9	Secured wholesale funding					3,256	3,074	2,974	3,051
10	Additional requirements, of which:	66,018	66,857	68,049	69,342	6,967	7,326	7,687	8,000
11	*Outflows related to derivative exposures and other collateral requirements*	419	673	909	1,110	419	673	909	1,110
12	*Outflows related to loss of funding on debt products*	0	0	0	0	0	0	0	0
13	*Credit and liquidity facilities*	65,599	66,184	67,140	68,232	6,548	6,653	6,778	6,890
14	Other contractual funding obligations	556	479	407	333	383	306	259	263
15	Other contingent funding obligations	394	403	395	384	20	20	20	21
16	**Total cash outflows**					**79,512**	**78,737**	**79,052**	**78,794**

4

(in € millions)

As of 12/31/2018		Unweighted value				Weighted value			
Quarter ending on:		**03/31/2018**	**06/30/2018**	**09/30/2018**	**12/31/2018**	**03/31/2018**	**06/30/2018**	**09/30/2018**	**12/31/2018**
CASH INFLOWS									
17	Secured lending (such as reverse repurchase agreements)	10,182	10,613	10,998	11,036	3,753	3,638	3,584	3,659
18	Inflows from fully performing exposures	21,685	21,538	21,320	21,670	12,543	12,563	12,454	12,712
19	Other cash inflows	1,492	1,563	2,012	2,096	1,462	1,537	2,010	2,095
EU-19a	Difference between total amount of cash inflows and outflows					0	0	0	0
EU-19b	Excess cash inflows from a specialized credit institution					0	0	0	0
20	**Total cash inflows, of which:**	**33,360**	**33,714**	**34,330**	**34,802**	**17,757**	**17,738**	**18,048**	**18,466**
EU-20a	Fully exempt cash inflows	-	-	-	-	-	-	-	-
EU-20b	Cash inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Cash inflows subject to 75% cap	33,358	33,712	34,328	34,802	17,757	17,738	18,048	18,466
21	**Liquidity buffer**					**80,047**	**79,061**	**80,128**	**79,170**
22	**Total net cash outflows**					**61,754**	**61,000**	**61,004**	**60,328**
23	**Liquidity coverage ratio (%)**					**129.79**	**129.61**	**131.35**	**131.23**

(in € millions)

As of 12/31/2017		Unweighted value				Weighted value			
Quarter ending on:		**03/31/2017***	**06/30/2017***	**09/30/2017**	**12/31/2017**	**03/31/2017***	**06/30/2017***	**09/30/2017**	**12/31/2017**
Number of data points used in the calculation of averages: 12									
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets							82,792	82,259
CASH OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:			185,367	187,817			12,467	12,598
3	*Stable deposits*			133,474	135,537			6,674	6,777
4	*Less stable deposits*			51,856	52,248			5,756	5,789
5	Unsecured wholesale funding:			92,523	93,298			57,242	57,561
6	*Operational deposits*			16,933	17,927			4,036	4,276
7	*Non-operational deposits*			65,334	65,293			42,950	43,207
8	*Unsecured debt*			10,256	10,078			10,256	10,078
9	Secured wholesale funding							3,919	3,604
10	Additional requirements			64,749	65,360			6,649	6,701
11	*Outflows related to derivative exposures and other collateral requirements*			104	163			104	163

(in € millions) As of 12/31/2017		Unweighted value				Weighted value			
Quarter ending on:		03/31/2017*	06/30/2017*	09/30/2017	12/31/2017	03/31/2017*	06/30/2017*	09/30/2017	12/31/2017
12	*Outflows related to loss of funding on debt products*			0	0			0	0
13	*Credit and liquidity facilities*			64,645	65,197			6,545	6,539
14	Other contractual funding obligations			337	427			312	324
15	**Other contingent funding obligations**			**344**	**376**			**17**	**19**
16	Total cash outflows							80,606	80,807
CASH INFLOWS									
17	Secured lending			9,532	9,606			4,205	3,929
18	Inflows from fully performing exposures			21,873	21,891			12,620	12,648
19	Other cash inflows			1,585	1,512			1,553	1,480
EU-19a	Difference between total cash inflows and outflows							0	0
EU-19b	Excess cash inflows from a specialized credit institution							0	0
20	**Total cash inflows**			**32,990**	**33,009**			**18,378**	**18,057**
EU-20a	Fully exempt cash inflows	-	-	-	-	-	-	-	-
EU-20b	Cash inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Cash inflows subject to 75% cap			32,990	33,007			18,378	18,057
21	**Liquidity buffer**							**82,792**	**82,259**
22	**Total net cash outflows**							**62,227**	**62,750**
23	**Liquidity coverage ratio (%)**							**133.45**	**131.35**

* *Data not available due to implementation of the LCR Delegated Act as of September 30, 2017.*

Table 61: Liquidity buffer – LCR

Amount after ECB haircut *(in € millions)*	12/31/2018	12/31/2017
Tier 1	**70,838**	**72,462**
Cash deposited in central banks	51,053	52,414
HQLA	18,551	18,856
Cash deposits	1,235	1,192
Tier 2a	**462**	**202**
Tier 2b	**3,458**	**3,742**
TOTAL BUFFER	**74,758**	**76,406**

The Crédit Mutuel Alliance Fédérale consolidated statement of financial position by residual maturity of future contractual cash flows breaks down as follows:

Table 62: Breakdown of Crédit Mutuel Alliance Fédérale's consolidated statement of financial position by residual maturity of future contractual cash flows (principal and interest)

(in € millions)	Residual contractual maturities							
As of 12/31/2018	**≤ 1 month (a)**	**> 1 months ≤ 3 months**	**> 3 months ≤ 1 year**	**> 1 year ≤ 2 years**	**> 2 years ≤ 5 years**	**> 5 years**	**No fixed maturity (b)**	**Total**
ASSETS								
Financial assets held for trading	507	1, 457	1,464	2,434	4,322	3,276	548	14,009
Financial assets at fair value through profit or loss	17	11	14	5	74	356	4,332	4,809
Derivatives used for hedging purposes (assets)	6	43	47	409	1,272	864	0	2,640
Financial assets At fair value through equity	736	1,013	2,441	2,497	9,479	10,632	392	27,190
Loans and receivables (including finance leases)	56,018	20,928	23,859	25,857	103,561	186,819	141	417,184
Held-to-maturity investments	120	0	364	5,254	1,391	800	61	7,990
Other assets	742	7,872	62	8	12	2	200	8,897
LIABILITIES								
Central bank deposits	350	0	0	0	0	0	0	350
Financial liabilities held for trading	300	400	433	687	1,355	1,445	12	4,632
Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0	0
Derivatives used for hedging purposes (liabilities)	43	34	164	716	855	537	0	2,350
Financial liabilities carried at amortized cost	285,332	37,094	50,384	35,421	52,815	34,400	1,113	496,559
Of which debt securities, including bonds	*9,910*	*18,583*	*34,499*	*12,234*	*27,801*	*22,657*	*0*	*125,684*
Of which subordinated debt excluding insurance activities	*0*	*1*	*0*	*1,508*	*0*	*5,283*	*516*	*7,308*

(a) Including accrued receivables and related debt, and securities given and received under repurchase agreements.
(b) Including perpetual debt securities, equities, non-performing loans, loans in litigation and impairment losses.
For marked-to-market financial instruments the differences between fair value and redemption value.

Comments

The tables above present the carrying amounts in IFRS based on the prudential scope. The following maturity rules used concern:

- the contractual principal repayment terms;
- equities with an unspecified duration as for perpetual loans and securities;
- payables and accrued interest broken down according to their actual contractual duration and entered in the "< 1 month" column by default;
- provisions broken down in line with the assets concerned;
- non-performing loans broken down according to their contractual date when it has not lapsed and are entered under the "no fixed maturity" column when it has lapsed, similar to loans in litigation;
- derivatives: their market value is entered under the corresponding flow on the contract expiry date.

When it is impossible to provide an accurate maturity, the carrying amount is stated in the "no fixed maturity" column.

6. Derivative exposures and collateral calls (EU LIQ1.19)

Crédit Mutuel Alliance Fédérale's approach to interest-rate and liquidity risk management includes appropriate hedging arrangements. The group tracks the collateral calls of the various existing contracts to monitor its LCR flows. It also calculates additional cash outflows corresponding to the collateral needs that may result from an adverse market scenario.

7. Currency mismatch in the LCR (EU LIQ1.19)

Given its commercial activities and the domestic markets on which it operates, Crédit Mutuel Alliance Fédérale is highly concentrated on the euro. The US dollar is the only foreign currency that exceeds the 5% representation threshold for the total consolidated balance sheet.

8. Statement

Crédit Mutuel Alliance Fédérale certifies that its liquidity risk management arrangements are appropriate to the risk profile of its commercial activities and the risk appetite defined by the governance bodies.

Liquidity risk management, measurement, oversight, control and monitoring arrangements have been approved by the management body.

These are consistent with the group's risk profile and were approved by Executive Management and the governing bodies. They are tailored to the risk profile, nature and size of the group's activities and take into account the economic and market environment.

Liquidity risk is subject to at least one review per year by the boards of directors of CFdeCM, BFCM and other Crédit Mutuel Alliance Fédérale entities (regional banks, BECM, etc.).

4.11.4 Currency risk management

The group automatically centralizes the foreign currency positions of each group entity in the CIC holding company and in BFCM.

On a daily basis for commercial transfers and cash flows, both income and expenses, denominated in foreign currencies.

All unrealized foreign currency gains and losses are translated into euros at the end of every month and the resulting foreign currency position is also centralized.

As a result, with the exception of certain capital-investment transactions no group entity bears any currency risk at its own level. The holding company is responsible for clearing foreign currency positions on a daily and monthly basis on the market.

A specific foreign currency position limit is assigned only to CM-CIC Marchés' capital markets business.

The structural foreign currency positions resulting from foreign currency allowances to foreign branches are not hedged.

Foreign exchange gains or losses are recognized in the asset or liability translation accounts and are not booked in the income statement.

The profits or losses of the foreign branches are retained in the foreign branches and thus add to the structural foreign currency position.

4

4.12 OPERATIONAL RISK V

In the context of the Basel II capital adequacy regulations, the Crédit Mutuel group has implemented a comprehensive operational risk management mechanism that is under the responsibility of the management bodies and governed by a single set of risk standards and shared quantitative evaluation methods.

The group has an overall operational risk management function that is clearly identified and split in practice between the national function and the regional functions. This function covers operational risks, emergency and business continuity plans (EBCP) and insurance policies taken out to cover these risks.

The system used to measure and monitor operational risk is based on a common platform that is applied across the group and uses an approach for identifying and modeling risks so as to calculate the level of capital required to be held for operational risk.

Since January 1, 2010, the Crédit Mutuel group has been authorized to use its advanced financial information about the measurement approach used by BFCM group to calculate its regulatory capital requirements related to operational risk, with the exception of expected losses on capital requirements, for the consolidated scope excluding foreign subsidiaries, the COFIDIS group and CM-CIC Factor.

This authorization was extended to CM-CIC Factor, taking effect as of the reporting period ended March 31, 2012, as well as to the Banque de Luxembourg, as of the reporting period ended September 30, 2013, to COFIDIS France as of the reporting period ended September 30, 2014 and to TARGOBANK Germany, as of the reporting period ended June 30, 2018.

4.12.1 Main objectives

The operational risk management policy in place is designed:

- to contribute to the management of the group by controlling risks and their associated costs;
- from a human perspective, to protect staff, develop responsibility, autonomy and control, and capitalize on expertise across the group;
- from an economic standpoint, to protect margins by effectively managing risk across all activities, and adapt insurance policies to the risks identified;
- from a regulatory standpoint: meet the requirements of Basel II and the supervisory authorities, draw on the internal control system (decree of November 3, 2014 on internal control), optimize emergency and business continuity plans for essential activities, and adapt financial reporting (Pillar 3 of Basel II).

4.12.2 Measurement and control procedure

The system used to measure and monitor operational risk is based on a common platform applied across Crédit Mutuel Alliance Fédérale that uses an approach for identifying and modeling risks so as to calculate the level of capital required to cover this risk.

Description of the advanced measurement approach (AMA)

Regarding the implementation of the advanced measurement approach (AMA) used to assess capital requirements for operational risks, a dedicated function is in place to manage this risk. The operational risk control and measurement mechanism is underpinned by a risk mapping carried out by business line, purpose and risk type, in close liaison with the functional departments and day-to-day risk management procedures. In particular, these mappings define a standard framework for analyzing the loss experience and serve for risk modeling based on expert opinions and which are compared with scenario-based probabilistic estimates.

For modeling purposes, the group relies mainly on the national internal loss database. This application is populated in line with the national data collection procedure that sets a standard limit of €1,000 above which each loss must be entered, and which defines the framework for reconciliations between the loss base and the accounting information.

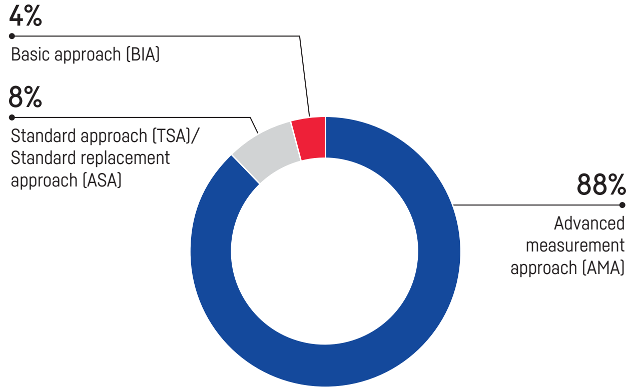
In addition, the Crédit Mutuel group subscribes to an external database which is used in line with procedures, as well as the methodologies for integrating this data into its operational risk measurement and analysis system.

Authorized scope for AMA method

The Crédit Mutuel group is authorized to use its advanced measurement approach (internal models) to calculate its regulatory capital requirements for operational risk (88% of the scope at December 31, 2018). This authorization took effect on January 1, 2010 for the group's consolidated scope excluding foreign subsidiaries and the COFIDIS group, then extended to:

- CM-CIC Factor as of the reporting period ended January 1, 2012;
- Banque de Luxembourg as of the reporting period ended September 30, 2013;
- COFIDIS France as of the reporting period ended July 1, 2014;
- TARGOBANK Germany as of the reporting period ended June 30, 2018.

Table 63: Breakdown of RWA operational risks by approach



Operational risk mitigation and hedging policy

Operational risk mitigation techniques include:

- effective preventive actions identified during the mapping process and implemented directly by operational staff or permanent control;
- safeguard initiatives primarily focused on the widespread implementation of emergency and business continuity plans for essential activities so as to limit the extent of the loss in the event of a crisis.

A consistent crisis-management process implemented across the group, in line with the market system for interbank operations, covers crisis communication and the three stages of emergency and business continuity plans: namely, the rescue, continuity and recovery plans.

4.12.3 Reporting and general oversight

The group monitors the application of the operational risk management policy and the risk profile by using key indicators, thresholds and alerts covering potential risk assessment, changes in loss incurred and the effectiveness of risk-reduction and financing measures. The relevant senior executives and supervisory bodies are regularly informed on these issues, including the requirements of the decree dated November 3, 2014.

Every year, network managers, internal auditors and the operational staff responsible for monitoring these risks receive training in operational risks.

4.12.4 Documentation and procedures

The Crédit Mutuel group consistently applies a set of procedures that are approved by the managing bodies and regularly updated. These cover:

- governance: procedures dealing with the roles and responsibilities of the various managing, decision-making and supervisory bodies, the national function, report frequency and recipients, the monitoring scope for group entities, and the methodology for subsidiary consolidation;
- collection of loss data: procedures laying down the rules for collecting information and controlling internal losses;
- measurement system: procedures concerning, in particular, probabilistic modeling and modeling based on the work of experts, the rules for gathering Key Risk Indicators (KRI), the basis for allocating capital adequacy requirements and COREP reports.

These procedures are subject to regular controls.

4.12.5 Emergency and Business Continuity Plans (EBCP)

Emergency and Business Continuity Plans are back-up measures put in place to limit the extent of losses incurred as a result of operational risk.

“EBCP guidelines”, Crédit Mutuel Alliance Fédérale’s reference document in this respect, may be consulted by all teams concerned and are applied at the level of the regional groups.

Plans are classified into two categories:

- business-specific EBCP: related to a given banking function associated with one of the business lines identified in accordance with Basel II;
- cross-functional EBCP: related to business support services (logistics, HR and IT plans).

These plans each comprise three components:

- emergency plan: this is triggered immediately and involves measures designed to deal with emergency situations and implement solutions for operating in a weakened environment;
- business continuity plan: this involves resuming business under adverse conditions in accordance with predefined procedures;
- recovery plan: this is prepared shortly after the business continuity plan kicks in: the time it takes to implement the plan depends on the extent of the damage.

4.12.6 Organization of crisis management

The crisis management mechanism in place across Crédit Mutuel Alliance Fédérale covers the most efficient communications and organization systems implemented to deal with the three stages of the procedure: emergency, business continuity and recovery plans.

This mechanism is underpinned by:

- a crisis committee, chaired by the chief executive officer of the bank at the regional level and by the group chief executive officer at the national level. The committee takes substantive decisions, prioritizes actions and deals with internal and external communications;
- a crisis unit which pools information, implements decisions and provides follow-up;
- a crisis liaison team for each business line, responsible for coordinating operations on the ground together with the crisis unit, most notably the activation of the EBCP until the situation returns to normal.

4.12.7 Use of insurance techniques

The *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) authorized the Crédit Mutuel group to take into account the deduction of insurance as a factor for reducing capital requirements in respect of operational risk under the advanced measurement approach as of the reporting period ended June 30, 2012.

The principles applied for financing operational risks within the Crédit Mutuel group depend on the frequency and severity of each potential risk. These involve:

- setting up insurance cover or financing by withholding amounts on the operating account for non-severe frequency risks (EL);
- taking out insurance for insurable serious or major external risks;
- developing self-insurance for losses below insurers' deductible thresholds;
- allocating reserves of regulatory capital or writing provisions financed by underlying assets for serious risks that cannot be insured.

Crédit Mutuel group's insurance programs comply with the provisions of Articles 323 of EU regulation 575/2013 of the European Parliament and Council of June 26, 2013 concerning the deduction of insurance under the advanced method approach (AMA).

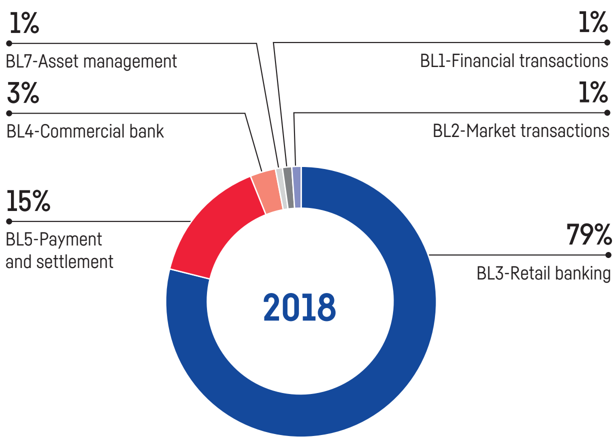
Insurance cover included in the deduction process covers damage to real and personal property (multi-risk), fraud and damage to valuables (overall insurance for banking risks), as well as professional third-party liability and cyber-risks (cyber policy).

4.12.8 Inventory of Crédit Mutuel Alliance Fédérale group losses

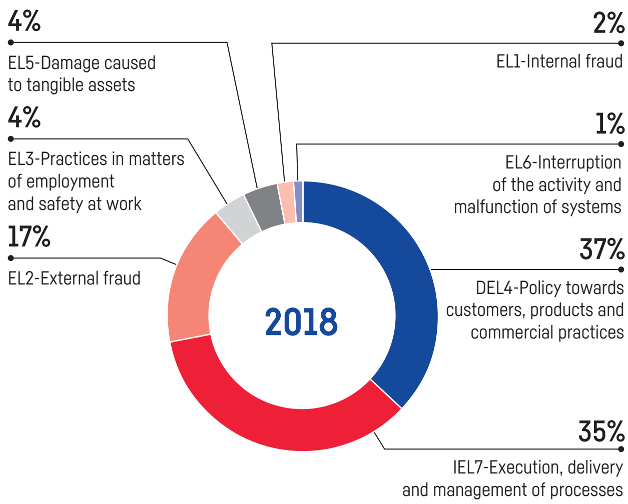
Crédit Mutuel Alliance Fédérale's total claims amounted to €142.2 million in 2018, including €155.4 million in losses and €13.2 million in reversals of provisions on past losses. This breaks down as follows:

Table 64: 2018 losses incurred on claims by business line and risk event

2018 LOSSES INCURRED ON CLAIMS BY BL (BUSINESS LINE)



2018 LOSSES INCURRED ON CLAIMS BY EL (EVENT LINE)



4.12.9 Other risks

Legal risks

Legal risks are incorporated into operational risks and concern, among other things, exposure to fines, penalties and damages attributable to faults resulting from business operations.

Industrial and environmental risks

Industrial and environmental risks are included in operational risks and are analyzed from the perspective of system malfunctions and the occurrence of natural disasters (100-year floodplains, floods, earthquakes, pollution, etc.), their impact on the business and the means of prevention and protection to be put in place, notably crisis management and EBCP.

As regards the management of social and environmental risks, the measures taken are described in the societal section of the Statement on non-financial performance (Chapter 7).

4.13 INFORMATION ABOUT ENCUMBERED AND UNENCUMBERED ASSETS

Since December 31, 2014, and pursuant to Article 100 of the CRR, Crédit Mutuel Alliance Fédérale reports to the competent authorities on the quantity of unencumbered assets at its disposal and their principal characteristics. These assets may serve as sureties to obtain other financing on the secondary markets or from the central bank, and hence constitute additional sources of liquidity.

An asset is considered to be "encumbered" if it serves as a guarantee, or can be used contractually, to secure, collateralize or enhance a transaction from which it cannot be separated. In contrast, an asset is "unencumbered" if it is free of any legal, regulatory, contractual or other limitations to its possible liquidation, sale, transmission or disposal.

For illustrative purposes, the following types of contracts satisfy the definition of encumbered assets:

- secured financial transactions, including repurchase agreements, securities lending and other forms of loans;
- collateralization agreements;
- collateralized financial guarantees;
- collateral placed in clearing systems, clearing houses and other institutions as a condition for accessing the service. This includes initial margins and funds against the risk of insolvency;
- facilities given to central banks. Assets already in position should not be considered encumbered, unless the central bank does not authorize the withdrawal of these assets without its prior agreement;
- underlying assets of securitization entities when these assets have not been derecognized by the entity. Underlying assets of retained securities are not recognized as being encumbered, unless the securities in question are used to pledge or guarantee a transaction in some way;
- collateral pools put together to issue secured bonds. These assets are recognized as encumbered assets except in certain situations where the entity holds the secured bonds (self-issued bonds).

Assets placed in financing mechanisms that are unused and can be easily withdrawn are not recognized as being encumbered.

Table 65: Encumbered and unencumbered assets[1] (Model A)

(in € millions)	Carrying amount of encumbered assets	o/w HQLA and EHQLA	Fair value of encumbered assets	o/w HQLA and EHQLA	Carrying amount of unencumbered assets	o/w HQLA and EHQLA	Fair value of unencumbered assets	o/w HQLA and EHQLA
Assets of disclosing institution (A)	**77,235**	**7,035**			**480,429**	**18,471**		
Capital instruments	87	1	87	1	4,796	113	4,796	113
Debt securities	11,068	6,983	11,071	6,988	36,367	18,328	36,459	18,482
Of which secured bonds	572	392	572	392	3,551	1,471	3,551	1,471
Of which asset-backed securities	1,989	1,804	1,991	1,804	9,007	763	9,007	763
Of which issued by public administrations	4,397	3,991	4,398	3,996	14,678	13,241	14,556	13,398
Of which issued by financial institutions	5,806	2,382	5,808	2,382	14,115	4,319	13,954	4,316
Of which issued by non-financial institutions	1,268	697	1,268	697	6,546	177	6,545	177
Other assets[2]	65,639	49			440,128	0		

(1) Median values of end-of-quarter data for the previous year.
(2) Of which loans and advances.

Table 66: Collateral received (Model B)

(in € millions)	Fair value of the encumbered guarantee received or of encumbered own debt securities issued	o/w HQLA and EHQLA	Fair value of the guarantee received or of own debt securities issued available for pledging	o/w HQLA and EHQLA
Collateral received by the reporting institution the disclosing institution (B)	**14,833**	**10,619**	**8,887**	**2,570**
Loans on demand	0	0	104	0
Capital instruments	1,698	930	416	129
Debt securities	13,135	9,817	5,362	2,298
Of which secured bonds	323	238	53	46
Of which asset-backed securities	823	728	2,965	1,910
Of which issued by public administrations	8,938	8,839	436	351
Of which issued by financial institutions	3,658	572	3,900	1,849
Of which issued by non-financial institutions	914	602	881	13
Loans and advances other than loans on demand	0	0	247	0
Other collateral received	0	0	2,882	0
Own debt securities issued other than own covered bonds covered bonds or asset-backed securities (C)	0	0	0	0
Own covered bonds and asset-backed securities issued and not yet pledged			0	
Total assets, collateral received and own debt securities issued (D) = (A) + (B) + (C)[1]	**92,248**	**17,654**		

(1) Median values of end-of-quarter data for the previous year.

Table 67: Carrying amount of encumbered assets[1]/ collateral received and associated liabilities (Template C)

(in € millions)	Associated liabilities, contingent liabilities or securities loaned	Assets, guarantees received and own debt securities issued other than guaranteed bonds and securities backed by encumbered assets
Carrying amount of the financial liabilities selected	**69,346**	**89,095**

(1) Median values of end-of-quarter data for the previous year.

4.14 REMUNERATION

Information about the group's sound remuneration policies is set out in Chapter 2, "Corporate Governance" of the present report.

APPENDICES

Appendix 1: Outline of the differences in the scopes of consolidation (EU LI3) Description by entity

Name of entity	Accounting consolidation method	Regulatory method: Full consolidation	Regulatory method: Proportional consolidation	Regulatory method: Not consolidated, not deducted[1]	Regulatory method: Deducted	Description of entity
Bancas	Consolidation using the equity method		X			B. Banking network - subsidiaries
Banque du Groupe Casino	Consolidation using the equity method		X			B. Banking network - subsidiaries
FCT CM-CIC Home loans	Full consolidation			X		B. Banking network - subsidiaries
LYF SA (formerly Fivory)	Consolidation using the equity method		X			B. Banking network - subsidiaries
Euro Automatic Cash	Consolidation using the equity method		X			F. Logistics and holding company services
EI Télécom	Full consolidation			X		F. Logistics and holding company services
Euro Protection Surveillance	Full consolidation			X		F. Logistics and holding company services
LYF SAS (formerly Fivory SAS)	Consolidation using the equity method		X			F. Logistics and holding company services
Groupe Républicain Lorrain Communication (GRLC)	Full consolidation			X		F. Logistics and holding company services
L'Est Républicain	Full consolidation			X		F. Logistics and holding company services
SAP Alsace	Full consolidation			X		F. Logistics and holding company services
Société d'Investissements Médias (SIM)	Full consolidation			X		F. Logistics and holding company services
Société de Presse Investissement (SPI)	Full consolidation			X		F. Logistics and holding company services
ACM GIE	Full consolidation			X		G. Insurance companies
ACM IARD	Full consolidation			X		G. Insurance companies
ACM Services	Full consolidation			X		G. Insurance companies
ACM Vie SA	Full consolidation			X		G. Insurance companies
ACM Vie, Société d'Assurance Mutuelle	Full consolidation			X		G. Insurance companies
Agrupació AMCI d'Assegurances i Reassegurances SA	Full consolidation			X		G. Insurance companies
Targopensiones, entidad gestora de fondos de pensiones, SA (formerly Agrupacion Pensiones)	Full consolidation			X		G. Insurance companies
Agrupació serveis administratius	Full consolidation			X		G. Insurance companies
AMDIF	Full consolidation			X		G. Insurance companies

Name of entity	Accounting consolidation method	Regulatory method: Full consolidation	Proportional consolidation	Not consolidated, not deducted[1]	Deducted	Description of entity
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	Full consolidation			X		G. Insurance companies
Asesoramiento en Seguros y Previsión Atlantis SL	Full consolidation			X		G. Insurance companies
Asistencia Avançada Barcelona	Full consolidation			X		G. Insurance companies
ASTREE Assurances	Consolidation using the equity method			X		G. Insurance companies
Atlantis Asesores SL	Full consolidation			X		G. Insurance companies
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Full consolidation			X		G. Insurance companies
Atlantis Vida, Compañía de Seguros y Reaseguros SA	Full consolidation			X		G. Insurance companies
GACM España	Full consolidation			X		G. Insurance companies
Groupe des Assurances du Crédit Mutuel (GACM)	Full consolidation			X		G. Insurance companies
ICM Life	Full consolidation			X		G. Insurance companies
MTRL	Full consolidation			X		G. Insurance companies
NELB (North Europe Life Belgium)	Full consolidation			X		G. Insurance companies
Nord Europe Life Luxembourg (NELL)	Full consolidation			X		G. Insurance companies
Partners	Full consolidation			X		G. Insurance companies
Procourtage	Full consolidation			X		G. Insurance companies
Royale Marocaine d'Assurance (ex RMA Watanya)	Consolidation using the equity method			X		G. Insurance companies
Serenis Assurances	Full consolidation			X		G. Insurance companies
Targo seguros mediacion (formerly Voy Mediación)	Full consolidation			X		G. Insurance companies
Affiches d'Alsace Lorraine	Full consolidation			X		H. Other companies
Alsacienne de Portage des DNA	Full consolidation			X		H. Other companies
Est Bourgogne Médias	Full consolidation			X		H. Other companies
Foncière Massena	Full consolidation			X		H. Other companies
France Régie	Full consolidation			X		H. Other companies
Groupe Dauphiné Media	Full consolidation			X		H. Other companies
Groupe Progrès	Full consolidation			X		H. Other companies
Groupe Républicain Lorrain Imprimeries (GRLI)	Full consolidation			X		H. Other companies
Journal de la Haute Marne	Consolidation using the equity method			X		H. Other companies
La Liberté de l'Est	Full consolidation			X		H. Other companies
La Tribune	Full consolidation			X		H. Other companies
Le Dauphiné Libéré	Full consolidation			X		H. Other companies
Le Républicain Lorrain	Full consolidation			X		H. Other companies
Les Dernières Nouvelles d'Alsace	Full consolidation			X		H. Other companies
Lumedia	Consolidation using the equity method			X		H. Other companies
Mediaportage	Full consolidation			X		H. Other companies

Name of entity	Accounting consolidation method	Regulatory method: Full consolidation	Regulatory method: Proportional consolidation	Regulatory method: Not consolidated, not deducted[1]	Regulatory method: Deducted	Description of entity
Presse Diffusion	Full consolidation			X		H. Other companies
Publiprint Province n°1	Full consolidation			X		H. Other companies
Républicain Lorrain Communication	Full consolidation			X		H. Other companies
Républicain Lorrain – TV news	Full consolidation			X		H. Other companies
SCI ACM	Full consolidation			X		H. Other companies
SCI ACM Cotentin	Full consolidation			X		H. Other companies
SCI Le Progrès Confluence	Full consolidation			X		H. Other companies
SCI Provence Lafayette	Full consolidation			X		H. Other companies
SCI 14 Rue de Londres	Full consolidation			X		H. Other companies
SCI Saint Augustin	Full consolidation			X		H. Other companies
SCI Tombe Issoire	Full consolidation			X		H. Other companies
Société d'Édition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	Full consolidation			X		H. Other companies

(1) Entities falling within the threshold for deduction from capital or benefiting from the "Danish Comprise". They are included in the RWA for calculating credit risk.

Appendix 2: Detailed information about capital

MAIN FEATURES OF CAPITAL INSTRUMENTS (CET1)

Issuer	Crédit Mutuel Alliance Fédérale – Caisse Fédérale de Crédit Mutuel	Crédit Mutuel Alliance Fédérale – Caisse Fédérale de Crédit Mutuel
Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	969500LFTDNMONT2EP08	969500LFTDNMONT2EP08
Law governing the instrument	Law No. 47-1775 of September 10, 1947 on the constitution of cooperatives and Article L.512-1 of the French Monetary and Financial Code	Law No. 47-1775 of September 10, 1947 on the constitution of cooperatives and Article L.512-1 of the French Monetary and Financial Code
Regulatory treatment		
Transitional CRR rules	Common Equity Tier 1 capital	Common Equity Tier 1 capital
Post-transitional CRR rules	Common Equity Tier 1 capital	Common Equity Tier 1 capital
Eligible at solo/(sub-) consolidated/solo and (sub-) consolidated level	Solo and (sub-) consolidated	Solo and (sub-) consolidated
Instrument type (to be specified by each jurisdiction)	Type A shares – list published by the EBA (Article 26, paragraph 3 of the CRR)	Type B shares – list published by the EBA (Article 26, paragraph 3 of the CRR)
Amount recognized in regulatory capital (currency in millions, as at most recent reporting date)	€198.41m	€5,953.68m
Par value of instrument	€15	€1
Issue price	€15	€1
Redemption amount	€15	€1
Accounting classification	Equity	Equity
Original date of issuance	Variable	Variable
Perpetual or dated	Perpetual	Perpetual
Initial maturity	N/A	N/A
Issuer call subject to prior supervisory approval	No	No
Optional call date, contingent call dates and redemption amount	N/A	N/A
Subsequent call dates, if applicable	N/A	N/A

Issuer	Crédit Mutuel Alliance Fédérale – Caisse Fédérale de Crédit Mutuel	Crédit Mutuel Alliance Fédérale – Caisse Fédérale de Crédit Mutuel
Coupons/dividends		
Fixed or floating dividend/coupon	N/A	Floating
Coupon rate and any related index	N/A	N/A
Existence of a dividend stopper	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
Existence of step up or other redemption incentive	No	No
Cumulative or non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger	N/A	N/A
If convertible, fully or partially	N/A	N/A
If convertible, conversion rate	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A
If convertible, instrument type convertible into	N/A	N/A
If convertible, issuer of instrument it converts into	N/A	N/A
Write-down features	Yes	Yes
If write-down, write-down trigger	By decision of the shareholders' meeting or, in case of resolution, by decision of the Resolution College of the Autorité de contrôle prudentiel et de résolution (ACPR – French Prudential Supervisory and Resolution Authority) pursuant to its powers under Article L.613-31-16 of the French Monetary and Financial Code	By decision of the shareholders' meeting or, in case of resolution, by decision of the Resolution College of the Autorité de contrôle prudentiel et de résolution (ACPR – French Prudential Supervisory and Resolution Authority) pursuant to its powers under Article L.613-31-16 of the French Monetary and Financial Code
If write-down, full or partial	Full or partial write-down	Full or partial write-down
If write-down, permanent or temporary	Permanent	Permanent
If temporary write-down, description of write-up mechanism	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks lower than all other claims	Ranks lower than all other claims
Existence of non-compliant features	No	No
If yes, specify non-compliant features	N/A	N/A

N/A: not applicable

Main features of capital instruments (AT1)

Issuer	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel
Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	XS0207764712	XS0212581564
Law governing the instrument	English unless subordination	English unless subordination
Regulatory treatment		
Transitional CRR rules	40% additional Tier 1 capital 60% additional Tier 2 capital	40% additional Tier 1 capital 60% additional Tier 2 capital
Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
Eligible at solo/(sub-) consolidated/solo and (sub-) consolidated level	Consolidated	Consolidated
Instrument type = (to be specified by each jurisdiction)	■ Deeply subordinated notes ■ Art. 52 et seq. of the CRR ■ Art. 484 et seq. of the CRR	■ Deeply subordinated notes ■ Art. 52 et seq. of the CRR ■ Art. 484 et seq. of the CRR
Amount recognized in regulatory capital (currency in millions, as at most recent reporting date)	€733.90m	€250.00m
Par value of instrument	€750.00m	€250.00m
Issue price	€750.00m	€250.00m
Redemption amount	€750.00m	€250.00m
Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
Original date of issuance	12/15/2004	02/25/2005
Perpetual or dated	Perpetual	Perpetual
Initial maturity	Perpetual	Perpetual
Issuer call subject to prior supervisory approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	■ Call for the entire issue at issuer's discretion: ■ on 12/15/2014 at par ■ Call for the entire issue in case of tax events (*tax call*): ■ at any time at par ■ Call for the entire issue in case of downgrading of Tier 1 capital: at any time at par ■ Call for the entire issue in case of issuer's deconsolidation from Crédit Mutuel Alliance Fédérale: ■ at any time at par	■ Call for the entire issue at issuer's discretion: ■ 02/25/2015 at par ■ Call for the entire issue in case of tax events (*tax call*): ■ at any time at par ■ Call for the entire issue in case of downgrading of Tier 1 capital: at any time at par ■ Call for the entire issue in case of issuer's deconsolidation from Crédit Mutuel Alliance Fédérale: ■ at any time at par
Subsequent call dates, if applicable	On each interest payment date after 12/15/2014, for the entire issue	On each interest payment date after 02/25/2015, for the entire issue
Coupons/dividends		
Fixed or floating dividend/coupon	Fixed to floating	Fixed to floating
Coupon rate and any related index	6% then, as of 12/15/2005, EUR CMS10 +0.10% capped at 8%	7% then, as of 02/25/2006, EUR CMS10 +0.10% capped at 8%

Issuer	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel
Existence of a dividend stopper	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary: compulsory clause interest provisions clause (dividend pusher)	Partially discretionary: compulsory clause interest provisions clause (dividend pusher)
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
Existence of a step up or other redemption incentive	No	No
Cumulative or non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No
If convertible, conversion trigger	N/A	N/A
If convertible, fully or partially	N/A	N/A
If convertible, conversion rate	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A
If convertible, instrument type convertible into	N/A	N/A
If convertible, issuer of the instrument it converts into	N/A	N/A
Write-down features	Yes	Yes
If write-down, write-down trigger	Event related to the supervisor both after a subsequent deterioration in the solvency at its full discretion and if a capital increase was not authorized or was insufficient	Event related to the supervisor both after a subsequent deterioration in the solvency at its full discretion and if a capital increase was not authorized or was insufficient
If write-down, full or partial	Full or partial write-down	Full or partial write-down
If write-down, permanent or temporary	Permanent or temporary	Permanent or temporary
If temporary write-down, description of write-up mechanism	Write-up of principal if return to financial health, i.e. consolidated net income recorded two years in a row after the end of the supervisor's intervention	Write-up of principal if return to financial health, i.e. consolidated net income recorded two years in a row after the end of the supervisor's intervention
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deeply subordinated instrument i.e subordinated to any non-voting loan stock and investments in non-consolidated companies, ordinary subordinated instruments and non-subordinated instruments.	Deeply subordinated instrument i.e. subordinated to any non-voting loan stock and investments in non-consolidated companies, ordinary subordinated instruments and non-subordinated instruments.
Existence of non-compliant features	Yes (but allowed in AT1 under the transitional regime)	Yes (but allowed in AT1 under the transitional regime)
If yes, specify non-compliant features	Features not compliant with additional Tier 1 capital instruments: partially discretionary: compulsory interest provisions clause (dividend pusher) ■ non-discretionary better fortunes clause	Features not compliant with additional Tier 1 capital instruments: partially discretionary: compulsory interest provisions clause (dividend pusher) ■ non-discretionary better fortunes clause

N/A if not applicable.

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

Issuer	Crédit Industriel et Commercial	Lyonnaise de Banque	Crédit Industriel et Commercial	Crédit Industriel et Commercial	Banque Fédérative du Crédit Mutuel
Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	FR0000047805	FR0000047789	FR0000584377	FR0000165847	XS0548803757
Law governing the instrument	French	French	French	French	English unless subordination
Regulatory treatment					
Transitional CRR rules	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital
Post-transitional CRR rules	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital
Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Consolidated and non-consolidated	Consolidated and non-consolidated	Consolidated and non-consolidated	Consolidated and non-consolidated	Consolidated
Instrument type (to be specified by each jurisdiction)	■ non-voting loan stock ■ Article 62 et seq. of CRR	■ non-voting loan stock ■ Article 62 et seq. of CRR	■ Perpetual subordinated notes ■ Article 62 et seq. of CRR	■ Perpetual progressive interest ■ Article 62 et seq. of CRR	■ Subordinated notes ■ Article 62 et seq. of CRR
Amount recognized in regulatory capital (currency in millions as of most recent reporting date)	€8.66m	€12.71m	€18.96m	€3.11m	€368.38m
Par value of instrument	€137.20m	€15.43m	€18.96m	€7.25m	€1,000.00m
Issue price	€137.20m	€15.43m	€18.96m	€7.25m	€999.39m
Redemption amount	€178.37m if call exercised on 05/28/1997 then annual revaluation of 1.5% after 05/28/1997	€20.06 m if call exercised on 06/01/1997 then annual revaluation of 1.5% after 06/01/1997	€19.15m	€7.25m	€1,000.00m
Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost	Liabilities – amortized cost	Liabilities – amortized cost	Liabilities – amortized cost
Original date of issuance	05/28/1985	06/1/1985	07/20/1987	12/26/1990	10/22/2010
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Dated
Initial maturity	Perpetual	Perpetual	Perpetual	Perpetual	10/22/2020
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes

Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel
XS1069549761	XS1288858548	XS1385945131	XS1512677003	XS1587911451	XS1717355561	XS1824240136
English unless subordination	English unless subordination	English unless subordination	English unless subordination	English unless subordination	English unless subordination	English unless subordination
Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated
■ Subordinated notes ■ Article 62 et seq. of CRR	■ Subordinated notes ■ Article 62 et seq. of CRR	■ Subordinated notes ■ Article 62 et seq. of CRR	■ Subordinated notes ■ Article 62 et seq. of CRR	■ Subordinated notes ■ Article 62 et seq. of CRR	■ Subordinated notes ■ Article 62 et seq. of CRR	■ Subordinated notes ■ Article 62 et seq. of CRR
€1,000.00m	€1,000.00m	€1,000.00m	€700.00m	€500.00m	€500.00m	€500.00m
€1,000.00m	€1,000.00m	€1,000.00m	€700.00m	€500.00m	€500.00m	€500.00m
€991.43m	€990.84m	€990.98m	€695.09m	€497.62m	€495.72m	€499.43m
€1,000.00m	€1000.00m	€1000.00m	€700.00m	€500.00m	€500.00m	€500.00m
Liabilities – amortized cost	Liabilities – amortized cost	Liabilities – amortized cost	Liabilities – amortized cost	Liabilities – amortized cost	Liabilities – amortized cost	Liabilities – amortized cost
05/21/2014	09/11/2015	03/24/2016	11/04/2016	03/31/2017	11/15/2017	05/25/2018
Dated	Dated	Dated	Dated	Dated	Dated	Dated
05/21/2024	09/11/2025	03/24/2026	11/04/2026	03/31/2027	11/15/2027	05/25/2028
Yes	Yes	Yes	Yes	Yes	Yes	Yes

Issuer	Crédit Industriel et Commercial	Lyonnaise de Banque	Crédit Industriel et Commercial	Crédit Industriel et Commercial	Banque Fédérative du Crédit Mutuel
Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	FR0000047805	FR0000047789	FR0000584377	FR0000165847	XS0548803757
Optional call date, contingent call date and redemption amount	■ Partial or full call at issuer's discretion: 05/28/1997 at 130% of par value	■ Partial or full call at issuer's discretion: 06/01/1997 at 130% of par value	■ Partial or full call at issuer's discretion: for a period of 45 days as of 07/20/1994 at 101% of par value +accrued interest	■ Partial or full call at issuer's discretion: on 12/26/1999 at par	■ Call for the entire issue in case of tax events at any time at par
Subsequent call dates, if applicable	On each interest payment date after 05/28/1997	On each interest payment date after 06/1/1997	During a 45-day period from each interest payment date after 07/20/1994	On each interest payment date after 12/26/1999	N/A
Coupons/dividends					
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Fixed
Coupon rate an any related index	40% x average bond yield +43% x average bond yield x (Income year N-1/Income year 1984) with the following limits ■ minimum 85% of average bond yield/2 ■ maximum 130% average bond yield/2	35% x average bond yield +35% x average bond yield x (Income year N-1/Income year 1984) with the following limits ■ minimum 85% of average bond yield ■ maximum 130% average bond yield	Average 12-month average yield on long-term government bonds +0.25%	P1C +1.75% for interest payable every year since 2006 for interest payable each year since 2006	4.00%
Existence of a dividend payout suspension clause (*dividend stopper*)	No	No	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Partially discretionary	Partially discretionary	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other redemption incentive	No	No	No	No	No
Cumulative or non-cumulative	N/A	N/A	Cumulative	Cumulative	N/A

Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel
XS1069549761	XS1288858548	XS1385945131	XS1512677003	XS1587911451	XS1717355561	XS1824240136
■ Call for the entire issue in case of tax events (withholding tax event) or tax deduction event) at any time at par ■ Call for the entire issue in case of downgrading of Tier 2 capital: ("Capital Event") at any time at par ■ Call for the entire issue in case of a Gross-Up Event: at any time at par	■ Call for the entire issue in case of tax events (withholding tax event, tax deduction event or tax gross-up event) at any time at par ■ Call for the entire issue in case of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Call for the entire issue in case of tax events (withholding tax event, tax deduction event or tax gross-up event) at any time at par ■ Call for the entire issue in case of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Call for the entire issue in case of tax events (withholding tax event, tax deduction event or tax gross-up event) at any time at par ■ Call for the entire issue in case of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Call for the entire issue in case of tax events (withholding tax event, tax deduction event or tax gross-up event) at any time at par ■ Call for the entire issue in case of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Call for the entire issue in case of tax events (withholding tax event, tax deduction event or tax gross-up event) at any time at par ■ Call for the entire issue in case of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Call for the entire issue in case of tax events (withholding tax event, tax deduction event or tax gross-up event) at any time at par ■ Call for the entire issue in case of downgrading of Tier 2 capital: ("Capital Event") at any time at par
N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
3.00%	3.00%	2.375%	1.875%	2.625%	1.625%	2.500%
No	No	No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
No	No	No	No	No	No	No
N/A	N/A	N/A	N/A	N/A	N/A	N/A

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Issuer	Crédit Industriel et Commercial	Lyonnaise de Banque	Crédit Industriel et Commercial	Crédit Industriel et Commercial	Banque Fédérative du Crédit Mutuel
Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	FR0000047805	FR0000047789	FR0000584377	FR0000165847	XS0548803757
Convertible or non-convertible	No	No	No	No	No
If convertible, conversion trigger	N/A	N/A	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A
If convertible, instrument type convertible into	N/A	N/A	N/A	N/A	N/A
If convertible, issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A
Write-down features	No	No	No	No	No
If write-down, write-down trigger	N/A	N/A	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
Existence of non-compliant features	No	No	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

N/A if not applicable.

Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel
XS1069549761	XS1288858548	XS1385945131	XS1512677003	XS1587911451	XS1717355561	XS1824240136
No	No	No	No	No	No	No
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
No	No	No	No	No	No	No
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors in accordance with L.228-97 Article of the French Commercial Code	Instrument subordinated to the payment of all unsecured creditors in accordance with L.228-97 Article of the French Commercial Code	Instrument subordinated to the payment of all unsecured creditors in accordance with L.228-97 Article of the French Commercial Code
No	No	No	No	No	No	No
N/A	N/A	N/A	N/A	N/A	N/A	N/A

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Appendix 3: Qualitative information about capital instruments

	(in € millions)	Amount at date of publication	Reference of Article of EU Regulation No. 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) no. 575/2013
COMMON EQUITY TIER 1 (CET1) CAPITAL: INSTRUMENTS AND RESERVES				
1	Capital instruments and related share premium accounts	6,152	26 (1), 27, 28, 29, list ABE 26 (3)	
	of which shares	6,152	list ABE 26 (3)	
	of which issue premiums	-	list ABE 26 (3)	
2	Retained earnings	31,670	26 (1) c	
3	Accumulated other comprehensive income (and other reserves)	-240	26 (1)	
3a	Funds for general banking risks	-	26 (1) f	
4	Amount of qualifying items referred to in Art. 484 (3) and related share premium accounts subject to gradual exclusion from CET1	-	486 (2)	
5	Non-controlling interests eligible for CET1	598	84, 479, 480	-36
5a	Independently audited interim profits net of any foreseeable expense or dividend	2,596	26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**40,776**		
COMMON EQUITY TIER 1 (CET1) CAPITAL: REGULATORY ADJUSTMENTS				
7	Additional value adjustments (negative amount)	-68	34, 105	
8	Intangible assets (net of related tax liabilities) (negative amount)	-4,707	36 (1) b, 37, 472 (4)	
9	Empty set in the EU			
10	Deferred tax assets that rely on future profits, excluding those arising from temporary differences (net of related tax liabilities when the conditions in Art. 38 (3) are met) (negative amount)	-1	36 (1) c, 38, 472 (5)	
11	Fair value reserves related to gains and losses on cash flow hedges	-3	33 a	
12	Negative amounts resulting from the calculation of expected losses	-349	36 (1) d, 40, 159, 472 (6)	
13	Any increase in equity resulting from securitized assets (negative amount)	-	32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-3	33 (1) b	
15	Defined benefit pension fund assets (negative amount)	-	36 (1) e, 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) f, 41, 472 (8)	

	(in € millions)	Amount at date of publication	Reference of Article of EU Regulation No. 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) no. 575/2013
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	36 (1) g, 41, 472 (9)	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) h, 43, 45, 46, 49 (2) (3), 79, 472 (10)	
19	Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) i, 43, 45, 47, 48 (1) b, 49 (1) à (3), 79, 470, 472 (11)	
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a risk weight of 1.250%, where the institution opts for the deduction alternative	-171	36 (1) k	
20b	*of which qualifying holdings outside the financial sector (negative amount)*	-	36 (1) k (i), 89 à 91	
20c	*of which securitization positions (negative amount)*	-171	36 (1) k (ii), 243 (1) b, 244 (1) b, 258	
20d	*of which free deliveries (negative amount)*	-	36 (1) k (iii), 379 (3)	
21	Deferred tax assets arising from temporary differences (amount above the 10% threshold, net of related tax liabilities when the conditions in Art. 38 (3) are met) (negative amount)	-	36 (1) c, 38, 48 (1) a, 470, 472 (5)	
22	Amount exceeding the 15% threshold (negative amount)	-	48 (1)	
23	*of which direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	-	36 (1) (i), 48 (1) b, 470, 472 (11)	
24	Empty set in the EU			
25	*of which deferred tax assets arising from temporary differences*	-	36 (1) c, 38, 48 (1) a, 470, 472 (5)	
25a	Losses for the current fiscal year (negative amount)	-	36 (1) a, 472 (3)	
25b	Foreseeable tax charge relating to CET1 items (negative amount)	-	36 (1) (i)	
26	Regulatory adjustments applied to Common Equity Tier 1 capital in respect of amounts subject to pre-CRR treatment	-36		
26a	Regulatory adjustments relating to unrealized gains and losses pursuant to Articles 467 and 468	-		
	of which filter for unrealized loss on equity instruments	-	467	
	of which filter for unrealized loss on debt instruments	-	467	
	of which filter for unrealized gain on equity instruments	-	468	
	of which filter for unrealized gain on debt instruments	-	468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	-	481	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	36 (1) (i)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET 1) capital**	**-5,338**		

	(in € millions)	Amount at date of publication	Reference of Article of EU Regulation No. 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) no. 575/2013
29	**Common Equity Tier 1 (CET 1) capital**	**35,438**		
ADDITIONAL TIER 1 (AT1) CAPITAL: INSTRUMENTS				
30	Capital instruments and related share premium accounts	-	51, 52	
31	*of which classified as equity under applicable accounting standards*	-		
32	*of which classified as liabilities under applicable accounting standards*	-		
33	Amount of qualifying items referred to in Art. 484 (4) and related issue premium accounts subject to gradual exclusion from AT1	866	486 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including non-controlling interests not included in line 5) issued by subsidiaries and held by third parties	87	85, 86, 480	
35	*of which instruments issued by subsidiaries subject to gradual exclusion*	-	486 (3)	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**953**		
ADDITIONAL TIER 1 (AT1) CAPITAL: REGULATORY ADJUSTMENTS				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52(1) b, 56 a, 57, 475 (2)	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to artificially inflate the institution's own funds (negative amount)	-	56 b, 58, 475 (3)	
39	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	56 c, 59, 60, 79, 475 (4)	
40	Direct, indirect and synthetic holdings by the institution of AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	56 (d), 59, 79, 475 (4)	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to gradual exclusion in accordance with Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)	-		
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Art. 472 of Regulation (EU) No. 575/2013	-	472, 472 (3) a, 472 (4), 472 (6), 472 (8) a, 472 (9), 472 (10) a, 472 (11) a	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Art. 475 of Regulation (EU) No. 575/2013	-	477, 477 (3), 477 (4) a	
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	-	467, 468, 481	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	56 e	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**		
44	**Additional Tier 1 (AT1) capital**	**953**		

	(in € millions)	Amount at date of publication	Reference of Article of EU Regulation No. 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) no. 575/2013
45	**Tier 1 capital (T1 = CET1 +AT1)**	**36,391**		
TIER 2 (T2) CAPITAL: INSTRUMENTS AND PROVISIONS				
46	Capital instruments and related share premium accounts	5,693	62, 63	
47	Amount of qualifying items referred to in Art. 484 (5) and related issue premium accounts subject to gradual exclusion from T2	37	486 (4)	
48	Qualifying capital instruments included in consolidated T2 capital (including non-controlling interests and AT1 instruments not included in line 5) issued by subsidiaries and held by third parties	116	87, 88, 480	
49	of which instruments issued by subsidiaries subject to gradual exclusion	-	486 (4)	
50	Credit risk adjustments	11	62 c et d	
51	**Tier 2 (T2) capital before regulatory adjustments**	**5,856**		
TIER 2 (T2) CAPITAL: INSTRUMENTS AND PROVISIONS				
52	Direct and indirect holdings by an institution of T2 own instruments and subordinated loans (negative amount)	-	63 b (i), 66 a, 67, 477 (2)	
53	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to artificially inflate the own funds of the institution (negative amount)	-	66 b, 68, 477 (3)	
54	Direct holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (amount above the threshold of 10% net of eligible short positions) (negative amount)	-	66 c, 69, 70, 79, 477 (4)	
54a	of which new holdings not subject to transitional arrangements	-		
54b	of which holdings existing before January 1, 2013 and subject to transitional arrangements	-		
55	Direct holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	66 d, 69, 79, 477 (4)	
56	Regulatory adjustments applied to Tier 2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to gradual exclusion as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)	-		
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Art. 472 of Regulation (EU) No. 575/2013	-	472, 472 (3) a, 472 (4), 472 (6), 472 (8) a, 472 (9), 472 (10) a, 472 (11) a	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Art. 475 of Regulation (EU) No. 575/2013	-	475, 475 (2) a, 475 (3), 475 (4) a	

	(in € millions)	Amount at date of publication	Reference of Article of EU Regulation No. 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) no. 575/2013
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	-	467, 468, 481	
Add	*of which subsidies received by leasing companies*	-	481	
Add	*of which unrealized gains on equity instruments reported as additional capital*	-	481	
Add	*of which restatement for holding of capital instruments*	-	481	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**		
58	**Tier 2 (T2) capital**	**5,856**		
59	**Total capital (TC = T1 +T2)**	**42,247**		
59a	Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to gradual exclusion as prescribed in Regulation (EU) No. 575/2013	-		
	of which items not deducted from CET1 (Regulation (EU) No. 575/2013, residual amounts) (items to be detailed line by line, for example, deferred tax assets that rely on future profits net of related tax liabilities, indirect holding of own CET1, etc.)	-	472 (8) b	
	of which items not deducted from AT1 (Regulation (EU) No. 575/2013, residual amounts) (items to be detailed line by line, for example, reciprocal cross holdings of AT1 capital instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	-	475, 475 (2) b, 475 (2) c, 475 (4) b	
	of which items not deducted from T2 (Regulation (EU) No. 575/2013, residual amounts) (items to be detailed line by line, for example, indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, etc.)	-	477, 477 (2) b, 477 (2) c, 477 (4) b	
60	**Total risk-weighted assets**	**214,048**		
	CAPITAL RATIOS AND BUFFERS			
61	**Common Equity Tier 1 capital (as a percentage of total risk exposure amount)**	**16.56%**	92 (2) a, 465	
62	**Tier 1 capital (as a percentage of total risk exposure amount)**	**17.00%**	92 (2) b, 465	
63	**Total capital (as a percentage of total risk exposure amount)**	**19.74%**	92 (2) c	
64	**Institution-specific buffer requirement (CET1 requirement in accordance with Art. 92 (1) (a) plus capital conservation and counter-cyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution, expressed as a percentage of risk exposure amount**	**1.90%**	CRD 128, 129, 130	
65	of which capital conservation buffer requirement	**1.88%**		
66	of which counter-cyclical buffer requirement	**0.02%**		
67	of which systemic risk buffer requirement	**0.00%**		
67a	of which global systemically important institution (G-SII) or other systemically important institution (O-SII) buffer	**0.00%**	CRD 131	
68	**Common Equity Tier 1 capital available to meet buffer requirements (as a percentage of risk exposure amount)**	**12.06%**	CRD 128	
69	[non-relevant in EU regulations]			
70	[non-relevant in EU regulations]			
71	[non-relevant in EU regulations]			

	(in € millions)	Amount at date of publication	Reference of Article of EU Regulation No. 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) no. 575/2013
AMOUNTS BELOW THRESHOLDS FOR DEDUCTION (BEFORE RISK WEIGHTING)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	458	36 (1) h, 45, 46, 472 (10), 56 c, 59, 60, 475 (4), 66 c, 69, 70, 477 (4)	
73	Direct and indirect holdings of the capital of financial sector entities where the institution has a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	1,374	36 (1) (i), 45, 48, 470, 472 (11)	
74	Empty set in the EU			
75	Deferred tax assets arising from temporary differences (amount below the 10% threshold, net of related tax liabilities when the conditions in Art. 38 (3) are met)	510	36 (1) c, 38, 48, 470, 472 (5)	
APPLICABLE CAPS ON THE INCLUSION OF PROVISIONS IN TIER 2 CAPITAL				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	-	62	
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	635	62	
78	Credit risk adjustments included in T2 in respect of exposures subject to the internal ratings approach (prior to the application of the cap)	-99	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	534	62	
CAPITAL INSTRUMENTS SUBJECT TO GRADUAL EXCLUSION (ONLY APPLICABLE BETWEEN JANUARY 1, 2014 AND JANUARY 1, 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements	-	484 (3), 486 (2) et (5)	
81	Amount excluded from CET1 due to cap (cap excess after redemptions and maturities)	-	484 (3), 486 (2) et (5)	
82	Current cap applicable to AT1 instruments subject to gradual exclusion	866	484 (4), 486 (3) et (5)	
83	Amount excluded from AT1 due to cap (cap excess after redemptions and maturities)	-118	484 (4), 486 (3) et (5)	
84	Current cap applicable to T2 instruments subject to gradual exclusion	37	484 (5), 486 (4) et (5)	
85	Amount excluded from T2 due to cap (cap excess after redemptions and maturities)	-48	484 (5), 486 (4) et (5)	

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5

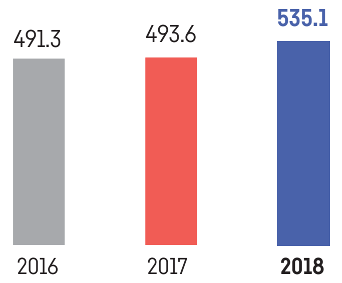
BFCM GROUP'S FINANCIAL INFORMATION

5.1 BFCM GROUP'S KEY FIGURES

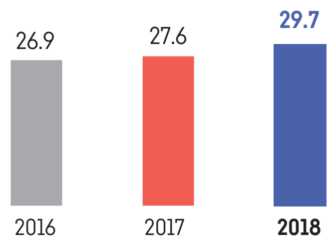
In € millions	2018	2017	2016
Net banking income	10,354	10,422	9,830
Operating income	3,498	3,660	3,295
Net profit/(loss)	2,440	1,824	1,943
Net profit/(loss) attributable to the group	2,084	1,549	1,655
Cost/income ratio [1]	58.4%	57.4%	58.9%

(1) Overheads as a percentage of net banking income.

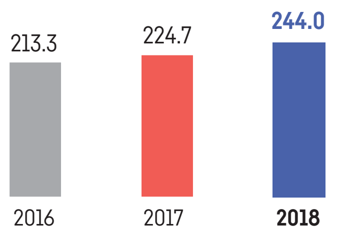
TOTAL ASSETS AT DECEMBER 31, 2018 *(in € billions)*



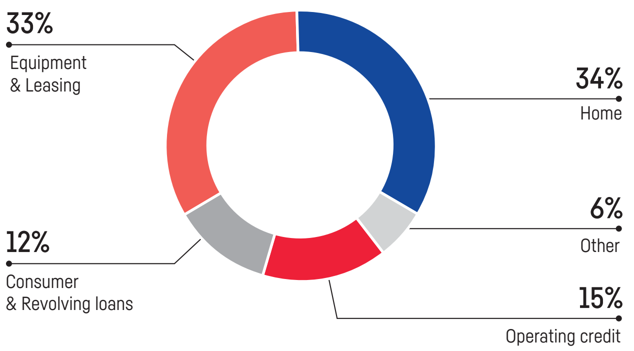
SHAREHOLDERS' EQUITY *(in € billions)*



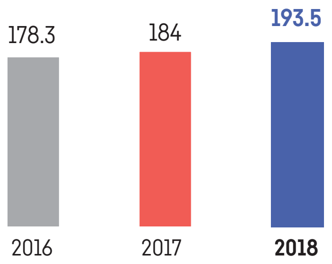
NET CUSTOMER LOANS AT DECEMBER 31 *(in € billions)*



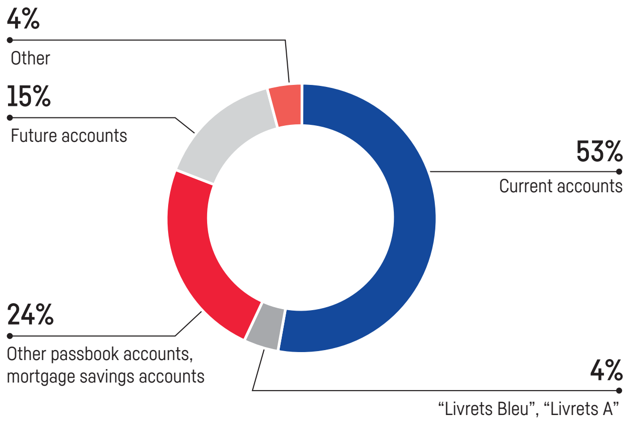
2018 STRUCTURE OF NET LOANS



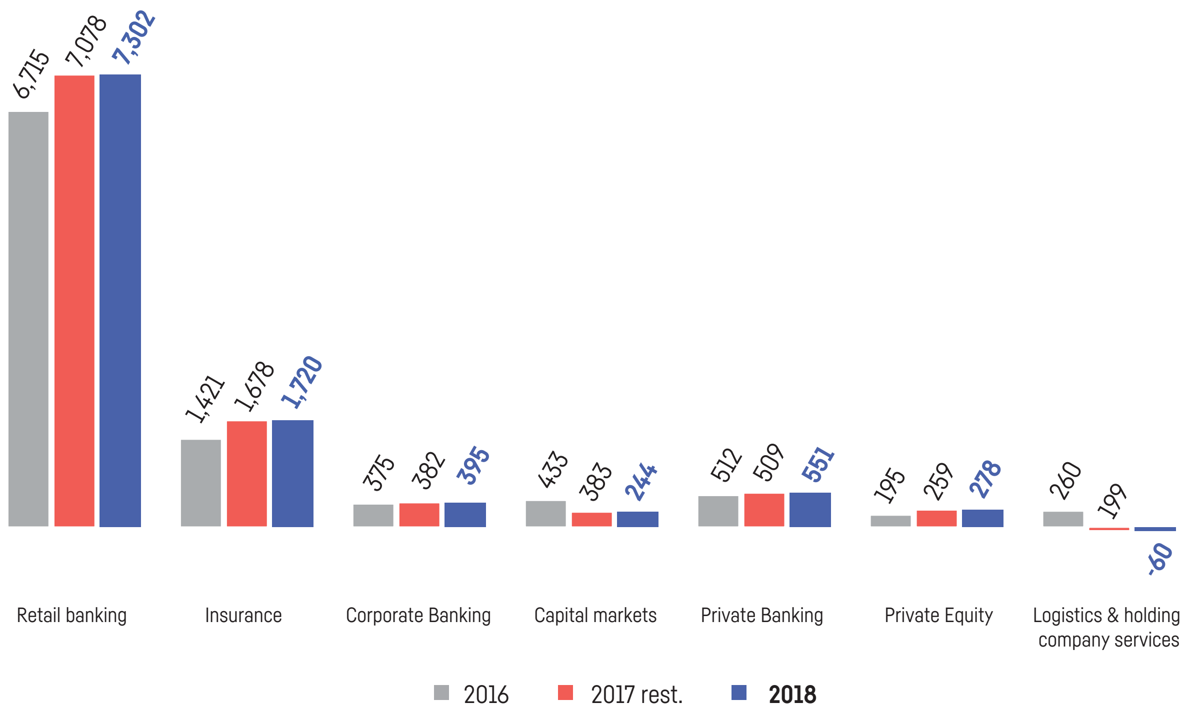
CUSTOMER DEPOSITS *(in € billions)*



2018 STRUCTURE OF BANK DEPOSITS



CHANGE IN NBI BY BUSINESS LINE *(in € millions)*



5.2 BFCM GROUP'S MANAGEMENT REPORT

5.2.1 BFCM Group activity and results

Economic environment in 2018

2018: slowdown in growth amid political and geopolitical tensions

The exceptional rebound in growth in 2017 related to global trade and other factors dissipated throughout 2018. The establishment of customs barriers on exports has affected all geographical areas and, by creating a confidence shock, has also decreased levels of investment. Moreover, in Europe, the intensification of political uncertainties (Italy, Brexit), which have yet to be felt, degraded visibility for economic agents while the sharp rise in oil prices has made its weight felt in consumption. The decoupling in growth of various regions has therefore widened between the United States, where it has continued to accelerate, and the rest of the world, where a decline has been observed. Despite these concerns, central banks in developed countries continued to show confidence in the tightening of their accommodating monetary policy (end of purchases of financial securities and/or rate hikes).

A year affected by the resurgence of political and geopolitical risks

Since the spring of 2018, Donald Trump's protectionist rhetoric has accelerated. After sanctions on steel and aluminum hit almost all of its partners, the US president focused on China, where an initial salvo of duties on a package of 50 billion US dollars' worth of Chinese products imported to the United States (25% duty) was followed by a second salvo on about 200 billion US dollars' worth of imported products (10% duty). Each of these measures resulted in a proportional response from Beijing, raising fears of an unlimited escalation of protectionist responses between the two countries. At the end of 2018, the beginnings of a calm were negotiated between Donald Trump and Xi Jinping with the 90 day truce from December 1, both countries refusing to raise tariffs during this period with the aim of finding a long-term trade agreement. Pressure is also strong on Europe and Japan in the form of the threat of possible US tax sanctions on the automotive sector.

Europe also faces thorny political issues with both Italy and the United Kingdom. As for Brexit, the political situation got bogged down at the end of the year. London and Brussels reached an agreement governing withdrawal from the European Union whose approval Theresa May failed to get from the House of Commons. In Italy, the Italian government returned to a more orthodox economic policy in mid-December under pressure from the financial markets. This lack of visibility contributed to the weakening of European growth in the form of freezes on investment decisions.

Uncoupling of growth rates at the global scale

In the euro zone, the cyclical upturn in 2017 gradually faded as a result of an increasingly less favorable global environment. The contribution from foreign trade fell sharply in 2018 after several exceptional quarters, in line with the decline in foreign demand. Beyond this underlying trend, the slowdown in European growth accelerated in the second half of the year due to temporary exogenous factors (changes in automobile regulations, social movements in France) and persistent political tensions between the European Union and the United Kingdom or Italy. Consumers were also penalized by the sharp rise in the price of gasoline. In this context, the pace of job creation has slowed down, but it remained high enough to strengthen wage pressures due to the exhaustion of the available workforce. These reassuring factors regarding the inflation outlook encouraged an adjustment in the communication of the European Central Bank (ECB), which has gradually reduced its purchases of financial assets, which ceased on January 1, 2019, while it remained confident that it would make an initial rate hike by the end of 2019.

In the United States, growth continued to accelerate throughout the year, thanks to momentum from 2017, the diffusion of the effects of tax reform for households and businesses (approved in December 2017) and the massive increase in public spending. Even though Donald Trump's trade war has made itself felt in global activity, it has not had a significant impact on domestic growth, which has seen rising consumption. On the strength of this observation, the Fed continued to raise its key rates, taking advantage of the rise in inflation. These factors impacted the dollar, US sovereign rates and equity markets. These generally upward movements came to an end in the second half of the year due to fears about the consequences of protectionism, runaway inflation and the end of the growth cycle.

In emerging countries, capital outflows accelerated and jeopardized financial equilibrium, as evidenced by a sharp depreciation in currencies, which forced central bankers to raise their key rates abruptly. In this volatile environment, almost all emerging economies slowed down in the second half of 2018. In China, the consolidation of the financial system decided by the authorities in 2017 and the China-US trade war have heightened the slowdown in activity. Faced with the magnitude of the fall in foreign demand, the Chinese government has sought to revive domestic drivers of growth through monetary easing, tax reform for households, and a decrease in corporate expenses, with an impact that remains limited so far.

As for commodities, a temporary peak above US $80 for a barrel of oil was reached in October 2018, before prices returned to a downward trajectory following Donald Trump's partial flip-flop on the question of the oil embargo against Iran. This decline in prices over the last quarter was also fueled by concerns about the momentum of production growth and global overproduction.

In France, both the executive and economic growth ran up against the social upheaval caused by the yellow vest protesters ("gilets jaunes")

In 2018, the French government sought to continue a path of reform in an increasingly less buoyant cyclical environment. Businesses continued to invest, but households reduced their consumer spending significantly in the face of rising inflation. At the end of the year, the "yellow vests" movement strongly penalized the rebound in activity that began in the third quarter. Government announcements should support purchasing power in 2019 but could lead to a widening of the deficit, suggesting a coming upward trend in French rates. Finally, real estate prices rose sharply throughout 2018, continuing the trend from 2017. Despite stabilization in the number of old dwellings, the price increase was general throughout the country, with a more pronounced acceleration in Paris.

Financial information related to the consolidated financial statements of Banque Fédérative du Crédit Mutuel

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards, and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2018.

The entire framework is available on the European Commission's website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.

The financial statements are presented in the format advised by the Autorité des normes comptables (ANC – French Accounting Standards Authority) in its Recommendation No. 2017-02 relating to IFRS summary statements. They comply with the international accounting standards as adopted by the European Union.

Information relating to risk management is included in the Group's management report.

Since January 1, 2018, the group has been applying the following standards:

- IFRS 9 :

  This standard replaces IAS 39 – Financial Instruments: Recognition and Measurement. It laid out new rules in terms of:

  - the classification and measurement of financial instruments (Phase 1),
  - impairment due to credit risk of financial instruments (Phase 2), and
  - hedge accounting, excluding macro-hedging (Phase 3).

  The IFRS 9 classification and measurement provisions, as well as its new impairment model are applied retrospectively by adjusting the opening balance sheet at January 1, 2018 (impact on shareholders' equity), without having to adjust the data for the fiscal years presented for comparative purposes. The group is thus presenting its 2018 financial statements without adjusting the 2017 data to the IFRS 9 format. The explanation concerning the transition of the portfolios from IAS 39 to IFRS 9 and the impacts on shareholders' equity at January 1, 2018 are provided in the notes to the financial statements. The group is not applying Phase 3, which is optional. The hedge accounting model thus remains that of IAS 39, as adopted by the European Union.

  The implementation of IFRS 9 concerns all the group's business, with the exception of the insurance departments falling within the Conglomerate Directive, which benefit from the deferral of application until 2021 as scheduled by the amendment to IFRS 4 adopted by the European Union, deferred until 2022. To benefit from this deferral, a number of conditions must be met, in particular the absence of transfer of financial instruments with a de-recognition effect, between the insurance and other sectors of the conglomerate, other than those recognized at fair value through profit or loss in both sectors.

  The principles of IFRS 9 applied by the group are presented in detail in section 1.3.1;

- IFRS 15:

  This standard replaces several standards and interpretations relative to revenue recognition (in particular IAS 18 – Revenue from ordinary activities, and IAS 11 – Construction Contracts). It does not affect revenue falling within the scope of standards applicable to tenancy agreements, insurance contracts or financial instruments.

  Under IFRS 15, revenue is recognized when control of goods or services is transferred to a customer, for the amount the vendor is asking.

  To this effect, the standard sets out a five-stage model, enabling the entity to determine when and in what amount the revenue from ordinary activities should be recognized:

  - identify the contract with a customer,
  - identify the performance obligations in the contract,
  - determine the transaction price,
  - allocate the transaction price to the performance obligations in the contract,
  - recognize revenue when (or as) the entity satisfies a performance obligation.

  An analysis of IFRS 15 and the identification of its potential effects have revealed that the standard had no material impact for the group;

- other amendments with immaterial impacts for the group.

  They concern:

  - specific disclosures in accordance with IFRS 12 when an investment in a subsidiary, joint venture or associate is classified as an asset held for sale,
  - the application of the 'fair value through profit or loss' option by the venture capital and private equity entities, with respect to their associates and joint ventures. The IAS 28 amendment specifies that this option can be exercised on an entity-by-entity basis,
  - clarifications on transfers to or from the investment property category (IAS 40),
  - the treatment of advance considerations on foreign currency transactions (IFRIC 22),
  - share-based payment transactions according to IFRS 2. The changes concern:
    - the accounting treatment regarding vesting conditions for the measurement of cash-settled transactions,
    - transactions that include a net settlement feature related to tax withheld at source,
    - the modification of the handling of share-based payments giving rise to a change in the classification of the transaction, which is settled in equity instruments rather than cash.

Changes in the consolidation scope

See note 3a "Consolidation scope" in section 5.3.5 "Notes to the financial statement items".

BFCM Group activity and results

Analysis of the consolidated balance sheet

From January 1, 2018, the group has applied the IFRS 9 standard as adopted by the European Union on November 22, 2016. The group made the choice, offered by the transitional arrangements of the standard, not to restate the data from previous fiscal years. Consequently, for the balance sheet, the comparative data presented opposite the data for December 31, 2018 in the consolidated financial statements and the comments below is that of January 1, 2018.

In € millions	12/31/2018 IFRS 9	01/01/2018 IFRS 9	12/31/2017 IAS 39
BALANCE SHEET TOTAL FOR BFCM GROUP	**535,112**	**492,799**	**493,585**

The total IFRS balance sheet of BFCM group was €535.1 billion at January 1, 2018 compared to €492.8 billion (+8.6%) at January 1, 2018.

Customer bank deposits totaled €193.5 billion at the end of December 2018, up 5.2% compared with 2017, thanks to sustained growth in current accounts (+10.5%).

Total net outstanding customer loans totaled €244 billion at end-2018, up 8.6% on 2017. Outstanding equipment loans grew by 12.1% to €66 billion.

The insurance activity continued to perform well with insurance revenue up 6.4% over the year to €11.3 billion.

The bulk of the increase in liabilities relates to amounts due to customers (+€9.5 billion) and insurance-contract liabilities (+€14.7 billion).

Financial liabilities measured at fair value through profit or loss came out at €4.4 billion in 2018 compared with €5.5 billion in 2017. These mainly comprise derivatives and other financial liabilities held for trading.

Amounts due to credit institutions came to €62.2 billion, up €7.7 billion on the previous year level of €54.5 billion.

The "Due to customers" item on the liabilities side of the balance sheet is made up of customer savings deposits, including accrued interest. These deposits rose 5.2% to €193.5 billion at the end of 2018. Of this, CIC entities alone accounted for around 78.6% (€152.0 billion), Targobank Germany for 8.3% (€16.0 billion), and BECM for 6.5% (€12.5 billion).

Issues of securities other than those measured at fair value through profit or loss totaled €119.8 billion, up 6.5% year-on-year. Bond loans accounted for the bulk of these with outstandings in the amount of €63.1 billion, followed by interbank securities and negotiable debt securities totaling €56.5 billion with the remainder made up of short-term notes and related debt.

Liabilities related to commitments to insurance policyholders, totaled €102.9 billion (+16.6%), of which €56.9 billion in customer savings.

The bulk of non-controlling interests recognized as liabilities (€4.4 billion at end-2018) concerned other Crédit Mutuel groups belonging to Groupe des Assurances du Crédit Mutuel (GACM) and external shareholders of the COFIDIS Group.

Shareholders' equity attributable to the group totaled €25.3 billion, up 7.9% year-on-year (+€1.9 billion).

On the assets side, investments on the interbank market comprised assets with the Central Bank in the amount of €55.5 billion and with credit institutions in the amount of €57.3 billion.

Total customer receivables rose 9.3% from €223.1 billion to €244.0 billion at end-2018.

76.6% of all loans are granted through CIC entities (€186.8 billion). BECM's loan portfolio (€15.1 billion) accounted for 6.2% of total outstanding loans, followed by TARGOBANK Germany (€14.7 billion) and the COFIDIS group (€11.6 billion). Outstanding loans of the entities acquired from General Electric in France and Germany totaled €11.5 billion at the end of 2018.

Financial instruments measured at fair value through profit or loss stood at €18.3 billion compared with €15.7 billion in 2017.

Goodwill in the amount of €4.0 billion resulted mainly from the acquisition of TARGOBANK Germany securities in December 2008 (€2.8 billion), the acquisition of a stake in the COFIDIS Group at the beginning of March 2009 (€457 million), and the purchase of CIC securities (residual goodwill of €506 million) as well as Factofrance SAS, Heller GmbH and Targo Leasing GmbH securities acquired in July 2016 (€131 million).

Analysis of consolidated income statement

Net banking income

BFCM Group's net banking income went from €10,422 million in 2017 to €10,354 million in 2018. The main reasons for this decline in net banking income between 2017 and 2018 are detailed below and result from factors identical to those that affected Crédit Mutuel Alliance Fédérale:

Income from retail banking is up by 3.2%, driven both by dynamic commissions (+1.8%) and the confirmation of the trend seen during the year of a rise in interest margin (+3.6%).

Insurance benefited from the strong and continued growth in its revenue and the consolidation, in the first half of 2018, of the activities of Nord Europe Assurances; net insurance income increased by 2.5% to €1.7 billion.

The confirmed growth in private banking and private equity activities enabled these business lines to show an increase in their contribution to income of respectively 8.3% and 7.2%.

Net banking income from corporate banking and capital markets (6% of the group total) dropped by 16.5%, given the rather unfavorable environment on this activity.

Retail banking accounted for the greatest proportion of BFCM Group's earnings, followed by insurance and financing & capital market activities. Net banking income by activity breaks down as follows. An analysis of net banking income and other income statement items by activity is presented in the paragraph, "Results by activity".

	Fiscal year ended December 31		
In € millions	**2018**	**2017**	**Change**
Retail banking	7,302	7,078	+3.2%
Insurance	1,720	1,678	-7.6%*
Financing and markets	639	765	-16.5%
Private banking	551	509	+4.9%*
Private equity	278	259	+7.2%
Press, logistics and holding company services	-60	199	ns
Interbank business	-77	-67	ns
TOTAL	**10,354**	**10,422**	**-0.7%**

* *At constant scope.*

Net banking income of the BFCM Group's retail banking activity fell by 0.7% to €10,354 million. The group's two core businesses, retail banking and insurance, continued to perform well and were up 3.2% and 2.5%, respectively, following the consolidation of NEA (-7.6% at constant scope, excluding NEA); in the corporate banking division, however, net banking income fell 16.5% due to the less favorable trading environment for this activity.

Net banking income increased 3.2% y-o-y for BFCM group's retail banking activities while that of Crédit Mutuel Alliance Fédéral's retail banking activities rose 2.5% due to weaker NBI growth for the regulatory scope (+1.0%).

In general, net banking income generated by BFCM Group's other activities is similar to that of Crédit Mutuel Alliance Fédérale (see breakdown above), with the exception of the logistics and holding business line.

France contributed 70% of BFCM Group's net banking income excluding the logistics and holding business line in 2018. The table below gives the breakdown of the group's net banking income by geographic area for the fiscal years 2017 and 2018.

In € millions	**12/31/2018**	**12/31/2017**	**Change**
France	7,235	7,472	-3.1%
Europe excluding France	2,940	2,776	+5.7%
Other countries	179	173	+4.1%
TOTAL	**10,354**	**10,422**	**-0.7%**

In accordance with article 7 of the law 2013-672 dated July 26, 2013 of the French Monetary and Financial Code, modifying article L.511-45, which requires credit institutions to publish information on their establishments and their activities in each state or territory, the table below details the activity of the BFCM group in the various countries where it is established.

The country of each establishment is mentioned in the consolidation scope. The group has no establishments that fulfill the criteria defined by the order dated October 6, 2009 in non-cooperative states or territories shown on the list fixed by the order dated January 17, 2014.

Countries	Net banking income	Income (loss) before tax	Current taxes	Deferred taxes	Other tax and social security contributions	Workforce	Public subsidies
Germany	1,616	625	-148	-21	-106	5,803	0
Belgium	145	44	-15	2	-8	610	0
Spain	412	81	-30	8	-21	2,459	0
United States of America	118	78	-8	-4	-10	87	0
France	7, 232	3,667	-929	-16	-1,083	28,940	0
Hong-Kong	7	2	-0	0	-0	13	0
Hungary	36	5	0	0	-2	338	0
Italy	49	6	-0	0	-4	236	0
Luxembourg	335	166	-33	4	-27	936	0
Morocco [1]	0	73		0	0	0	0
Monaco	2	1	0	-0	-0	9	0
Poland	2	-1	0	0	-0	46	0
Portugal	172	94	-30	3	-6	714	0
Czech Republic	7	-2	0	0	-1	146	0
United Kingdom	38	22	2	0	-4	68	0
Saint Martin (Dutch part)	3	1	0	0	-0	9	0
Singapore	51	33	-3	0	-4	137	0
Slovakia	2	-3	0	0	-1	57	0
Switzerland	125	44	-6	-1	-11	338	0
Tunisia [1]	0	18	0	0	0	0	0
TOTAL	**10,354**	**4,953**	**-1,200**	**-25**	**-1,289**	**40,956**	**0**

(1) Associates (companies accounted for using the equity method).

Gross operating income

General operating expenses remained well under control, increasing only 1.2% over the period to €6,051 million.

BFCM Group's gross operating income came out at €4,303 million in 2018, down 3.1% on the 2017 level of €4,443 million. BFCM Group's cost/income ratio widened to 58.4% in 2018 from 57.4% in 2017.

The gross operating income stood at €3,005 million in 2018, up 5.1% on the end-2017 level of €2,860 million. The retail banking cost/income ratio narrowed to 58.9% in 2018 from 59.6% in 2017.

Cost of risk

The cost of risk stood at €805 million in 2018, of which €681 million in proven-risk costs, down 11.1% year-on-year, illustrating the good quality of the assets.

The cost of non-proven risk rose, due mainly to the application of the new IFRS 9 accounting standard specifying that performing loans must be provisioned, which automatically increases the cost of risk when commercial activity increases.

The percentage of non-performing loans in gross loans fell from 4.2% at December 31, 2017 to 3.8% at December 31, 2018.

Operating income

BFCM Group's operating income was €3.5 billion in 2018 compared with €3.7 billion in 2017.

Profit/(loss) before tax

Profit/(loss) before tax rose 9.6% year-on-year to €3,664 million.

Net profit/(loss)

In 2018, the item "net profit/loss on other assets and associates" recorded income of €167 million, mainly corresponding to the share attributable to the group in the positive result of equity consolidated companies, including Banque Marocaine du Commerce Extérieur (BMCE Bank of Africa) Euro-Information, Banque de Tunisie, and Royale Marocaine d'Assurance. In 2017, it was negative to the tune of -€318 million, due mainly to the impact of the resolution of Banco Popular.

Corporate income tax was 20.5% less than in 2017 which included a non-recurring surtax imposed on large companies to partially offset the unconstitutional aspect of the tax on dividends.

The net profit/(loss) stood at €2.4 billion, up by 33.8% over one year thanks to income holding up well, good control of risk and the non-recurrence of certain expenses recognized in 2017.

Transactions with Crédit Mutuel Alliance Fédérale entities

BFCM Group's gross operating income in 2018 was negative to the tune of €130 million related to transactions carried out with the entities of Crédit Mutuel Alliance Fédérale that are not part of the BFCM Group (mainly local banks and the CFCM.)

Net interest income from these transactions totaled €416 million in 2018 compared with €565 million in 2017. Net commissions remained stable at -€38 million in 2018. Net expenses on other activities recognized by these entities stood at €463 million in 2018, compared with €450 million in 2017.

At December 31, 2018, outstanding loans granted to the Crédit Mutuel Alliance Fédérale entities that are not part of the BFCM Group totaled €32.1 billion (€29.4 billion at end-2017).

Analysis of results by activity

The activities mentioned below correspond to the organizational structure of Crédit Mutuel Alliance Fédérale presented in chapter 1 of the present document. The reader may also refer to note 2 to the financial statements "Analysis of income statement by business segment and geographic area" and to note 3 "Consolidation scope", which presents the business combinations retained.

Retail banking

The quality of the retail banking network comprising 2,502 branches in 2018 continued to improve.

In € millions	2018	2017	Change
Net banking income	**7,302**	**7,078**	**+3.2%**
General operating expenses	-4,298	-4,217	+1.9%
Gross operating income	**3,005**	**2,860**	**+5.1%**
Cost of risk	-776	-769	+1.0%
Profit/loss on other assets and associates	5	-11	ns
Profit/(loss) before tax	**2,233**	**2,081**	**+7.3%**
Income tax	-786	-697	+12.8%
NET PROFIT/(LOSS)	**1,448**	**1,384**	**+4.6%**

Net banking income of retail banking activities rose 3.2% year-on-year to €7,302 million. Net commission income advanced 1.8% over the period. General operating expenses increased by 1.9% to €4,298 million from €4,217 million in 2017. The cost of risk stood at €776 million.

This made for a 4.6% increase in net income to €1.448 million.

Insurance

Favorable trends underpinned activity in the insurance activity which reported a 4.1% increase in the number of policyholders (12 million) and revenue of €11.9 billion.

In € millions	2018	2017	Change
Net insurance income	**1,720**	**1,678**	**+2.5%**
General operating expenses	-553	-493	+12.2%
Gross operating income	**1,167**	**1,185**	**-1.5%**
Profit/loss on other assets and associates	28	31	-9.6%
Profit/(loss) before tax	**1,195**	**1,216**	**-1.7%**
Income tax	-389	-517	-24.7%
NET PROFIT/(LOSS)	**806**	**699**	**+15.2%**

The insurance activity accounted for €806 million (+15.2% year-on-year) of net income. This contribution relates to growth in revenue and the consolidation as of January 1, 2018 of the insurance holding of Crédit Mutuel Nord Europe.

Corporate banking

This business line managed €19.3 billion in loans and €6.0 billion in deposits.

In € millions	2018	2017	Change
Net banking income	**395**	**382**	**+3.4%**
General operating expenses	-112	-109	+3.1%
Gross operating income	**283**	**273**	**+3.5%**
Cost of risk	9	-19	ns
Profit/(loss) before tax	**292**	**254**	**+14.8%**
Income tax	-75	-75	-0.1%
NET PROFIT/(LOSS)	**217**	**179**	**+21.0%**

Net banking income generated by corporate banking activities came out at €395 million in 2018, up 3.4% on 2017.

General operating expenses increased by 3.1% to €112 million, with a contribution to the Single Resolution Fund that was €4 million greater than that of the previous year.

The cost of risk showed income of €9 million against an expense of €19 million one year earlier, with a cost of proven risk which saw an income of €9 million at the end of 2018 against an expense of €38 million at the end of 2017. The cost of non-proven risk was zero at the end of 2018, against an income of 19 million at the end of 2017.

Net profit/(loss) was €217 million, compared to €179 million a year earlier.

Capital markets

In € millions	2018	2017	Change
Net banking income	**244**	**383**	**-36.3%**
General operating expenses	-212	-213	-0.4%
Gross operating income	**32**	**171**	**-81.0%**
Cost of risk	-1	8	ns
Profit/(loss) before tax	**31**	**179**	**-82.4%**
Income tax	-11	-67	-83.3%
NET PROFIT/(LOSS)	**20**	**112**	**-81.8%**

During 2018, the capital markets had a difficult market context, particularly due to portfolio valuations at the end of the year, resulting in net banking income down by 36.3% to €244 million after allocation, to activities and entities related to customers, of income resulting from commercial transactions.

General operating expenses remained stable.

The cost of risk registered an expense of €1 million at the end of 2018, against income of €8 million at the end of 2017.

Profit before tax totaled €31 million compared to €179 million the previous year and net income was €20 million compared to €112 million.

Private banking

This business line managed savings outstandings in the amount of €110.4 billion. Outstanding customer loans totaled €13.0 billion at the end of 2018.

In € millions	2018	2017	Change *
Net banking income	**551**	**509**	**+4.9%**
General operating expenses	-375	-353	+3.3%
Gross operating income	**176**	**155**	**+8.4%**
Cost of risk	-16	-5	ns
Profit/loss on other assets and associates	26	4	ns
Profit/(loss) before tax	**186**	**154**	**+16.1%**
Income tax	-47	-35	+18.5%
Net corporation tax profits & losses on discontinued activities	0	22	ns
NET PROFIT/(LOSS)	**139**	**141**	**-2.8%**

* *At constant scope.*

The changes cited below are given at constant scope following the consolidation of Banque de Luxembourg Investissements in 2018.

Net banking income stood at €551 million, up by 4.9%. General operating expenses stood at €375 million (+3.3%).

The cost of risk increased to €16 million, from €5 million the previous year. Net gains on fixed assets amounted to €26 million (€4 million in 2017), including €18 million generated by the first consolidation of Banque de Luxembourg Investments.

Profit/(loss) before tax stood at €186 million, up by 16.1% and net profit/(loss) stood at €139 million, against 141 million of which €22 million of profit/(loss) net of tax on discontinued activities on December 31, 2017 (disposals of the private banking business in Singapore and Hong-Kong in 2017).

Private equity

Assets invested under proprietary trading totaled €2.3 billion, of which €334 million was invested in 2018 by all entities of the private equity division. About €1.9 billion was contributed as equity over the last five years. The portfolio is made up of almost 335 non-fund investments, the vast majority of which are corporate clients of the group's networks. Capital managed on behalf of third parties amounted to €157 million.

In € millions	2018	2017	Change
Net banking income	**278**	**259**	**+7.2%**
General operating expenses	-50	-47	+4.3%
Gross operating income	**229**	**212**	**+7.9%**
Cost of risk	1	0	ns
Profit/(loss) before tax	**230**	**212**	**+8.3%**
Income tax	1	1	ns
NET PROFIT/(LOSS)	**231**	**213**	**+8.2%**

The private equity business had good performance in 2018, with net banking income of €278 million on December 31, 2018, compared to €259 million in 2017 and net profit/(loss) stood at €231 million compared to €213 million a year before.

Press, logistics and holding company services

In € millions	2018	2017	Change
Net banking income	**-60**	**199**	**ns**
General operating expenses	-529	-613	-13.7%
Gross operating income	**-589**	**-414**	**+42.3%**
Cost of risk	-22	2	ns
Profit/loss on other assets and associates	107	-342	ns
Profit/(loss) before tax	**-503**	**-754**	**-33.2%**
Income tax	83	-152	ns
NET PROFIT/(LOSS)	**-420**	**-905**	**-53.6%**

The press, logistics and holding company services generated a net banking loss of -€60 million in 2017, versus income of €199 million in 2017. These business lines posted a net loss of -€420 million in 2018 versus -€905 million in 2017 stemming mainly from the tax expense of €152 million due to an extraordinary surtax imposed on large companies to partially offset the unconstitutional aspect of the tax on dividends.

5.2.2 Recent developments and prospects

In 2018, Crédit Mutuel Alliance Fédérale recorded a historical performance in terms of results arising from the effectiveness of the "Priorité Client Sociétaire 2018" plan. On the strength of its results and extensive networks, Crédit Mutuel Alliance Fédérale is a solid player supporting the development of the local economy and businesses and serving everyone as a community-minded mutualist bank.

The success of the "Priorité Client Sociétaire 2018" transformation plan and of the multi-service diversification strategy is a genuine asset for the initiation of the new strategic plan *ensemble#nouveau monde* built around a principle – technology at the service of the human – and an alliance of local Caisses de Crédit Mutuel, federations and subsidiaries united in the search for efficiency in serving customers and members.

Events after the reporting period

No significant events or event likely to have an impact on the financial statements for the fiscal year ending December 31, 2018 occurred after closure.

5

5.2.3 Risk management of BFCM group

This chapter includes the information required by IFRS 7 on risks arising from financial instruments.

The figures that were the subject of checks on fairness and coherence specified in article L.823-10 of the French Commercial Code in the same way as the rest of the management report are marked with a "v".

The use of periodic, permanent and compliance controls provides added security to the processes employed by all business lines.

The description of the controls, review of reporting and the action plans undertaken are described in the "internal control system and risk monitoring" section.

The risk department consolidates the overall monitoring of risks and limits them to the fullest extent possible, particularly by measuring the shareholders' equity allocated to each business line and analyzing the return on that equity.

5.2.3.1 Credit risks

Organization of the lending arm

In accordance with the regulations in effect, the loan management organization separates the following processes:

- the granting of loans;
- assessing risks, overseeing loans and managing at-risk items.

The organization of the lending arm and loan management employ a single manual that sets the rules and practices adhered to in the group.

The loan origination system

Loan origination is a sequence based on customer knowledge, risk assessment and the decision to lend.

Customer knowledge

Knowledge of the customer and the targeting of prospects depend on close ties with the economic environment. The segmentation of customers into different risk categories guides the commercial prospecting. A credit file supports the decision to lend.

Risk evaluation

Risk assessment is based on the analyses conducted at several stages, using formalized processes, including:

- customer ratings;
- risk groups;
- weighting of outstandings in line with the type of product and the collateral taken.

Employees receive regularly reviewed training in risk containment.

BFCM applies a standardized customer rating system across the entire Group. In accordance with the regulations, the rating is central to the credit risk system: origination, payment, pricing and tracking. Accordingly, all delegations of lending authority rely on rating the counterparty. Generally speaking, the lending arm approves the internal rating of all applications it deals with.

Rating algorithms and expert models have been developed to improve the group's credit risk assessment and to comply with the regulatory requirements concerning internal rating approaches.

This rating system is used throughout the Crédit Mutuel group.

The definition of rating methodologies is done under the responsibility of the Confédération Nationale du Crédit Mutuel (CNCM) for all portfolios. Nevertheless, the regional entities are directly involved in carrying out and approving working parties' assignments on specific subjects and the work related to data quality and applications acceptance tests.

The group's counterparties eligible for internal approaches are rated by a single system.

Models (algorithms or matrices) are used to differentiate and correctly classify risk. The value scale reflects the manner in which the risk changes and is broken down into nine non-default positions (A+, A-, B+, B-, C+, C-, D+, D- and E+) and three default positions (E-, E= and F).

The monitoring of the mass rating models focuses on three main aspects: stability assessment, performance assessment and additional analyses. This monitoring is conducted under the aegis of CNCM for each rating model.

A "group of related customers" means the natural persons or legal entities who fit together in terms of risk because one of them holds direct or indirect control over the other(s) or because there are connections between them such that it is likely that if one of them ran into financial difficulty, particularly financing or repayment problems, the others would experience financing or repayment problems.

The risk groups are put together based on a written procedure that includes the provision of sub-paragraph 39 of paragraph 1 of Article 4 of EU Regulation 575/2013.

Weighting of products and collateral: a nominal commitment weighting may be used to assess counter-party risk. This combines the type of loan and type of collateral.

The lending decision

The lending decision is principally based on:

- a formal risk analysis of the counterparty;
- a rating of the counterparty or group of counterparties;
- the level of delegations;
- the "second pair of eyes" principle;
- the not-to-exceed rules of the existing authorizations depending on equity;
- yield suited to the risk profile and the consumption of equity capital.

The decision-making channels are automated and managed in real time, as soon as the investigation phase of a loan request is complete, the electronic application is transmitted to the right decision-making level.

Level of delegations: the customer relationship manager is responsible for the comprehensiveness, quality and reliability of the information collected. In accordance with article No. 107 of the order dated November 3, 2014, he/she prepares credit files intended to formalize all information of a qualitative and quantitative nature on each counterparty. He/she checks the relevance of elements collected either from customers or from external tools (sectoral studies, annual reports, legal information, rating agencies) or internal tools made available to him/her. Each customer relationship manager is responsible for the decisions that he/she takes or instructs and has an *intuitu personae* delegation.

For cases for which the amount exceeds the *intuitu personae* delegations, the decision is taken by a commitments decision committee, for which the rules of functioning are the subject of procedures.

The delegations are based on flexible lending caps that vary with:

- the rating;
- the total amount of loans to one counterparty or risk group, possibly weighted by the type of loan involved or by the eligible security; and
- exclusions from the delegation.

Role of the lending arm: Each regional bank has a commitments team that reports to executive management and is independent of the operational departments. Their duties are mainly of two kinds, and for that reason the staff is divided into two independent teams:

- one in charge of seeing to the appropriateness of lending decisions by means of the second review of credit applications and checking that the yield on the loans are in keeping with the risk taken;
- the other in charge of the performing the prudential oversight and credit risk assessment process, complementing the permanent controls.

System for assessing risks, overseeing loans and managing at-risk items

In accordance with regulatory requirements, loans are monitored by national and regional organizational units.

Risk assessment

To measure risks, Crédit Mutuel Alliance Fédérale has various tools enabling an aggregate, static and dynamic approach:

- exposure to one counterparty or group of counterparties;
- production and outstandings along dimensions tailored to the business lines concerned (rating, market, loan products, business segment, yield).

Each commercial entity employs informational software and so can check on a daily basis that caps allocated to each of its counterparties are being respected.

Oversight of outstandings

The lending arm, along with other interested parties, contributes to the formal quarterly oversight of the quality of credit risks in each business line.

The lending arm's oversight system becomes involved independently from loan origination, as a supplement to and in coordination with other actions taken, primarily by first-tier control, permanent control and the risk department. The objective is to detect at-risk situations as far in advance as possible, based on criteria defined by customer segment, either computer assisted or through the relevant operating and lending managers.

Under the CRBF 93-05 regulation, the corporate regulatory limits of Crédit Mutuel Alliance Fédérale are determined according to the regulatory capital and internal ratings of counterparties. Regulatory limits are monitored according to specific conditions (including frequencies) defined in dedicated procedures.

The monitoring of overruns and account functioning anomalies is done through advanced risk detection tools (management of debtors/sensitive risks/automatic reports in negotiated collection/…), based both on external and internal criteria, notably the rating and the functioning of accounts. These indicators are intended to make it possible to identify and deal with credit files as far in advance as possible. This detection is automated, systematic and exhaustive.

Permanent control of loans

The network permanent control, which is independent of lending, provides second-level control of credit risk. Counterparties that show warning signals are reviewed, and entities accumulating negative indicators are identified. The objective of the control is to see that appropriate risk strategies are applied and that suitable corrective measures are taken.

In this way extra security is added to the management of credit risk.

Management of at-risk items

A unified definition of default has been adopted for the entire Crédit Mutuel group. Based on the alignment of prudential standards on the accounting service (regulation ANC No. 2014-07 dated November 26, 2014/regulation (EU) No. 575/2013). It is expressed by the correspondence between the Basel concept of debt in default and the accounting concept of disputed and non-performing loans. The computer software factors in contagion, extending the downgrading to related outstandings.

Detection of at-risk items: the process involves identifying all receivables to be categorized as "at-risk items" and then allocating them to the category corresponding to their situation: sensitive (not downgraded to non-performing), non-performing or in litigation. All receivables are subject to an automated monthly identification process using internal and external indicators that have been configured in the information system. Downgrading, in accordance with the prevailing regulatory criteria, is carried out automatically.

Processing the transfer to non-performing, provisioning and the reclassification of loans as performing comply with prudential rules in force, with automation on a monthly basis, which keeps the process comprehensive.

Management of customers downgraded to non-performing or in litigation: the counterparties concerned are managed differently according to the severity of the situation; at the branch level this is managed by the customer relationship manager or by dedicated teams specialized by market, by type of counterparty or by collection method.

Quantified data

Additional data concerning the group's credit risk are presented in section 4 "Information relating to Pillar 3 of the Basel agreements".

5

Quantified summary of credit risk (balance sheet and off-balance-sheet)

Exposure

Total gross exposures reached €291,4 billion, up by 10.3% compared to the end of 2017. Customer loans stood at €241.2 billion, up by 8.2% compared to 2017, and credit institution exposures totaled €50.1 billion.

(In € millions capital end of month)	12/31/2018	12/31/2017
LOANS AND RECEIVABLES		
Credit institutions	50,145	41,167
Customers	241,245	223,259
Gross exposure	**291,390**	**264,425**
PROVISIONS FOR DEPRECIATION		
Credit institutions	-3	0
Customers	-6,840	-5,921
NET EXPOSURE	**284,547**	**258,504**

Source: Accounting – excluding repurchase agreements.

Commitments given

(In € millions capital end of month)	12/31/2018	12/31/2017
FUNDING COMMITMENTS GIVEN		
Credit institutions	1,143	1,217
Customers	48,462	44,727
GUARANTEES GIVEN		
Credit institutions	4,512	3,264
Customers	17,013	15,999
PROVISION FOR RISKS ON COMMITMENTS GIVEN	**123**	**122**

Source: Accounting – excluding repurchase agreements.

Customer loans

Customer loans excluding repurchase agreements totaled €241.2 billion in 2018, up by 8.1% compared to 2017. The balance sheet exposure of medium and long-term loans increased by 9.4% and of short-term loans by 6.5%.

(In € millions capital end of month)	12/31/2018	12/31/2017
Short-term loans	**66,982**	**62,898**
Overdrawn current accounts	6,557	6,791
Commercial loans	15,323	14,749
Cash loans	43,826	40,248
Export loans	1,277	1,110
Medium- and long-term loans	**164,366**	**150,289**
Equipment loans	65,868	58,744
Home loans	82,037	76,202
Finance leasing	14,273	13,018
Other loans	2,188	2,325
Total gross customer loans Excluding non-performing loans and accrued interest	**231,348**	**213,187**
Non-performing loans	9,491	9,583
Accrued interest	405	488
TOTAL GROSS CUSTOMER LOANS	**241,245**	**223,259**

Source: Accounting excluding repurchase agreements and deposit guarantees.

Quality of portfolio

The information relative to the quality of the portfolio is presented in chapter 4, table "Exposure to credit risk per category of exposure and scale of PD".

Close-up on home loans

Home loan outstandings grew 7.7% in 2018. They represented 35% of the gross total of customer loans. By their very nature spread among a very great many customers, 87% were backed by physical property collateral or first-rate securities.

In € millions	12/31/2018	12/31/2017
Home loans	**82,037**	**76,202**
With Home Loan guarantee or Housing Mutual Guarantee	36,274	33,937
With mortgage or similar 1st-rank security	35,344	32,539
Other guarantees [1]	10,418	9,727

Source: Accounting department.

(1) Other rank mortgages, pledges and liens.

Breakdown of loans by type of customer

The breakdown of loans by customer type is presented in chapter 4.

Breakdown of loans by type of customer	12/31/2018 *(in %)*	12/31/2017 *(in %)*
General public	61%	61%
Businesses	33%	33%
Large entities	3%	3%
Specialized financing and others	2%	2%

Source: Risk monitoring/finance department.

BFCM Group scope excluding foreign branches of CIC.

Outstandings of CM-CIC Bail, CM-CIC Lease, CMCIC Factor, Factofrance, CM-CIC Leasing Solutions, Targo Leasing, Targo Factoring, Targo Commercial Finance classified by default under companies.

Geographical breakdown of customer risks

The geographical breakdown of customer risks is presented in chapter 5, note 2 to the financial statements.

Risk of concentration/Exposure by sector

These two sections are dealt with in the chapter "Information relative to Pillar 3 of the Basel agreements, as transposed into European regulations".

Major exposures

The tables relative to major risks are presented in chapter 4.

At-risk items and cost of risk

This subject is treated in the paragraph on "Cost of risk" in section 5.2.1 of this chapter entitled "Activities and results of the BFCM Group".

QUALITY OF RETAIL RISKS

(In € millions capital end of month)	12/31/2018	12/31/2017
Loans depreciated individually	9,491	9,583
Provisions for individual depreciation	5,311	5,498
Collective provision of receivables	1,529	417
Total coverage ratio	72.1%	61.7%
Coverage ratio (individual provisions only)	56.0%	57.4%

Source: Accounting department.

(In € millions capital end of month)	12/31/2018	12/31/2017
Gross customer loans outstanding	250,840	230,611
Fraction of non-performing in gross customer loans	3.8%	4.2%
Overall cost of customer risk	-753	-778
Actual cost of customer risk	-661	-761
Overall cost of customer risk/Gross loans outstanding	0.300%	0.337%
Actual cost of customer risk/Gross loans outstanding	0.263%	0.330%

Source: Accounting department.

Customer loans outstanding in arrears not downgraded to non-performing

12/31/2018 *(In € millions)*	< 1 month	> 1 month < 3 months	> 3 months	TOTAL
Debt instruments[1]	**0**	**0**	**0**	**0**
Loans and receivables	**2,059**	**1,167**	**108**	**3,335**
Central banks	0	0	0	0
Public administrations	0	0	0	0
Credit institutions	0	0	0	0
Other financial institutions	30	4	3	37
Non-financial corporate	1,537	323	75	1,935
Retail clients	490	834	30	1,354
TOTAL	**2,059**	**1,167**	**108**	**3,335**

(1) Debt securities available-for-sale or held-to-maturity.

12/31/2017 *(In € millions)*	< 1 month	> 1 month < 3 months	> 3 months	TOTAL
Debt instruments[1]	**0**	**0**	**0**	**0**
Loans and receivables	**1,958**	**613**	**64**	**2,635**
Central banks	0	0	0	0
Public administrations	0	0	0	0
Credit institutions	0	0	0	0
Other financial institutions	14	14	0	28
Non-financial corporate	1,392	285	57	1,734
Retail clients	552	314	6	873
TOTAL	**1,958**	**613**	**64**	**2,635**

(1) Debt securities available-for-sale or held-to-maturity.

Interbank loans

Information relative to interbank loans is presented in chapter 4, table CRB-C "Geographical breakdown of exposures".

Sovereign risks

Sovereign risks are presented in note 7c to the consolidated financial statements of BFCM group.

Debt securities, derivatives and repurchase agreements

The securities portfolios mainly come under capital markets and marginally under the asset-liability management activity.

(In € millions capital end of month)	12/31/2018 Carrying amount	12/31/2017 Carrying amount
Debt securities	**110,183**	**98,662**
Government securities	31,477	14,256
Bonds	78,706	84,406
Derivative instruments	**6,461**	**6,698**
Repurchase agreements & securities loans	**16,672**	**16,483**
Gross exposure	**133,316**	**121,843**
Provisions for depreciation of securities	-246	-55
NET EXPOSURE	**133,070**	**121,788**

Source: Accounting department.

5.2.3.2 Asset-liability management risks

Asset-liability management risks are presented in section 4.

5.2.3.3 Equities risk

The equity risk incurred by the BFCM Group is made up of different types.

Financial assets through fair value through profit or loss

Equity portfolios valued at fair value through profit or loss stood at €4,412 million as of December 31, 2018 compared to €3,977 million a year earlier.

Financial assets at fair value through shareholders' equity

Financial assets at fair value through shareholders' equity stood at €399 million.

Long-term investments specifically include CRH securities (Caisse de Refinancement de l'Habitat, Habitat Refinancing Bank) for €117 million, VISA INC securities for USD 66 million, and EUROCLEAR securities for €14 million.

Investments in insurance business

Outstanding shares classified as investments by the insurance business stood at €32,429 million at end December 2018, compared to €27,114 million a year earlier. They include entry within the scope of NEA following the merger with GACM.

Long-term investments specifically include Desjardins securities for €80 million, and Covivio securities for €528 million.

The shares were reviewed to detect any depreciation, which is recognized for listed shares in case of a significant extended drop below the cost price.

5.2.3.4 Private equity

This activity is carried out through entities dedicated to the business line with a portfolio fully valued at fair value through options.

Proprietary trading investments were spread over approximately 380 lines, primarily covering small and medium-sized enterprises.

RISKS RELATED TO THE PRIVATE EQUITY BUSINESS

	12/31/2018	12/31/2017
Number of listed lines	30	29
Number of active unlisted lines	305	323
Number of funds	24	28
Portfolio revalued for proprietary trading *(in €m)*	2,529	2,539
Capital managed on behalf of third parties *(in €m)*	157	205

Source: Risk monitoring.

5.2.3.5 Capital market risks

Capital market risks are presented in section 4.

5.2.3.6 The European solvency ratio (ESR) V

Information on the risks of the solvency ratio for Crédit Mutuel Alliance Fédérale is given in the section "Information relating to Pillar 3 of the Basel agreements as transposed into European regulations".

5.2.3.7 Operational risks V

In connection with Basel 2, the Crédit Mutuel group has implemented a comprehensive operational risk management system under the responsibility of the management bodies, with a single risk reference system and joint quantitative valuation methods.

It has an overall operational risk management function that is clearly identified and spread in practice across the national function and the regional functions. It covers operational risks, contingency and business continuity plans (Plans d'urgence et de poursuite d'activité, PUPAs) and insurance covering those risks.

The operational risk measurement and monitoring system is based on a foundation common to Crédit Mutuel Alliance Group as a whole, an identification process and risk modeling approach that calculates the final capital requirement allocated for such risks.

Since 2010, Crédit Mutuel group has been authorized to use its Advanced Measurement Approach (AMA) to determine regulatory capital requirements for operational risk. This authorization was extended to CM-CIC Factor in 2012, to Banque de Luxembourg in 2013, to COFIDIS France in 2014 and to TARGOBANK Germany as of March 28, 2018. Thus, as of April 1, 2018 (ratio of 06/30/2018) with TARGOBANK Germany, 87.5% of the consolidated scope of the Crédit Mutuel group is approved in respect of the AMA method for Operational Risks.

Main objectives

The implementation of the operational risk management policy has the following objectives:

- contribute to group management through the control of risks and their costs;
- from a human standpoint: protect people, develop responsibility, autonomy and control, capitalize on the skills of the group;
- from an economic perspective: to conserve margins by closely managing risks in all businesses, ensuring a return on investment in terms of regulatory compliance, optimizing the shareholders' equity allocated to the cost of risk and tailoring insurance programs to the risks identified;
- from a regulatory perspective: to respond effectively to the Basel 2 regulations and the requests of the supervisory authorities, relying on internal control (Decree of November 3, 2014), optimizing emergency response and business continuity plans of essential activities and adapting financial communication.

Role and positioning of the manager function

The national function coordinates and consolidates the entire system, working together with the operational risk managers from regional groups (one in each regional group and other large entities). The regional function implements the system.

Measurement and control procedure

For its modeling, the group relies on the national internal claims database, an external database and the scenarios developed during mapping and statistical work. This work is conducted in compliance with common procedures and regulatory requirements.

Homogeneous risk mapping by business line, type and object of risk is carried out for all activities with expert assessments, followed by probabilistic models. Capital requirements are calculated at the national level and then distributed regionally.

The general guidelines for reducing operational risks include:

- effective prevention actions identified during mapping and implemented directly by operational staff or permanent control;
- protection primarily focused on the generalization of business line, logistics and IT PUPAs for essential activities to limit the severity of a disaster in the event of a crisis.

A uniform crisis management mechanism within the group, in line with the one commonly used for the interbank market, covers the crisis communication and the three phases of the PUPA: emergency plans, continuity plans and return to normal.

Reporting and general oversight

The application of the operational risk management policy and the risk profile are monitored with key indicators, thresholds and alerts that cover the assessment of potential risks, changes in losses, the effectiveness of reduction measures and financing decided. This information is given to the executive officers and supervisory bodies on a regular basis, and it incorporates the requirements of the order of November 3, 2014.

Documentation and procedure

The group has a permanent set of procedures that were validated by the governing bodies and are regularly updated and consist of:

- governance: procedures dealing with the roles and responsibilities of the executive, decision-making and management bodies, the national function, the frequency and the recipients of reports, the scope of monitoring of the group's entities and the inclusion methodology of the subsidiaries;
- collection of claims: procedures setting out rules for the collection and audit of internal losses;
- the measurement system: procedures relating in particular to expert and probabilistic models, Key Risk Indicator (KRI) collection rules, allocation keys for capital requirements, and COREP declarations.

Emergency and Business Continuity Plans (EBCP)

PUPAs cover protection actions set up to limit the severity of a disaster, as part of its operational risk management program.

The methodology used to draft PUPAs is accessible to all relevant teams, and applied at regional group level.

They fall into two types:

- Business-line PUPAs cover a given banking function, related to one of the Basel 2 business lines;
- Cross-functional PUPAs concern business lines whose purpose is to provide other business lines with the means to operate (Logistics, HR, IT PUPA).

They center around three phases:

- the emergency response plan is rolled out immediately, and consists of actions intended to deal with emergencies and to implement a degraded treatment solution;
- the business continuity plan allows business to continue in a degraded environment following the procedures chosen before the occurrence of the crisis;
- the recovery plan is prepared shortly after the business continuity plan is launched; the implementation time will depend on the extent of the damage.

Crisis management organization

The crisis management mechanism set up at Group and regional level covers the most effective means of communication and organization to deal with the three phases mentioned above. It is based on:

- a crisis committee, chaired by the chief executive officer of the bank at the regional level and by the group chief executive officer at the national level. The committee takes substantive decisions, prioritizes actions and deals with internal and external communications;
- a crisis unit which pools information, implements decisions and provides follow-up;
- one crisis point per business line that coordinates field operations in relation with the crisis cell, specifically the activation of PUPAs until the return to normal.

Insurance deducted from shareholders' equity

Operational risk funding programs are reviewed as risk assessment results are received, after reduction actions and according to the following principles:

- insure the serious and material risks that can be insured, and develop the group's internal insurance below excess amounts and for intra-Group risks;
- insure frequency risks where justified or finance them by holding funds on the operating account;
- risks that are too serious to be insured and remaining uninsured items fall into the prudential shareholders' equity capital reserve;
- material risks of the interbank payment and exchange systems are subject to liquidity reserve funds established and allocated per system.

The group has an insurance program, covering property damage, overall banking/fraud and professional liability, which it intends to use to reduce the consumption of regulatory capital for operational risks.

Training

Each year, operational risk training actions are held for network managers, internal controllers and the operational staff responsible for monitoring them.

Inventory of BFCM Group claims

The total reached €115.8 million in 2018, including €125.3 million in losses and €9.5 million in reversals of provisions on past claims.

It broke down as follows:

- human error or procedural failure: €67.7 million;
- fraud: €19.5 million;
- legal risk: €17.1 million;
- natural events and system malfunctions: €6.3 million;
- labor relations: €5.1 million.

5.3.2.8 Other risks

Legal risks

Legal risks are incorporated into operational risks and involve, among other things, exposure to fines, penalties and damages for fault attributable to the company with respect to its operations.

Industrial and environmental risks

Industrial and environmental risks are included under operational risks and are analyzed as system failure and the occurrence of major natural events (centennial flood, earthquake, pollution, etc.), their impact on the company and the prevention and protection resources to be implemented, specifically crisis management and PUPAs.

5.3 CONSOLIDATED FINANCIAL STATEMENTS OF THE BFCM GROUP

5.3.1 Balance sheet

Assets

In € millions	Note	12/31/2018	01/01/2018[1]	12/31/2017
Cash, central banks	4	55,518	55,941	55,941
Financial assets at fair value through profit or loss	5a	18,287	15,704	31,275
Hedging derivatives	6a	3,063	3,418	3,418
Financial assets at fair value through shareholders' equity	7	27,194	26,791	
Available-for-sale financial assets (2017 – IAS 39)				92,913
Securities at amortized cost	11a	2,957	3,205	
Held-to-maturity financial assets (2017 – IAS 39)				9,379
Loans and receivables due from credit institutions and similar at amortized cost	11b	57,322	54,129	50,311
Loans and receivables to customers at amortized cost	11c	244,000	223,143	224,682
Portfolio revaluation difference hedged for rates	6b	696	429	429
Short-term investments in the insurance business line and reinsurers' share of technical provisions	14a	108,740	93,163	
Current tax assets	15a	1,111	1,164	1,164
Deferred tax assets	15b	1,132	1,142	911
Accruals and other assets	16a	7,867	6,283	12,233
Non-current assets held for sale		0	119	119
Investment in equity consolidated companies	17	782	1,693	1,745
Investment property	18	53	39	2,628
Property, plant and equipment	19a	1,829	1,855	1,855
Intangible assets	19b	513	532	532
Goodwill	20	4,049	4,049	4,049
TOTAL ASSETS		**535,112**	**492,799**	**493,585**

(1) Amounts restated following the application of IFRS 9 "Financial Instruments". See note 1 Accounting policies and principles.

Liabilities

In € millions	Note	12/31/2018	01/01/2018[1]	12/31/2017
Central banks	4	350	285	285
Financial liabilities at fair value through profit or loss	5b	4,390	5,455	9,221
Hedging derivatives	6a	2,356	3,344	3,344
Debt securities at amortized cost	12a	119,755	112,453	112,453
Due to credit and similar institutions at amortized cost	12b	62,197	54,476	50,586
Amounts due to customers at amortized cost	12c	193,459	183,922	184,014
Revaluation adjustment on rate-hedged books	6b	19	-270	-270
Current tax liabilities	15a	373	530	530
Deferred tax liabilities	15b	958	1,121	1,180
Deferred income, accrued charges and other liabilities	16b	8,406	5,591	9,522
Debts related to non-current assets held for sale		0	14	14
Liabilities related to insurance business policies	14b	102,868	88,188	
Technical provisions of insurance policies (2017)				84,289
Provisions	21	2,601	2,556	2,436
Subordinated debt at amortized cost	22	7,724	8,375	8,375
Total shareholders' equity	**23**	**29,654**	**26,758**	**27,604**
Shareholders' equity attributable to the group	**23**	**25,290**	**23,432**	**24,192**
Capital and related reserves	23a	6,197	6,197	6,197
Consolidated reserves	23a	16,662	15,042	15,393
Gains and (losses) recognized directly in equity	23b	347	644	1,053
Profit (loss) for the period		2,084	1,549	1,549
Shareholders' equity – Non-controlling interests		**4,364**	**3,325**	**3,412**
TOTAL LIABILITIES		**535,112**	**492,799**	**493,585**

(1) Amounts restated following the application of IFRS 9 "Financial Instruments". See note 1 Accounting policies and principles.

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5.3.2 Income statement

Income statement

In € millions	Note	12/31/2018 IFRS 9	12/31/2017 IAS 39
Interest and similar income	25	19,473	13,133
Interest and similar expenses	25	-14,690	-8,861
Commissions (income)	26	3,800	3,628
Commissions (expenses)	26	-1,202	-1,107
Net gains on financial instruments at fair value through profit or loss	27	584	866
Net gains or losses on financial assets at fair value through shareholders' equity (2018)	28	192	
Gains or losses on available-for-sale financial assets (2017)	28		366
Net gains or losses resulting from derecognition of financial assets at amortized cost	29	1	
Net income from the insurance business line	30	2,027	
Income from other activities[1]	31	756	12,817
Expenses from other activities[1]	31	-587	-10,419
Net banking income		**10,354**	**10,422**
General operating expenses	32a, 32b	-5,863	-5,765
Provisions/Reversals on depreciation, amortization and provisions on property, plant and equipment and intangible assets	32c	-188	-214
Gross operating income		**4,303**	**4,443**
Cost of counterparty risk	33	-805	-783
Operating income		**3,498**	**3,660**
Share in net profit/(loss) of equity consolidated companies	17	130	-300
Gains or losses on other assets	34	37	-2
Changes in the value of goodwill	35	0	-15
Profit/(loss) before tax		**3,664**	**3,342**
Income tax	36	-1,224	-1,541
Post-tax gains/(losses) on discontinued operations		**0**	**22**
Net profit/(loss)		**2,440**	**1,823**
Profit/(loss) – Non-controlling interests		356	275
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP		**2,084**	**1,548**

(1) Includes income and expenses on insurance activities as of 12/31/2017.

Statement of net income/(loss) and gains and losses recognized directly in equity

In € millions	12/31/2018 IFRS 9
Net profit/(loss)	**2,440**
Translation adjustments	42
Remeasurement of financial assets at fair value through equity – Debt instruments	-177
Reclassification of financial assets from fair value through shareholders' equity at fair value through profit or loss	-
Revaluation of insurance business investments	-241
Remeasurement of hedging derivatives	-2
Share of unrealized or deferred gains and losses of associates	2
Total recyclable gains and losses recognized directly in equity	**-377**
Revaluation of financial assets at fair value through equity – equity instruments at closing	56
Remeasurement of financial assets at fair value through equity – capital instruments sold during the fiscal year	-1
Remeasurement adjustment due to own credit risk on financial liabilities under fair value option	-
Remeasurement of non-current assets	-
Actuarial gains and losses on defined benefit plans	34
Share of non-recyclable gains and losses of associates	-11
Total non-recyclable gains and losses recognized directly in equity	**78**
Net profit/(loss) and gains and (losses) recognized directly in equity	**2,141**
Of which attributable to the group	*1,787*
Of which non-controlling interests	*354*

In € millions	12/31/2017 IAS 39
Net profit/(loss)	**1,824**
Translation adjustments	-109
Revaluation of available-for-sale financial assets	110
Remeasurement of hedging derivatives	25
Share of unrealized or deferred gains and losses of associates	-1
Total recyclable gains and losses recognized directly in equity	**24**
Remeasurement of non-current assets	0
Actuarial gains and losses on defined-benefit plans	43
Total non-recyclable gains and losses recognized directly in equity	**43**
Net profit/(loss) and gains and (losses) recognized directly in equity	**1,891**
Of which attributable to the group	*1,633*
Of which non-controlling interests	*258*

Items related to gains and losses recognized directly in shareholders' equity are given at their amount net of tax.

5.3.3 Changes in shareholders' equity

In € millions	Capital	Premiums	Reserves[1]
Shareholders' equity as of December 31, 2016	**1,689**	**4,509**	**14,006**
Appropriation of earnings from previous fiscal year			1,655
Capital increase	0		
Distribution of dividends			-130
Change in investments in subsidiaries without loss of control			-128
Sub-total of movements related to relations with shareholders	**0**	**0**	**1,396**
Consolidated income for the period			
Changes in gains and (losses) recognized directly in equity			
Sub-total	**0**	**0**	**0**
Effects of acquisitions and disposals on non-controlling interests			
Other variations		0	-9
Shareholders' equity as of December 31, 2017	**1,689**	**4,509**	**15,393**
Impact of first application of IFRS 9			***-351***
Shareholders' equity as of January 1, 2018	**1,689**	**4,509**	**15,042**
Appropriation of earnings from previous fiscal year			1,549
Capital increase	0		
Distribution of dividends			-81
Change in investments in subsidiaries without loss of control			4
Sub-total of movements related to relations with shareholders	**0**	**0**	**1,471**
Consolidated income for the period			
Changes in gains and (losses) recognized directly in equity			
Sub-total	**0**	**0**	**0**
Effects of acquisitions and disposals on non-controlling interests			175
Other variations		0	-26
SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2018	**1,689**	**4,509**	**16,662**

(1) As of December 31, 2018 reserves are made up of the legal reserve for €0 million, statutory reserves for €0 million, and other reserves for €16,662 million.

Gains and (losses) recognized directly in equity							
Translation adjustments	Assets at fair value through shareholders' equity	Hedging derivatives	Actuarial gains and losses	Net profit/(loss) – attributable to the group	Shareholders' equity attributable to the Group	Non-controlling interests	Total consolidated shareholders' equity
84	**1,162**	**-21**	**-256**	**1,655**	**22,825**	**4,092**	**26,918**
				-1,655	0		0
					0		0
					-130	-102	-232
					-128	-921	-1,049
0	**0**	**0**	**0**	**-1,655**	**-258**	**-1,023**	**-1,281**
				1,549	1,549	275	1,824
	162	25			187	-16	171
-140	**162**	**25**	**38**	**1,549**	**1,634**	**258**	**1,892**
					0	82	82
					-9	3	-6
-56	**1,323**	**4**	**-218**	**1,549**	**24,192**	**3,412**	**27,604**
	-409						***-760***
-56	**915**	**4**	**-218**	**1,549**	**23,432**	**3,326**	**26,757**
				-1,549	0		0
					0		0
					-81	-131	-212
					4	-70	-66
0	**0**	**0**	**0**	**-1,549**	**-77**	**-201**	**-279**
				2,084	2,084	356	2,440
45	-308	-1	34		-230	-93	-324
45	**-308**	**-1**	**34**	**2,084**	**1,854**	**262**	**2,117**
	-67				108	972	1,080
					-26	5	-22
-11	**540**	**3**	**-185**	**2,084**	**25,290**	**4,364**	**29,654**

5.3.4 Statement of cash flows

In € millions	12/31/2018	12/31/2017
Net profit/(loss)	2,440	1,824
Tax	1,224	1,541
Profit/(loss) before tax	**3,664**	**3,365**
+/- Net depreciation and amortization charges for property, plant and equipment and intangible assets	194	220
- Impairment of goodwill and other fixed assets	0	15
+/- Net provisions	48	129
+/- Share of income from companies consolidated using the equity method	-130	300
+/- Net loss/gain from investing activities	-42	-1
+/- Other movements	-1,781	-1,606
= Total non-monetary items included in net profit/(loss) before tax and other adjustments	**-1,711**	**-943**
+/- Flows related to transactions with credit institutions	4,267	-1,048
+/- Flows related to transactions with customers	-10,867	-6,106
+/- Flows related to other transactions affecting financial assets or liabilities	-132	-809
+/- Flows related to other transactions affecting non-financial assets or liabilities	1,274	233
- Tax paid	-1,253	-1,567
= Net decrease in assets and liabilities from operating activities	**-6,710**	**-9,297**
Total net cash flow generated by operating activity	**-4,757**	**-6,875**
+/- Flows related to financial assets and investments	-1,069	858
+/- Flows related to investment properties	-122	-851
+/- Flows related to property, plant and equipment and intangible assets	-129	-130
Total net cash flow related to investment activities	**-1,319**	**-123**
+/- Cash flow to or from shareholders	-212	-139
+/- Other net cash flows from financing activities	6,539	2,812
Total net cash flow related to financing transactions	**6,327**	**2,673**
Effect of foreign exchange rate changes on cash and cash equivalents	**81**	**-232**
Net increase of cash and cash equivalents	**332**	**-4,557**
Net cash flow generated by operating activities	-4,757	-6,875
Net cash flow related to investment activities	-1,319	-123
Net cash flow related to financing transactions	6,327	2,673
Effect of foreign exchange rate changes on cash and cash equivalents	81	-232
Effect of foreign exchange rate changes	**42,745**	**47,301**
Cash, central banks, CCP	55,658	59,950
Accounts and demand loans/borrowing with credit institutions	-12,913	-12,649
Cash and cash equivalents at closing	**43,077**	**42,744**
Cash, central banks, CCP	55,169	55,658
Accounts and demand loans/borrowing with credit institutions	-12,092	-12,914
CHANGE IN NET CASH POSITION	**332**	**-4,557**

5.3.5 Notes to the financial statement items

SUMMARY OF NOTES

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NOTE 1 Accounting policies and principles

1.1 Accounting basis

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards, and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2018.

The entire framework is available on the European Commission's website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.

The financial statements are presented in the format advised by the Autorité des normes comptables (ANC – French Accounting Standards Authority) in its Recommendation No. 2017-02 relating to IFRS summary statements. They comply with the international accounting standards as adopted by the European Union.

Information relating to risk management is included in the group's management report.

Since January 1, 2018, the group has applied:

- IFRS 9

  It replaces IAS 39 – "Financial Instruments: Recognition and Measurement". It laid out new rules in terms of:

  - the classification and measurement of financial instruments (Phase 1), impairment due to credit risk of financial instruments (Phase 2), and
  - hedge accounting, excluding macro-hedging (Phase 3).

  The IFRS 9 classification and measurement provisions, as well as its new impairment model are applied retrospectively by adjusting the opening balance sheet at January 1, 2018 (impact on shareholders' equity), without having to adjust the data for the fiscal years presented for comparative purposes. The group is thus presenting its 2018 financial statements without adjusting the 2017 data to the IFRS 9 format. The explanation concerning the transition of the portfolios from IAS 39 to IFRS 9 and the impacts on shareholders' equity at January 1, 2018 are provided in the notes to the financial statements. The group is not applying Phase 3, which is optional. The hedge accounting model thus remains that of IAS 39, as adopted by the European Union.

  The implementation of IFRS 9 concerns all the group's business, with the exception of the insurance departments falling within the Conglomerate Directive, which benefit from the deferral of application until 2021 as scheduled by the amendment to IFRS 4 adopted by the European Union, deferred until 2022. To benefit from this deferral, a number of conditions must be met, in particular the absence of transfer of financial instruments with a de-recognition effect, between the insurance and other sectors of the conglomerate, other than those recognized at fair value through profit or loss in both sectors.

  The principles of IFRS 9 applied by the group are presented in detail in section 1.3.1.

- IFRS 15

  This standard replaces several standards and interpretations relative to revenue recognition (in particular IAS 18 – Revenue from ordinary activities, and IAS 11 – Construction Contracts). It does not affect revenue falling within the scope of standards applicable to tenancy agreements, insurance contracts or financial instruments.

  Under IFRS 15, revenue is recognized when control of goods or services is transferred to a customer, for the amount the vendor is asking.

  To this effect, the standard sets out a five-stage model, enabling the entity to determine when and in what amount the revenue from ordinary activities should be recognized:

  - identify the contract with a customer,
  - identify the performance obligations in the contract,
  - determine the transaction price,
  - allocate the transaction price to the performance obligations in the contract,
  - recognize revenue when (or as) the entity satisfies a performance obligation.

  An analysis of IFRS 15 and the identification of its potential effects have revealed that the standard had no material impact for the group;

- other amendments with immaterial impacts for the group.

  They concern:

  - specific disclosures in accordance with IFRS 12 when an investment in a subsidiary, joint venture or associate is classified as an asset held for sale,
  - the application of the 'fair value through profit or loss' option by the venture capital and private equity entities, with respect to their associates and joint ventures. The IAS 28 amendment specifies that this option can be exercised on an entity-by-entity basis,
  - clarifications on transfers to or from the investment property category (IAS 40),
  - the treatment of advance considerations on foreign currency transactions (IFRIC 22),
  - share-based payment transactions according to IFRS 2. The changes concern:
    - the accounting treatment regarding vesting conditions for the measurement of cash-settled transactions,
    - transactions that include a net settlement feature related to tax withheld at source,
    - changes to the terms of a share-based payment that gives rise to a change in the classification of the transaction, which is settled in capital instruments rather than in cash.

1.2 Scope and methods of consolidation

Consolidating entity

The parent company of the group is Banque Fédérative du Crédit Mutuel.

Consolidation scope

The general principles governing whether an entity is included in the consolidation scope are defined by IFRS 10, IFRS 11 and IAS 28R.

Entities that are controlled or under significant influence that do not have a significant character in relation to the consolidated financial statements are excluded from the consolidation scope. This situation is assumed when the balance-sheet total or the profit/loss of a company has no impact greater than 1% on the consolidated or sub-consolidated equivalent (in case of consolidation by level). This quantitative criterion is but relative; an entity may be included within the scope of consolidation regardless of this threshold when its business or its expected development afford it the status of strategic investment.

The consolidation scope comprises:

- **controlled entities:** control is deemed to exist when the group has power over the entity, is exposed to or is entitled to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the returns it obtains. The financial statements of controlled entities are fully consolidated;
- **entities under joint control:** joint control is the contractually-agreed sharing of control over an entity, which exists only in the case where decisions concerning key activities require the unanimous consent of the parties sharing control. Two or more parties that exercise joint control constitute a partnership, which is either a jointly-controlled operation or a joint venture:
  - a jointly-controlled operation is a partnership in which the parties exercising joint control have rights over the assets and obligations pursuant to liabilities relative to the entity: this involves recognizing the assets, liabilities, income and expenses relative to interests held in the entity,
  - a joint venture is a partnership in which the parties who exercise joint control have rights over the net assets of the entity: the joint venture is accounted for according to the equity method.

  All entities under joint control of the group are joint ventures according to the meaning of IFRS 11;
- **entities over which the group has significant influence:** these are entities that are not controlled by the consolidating entity, which may, however, participate in these entities' financial and operating policy decisions. Shareholdings in entities over which the group has significant influence are accounted for using the equity method.

Equity investments held by private equity companies and over which joint control or significant influence is exercised are accounted for by fair value through profit or loss.

Consolidation methods

The consolidation methods used are the following:

Full consolidation

This method involves replacing the value of the shares held in the subsidiary concerned with each of the assets and liabilities of said subsidiary and showing separately the interests of non-controlling shareholders in shareholders' equity and net profit. This is the method used for all controlled entities, including those with a different account structure, regardless of whether the business concerned is an extension of that of the consolidating entity.

The equity method

This method involves replacing the value of the shares held with the group's share of the equity and net profit of the entities concerned. It is applied to all entities under joint control, classified as joint ventures or for all entities under significant influence.

Non-controlling interests

Non-controlling interests correspond to interests that do not confer control as defined by IFRS 10 and include partnership interests that entitle their holders to a share in net assets in the event of liquidation and other capital instruments issued by subsidiaries that are not held by the group.

Reporting date

All of the companies of the group included in the consolidation scope close their annual financial statements on December 31, 2018.

Elimination of intercompany transactions

Intercompany transactions and balances, as well as profits on intercompany sales that have a material impact on the consolidated financial statements, are eliminated.

Conversion of foreign currency accounts

Concerning the accounts of foreign entities expressed in foreign currencies, the balance sheet is converted based on the official exchange rate at the reporting date. Differences arising from exchange rate fluctuations impacting the share capital, reserves and retained earnings are recorded as a separate component of equity, under "Cumulative translation adjustments". The income statement is converted based on the average rate of the fiscal year. The resulting translation differences are recorded under "Cumulative translation adjustments". On liquidation or disposal of some or all of the interests held in a foreign entity, these amounts are recognized through the income statement.

Goodwill

Fair value adjustments

On the date of acquisition of a controlling interest in a new entity, said entity's assets, liabilities and contingent operating liabilities are measured at fair value as at that date. Fair value adjustments correspond to the difference between the carrying amount and fair value.

Goodwill

In accordance with IFRS 3R, when the CIC acquires a controlling interest in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at fair value as at the acquisition date, with the exception of non-current assets classified as assets held for sale (IFRS 5), which are recognized at the lower of fair value net of selling costs and their net carrying amount. IFRS 3R permits the recognition of full goodwill or partial goodwill and the choice of method is made separately for each business combination. In the case of full goodwill, non-controlling interests are measured at fair value, whereas in the case of partial goodwill, they are measured based on their share of the values attributed to the assets and liabilities of the acquired entity. If the goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under "Changes in value of goodwill".

If the group's stake in an entity it already increases/decreases, the difference between the share acquisition cost/selling price and the portion of consolidated equity that said shares represent on the acquisition/sale date is recognized within equity.

Goodwill is presented on a separate line of the balance sheet when it relates to fully-consolidated companies, and under the heading "Investments in associates" when it relates to equity consolidated companies.

Goodwill not including direct costs related to acquisitions according to IFRS 3R is recognized in profit/loss.

Goodwill is tested for impairment regularly by the group (at least once a year). The tests are designed to identify whether the goodwill has suffered a decline in value. If the recoverable amount of the cash-generating unit (CGU) to which the goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. These losses – which are recognized through the income statement – cannot be reversed. In practice, cash-generating units are defined on the basis of the group's business lines.

1.3 Accounting policies and principles

1.3.1 Financial instruments according to IFRS 9

1.3.1.1 Classification and measurement of financial instruments

Under IFRS 9, the classification and measurement of financial instruments depend on the business model and contractual terms of the financial instruments.

Loans, receivables or debt securities acquired

The asset is classified:

- at amortized cost, if it is held in order to collect contractual cash flows and if its characteristics are similar to those of a "basic" contract, see the section below "Characteristics of cash flows" (hold to collect model);
- at fair value through other comprehensive income if the instrument is held with a view to collecting contractual cash flows and selling it when the opportunity arises, yet without holding it for trading, and if its characteristics are similar to those of a basic contract implicitly entailing a high predictability of associated cash flows ("hold to collect and sell" model);
- at fair value through profit or loss:
  - if it is not eligible for the two aforementioned categories (as it does not meet the "basic" criterion and/or is managed in accordance with the "other" business model), or
  - if the group initially opts to classify it as such, in an irrevocable way. This option is used to reduce accounting mismatch in relation to another associated instrument.

Cash flow characteristics

Contractual cash flows which solely represent repayments of principal and the payment of interest on outstanding principal are compatible with a "basic" contract.

In a basic contract, interest mainly represents the consideration for the time value of money (including in the event of negative interest) and credit risk. Interest may also include the liquidity risk, administrative fees to manage the asset, and a profit margin.

All contractual clauses must be analyzed, in particular those that could alter the timing or amount of contractual cash flows. The option, under the agreement, for the borrower or lender to repay the financial instrument early is compatible with the SPPI (Solely Payments of Principal and Interest) criterion of contractual cash flows, provided that the amount repaid essentially represents the outstanding principal and accrued interest, as well as, where applicable, early repayment compensation of a reasonable amount.

The compensation for early repayment[1] is deemed reasonable if, for example:

- it is expressed as a percentage of the principal repaid and is below 10% of the nominal amount repaid; or
- it is determined according to a formula aimed at compensating the difference in the benchmark interest rate between the date on which the loan was granted and its early repayment date.

The analysis of contractual cash flows may also require their comparison with those of a reference instrument when the time value of money included in the interest is likely to change due to the contractual clauses of the instrument. Such is the case, for example, if the interest rate of the financial instrument is revised periodically, but the frequency of such revisions is unrelated to the period for which the interest rate was established (e.g. monthly revision of an annual interest rate), or if the interest rate of the financial instrument is revised periodically based on an average interest rate.

If the difference between the non-discounted contractual cash flows of the financial asset and those of the reference instrument is significant, or may become so, the financial asset cannot be considered as basic.

Depending on the case, the analysis is either qualitative or quantitative. The materiality or immateriality of the difference is assessed for each fiscal year, and cumulatively over the life of the instrument. The quantitative analysis takes into account a range of reasonably possible scenarios. To this effect, the group has used yield curves going back to the year 2000.

Moreover, a specific analysis is conducted in the case of securitization where there is priority of payment among holders, and credit risk concentrations in the form of tranches. In that case, the analysis requires the examination of the contractual characteristics of the tranches in which the group has invested and of the underlying financial instruments, as well as the credit risk of the tranches in relation to the credit risk of the underlying financial instruments.

Note that:

- embedded derivatives are no longer recognized separately, which means that the entire hybrid instrument is then considered as non-basic and recognized at fair value through profit or loss;
- units in UCITS or UCIs are not basic instruments and are recognized at fair value through profit or loss.

Business models

The business model represents the way in which the instruments are managed to generate cash flows and revenue. It is based on observable facts and not simply on management's intention. It is not assessed at the entity level, or on an instrument-by-instrument basis, but rather on a higher level of aggregation which reflects the way in which groups of financial assets are managed collectively. It is determined at initial recognition and may be reassessed in the event of a change in model (exceptional cases).

To determine the business model, it is necessary to consider all available information, including the following:

- how the activity's performance is reported to decision-makers;
- how managers are compensated;
- the frequency, timing and volumes of sales in previous periods;
- the reason for the sales;
- future sales forecasts;
- the way in which risk is assessed.

For the "hold to collect" business model, certain examples of authorized sales are explicitly set out in the standard:

- in response to an increase in credit risk;
- close to maturity and for an amount near the par amount;
- exceptional (e.g. linked to a liquidity stress).

Such "authorized" sales are not included in the analysis of the significant and frequent nature of the sales made out of a portfolio. Frequent and/or significant sales would not be compatible with this business model. Moreover, sales related to changes in the regulatory or fiscal framework will be documented on a case-by-case basis to demonstrate the "infrequent" nature of such sales.

(1) The group has made early application of the amendment to IFRS 9 on the clauses on early repayment specifying negative compensation, adopted by the EU in March 2018.

For other sales, thresholds have been defined based on the maturity of the securities portfolio, for example 2% for an average maturity of 8 years (the group does not sell its loans).

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

It also manages financial assets according to a model based on the collection of contractual cash flows from financial assets and the sale of these assets, as well as a model for other financial assets, in particular financial assets held for trading.

Within the group, the "hold to collect and sell" model applies primarily to proprietary cash management and liquidity portfolio management activities.

Financial assets held for trading consist of securities originally acquired with the intention of reselling them in the near future, as well as securities that are part of a portfolio of securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets at amortized cost

These mainly include:

- cash and cash equivalents, which comprise cash accounts, deposits, and demand loans and borrowings with central banks and credit institutions;
- other loans to credit institutions and loans to customers (granted directly, or the share in syndicated loans), not measured at fair value through profit or loss;
- a portion of the securities held by the group.

The financial assets classified in this category are initially recognized at their fair value, which is generally the net amount disbursed. The interest rates applied to loans granted are deemed to represent market rates, since they are constantly adjusted in line with the interest rates applied by the vast majority of competitor banks.

At subsequent reporting dates, the assets are measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts future cash payments or receipts over the estimated life of the financial instrument to obtain the net carrying amount of the financial asset or liability. It takes account of estimated cash flows without taking account of future losses on loans, and includes commissions paid or received when these are treated as interest, as well as directly related transaction costs, and all premiums and discounts.

For securities, the amortized cost takes account of the amortization of premiums and discounts, as well as acquisition costs, if significant. Purchases and sales of securities are recognized at the settlement date.

The income received is booked in the income statement under "Interest and similar income".

Commissions received or paid which are directly linked to the arrangement of a loan and are treated as a component of interest, are spread over the term of the loan using the effective interest rate method and are booked to the income statement under interest items.

Commissions received in connection with the commercial renegotiation of loans are recognized over more than one period.

The restructuring of a loan following financial difficulties by the debtor leads to novation of the contract. Following the definition of this concept by the European Banking Authority, the group included it in the information systems in order to harmonize the accounting and prudential definitions.

The fair value of assets at amortized cost is disclosed in the notes to the financial statements at the end of each reporting period. It corresponds to the net present value of future cash flows estimated using a zero-coupon yield curve that includes an issuer cost inherent to the debtor.

Financial assets at fair value through equity

Since the group does not sell its loans, this category solely consists of securities. They are recognized at fair value in the balance sheet at the time of their acquisition, on the settlement date and at subsequent reporting dates until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account, excluding accrued income. These unrealized gains or losses in shareholders' equity are only recognized on the income statement in the event of disposal or impairment (see section 1.3.1.7 "Derecognition of financial assets and liabilities" and 1.3.1.8 "Evaluation of credit risk").

Income accrued or received is recognized in profit or loss under "Interest and similar income", using the effective interest method.

Financial assets at fair value through profit or loss

These are recognized at fair value upon their initial recognition in the balance sheet and at subsequent reporting dates until their disposal (see section 1.3.1.7 "Derecognition of financial assets and liabilities"). Changes in fair value are taken to the income statement under "Net gains/(losses) on financial instruments at fair value through profit or loss".

As from January 1, 2018, income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). Before, this interest was recognized under "Net gains/(losses) on financial instruments at fair value through profit or loss". This change was made for the sake of consistency with regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on interest received and paid.

Purchases and sales of securities measured at fair value through profit or loss are recognized on the settlement date. Changes in fair value between the transaction date and the settlement date are recognized in profit or loss.

Capital instruments acquired

Capital instruments acquired (notably shares) are classified:

- by fair value through profit or loss; or
- at fair value through other comprehensive income, at initial recognition, if the group irrevocably elects to do so.

Financial assets at fair value through equity

Shares and other equity instruments are recognized in the balance sheet at their fair value at the time of their acquisition and at subsequent reporting dates until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account. These unrealized or deferred gains and losses booked to equity are never recognized in the income statement, even when they are sold (see section 3.1.7 "Derecognition of financial assets and liabilities"). Only dividends received on variable-income securities are recognized in the income statement, under "Net gains/(losses) on financial assets at fair value through other comprehensive income".

Purchases and sales of securities are recognized at the settlement date.

Financial assets at fair value through profit or loss

Capital instruments are recognized identically to debt instruments at fair value through profit or loss.

1.3.1.2 Classification and measurement of financial liabilities

Financial liabilities are classified in one of the following two categories:

- financial liabilities measured at fair value through profit or loss:
  - those incurred for trading purposes including, by default, derivatives with a negative fair value which do not qualify as hedging instruments, and
  - non-derivative financial liabilities that the group originally classified as measured at fair value through profit or loss (fair value option). These include:
    - financial instruments containing one or more separable embedded derivatives,
    - instruments for which the accounting treatment would be inconsistent with that applied to another related instrument, were the fair value option not applied,
    - instruments belonging to a pool of financial assets measured and managed at fair value.

    The recognition of changes in fair value resulting from own credit risk concerning debts optionally designated at fair value through profit or loss is recognized in unrealized or deferred profit or loss in non-reclassifiable equity. The group is marginally concerned by the problem of own credit risk;
- financial liabilities at amortized cost.

These consist of other non-derivative financial liabilities. These include amounts due to customers and to credit institutions, debt securities (certificates of deposit, interbank market securities, bonds, etc.), as well as dated and undated subordinated debt for which measurement at fair value through profit or loss was not opted for.

Subordinated debt is separated from other debt securities since, in the event of liquidation of the debtor's assets; it is repaid only after claims by other creditors have been extinguished. Debt securities include the non-preferred senior debt instruments created by the Sapin II law.

These liabilities are initially recognized at fair value in the balance sheet. At subsequent reporting dates, they are measured at amortized cost using the effective interest rate method. The initial fair value of issued securities is their issue price less transaction costs, where applicable.

Regulated savings contracts

Amongst the liabilities at amortized cost are the comptes épargne logement (CEL – mortgage saving accounts) and plans épargne logement (PEL – mortgage saving plans), which are regulated French products accessible to customers (natural persons). These products have a phase of interest-bearing savings giving entitlement to a property loan in a second phase. They generate two types of obligation for the distributing establishment:

- an obligation to pay interest on paid-in amounts at a fixed rate (in the case of PEL accounts only, as interest on CEL accounts is regularly revised on the basis of an indexation formula and is therefore treated as variable-rate interest);
- an obligation to grant loans to customers under predetermined terms (both PEL and CEL).

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data. A provision is constituted on the liability side of the balance sheet to cover future expenses related to potentially unfavorable conditions concerning these products, in relation to the interest rate offered to individual customers for similar products but not regulated in terms of interest. This approach is managed based on generations of regulated PEL and CEL savings products with similar characteristics. The impact on income is included in interest paid to customers.

1.3.1.3 Debt-equity distinction

According to the IFRIC 2 interpretation, members' shares are shareholders' equity if the entity has an unconditional right to refuse redemption or if there are legal or statutory provisions prohibiting or significantly limiting redemption. Due to the existing statutory and legal provisions, the members' shares issued by structures composing the Crédit Mutuel group's consolidating entity are recognized in shareholders' equity.

Other financial instruments issued by the group are classified as debt instruments in the group's accounts when the group has a contractual obligation to deliver cash to holders of the instruments. Such is the case with subordinated notes issued by the group.

1.3.1.4 Foreign currency transactions

Assets and liabilities denominated in a currency other than the local currency are translated at the exchange rates prevailing on the balance sheet date.

Monetary financial assets or liabilities

Foreign currency gains and losses on the translation of such items are recognized in the income statement under "Net gains/(losses) on portfolio at fair value through profit or loss".

Non-monetary financial assets and liabilities

Foreign currency gains or losses arising from such translations are recognized in the income statement under "Net gains/ (losses) at fair value through profit or loss" if measured at fair value through profit or loss, or recognized under "Unrealized or deferred capital gains/ (losses)" if they are financial assets measured at fair value through other comprehensive income.

1.3.1.5 Derivatives and hedge accounting

IFRS 9 allows entities to choose, on first-time application, whether to apply the new provisions concerning hedge accounting or to retain those of IAS 39.

The group has elected to continue to apply the provisions of IAS 39. However, in accordance with IFRS 7 (revised), additional information on the management of risks and the impacts of hedge accounting on the financial statements is provided in the notes or in the management report.

Moreover, the provisions of IAS 39 concerning the fair value hedge of interest rate risk associated with a portfolio of financial assets or financial liabilities, as adopted by the European Union, continue to apply.

Derivatives are financial instruments which have the following three characteristics:

- their value fluctuates with the change in the underlying items (interest rates, exchange rates, share prices, indices, commodities, credit ratings, etc.);
- their initial cost is low or nil;
- their settlement takes place at a future date.

The Crédit Mutuel group deals in simple derivative instruments (swaps and vanilla options), mainly of rates and classified essentially in level 2 of the value hierarchy.

All derivatives are carried at fair value under financial assets or financial liabilities. They are recognized by default as trading instruments unless they can be classified as hedging instruments.

Determination of the fair value of derivatives

Most over-the-counter derivatives, swaps, forward rate agreements, caps, floors and vanilla options are valued using standard, generally accepted models (discounted cash flow method, Black and Scholes model, interpolation techniques), based on observable market data such as yield curves. The valuations given by these models are adjusted to take into account the liquidity risk and the credit risk associated with the instrument or parameter concerned, and specific risk premiums intended to offset any additional costs resulting from a dynamic management strategy associated with the model in certain market conditions, as well as the counterparty risk captured by the positive fair value of over-the-counter derivatives. The latter includes the own counterparty risk present in the negative fair value of over-the-counter derivatives.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

Derivatives are recognized as financial assets when their market value is positive and as financial liabilities when their market value is negative.

Classification of derivatives and hedge accounting

Derivatives classified as financial assets or financial liabilities at fair value through profit or loss

By default, all derivatives not designated as hedging instruments under IFRS are classified as "financial assets or financial liabilities at fair value through profit or loss", even if they were contracted for the purpose of hedging one or more risks.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, meets the definition criteria for a derivative. It has the effect, notably, of changing certain cash flows in the same way as a stand-alone derivative.

The derivative is detached from the host contract and recognized separately as a derivative instrument at fair value through profit or loss only if all of the following conditions are satisfied:

- it meets the definition of a derivative;
- the hybrid instrument hosting the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics of the derivative and the associated risks are not considered as being closely related to those of the host contract;
- separate measurement of the embedded derivative is sufficiently reliable to provide relevant information.

For financial instruments under IFRS 9, only those derivatives embedded in financial liabilities may be detached from the host contract for separate recognition.

Recognition

Realized and unrealized gains and losses are recognized in the income statement under "Net gains/ (losses) on financial instruments at fair value through profit or loss".

Hedge accounting

Risks hedged

In its accounts, the group only recognizes interest rate risk through micro-hedging, or on a broader scope through macro-hedging.

Micro-hedging is partial hedging of the risks incurred by an entity on its assets and liabilities. It specifically applies to one or more assets or liabilities for which the entity covers the risk of an unfavorable change in a type of risk, through derivatives.

Macro-hedging aims to cover all of the group's assets and liabilities against any unfavorable changes, particularly in interest rates.

The overall management of the interest rate risk is described in the management report, along with the management of all other risks (foreign exchange, credit, etc.) that may be hedged through the natural backing of assets to liabilities or the recognition of trading derivatives.

Micro-hedging is particularly done through asset swaps, usually in the aim of transforming fixed-rate instruments into variable-rate instruments.

Three types of hedging relationship are possible. The choice of the hedging relationship depends on the nature of the risk being hedged.

- A fair value hedge hedges the exposure to changes in the fair value of financial assets or financial liabilities.
- A cash flow hedge is a hedge of the exposure to variability in cash flows relating to financial assets or financial liabilities, firm commitments or forward transactions.
- The hedging of net investments in foreign currencies is recognized in the same way as cash flow hedging. The group has not used this form of hedging.

Hedging derivatives must meet the criteria stipulated by IAS 39 to be designated as hedging instruments for accounting purposes. In particular:

- The hedging instrument and the hedged item must both qualify for hedge accounting.
- The relationship between the hedged item and the hedging instrument must be documented formally immediately upon inception of the hedging relationship. This documentation sets outs the risk management objectives determined by management, the nature of the risk hedged, the underlying strategy, and the methods used to measure the effectiveness of the hedge.
- The effectiveness of the hedge must be demonstrated upon inception of the hedging relationship, subsequently throughout its life, and at the very least at each balance sheet date. The ratio of the change in value or gain/loss on the hedging instrument to that of the hedged item must be within a range of 80% to 125%.

Where applicable, hedge accounting is discontinued prospectively.

Fair value hedge of identified financial assets or liabilities

In a fair value hedging relationship, derivatives are remeasured at fair value through profit or loss under "Net gains/ (losses) on financial instruments at fair value through profit or loss" symmetrically with the remeasurement of the hedged items to reflect the hedged risk. This rule also applies if the hedged item is recognized at amortized cost or is a debt instrument classified under "Financial assets at fair value through other comprehensive income". Changes in the fair value of the hedging instrument and the hedged risk component offset each other partially or totally; only the ineffective portion of the hedge is recognized in profit or loss. This may be due to:

- the "counterparty risk" component integrated in the value of the derivatives;

- the difference in the valuation curve between the hedged items and the hedge. Effectively, swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve.

The portion corresponding to the rediscounting of the derivative financial instrument is recognized in the income statement under "Interest income/ (expense)". The same treatment is applied to the interest income or expense relating to the hedged item.

If the hedging relationship is interrupted or the effectiveness criteria are not met, hedge accounting is discontinued on a prospective basis. The hedging derivatives are transferred to "Financial assets or financial liabilities at fair value through profit or loss" and are accounted for in accordance with the principles applicable to this category. The carrying amount of the hedged item is subsequently no longer adjusted to reflect changes in fair value. In the case of interest rate instruments initially identified as hedged, the remeasurement adjustment is amortized over their remaining life. If the hedged item has been derecognized in the balance sheet, due notably to early repayment, the cumulative adjustments are recognized immediately in the income statement.

Macro-hedging derivatives

The group has availed itself of the possibilities offered by the European Commission as regards accounting for macro-hedging transactions. In fact, the changes made by the European Union to IAS 39 (carve-out) allow the inclusion of customer demand deposits in portfolios of hedged fixed-rate liabilities with no measurement of ineffectiveness in case of under-hedging. Demand deposits are included based on the run-off rules defined for asset-liability management purposes.

For each portfolio of fixed-rate financial assets or liabilities, the maturity schedule of the hedging derivatives is reconciled with that of the hedged items to ensure that there is no over-hedging.

The accounting treatment of fair value macro-hedging derivatives is similar to that used for fair value hedging derivatives.

Changes in the fair value of the hedged portfolios are recorded in the balance sheet under "Remeasurement adjustment on interest-rate hedged portfolios", the counterpart being an income statement line item.

Cash flow hedges

In the case of a cash flow hedging relationship, derivatives are remeasured at fair value in the balance sheet, with the effective portion recognized in equity. The portion considered as ineffective is recognized in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss".

Amounts recognized in shareholders' equity are reclassified to profit or loss under "Interest income/ (expense)" at the same time as the cash flows attributable to the hedged item affect profit or loss.

The hedged items continue to be recognized in accordance with the rules specific to their accounting category. If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued. The cumulative amounts recorded in shareholders' equity for the remeasurement of the hedging derivative are maintained in shareholders' equity until such time as the hedged transaction itself impacts profit or loss or until the transaction is no longer expected to occur. At this point, said amounts are transferred to profit or loss.

If the hedged item no longer exists, the cumulative amounts recorded in equity are immediately transferred to profit or loss.

1.3.1.6 Financial guarantees and financing commitments

Financial guarantees are treated like an insurance policy when they provide for specified payments to be made to reimburse the holder for a loss incurred because a specified debtor fails to make payment on a debt instrument on the due date.

In accordance with IFRS 4, such financial guarantees continue to be measured using French accounting standards, i.e. they are treated as off-balance sheet items, until such time as the current standards are revised. Accordingly, they are subject to a provision for liabilities if an outflow of resources is likely.

By contrast, financial guarantees that provide for payments in response to changes in a financial variable (price, credit rating, index, etc.) or a non-financial variable (provided that this variable is not specific to one of the parties to the agreement) fall within the scope of IFRS 9. These guarantees are thus treated as derivatives.

Financing commitments that are not considered as derivatives within the meaning of IFRS 9 are not shown on the balance sheet. However, they give rise to provisions in accordance with the requirements of IFRS 9.

1.3.1.7 Derecognition of financial assets and liabilities

The group partly or fully derecognizes a financial asset (or a group of similar assets) when the contractual rights to the asset's cash flows expire (in the case of commercial renegotiation), or when the group has transferred the contractual rights to the financial asset's cash flows, as well as most of the risks and advantages linked with ownership of the asset.

Upon derecognition of:

- a financial asset or liability at amortized cost or at fair value through profit or loss: a gain or loss on disposal is recognized in the income statement in an amount equal to the difference between the carrying amount of the asset or liability and the amount of the consideration received/paid;
- a debt instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under equity are recognized in the income statement, as well as any capital gains/losses on disposal;
- an equity instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under other comprehensive income, as well as any capital gains/losses on disposal are recognized in consolidated reserves without going through the income statement.

The group derecognizes a financial liability when the contractual obligation is extinguished, is canceled or expires. A financial liability may also be derecognized in the event of a material change in its contractual terms and conditions, or an exchange with the lender for an instrument whose contractual terms and conditions are substantially different.

1.3.1.8 Measurement of credit risk

The IFRS 9 impairment model is based on an "expected loss" approach while that of IAS 39 was based on an "incurred credit losses", for which the accounting of credit losses at the time of the financial crisis was considered too little too late.

Under the IFRS 9 model, financial assets for which no objective evidence of impairment exists on an individual basis are impaired on the basis of observed losses as well as reasonable and justifiable future cash flow forecasts.

Thus, the impairment model of the IFRS 9 standard applies to all debt instruments valued at amortized cost or fair value through equity, as well as to financing commitments and financial guarantees. These are divided into 3 categories:

- Status 1 – non-downgraded performing loans: provisioning on the basis of 12-month expected credit losses (resulting from default risks over the following 12 months) as from initial recognition of the financial assets, provided that the credit risk has not increased significantly since initial recognition;

- Status 2 – downgraded performing loans: provisioning on the basis of the lifetime expected credit losses (resulting from default risks over the entire remaining life of the instrument) if the credit risk has increased significantly since initial recognition; and
- Status 3 – non-performing loans: category comprising the financial assets for which there is objective evidence of impairment related to an event that has occurred since the loan was granted. This category is equivalent to the scope of outstandings currently impaired individually under IAS 39.

For Statuses 1 and 2, the basis of calculation of interest income is the gross value of the asset before impairment while, for Status 3, it is the net value after impairment.

Governance

The models for compartment allocation, forward-looking scenarios, and parameter calculation methods constitute the methodological basis for impairment calculations. They are validated at the group's top level and are applicable to all entities according to the portfolios involved. The entire methodological base and any subsequent modification in terms of method, weighting of the scenarios, parameter calculation or provision calculation must be validated by the Crédit Mutuel group's governance bodies.

These bodies consist of the supervisory and executive boards as defined by Article 10 of the French Decree of November 3, 2014 relative to internal control. Given the specificities of the Crédit Mutuel group's decentralized organizational structure, the supervisory and executive bodies are divided into two levels – the national level and the regional level.

The principle of subsidiarity, applied across the Crédit Mutuel group, governs the breakdown of roles between national and regional levels, both on a project basis and for the ongoing implementation of the asset impairment calculation methodology.

- At the national level, the Basel 3 Working Group approves the national procedures, models and methodologies to be applied by the regional groups.
- At the regional level, regional groups are tasked with the calculation of the IRFS 9 provisions within their entities, under the responsibility and control of their respective executive and supervisory bodies.

Definition of the boundary between Status 1 and Status 2

The group employs models developed for regulatory purposes and so segregates its outstandings in that manner:

- low default portfolios (LDP), for which the rating model is based on an expert assessment: large accounts, banks, local governments, sovereigns, specialized financing. These portfolios are composed of products such as operating loans, short-term operating loans, current accounts; etc.
- high default portfolios (HDP) for which the default data is sufficient to establish a statistical rating model: mass corporate and retail. These portfolios include products such as home loans, consumer credit, revolving loans, current accounts, etc.

A significant increase in credit risk, which involves transferring a loan from Status 1 to Status 2, is measured by:

- taking into account all reasonable and justifiable information; and
- comparing the risk of default on the financial instrument at the reporting date to the risk at the initial recognition date.

For the group, this involves measuring the risk at the level of the borrower, where the counterparty rating system is common to the entire group. All the group's counterparties eligible for an internal approach are rated by the system. That system is based on:

- statistical algorithms or "mass ratings" based on one or more models, using a selection of representative and predictive risk variables (HDP); or
- rating grids developed by experts (LDP).

The change in risk since initial recognition is measured contract by contract. Unlike Status 3, transferring a customer's contract to Status 2 does not entail transferring all of its outstandings or those of its related parties (i.e. no contagion).

Note that the group immediately puts into Status 1 any performing exposure that no longer meets the criteria for Status 2 classification (both qualitative and quantitative).

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

Quantitative criteria

In LDPs, the boundary is based on an allocation matrix which relates the rating on origination to the rating on the reporting date. Thus the riskier the rating of the loan, the less the relative tolerance of the group towards significant deterioration of the risk.

In HDPs, a boundary yield curve relates the default rate on origination to the default rate on the reporting date. The group does not use the operational simplification proposed by the standard that permits keeping outstandings at low risk on the reporting date in Status 1.

Qualitative criteria

As well as this quantitative data, the group uses qualitative criteria such as payments not made or overdue by more than 30 days, the notion of restructured loans, etc.

Methods based exclusively on qualitative criteria are used for entities or small portfolios classified for prudential purposes under the standardized approach and that do not have a rating system.

Statuses 1 and 2 – Calculating expected credit losses

Expected credit losses are measured by multiplying the exposure by its probability of default (PD) and by the rate of loss given default (LGD). The off-balance sheet amount is converted to a balance sheet equivalent based on the probability of use. The probability of default within one year is used for Status 1 and the probability curve at termination (1 to 10 years) for Status 2.

These parameters have the same basis as the prudential models, with the formulas adapted to IFRS 9. They are used both for assigning loans to a status and for calculating expected losses.

Probability of default

This is based:

- for high default portfolios, on the models approved under the IRB-A approach;
- for low default portfolios, on an external probability of default scale based on a history dating back to 1981.

Loss given default

This is based:

- for high default portfolios, on the collection flows observed over a long period of time, discounted at the interest rates of the contracts, segmented according to types of products and types of guarantees;
- for low default portfolios, on fixed ratios (60% for sovereigns and 40% for the rest).

Conversion factors

For all products, including revolving loans, they are used to convert the off-balance-sheet exposure to a balance-sheet equivalent and are mainly based on prudential models.

Forward-looking dimension

To calculate expected credit losses, the standard requires taking reasonable and justifiable information into account, including forward-looking information. Creating a forward-looking dimension requires projecting the course of the economy and tying these projections into the risk parameters. This forward-looking dimension is set at the group level and applies to all parameters.

For high default portfolios, the forward-looking aspect included in the probability of default takes into account three scenarios (optimistic, neutral, pessimistic), which will be weighted based on the group's view of changes in the economic cycle over five years. The group mainly relies on macroeconomic data (GDP, unemployment rate, inflation rate, short-term and long-term interest rates, etc.) available from the OECD. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

- they are recent, meaning they occurred a few weeks before the reporting date;
- they cannot be included in a scenario: for example, regulatory changes that will certainly have a significant effect on the risk parameters and whose impact can be measured by making certain assumptions.

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

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

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

Status 3 – Non-performing loans

Impairment is recognized whenever there is objective proof of impairment due to one or more events occurring after a loan or group of loans have been made that might generate a loss. An analysis is done at each closing contract by contract. The impairment is equal to the difference between the carrying amount and the estimated future cash flows, allowing for collateral or other guarantees, present-discounted at the interest rate of the original loan. In the event of a variable rate, it is the most recent contractual rate that is booked.

Originated credit-impaired financial assets

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

Recognition

Impairment charges and provisions are recorded in "Net provision allocations/reversals for loan losses". Reversals of impairment charges and provisions are recorded in "Net provision allocations/reversals for loan losses" for the portion relating to the change in risk and in "Net interest" for the portion relating to the passage of time. For loans and receivables, impairment is deducted from assets, and for financing and guarantee commitments, the provision is recorded in liabilities under "Provisions" (see sections 1.3.1.6 "Financial guarantees and financing commitments" and 1.3.3.2 "Provisions"). For assets at fair value through other comprehensive income, the counter-entry for impairments recognized under "Net provision allocations/reversals for loan losses" is booked to "Unrealized or deferred gains and losses".

Loan losses are written off and the corresponding impairments and provisions are reversed.

1.3.1.9 Determination of the fair value of financial instruments

Fair value is the amount for which an asset could be sold, or a liability transferred, between knowledgeable willing parties in an arm's length transaction.

The fair value of an instrument upon initial recognition is generally its transaction price.

The fair value must be calculated for subsequent measurements. The calculation method to be applied varies depending on whether the instrument is traded on a market deemed to be active or not.

Financial instruments traded in an active market

When financial instruments are traded in an active market, fair value is determined by reference to their quoted price as this represents the best possible estimate of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available (from a stock exchange, dealer, broker or pricing service), and those prices represent actual market transactions regularly occurring on an arm's length basis.

Financial instruments not traded in an active market

Observable market data are used provided they reflect the reality of a transaction at arm's length on the valuation date and there is no need to make an excessive adjustment to said value. In the other cases, the group uses non-observable "mark-to-model" data.

When observable data is not available or when market price adjustments require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, including adjustments linked to the risks the market would factor in. Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

In all cases, adjustments are made by the group in a reasonable and appropriate manner, based on judgment.

Fair value hierarchy

A three-level hierarchy is used for fair value measurement of financial instruments:

- Level 1: quoted prices on active markets for identical assets or liabilities; In particular, these concern debt securities quoted by at least three contributors and derivatives quoted on an organized market;
- Level 2: data other than the level 1 quoted prices, which are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. data derived from prices). Included, in particular, in level 2 are interest rate swapswhose fair value is generally determined with the help of yield curves based on market interest rates observed at the end of the reporting period;
- Level 3: data relating to the asset or liability that are not observable market data (non-observable data). The main constituents of this category are investments in non-consolidated companies held in venture capital entities or otherwise and, in the capital markets activities, debt securities quoted by a single contributor and derivatives using mainly non-observable parameters. The instrument is classified at the same hierarchical level as the lowest level of the input having an important bearing on fair value considered as a whole. Given the diversity and volume of the instruments measured at level 3, the sensitivity of the fair value to a change in parameters would be immaterial.

1.3.2 Insurance business line

The insurance departments falling within the Conglomerate Directive benefit from the deferred application of IFRS 9 until 2022, as scheduled by the amendment to IFRS 4 adopted by the European Union. As such, their financial instruments remain valued and recognized in accordance with IAS 39. In terms of presentation, the group chose to adopt an "IFRS audit" approach that allows all financial instruments under IAS 39 to be grouped together under the dedicated asset or liability items rather than by applying ANC recommendation 2017-02 strictly speaking, which entails the presentation of instruments under certain items pursuant to IAS 39 and IFRS 9. Thus, all the financial instruments of the insurance departments are grouped in assets under "Short-term investments in the insurance business line and reinsurers' share of technical provisions", and in liabilities under "Liabilities related to insurance business policies", also including technical provisions. Investment property is also affected by the reclassification. The impact in the income statement of financial instruments and technical provisions is included under "Net income from insurance activities". Other assets/liabilities and income statement items are included under the "banking and insurance" joint entries. Where relevant, the disclosures required by IFRS 7 are given separately for the insurance business lines.

In accordance with the adoption regulation of November 3, 2017, the group ensures there is no transfer of financial instruments with a derecognition effect, between the insurance and other sectors of the conglomerate, other than those recognized at fair value through profit or loss in both sectors.

The accounting principles and valuation rules specific to assets and liabilities generated by the issue of insurance policies are drafted in accordance with IFRS 4. This also applies to reinsurance contracts issued or subscribed, and to financial contracts incorporating a discretionary profit-sharing clause.

Except in the cases outlined above, the other assets held and liabilities issued by the insurance companies follow the rules common to all the group's assets and liabilities.

1.3.2.1 Insurance business line – Financial instruments

Under IAS 39, insurers' financial instruments may be classified in one of the following categories:

- financial assets/liabilities at fair value through profit or loss;
- available-for-sale financial assets;
- held-to-maturity financial assets;
- loans and receivables;
- financial liabilities at amortized cost.

They are grouped in assets under "Investments in insurance business and shares of reinsurers in technical provisions", and in liabilities under "Liabilities related to insurance business policies".

The classification in one or other of these categories reflects the management intention and determines the recognition rules for instruments.

The fair value of these instruments follows the general principles outlined in section 1.3.1.9.

Financial assets and liabilities at fair value through profit or loss

Classification criteria

The classification of instruments in this category is a result either of a genuine intention to trade, or the use of the fair value option.

a) Instruments held for trading

Held-for-trading securities consist of securities originally acquired with the intention of reselling them in the near future, as well as securities that are part of a portfolio of securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

b) Instruments accounted for under the fair value on option

Financial instruments may be classified by choice, from the outset and on an irrevocable basis, at fair value through profit or loss in the following circumstances:

a. financial instruments containing one or more separable embedded derivatives;

b. instruments for which the accounting treatment would be inconsistent with that applied to another related instrument, were the fair value option not applied;

c. instruments belonging to a pool of financial assets measured and managed at fair value.

This option is specifically used in connection with unit-linked contracts for insurance activities, to ensure consistency with the treatment of liabilities.

Basis of valuation and recognition of income and expenses

Assets classified as "Assets at fair value through profit or loss" are recognized when they are entered on the balance sheet at their fair value, and at subsequent reporting dates, until disposal. Changes in fair value and the income received or accrued on these assets are recognized on the income statement under "Net income from insurance activities".

Available-for-sale financial assets

Classification criteria

Available-for-sale financial assets include those financial assets not classified as "loans and receivables", or "financial assets held-to-maturity" or "fair value through profit or loss".

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Basis of valuation and recognition of income and expenses

They are recognized on the balance sheet at their fair value at the time of their acquisition, and at subsequent reporting dates, until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account, excluding accrued income. These unrealized gains or losses in shareholders' equity are only recognized on the income statement in the event of disposal or sustainable impairment. On disposal, these unrealized gains or losses previously recognized in shareholders' equity are recognized in the income statement, along with capital gains and losses on disposal.

Income accrued or acquired from fixed-income securities is recognized in profit or loss, using the effective interest rate method. They are presented in "Net income from insurance activities", along with dividends received on variable-income securities.

Credit risk and impairment

a) Sustainable impairment, specific to shares and other capital instruments

Impairment is recognized on variable-income available-for-sale financial assets in the event of a prolonged or significant fall in fair value, compared to cost.

In the case of variable-income securities, the group considers that a fall in the security's value of at least 50% compared to its acquisition cost or over a period of more than 36 consecutive months shall result in an impairment. The analysis is carried out on a line-by-line basis. Judgment is also used when reviewing those securities that do not meet the above criteria, but for which management believes the recoverability of the amount invested may not reasonably be expected in the near future. The loss is recognized in income under "Net income from insurance activities".

Any subsequent fall is also recognized on the income statement.

Long-term impairment losses on shares or other capital instruments posted in income are irreversible as long as the instrument appears on the balance sheet. In the event of subsequent appreciation, this will be recognized in shareholders' equity under "unrealized or deferred gains or losses".

b) Impairment due to credit risk

Impairment losses on fixed-income available-for-sale financial assets (specifically bonds) are recognized under "Cost of risk". In fact, only the existence of credit risk may lead to the impairment of these fixed-income instruments, since impairment in the event of loss due to a simple rate increase is not permitted. In the event of impairment, all combined unrealized losses in shareholders' equity must be recognized in profit or loss. These impairments are reversible; any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "cost of risk", in case of improvement of the issuer's credit situation.

Held-to-maturity financial assets

Classification criteria

This category includes determinable or fixed-income securities with a maturity date that the entity intends and is able to hold until maturity.

Any interest-rate hedging operations performed on this category of securities are not eligible for hedge accounting as set out in IAS 39.

Furthermore, the possibilities to dispose of or transfer securities of this portfolio are extremely limited, given the provisions of IAS 39, on pain of downgrading the entire portfolio at Group level in the "available-for-sale financial assets" category, and forbidding access to this category for two years.

Basis of valuation and recognition of income and expenses

Securities classified in this category are initially recognized at fair value, then valued at amortized cost according to the effective interest rate method, which incorporates amortization of premiums and discounts, as well as acquisition expenses, if these are material.

Income received on these securities is given in "Net income from insurance activities" on the income statement.

Credit risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). An analysis is performed at each closing, on a security-by-security basis. Impairment is assessed by comparing the carrying amount and the present value at the original interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "Cost of risk". Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "Cost of risk".

Loans and receivables

Classification criteria

Loans and receivables are determinable or fixed-income financial assets not quoted on an active market and not intended for sale upon acquisition or grant. They are recognized at their fair value when they initially appear on the balance sheet which is generally the net amount disbursed. These outstandings are then valued on subsequent closing dates at amortized cost using the effective interest-rate method (except for those recognized using the fair value option method).

Credit risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). Impairment is assessed by comparing the carrying amount and the present value at the effective interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "Cost of risk". Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "Cost of risk".

Financial liabilities at amortized cost

These include amounts due to customers and to credit institutions, debt securities (certificates of deposit, interbank market securities, bonds, etc.), as well as dated and undated subordinated debt for which measurement at fair value through profit or loss was not opted for.

These liabilities are initially recognized at fair value in the balance sheet. At subsequent reporting dates, they are measured at amortized cost using the effective interest rate method. The initial fair value of issued securities is their issue price less transaction costs, where applicable.

1.3.2.2 Insurance business line – Non-financial assets

Investment property and fixed assets follow the accounting methods outlined elsewhere.

1.3.2.3 Insurance business line – Non-financial liabilities

Insurance liabilities, representing commitments to subscribers and beneficiaries, are included under "technical provisions of insurance policies". They remain valued, recognized and consolidated according to French standards.

The technical provisions of life insurance policies consist primarily of mathematical provisions, which generally correspond to the redemption values of the contracts. The risks covered are primarily death, disability and incapacity for work (for borrower insurance).

Technical provisions for unit-linked contracts are valued on the reporting date based on the realizable value of the assets used to support these contracts.

Provisions for non-life insurance contracts correspond to unearned premiums (portion of premiums issued relating to subsequent years) and to claims payable.

Those insurance contracts benefiting from a discretionary profit-sharing clause are subject to "shadow accounting". The resulting deferred profit-sharing provision represents the portion of asset capital gains and losses, which accrues to the insured parties. These provisions for deferred profit-sharing appear as liabilities or assets, by legal entity and without offset between entities within the scope of consolidation. On the asset side, they appear as a separate item.

At the reporting date, a liability adequacy test recognized on these contracts (net of other related assets or liabilities, such as deferred acquisition costs and portfolio securities acquired) is conducted: the recognized liability is audited to ensure it is sufficient to hedge estimated future cash flows on that date. Any shortfall in the technical provisions is recognized in profit or loss for the period (and may subsequently be reversed if necessary).

1.3.3 Non-financial instruments

1.3.3.1 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Ownership may or may not eventually be transferred.

An operating lease is any lease that is not a finance lease.

Lessor finance lease transactions

In accordance with IAS 17, finance lease transactions with non-group companies are reported in the consolidated balance sheet at their financial accounting amount.

In the lessor's financial statements, the analysis of the economic substance of the transaction results in:

- the recognition of a financial receivable due from the customer, reduced in line with the lease payments received;
- the breakdown of the lease payments received between interest and principal repayment, known as financial amortization;
- the recognition of a net latent reserve, equal to the difference between:
  - the net financial outstanding: the lessee's debt made up of outstanding capital and accrued interest at the end of the fiscal year,
  - the net carrying amount of the leased assets,
  - the deferred tax provision.

Credit risk related to financial receivables is measured and recognized under IFRS 9 (see section 1.3.1.8 "Measurement of credit risk").

Lessee finance lease transactions

In accordance with IAS 17, the fixed assets concerned are recorded on the balance sheet as assets and the borrowing from credit institutions is recorded as a liability. Lease payments are broken down between interest expense and repayment of principal.

1.3.3.2 Provisions

Provisions and reversals of provisions are classified by type under the corresponding item of income or expenditure.

A provision is recognized whenever it is probable that an outflow of resources representing economic benefits will be necessary to extinguish an obligation arising from a past event and when the amount of the obligation can be estimated accurately. Where applicable, the net present value of this obligation is calculated to determine the amount of the provision to be set aside.

The provisions constituted by the group cover, in particular:

- operational risks;
- social commitments;
- execution risk on signature commitments;
- litigation risk and guarantee commitments given;
- tax risks;
- risks related to mortgage saving agreements.

1.3.3.3 Employee benefits

Where applicable, provisions in respect of employee obligations are recognized under "Provisions". Any movements in this provision are recognized in the income statement under "Employee benefits expense" except for the portion resulting from actuarial gains/(losses), which is recognized in unrealized or deferred gains and losses, under equity.

Post-employment benefits under a defined benefit plan

These include pension plans, pre-retirement and supplementary pension plans in which the group retains a formal or implicit obligation to provide the benefits promised to employees.

These obligations are calculated using the projected unit credit method, which involves allocating entitlement to benefits to periods of service by applying the contractual formula for calculating plan benefits. Such entitlements are then discounted using demographic and financial assumptions such as:

- a discount rate, determined by reference to the long-term rate on private-sector borrowings consistent with the term of the commitments;
- the rate of increase in wages, assessed according to age group, manager/non-manager position and regional characteristics;
- inflation rates, estimated by comparing French treasury bond rates and inflation-linked French treasury bond rates at different maturities;
- employee mobility rates, determined by age group based on the average ratio over 3 years of the number of resignations and dismissals compared to the number of permanent employees present at the end of the fiscal year;
- retirement age: estimated on a case-by-case basis using the actual or estimated date of commencement of full-time employment and the assumptions set out in the law reforming pensions, with a ceiling set at 67 years of age;
- mortality according to the INSEE TH/TF 00-02 table.

The differences generated by the changes in these assumptions and by the differences between the prior assumptions and reality represent actuarial gains and losses. When the plan has assets, these are valued at fair value and their expected return impact profit (loss). Differences between actual and expected yields also constitute actuarial gains or losses.

Actuarial gains and losses are recognized in equity, within unrealized or deferred gains and losses. Curtailments and settlements of the plan produce a change in the commitment, which is recognized in the profit (loss) for the period.

Supplementary pensions within the pension funds

The AFB milestone agreement dated September 13, 1993 changed the pension plans of banking institutions. Since January 1, 1994, the banks have been under the government-sponsored Arrco and Agirc schemes. The four pension funds to which the group's banks contributed were merged. They ensure the payment of the various expenses scheduled in the milestone agreement, by means of their reserves, plus an increase, if required, in annual contributions paid by the relevant banks with an average rate over the next ten years capped at 4% of payroll expense. The pension fund resulting from the mergers was converted into an IGRS (French supplementary pension management institution) in 2009. It does not have an asset shortfall.

Other post-employment benefits under a defined benefit plan

Retirement benefits and supplementary pensions, including special schemes, are provisioned. They are assessed on the basis of the rights acquired for all active employees, based specifically on the turnover rate of the staff specific to the consolidated entities and the estimated future salary that the beneficiary will earn upon retirement plus social security contributions, where applicable. The retirement benefits of the group's banks in France are covered by an insurance contract of which at least 60% is held with ACM Vie, a fully-consolidated insurance company of the Crédit Mutuel group.

Post-employment benefits under a defined contribution plan

The group's entities contribute to various pension plans managed by independent bodies of the group, for which they do not hold any formal or implicit additional payment obligations, particularly if it becomes evident that the fund's assets are insufficient to cover commitments.

Since such plans do not represent a commitment for the group they are not subject to a provision. Expenses are recognized in the fiscal year in which the contribution must be paid.

Long-term benefits

These are benefits to be paid, other than post-employment benefits and termination benefits, whose payment is expected more than 12 months after the end of the year in which the staff performed the corresponding services, such as long service awards.

The Group's commitment in respect of other long-term benefits is quantified using the projected unit credit method. However, actuarial gains and losses are recognized immediately in profit or loss.

Commitments for long service awards are sometimes covered by insurance policies. Only the unhedged portion of this commitment is subject to a provision.

Supplemental pension plan for employees

In addition to mandatory pension schemes, employees of the entities covered by the group collective agreement also benefit from a supplementary defined contribution pension plan provided by ACM Vie SA.

Termination benefits

These are benefits granted by the group when an employment contract is terminated before the usual retirement age or following the employee's decision to leave the group voluntarily in exchange for an indemnity. The related provisions are discounted if payment is expected to take place more than 12 months after the reporting date.

Short-term benefits

These benefits are expected to be settled within twelve months of the end of the fiscal year, other than termination benefits, such as salaries, social security contributions, and certain premiums.

An expense is recognized for these short-term benefits in the fiscal year in which the services granting entitlement to these benefits were rendered to the business.

1.3.3.4 Fixed assets

Fixed assets included in the balance sheet include property, plant and equipment and intangible assets, as well as investment properties. Operating assets are used for the production of services or for administrative purposes. Investment property consists of real estate assets held to generate rental income and/or capital gains. The historical cost method is used to recognize both operating and investment properties.

Fixed assets are initially recognized at acquisition cost plus any directly attributable costs necessary to make them operational and usable. After initial recognition, fixed assets are valued at historical depreciated cost, i.e. at their cost less accumulated depreciation and impairment losses.

When a fixed asset is comprised of several components that could be subject to replacement at regular intervals, having different rates of use or procuring economic benefits at different rates, each component is recognized separately from the start and each of the components is depreciated according to a scheme that is appropriate to the component. The component approach was retained for operating buildings and investment properties.

The depreciable or amortizable amount of a fixed asset is determined after deducting its residual value, net of disposal costs. As the useful life of fixed assets is generally equal to their expected economic life, no residual value is recognized.

Fixed assets are depreciated or amortized over their estimated useful life at rates reflecting the estimated consumption of the assets' economic benefits by the entity. Intangible assets with an indefinite useful life are not amortized.

Depreciation and amortization charges on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement.

Depreciation charges on investment property are recognized under "Expenses on other activities" in the income statement.

The following depreciation and amortization periods are used:

Property, plant and equipment

- Land and network improvements: 15-30 years;
- Buildings – shell: 20-80 years (depending on type of building);
- Buildings – equipment: 10-40 years;
- Fixtures and fittings: 5-15 years;
- Office furniture and equipment: 5-10 years;
- Safety equipment: 3-10 years;
- Rolling stock: 3-5 years;
- Computer equipment: 3-5 years.

Intangible assets

- Software purchased or developed in-house: 1-10 years;
- Business goodwill acquired: 9-10 years (if customer contract portfolio acquired).

Depreciable property, plant and equipment are subject to depreciation tests when on the reporting date there are indications of impairment loss. Non-amortizable fixed assets such as lease rights are tested for impairment once a year.

If an indication of impairment exists, the recoverable amount of the asset is compared to its net carrying amount. In the event of loss of value, a write-down is recognized on the income statement; it changes the depreciable amount of the asset prospectively. The write-down is repaid in the event of changes to the estimated recoverable amount or if the indications of impairment disappear. The net carrying amount following the reversal of an impairment provision cannot exceed the net carrying amount that would have been calculated if no impairment had been recognized.

Depreciation relating to operating fixed assets is recognized under "Movements in depreciation, amortization" in the income statement.

Impairment charges and reversals on investment property are recognized in the income statement under "Expenses on other activities" and "Income from other activities", respectively.

The gains and losses on disposal of operating fixed assets are recorded on the income statement on the line "Net gains or losses on other assets".

Gains and losses on the disposal of investment property are recorded on the income statement on the line "Income from other activities" or "Expenses from other activities".

1.3.3.5 Fees and commissions

Fees and commissions in respect of services are recorded as income and expenses according to the nature of the services involved.

Fees and commissions linked directly to the grant of a loan are spread using the effective interest method.

Fees and commissions remunerating a service provided on a continuous basis are recognized over the period during which the service is provided.

Fees and commissions remunerating a significant service are recognized in full in the income statement upon execution of the service.

Fee and commissions considered as an additional interest are an integral part of the effective interest rate. These fees and commissions are thus recognized either as interest income or expense.

1.3.3.6 Income taxes

The income tax expense includes all tax, both current and deferred, payable in respect of the income for the period under review.

The income tax payable is determined in accordance with applicable tax regulations.

Deferred taxes

As required by IAS 12, deferred taxes are recognized in respect of temporary differences between the carrying amount of an asset or liability on the consolidated balance sheet and its taxable value, with the exception of goodwill.

Deferred taxes are calculated using the liability method, applying the income tax rates known at the end of the fiscal year, and applicable in subsequent years.

Deferred tax assets net of deferred tax liabilities are recognized only when there is a high probability that they will be utilized. Current or deferred tax is recognized as income or a charge, except for that relating to unrealized or deferred gains or losses recognized in equity, for which the deferred tax is allocated directly to equity.

Deferred tax assets and liabilities are netted if they arise in the same entity or in the same tax group, are subject to the same tax authority and there is a legal right to do so.

Deferred tax is not discounted.

1.3.3.7 Interest borne by the State for certain loans

Pursuant to measures to support the agricultural and rural sector, as well as the purchase of housing, some Group entities grant loans at reduced rates, which are set by the State. Consequently, these entities receive a subsidy from the government equal to the interest rate differential existing between the rate granted to customers and a predefined benchmark rate. As a result, no discounting occurs on loans that benefit from these grants.

The arrangements governing this offset mechanism are periodically reviewed by the State.

Government subsidies received are recognized under "Interest and similar income" and allocated over the life of the corresponding loans, in accordance with IAS 20.

1.3.3.8 Non-current assets held for sale and discontinued operations

Non-current assets, or groups of assets, are classified as held for sale if they are available-for-sale and there is a high probability that their sale will take place within the next 12 months.

The related assets and liabilities are presented over two separate lines on the balance sheet under "non-current assets held for sale" and "liabilities relating to non-current assets held for sale". They are recognized at the lower of their carrying amount and their fair value less selling costs, and are no longer depreciated or amortized.

Any impairment loss on such assets and liabilities is recognized in the income statement.

Discontinued operations consist of businesses held for sale or which have been discontinued, or subsidiaries acquired exclusively with a view to resale. All gains and losses related to discontinued operations are shown separately in the income statement, on the line "Post-tax gain/(loss) on discontinued operations and assets held for sale".

1.3.4 Judgments and estimates used in the preparation of the financial statements

Preparation of the group's financial statements requires the use of assumptions for the purpose of the necessary measurements, which entails risks and uncertainties as to whether these assumptions will materialize in the future.

The future outcome of such assumptions may be influenced by several factors, in particular:

- the activities of national and international markets;
- fluctuations in interest rates and foreign exchange rates;
- economic and political conditions in certain business sectors or countries;
- changes in regulations or legislation.

Accounting estimates requiring the formulation of assumptions are mainly used for the measurement of the following:

- the fair value of financial instruments not quoted on an active market – the definition of a forced transaction and the definition of observable data require the exercise of judgment;
- pension plans and other future employee benefits;
- impairment of assets, in particular expected credit losses;
- provisions;
- impairment of intangible assets and goodwill;
- deferred tax assets.

1.4 Standards and interpretations adopted by the European Union and not yet applied

IFRS 16 – Leases

Published in early 2016, this new standard, adopted by the EU as of October 31, 2017, comes into force as of January 1, 2019. IFRS 16 will replace IAS 17 and the interpretations relating to lease accounting.

Under IFRS 16, for a contract to qualify as a lease, there must be both the identification of an asset and control by the lessee of the right to use said asset.

From the lessor's point of view, the impact is expected to be limited since the provisions adopted remain substantially the same as those of the current IAS 17.

In respect of the lessee, operating leases and finance leases will be recorded in a single model, with recognition of:

- an asset representing the right to use the leased item during the lease term;
- offset by a liability in respect of the lease payment obligation;
- straight-line depreciation of the asset and an interest expense in the income statement using the diminishing balance method.

As a reminder, according to IAS 17, currently in force, no amount is recorded on the lessee's balance sheet for an operating lease and lease payments are shown under operating expenses.

In 2018, the group continued its analysis of the impacts of this standard, the practical details regarding first-time application and implementation in the information systems. The group chose:

- to apply the new lease definition to all current leases. Certain types of equipment will thus be excluded from the scope of application of IFRS 16, due to their substitutable nature (computer equipment in particular, except for a few significant leases that will be capitalized);
- the modified prospective approach and related simplification measures for first-time application. No impact on equity is expected at January 1, 2019;
- exemptions for short terms and low value (set at €5,000);
- failing a clear normative position on whether deferred tax should be taken into account or not, the group has decided to apply the IAS 12 exemptions and thus not to recognize deferred tax, pending a future IASB amendment in this regard.

The group also conducted a review of all its real estate and equipment leases (IT equipment, vehicle fleet, etc.). It will mainly capitalize its real estate leases using, on first application (for the leases not automatically renewed), their remaining life and the corresponding incremental borrowing rate applied to the rent (excluding taxes). Moreover, the group will follow the ANC position on commercial leases: any new lease of this type will be capitalized for a term of 9 years.

IFRIC 23 – Uncertainty over Income Tax Treatments

Published on June 7, 2017, the IFRIC interpretation "IFRIC 23 – Uncertainty over Income Tax Treatments" came into effect on January 1, 2019.

This text induces the presumption that the tax authority:

- will audit all amounts reported;
- has access to all required documentation and knowledge.

The entity must assess the probability that the tax authority will or will not accept the position opted for, and draw the relevant consequences on its taxable income, losses carried forward, unused tax credits and taxation rates. In the event of an uncertain tax position (i.e. it is likely that the tax authority will not accept the position opted for), the amounts payable are appraised on the basis of the most likely amount or the expected amount according to the method that reflects the best estimate of the amount to be paid or received.

At this stage, the group considers that the scope of application of IFRIC 23 is limited to income tax and should not entail any changes to the current practice. At present, a risk is recognized when a tax adjustment is made. Such an adjustment may concern the entity itself, a related entity, or a third entity.

1.5 Standards and interpretations not yet adopted by the European Union

These mainly concern IFRS 17 – Insurance contracts.

IFRS 17 – Insurance Contracts

From 2022, it will replace IFRS 4, which allows insurance companies to conserve their local accounting principles for their insurance contracts and other contracts within the scope of IFRS 4. This makes it difficult to compare the financial statements of entities in this sector.

The aim of IFRS 17 is to harmonize the recognition of the various types of insurance contracts and to base their valuation on a prospective assessment of insurers' commitments. This requires increasing use of complex models and concepts similar to those of Solvency II. Financial communication will also have to be broadly adapted.

Given the numerous, complex issues raised by the various stakeholders (25 points were noted by the IASB), including French bank insurers, the board decided to postpone the implementation of the standard for one year, thus until January 1, 2022. The application of IFRS 9 for insurance entities that have chosen the deferred option (the group case) has also been postponed until the same date.

NOTES TO THE FINANCIAL STATEMENT ITEMS

Explanatory notes are presented in millions of euros.

NOTE 1B First-time application

Reclassification of financial assets and liabilities and impact of IFRS 9 on their measurement

Financial assets	Amount at 12/31/2017 (IAS 39)	Financial assets at fair value through profit or loss		Hedging derivatives	Financial assets at FVOCI		Financial assets at amortized cost		Short-term investments in the insurance business line and reinsurers' share of technical provisions
		Amount reclassified/ maintained	IFRS 9 impact	Amount reclassified/ maintained	Amount reclassified/ maintained	IFRS 9 impact	Amount reclassified/ maintained	IFRS 9 impact	
Financial assets at fair value through profit or loss	31,275	14,815			0	0	0	0	16,550
of which impairment	*0*								
Hedging derivatives	3,418			3,418					0
Available-for-sale financial assets	92,913	892	-3	0	26,811	-20	2,568	-5	62,555
of which impairment	*-1,343*					*-9*		*-5*	
Loans and receivables to credit institutions	50,311	0	0	0	0	0	48,969	-6	1,348
of which impairment	*-53*		*0*					*-6*	
Loans and receivables to customers	224,682	0	0	0	0	0	224,351	-958	70
of which impairment	*-5,923*					*0*		*-958*	
Held-to-maturity financial assets	9,379	0	0		0	0	20	0	9,359
of which impairment	*-24*								
Technical provisions/Other assets									692
Investment property (insurance)	2,628								2,589
Sundry debtors, reclassified	5,950						5,538		
AMOUNTS AT 01/01/2018 (IFRS 9)		**15,704**		**3,418**	**26,791**		**280,477**		**93,163**

Financial liabilities	Amount at 12/31/2017 (IAS 39)	Financial liabilities at fair value through profit or loss	Due to credit institutions		Due to customers		Debt securities		Liabilities related to insurance business policies
		Amount reclassified/ maintained	Amount reclassified/ maintained	IFRS 9 impact	Amount reclassified/ maintained	IFRS 9 impact	Amount reclassified/ maintained	IFRS 9 impact	
Financial liabilities at fair value through profit or loss	9,221	5,455							3,766
of which financial liabilities at FVO	*3,766*	*0*							*3,766*
Debt securities at amortized cost	112,453						112,452	0	0
Due to credit and similar institutions at amortized cost	50,586		50,775	0					-187
Amounts due to customers at amortized cost	184,014				184,014	0			
Subordinated debt at amortized cost	8,375						8,376	0	0
Liabilities related to insurance business policies	84,289								84,289
Sundry creditors, reclassified	3,930		3,701		-92				320
Amounts at 01/01/2018 (IFRS 9)		**5,455**	**54,476**		**183,922**		**120,828**		**88,188**

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Guarantee deposits, which were recognized under "Sundry debtors/creditors" in 2017, were reclassified into "Loans – credit institutions", "Loans and receivables due from customers at amortized cost", "Due to credit institutions" and "Due to customers".

The notes to the financial statements affected by IFRS 9 – Financial Instruments present a comparison at January 1, 2018.

Impacts of first-time application of IFRS 9 by type	Reported shareholders' equity
As of 01/01/2018 excluding IFRS 9	**27,604**
Effect of reclassifications at fair value through profit or loss	-2
Effect of reclassifications at fair value through shareholders' equity	8
Effect of reclassifications at amortized cost	-13
Reversal of collective impairment, IAS 39	417
IFRS 9 impairment	-1,495
Effect of deferred taxes	290
Equity method	-51
AS OF 01/01/2018 AFTER APPLICATION OF IFRS 9	**26,758**

Financial assets at FVOCI reclassified to assets at amortized cost	Fair value at 12/31/2018	Fair value gain/loss which would have been recognized over the fiscal year without reclassification in profit/loss or OCI
Financial assets at fair value through shareholders' equity reclassified as assets at amortized cost	2,144	-34
■ Government securities and similar	1,646	-223
■ Bonds and other fixed-income securities	498	189

NOTE 2 Analysis of the balance sheet and income statement by business segment and geographic area

The businesses are as follows:

- retail banking comprises the CIC regional banks, TARGOBANK in Germany and Spain, COFIDIS and all specialized businesses whose products are marketed by the network: real estate and equipment leasing, factoring, collective management, employee savings, real estate;
- the insurance business line is composed of Groupe des Assurances du Crédit Mutuel;
- financing and market businesses are composed of:

a) financing of large companies and institutional customers, specialized financing, international business and foreign branches,

b) capital markets which are composed of investments in interest rate, currency and equity activities, including stock market brokering;

- private banking brings together companies whose main business occurs in France and abroad;
- private equity in proprietary trading and financial engineering form one business center;
- the holding structure brings together those items that cannot be assigned to another business (holding company) as well as the press and logistics structures: intermediary holdings, non-controlling interests, operating real estate hosted in specific entities, press and IT entities.

Consolidated entities are fully allocated to their core business based on their contribution to the consolidated financial statements. Only two entities are an exception, CIC and BFCM because of their presence in several businesses. In this case, the annual financial statements are broken down analytically. The balance sheet is broken down in the same way.

2a Balance sheet breakdown by business

12/31/2018	Retail banking	Insurance	Financing and markets	Private banking	Private equity	Logistics and holding company services	Total
ASSETS							
Cash, central banks	2,855		1,679	3,154		47,829	55,518
Financial assets at fair value through profit or loss	281		13,303	150	2,537	2,016	18,287
Hedging derivatives	8		401	9		2,646	3,063
Financial assets at amortized cost	208,841	1	34,917	16,596	23	43,901	304,278
■ *of which loans and receivables to credit institutions and similar at amortized cost*	*6,406*	*1*	*5,673*	*1,502*	*2*	*43,738*	*57,322*
■ *of which loans and receivables to customers at amortized cost*	*202,083*		*28,761*	*12,987*	*12*	*158*	*244,000*
Financial assets at fair value through shareholders' equity	186		11,302	64		15,641	27,194
Short-term investments in the insurance business line and reinsurers' share of technical provisions		108,740					108,740
Investment in equity consolidated companies	74	144				564	782
LIABILITIES							
Central banks						350	350
Financial liabilities at fair value through profit or loss			3,964	158		268	4,390
Hedging derivatives – Liabilities	9		1,354	81		912	2,356
Due to credit institutions			62,197				62,197
Due to customers	156,498		11,202	21,991	10	3,759	193,459
Debt securities	19,075		16,411	16		84,253	119,755

2b Breakdown of income statement by business

12/31/2018	Retail banking	Insurance	Financing and markets	Private banking	Private equity	Logistics and holding company services	Interbank business	Total
Net banking income	7,302	1,720	639	551	278	-60	-77	10,354
General operating expenses	-4,298	-553	-324	-375	-50	-529	77	-6,051
Gross operating income	3,005	1,167	316	176	229	-589	0	4,303
Cost of counterparty risk	-776		8	-16	1	-22		-805
Earnings on other assets*	5	28	0	26		107		167
Profit/(loss) before tax	2,233	1,195	323	186	230	-503		3,664
Income tax	-786	-389	-86	-47	1	83		-1,224
Post-tax gains and losses on discontinued assets	0							0
Net profit/(loss)	**1,448**	**806**	**237**	**139**	**231**	**-420**		**2,440**
Non-controlling interests								356
Net profit/(loss) attributable to the group								**2,084**

* *Includes net profit/(loss) of entities accounted for using the equity method and impairment losses on goodwill (Notes 17 and 20).*

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12/31/2017	Retail banking	Insurance	Financing and markets	Private banking	Private equity	Logistics and holding company services	Interbank business	Total
Net banking income	7,078	1,678	765	509	259	199	-67	10,422
General operating expenses	-4,217	-493	-321	-353	-48	-613	67	-5,979
Gross operating income	2,860	1,185	444	155	212	-414	0	4,443
Cost of counterparty risk	-769		-11	-5		2		-783
Earnings on other assets*	-11	31	0	4		-342		-317
Profit/(loss) before tax	2,081	1,216	433	154	212	-754		3,342
Income tax	-697	-517	-142	-35	1	-152		-1,541
Post-tax gains and losses on discontinued assets				22				22
Net profit/(loss)	**1,384**	**699**	**291**	**141**	**213**	**-905**		**1,824**
Non-controlling interests								275
Net profit/(loss) attributable to the group								**1,549**

* *Includes net profit/(loss) of entities accounted for using the equity method and impairment losses on goodwill.*

2c Balance sheet breakdown by geographic area

	12/31/2018				01/01/2018			
	France	Europe excluding France	Other countries*	Total	France	Europe excluding France	Other countries*	Total
ASSETS								
Cash, central banks	48,287	5,547	1,684	55,518	49,529	5,424	989	55,941
Financial assets at fair value through profit or loss	15,656	155	2,476	18,287	14,073	154	1,478	15,704
Hedging derivatives	3,050	9	5	3,063	3,408	6	5	3,418
Financial assets at amortized cost	251,811	44,798	7,669	304,278	234,032	40,260	6,184	280,477
of which loans and receivables to credit institutions	*54,686*	*1,790*	*846*	*57,322*	*52,460*	*1,089*	*580*	*54,129*
of which loans and receivables to customers	*196,758*	*40,580*	*6,661*	*244,000*	*181,308*	*36,520*	*5,315*	*223,143*
Financial assets at fair value through shareholders' equity	21,248	311	5,636	27,194	22,635	296	3,860	26,791
Investments in insurance business and shares of reinsurers in technical provisions	104,444	4,296	0	108,740	91,600	1,562	0	93,163
Investment in associates	551	0	231	782	958	104	631	1,693
LIABILITIES								
Central banks	350	0	0	350	285	0	0	285
Financial liabilities at fair value through profit or loss	4,056	159	176	4,390	5,116	154	186	5,455
Hedging derivatives	2,273	81	2	2,356	3,237	107	1	3,344
Due to credit institutions	47,255	6,682	8,260	62,197	43,392	6,106	4,979	54,477
Due to customers	150,812	41,765	882	193,459	144,939	38,283	700	183,922
Debt securities	107,427	5,122	7,206	119,755	103,968	2,653	5,832	112,453

* *USA, Singapore, Hong-Kong, Saint Martin, Tunisia and Morocco.*

2d Breakdown of income statement by geographic area

	12/31/2018				12/31/2017			
	France	Europe excluding France	Other countries*	Total	France	Europe excluding France	Other countries*	Total
Net banking income**	7,235	2,940	179	10,354	7,472	2,776	173	10,422
General operating expenses	-4,272	-1,698	-81	-6,051	-4,263	-1,628	-88	-5,979
Gross operating income	2,963	1,242	98	4,303	3,209	1,149	85	4,443
Cost of counterparty risk	-428	-378	1	-805	-446	-348	10	-783
Earnings on other assets***	50	26	91	167	-391	-8	82	-318
Profit/(loss) before tax	2,584	890	190	3,664	2,372	793	177	3,342
Net overall profit/(loss)	1,639	625	175	2,440	1,125	536	162	1,824
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**1,336**	**580**	**169**	**2,084**	**902**	**490**	**156**	**1,549**

* *USA, Singapore, Hong-Kong, Saint Martin, Tunisia and Morocco.*

** *29.7% of NBI (excluding the logistics and holding business line) was generated abroad in 2018.*

*** *Includes net profit/(loss) of entities accounted for using the equity method and impairment losses on goodwill.*

NOTE 3 Consolidation scope

3a Composition of the consolidation scope

The parent company of the group is Banque Fédérative du Crédit Mutuel.

Compared to December 31, 2017, the changes in the consolidation scope are:

- entries into scope: ACMN vie SA, Nord Europe Assurance (NEA), Nord Europe Life Luxembourg (NELL), CPBK Ré, Banque de Luxembourg Investments SA;
- mergers, takeovers: ACMN vie SA with ACM vie SA, Nord Europe Assurance (NEA) with GACM SA, ACMN IARD with ACM IARD, Targo Management AG with Targobank AG, Targo Realty Services with Targo Deutschland, Targo Commercial Finance with Targobank AG, Transatlantique gestion with Dubly Douilhet, Amsyr Agrupacio with Agrupacio AMCI;
- change in consolidation method: Nord Europe Life Belgium (NELB) from the equity method to full consolidation, ACMN IARD from the equity method to full consolidation;
- exits from scope: disposal of CPBK Ré, disposal of ACM Ré, deconsolidation of BMCE.

In 2018, the Groupe des Assurances du Crédit Mutuel finalized the acquisition merger of Nord Europe Assurance and its subsidiaries. These operations were validated by the competent supervisory authorities and notably by the ACPR in a decision published in the official journal dated June 27, 2018. In the consolidated financial statements, the operation was analyzed as a group of companies held under common control due to the consolidation of both holdings by the Confédération Nationale du Crédit Mutuel.

Banque de Luxembourg Investments SA. This entity, which is a wholly-owned subsidiary of Banque de Luxembourg, had hitherto been excluded from the consolidation scope, as it did not meet the materiality criteria set out in note 1 concerning accounting principles. The profit (loss) of Banque de Luxembourg Investments SA was included in the accounts of Banque de Luxembourg through fees and commissions. However, the coming into force of MIFID II in 2018 substantially modified the treatment of commissions between those two entities. In the aim of providing a better economic vision of the group, a decision was made in 2018 to consolidate Banque de Luxembourg Investments SA. The cumulative retained earnings of Banque de Luxembourg Investments SA, amounting to €18 million, were recognized in the income statement under "Gains/(losses) on other assets".

The exit from the scope of BMCE was carried out on September 30, 2018 and was motivated in particular by the repeated inability of the group to exercise its influence over the management decisions of the company. From September 30, 2018, BMCE securities have been recognized at fair value through profit or loss. The deconsolidation generated no significant impact on the group's income statement.

		12/31/2018			12/31/2017		
	Country	Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
A. BANKING NETWORK							
Banque Européenne du Crédit Mutuel (BECM)	France	96	96	FC	96	96	FC
BECM Francfort (branch of BECM)	Germany	100	96	FC	100	96	FC
BECM Saint-Martin (branch of BECM)	Saint-Martin	100	96	FC	100	96	FC
CIC Est (East)	France	100	99	FC	100	99	FC
CIC Iberbanco	France	100	100	FC	100	100	FC
CIC Lyonnaise de Banque (LB)	France	100	99	FC	100	99	FC
CIC Nord Ouest (Northwest)	France	100	99	FC	100	99	FC
CIC Ouest (West)	France	100	99	FC	100	99	FC
CIC Sud Ouest (Southwest)	France	100	99	FC	100	99	FC
Crédit Industriel et Commercial (CIC)	France	100	99	FC	100	99	FC
CIC Hong-Kong (branch of CIC)	Hong-Kong	100	99	FC	100	99	FC
CIC Londres (branch of CIC)	United Kingdom	100	99	FC	100	99	FC
CIC New York (branch of CIC)	United States	100	99	FC	100	99	FC
CIC Singapore (branch of CIC)	Singapore	100	99	FC	100	99	FC
CIC Grand Cayman (branch of CIC)**	Cayman Islands	100	98	FC			
TARGOBANK AG	Germany	100	100	FC	100	100	FC
TARGOBANK Spain	Spain	100	100	FC	100	100	FC
B. SUBSIDIARIES OF THE BANKING NETWORK							
Bancas	France	50	50	EM	50	50	EM
Banque du Groupe Casino	France	50	50	EM	50	50	EM
Banque Européenne du Crédit Mutuel Monaco	Monaco	100	96	FC	100	96	FC
Cartes et Crédits Consommation (C2C)	France	100	100	FC	100	100	FC
CM-CIC Asset Management	France	74	74	FC	74	74	FC
CM-CIC Bail	France	100	99	FC	99	99	FC
CM-CIC Bail Espagne (subsidiary of CM-CIC Bail)	Spain	100	99	FC	100	99	FC
CM-CIC Caution Habitat SA	France	100	100	FC	100	100	FC
CM-CIC Épargne Salariale	France	100	99	FC	100	99	FC
CM-CIC Factor	France	95	95	FC	96	95	FC
CM-CIC Gestion	France	100	74	FC	100	74	FC
CM-CIC Home Loan SFH	France	100	100	FC	100	100	FC
CM-CIC Lease	France	100	100	FC	100	100	FC
CM-CIC Leasing Benelux	Belgium	100	99	FC	100	99	FC
CM-CIC Leasing GmbH	Germany	100	99	FC	100	99	FC
CM-CIC Leasing Solutions SAS	France	100	100	FC	100	100	FC
Cofacredit	France	100	100	FC	64	64	FC
COFIDIS Belgique	Belgium	100	71	FC	100	71	FC
COFIDIS France	France	100	71	FC	100	71	FC
COFIDIS Espagne (branch of COFIDIS France)	Spain	100	71	FC	100	71	FC
COFIDIS Hongrie (branch of COFIDIS France)	Hungary	100	71	FC	100	71	FC
COFIDIS Portugal (branch of COFIDIS France)	Portugal	100	71	FC	100	71	FC
COFIDIS SA Pologne (branch of COFIDIS France)	Poland	100	71	FC	100	71	FC
COFIDIS SA Slovaquie (branch of COFIDIS France)	Slovakia	100	71	FC	100	71	FC

		12/31/2018			12/31/2017		
	Country	Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
COFIDIS Italy	Italy	100	71	FC	100	71	FC
COFIDIS République Tchèque	Czech Republic	100	71	FC	100	71	FC
Creatis	France	100	71	FC	100	71	FC
Factofrance	France	100	100	FC	100	100	FC
FCT CM-CIC Home loans	France	100	100	FC	100	100	FC
Gesteurop	France	100	99	FC	100	99	FC
Lyf SA (ex Fivory)	France	46	46	EM	44	44	EM
Monabanq	France	100	71	FC	100	71	FC
SCI La Tréflière	France	46	46	EM	46	46	EM
Targo Commercial Finance AG	Germany			MGD	100	100	FC
Targo Factoring GmbH	Germany	100	100	FC	100	100	FC
Targo Finanzberatung GmbH	Germany	100	100	FC	100	100	FC
Targo Leasing GmbH	Germany	100	100	FC	100	100	FC
C. CORPORATE BANKING AND CAPITAL MARKETS							
Cigogne Management	Luxembourg	100	100	FC	100	100	FC
D. PRIVATE BANKING							
Banque de Luxembourg	Luxembourg	100	99	FC	100	99	FC
Banque de Luxembourg Investments SA (BLI)	Luxembourg	100	99	FC			
Banque Transatlantique (BT)	France	100	99	FC	100	99	FC
Banque Transatlantique Londres (branch of BT)	United Kingdom	100	99	FC	100	99	FC
Banque Transatlantique Belgium	Belgium	100	99	FC	100	99	FC
Banque Transatlantique Luxembourg	Luxembourg	100	99	FC	100	99	FC
CIC Suisse	Switzerland	100	99	FC	100	99	FC
DublyTransatlantique Gestion (ex Dubly-Douilhet Gestion)	France	100	99	FC	100	99	FC
Transatlantique Gestion	France			MGD	100	99	FC
E. PRIVATE EQUITY							
CM-CIC Capital (ex CM-CIC Capital et Participations)	France	100	99	FC	100	99	FC
CM-CIC Conseil	France	100	99	FC	100	99	FC
CM-CIC Innovation	France	100	99	FC	100	99	FC
CM-CIC Investissement	France	100	99	FC	100	99	FC
CM-CIC Investissement SCR	France	100	99	FC	100	99	FC
F. LOGISTICS AND HOLDING COMPANY SERVICES							
Banque de Tunisie	Tunisia	34	34	EM	34	34	EM
Banque Marocaine du Commerce Extérieur (BMCE)	Morocco			NC	26	26	EM
CIC Participations	France	100	99	FC	100	99	FC
COFIDIS Participations	France	71	71	FC	71	71	FC
Euro-Information	France	26	26	EM	26	26	EM
Euro Protection Surveillance	France	25	25	EM	25	25	EM
Groupe Républicain Lorrain Communication (GRLC)	France	100	100	FC	100	100	FC
L'Est Républicain	France	100	100	FC	95	95	FC
Mutuelles Investissement	France	90	90	FC	90	90	FC
SAP Alsace	France	100	100	FC	99	99	FC

		12/31/2018			12/31/2017		
	Country	Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
Société d'Investissements Médias (SIM)	France	100	100	FC	100	100	FC
Société de Presse Investissement (SPI)	France	100	100	FC	100	100	FC
Targo Deutschland GmbH	Germany	100	100	FC	100	100	FC
Targo Dienstleistungs GmbH	Germany	100	100	FC	100	100	FC
Targo Technology (ex IT Consulting) GmbH	Germany	100	100	FC	100	100	FC
Targo Technology (ex IT Consulting) GmbH Singapour (branch of Targo Technology GmbH)	Singapore	100	100	FC	100	100	FC
Targo Management AG	Germany			MGD	100	100	FC
Targo Realty Services GmbH	Germany			MGD	100	100	FC
G. INSURANCE COMPANIES							
ACM GIE	France	100	66	FC	100	73	FC
ACM IARD	France	96	64	FC	96	71	FC
ACM Nord IARD	France			MGD	49	36	EM
ACM Nord Vie SA	France			MGD			
ACM RE	Luxembourg			NC	100	73	FC
ACM Services	France	100	66	FC	100	73	FC
ACM Vie SA	France	100	66	FC	100	73	FC
Adepi	France	100	99	FC	100	99	FC
Agrupació AMCI d'Assegurances i Reassegurances S.A.	Spain	95	63	FC	95	70	FC
Targopensiones, entidad gestora de fondos de pensiones, S.A. (ex Agrupación pensiones)	Spain	100	63	FC	100	70	FC
Agrupació serveis administratius	Spain	100	63	FC	100	70	FC
AMDIF	Spain	100	63	FC	100	70	FC
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	Spain	100	66	FC	100	73	FC
AMSYR	Spain			MGD	100	70	FC
Asesoramiento en Seguros y Previsión Atlantis SL	Spain	80	53	FC	80	59	FC
Asistencia Avançada Barcelona	Spain	100	63	FC	100	70	FC
ASTREE Assurances	Tunisia	30	20	EM	30	22	EM
Atlantis Asesores SL	Spain	80	53	FC	80	59	FC
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Spain	60	40	FC	60	44	FC
Atlantis Vida, Compañía de Seguros y Reaseguros SA	Spain	88	59	FC	88	66	FC
CPBK RE	Luxembourg			NC			
GACM España	Spain	100	66	FC	100	73	FC
Groupe des Assurances du Crédit Mutuel (GACM)	France	66	66	FC	73	73	FC
ICM Life	Luxembourg	100	66	FC	100	73	FC
Margem-Mediação Seguros, Lda	Portugal	100	71	FC	100	71	FC
Nord Europe Assurances (NEA)	France			MGD			
NELB (North Europe Life Belgium)	Belgium	100	66	FC	49	36	EM
Nord Europe Life Luxembourg (NELL)	Luxembourg	100	66	FC			
Partners	Belgium	100	66	FC	51	37	FC
Procourtage	France	100	66	FC	100	73	FC
Royale Marocaine d'Assurance (ex RMA Watanya)	Morocco	22	15	EM	22	16	EM

	Country	12/31/2018 Percentage Control	12/31/2018 Percentage Interest	12/31/2018 Method*	12/31/2017 Percentage Control	12/31/2017 Percentage Interest	12/31/2017 Method*
Serenis Assurances	France	100	66	FC	100	73	FC
Targo seguros mediacion (ex Voy Mediación)	Spain	90	58	FC	90	65	FC
H. OTHER COMPANIES							
Affiches d'Alsace Lorraine	France	100	99	FC	100	99	FC
Alsacienne de Portage des DNA	France	100	99	FC	100	99	FC
CM-CIC Immobilier	France	100	100	FC	100	100	FC
Est Bourgogne Médias	France	100	100	FC	100	100	FC
Foncière Massena	France	100	66	FC	100	73	FC
France Régie	France	100	99	FC	100	99	FC
GEIE Synergie	France	100	71	FC	100	71	FC
Groupe Dauphiné Media	France	100	100	FC	100	100	FC
Groupe Progrès	France	100	100	FC	100	100	FC
Groupe Républicain Lorrain Imprimeries (GRLI)	France	100	100	FC	100	100	FC
Journal de la Haute Marne	France	50	50	EM	50	48	EM
La Liberté de l'Est	France	97	97	FC	97	92	FC
La Tribune	France	100	100	FC	100	100	FC
Le Dauphiné Libéré	France	100	100	FC	100	100	FC
Le Républicain Lorrain	France	100	100	FC	100	100	FC
Les Dernières Nouvelles d'Alsace	France	99	99	FC	99	99	FC
Lumedia	Luxembourg	50	50	EM	50	50	EM
Mediaportage	France	100	100	FC	100	99	FC
Presse Diffusion	France	100	100	FC	100	100	FC
Publiprint Province n° 1	France	100	100	FC	100	100	FC
Républicain Lorrain Communication	France	100	100	FC	100	100	FC
Républicain Lorrain – TV news	France	100	100	FC	100	100	FC
SCI ACM	France	78	51	FC	78	57	FC
SCI Le Progrès Confluence	France	100	100	FC	100	100	FC
SCI Provence Lafayette	France	90	59	FC	67	49	FC
SCI 14 Rue de Londres	France	90	59	FC	67	49	FC
SCI Saint Augustin	France	88	58	FC	67	49	FC
SCI Tombe Issoire	France	100	66	FC	100	73	FC
Société d'Édition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	France	100	100	FC	100	100	FC

* Method: FC = Full consolidation; EM = Equity Method; NC = Non-Consolidated; MGD = Merged.

** Entity included in the accounts of the New York branch, the sole purpose being to refinance the New York branch through borrowing transactions in dollars from money market funds.

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3b Information on entities included in the consolidation scope

Article L.511-45 of the French Monetary and Financial Code requires credit institutions to publish information on their establishments and their activities in each state or territory.

The country of each establishment is mentioned in the scope of consolidation.

The group has no establishments fulfilling the criteria defined in the order dated October 6, 2009 in non-cooperative states or territories shown on the list determined by the order dated April 8, 2016.

Country	Net banking income	Income (loss) before tax	Current tax	Deferred taxes	Other taxes and social security contributions	Workforce	Public subsidies
Germany	1,616	625	-148	-21	-106	5,803	0
Belgium	145	44	-15	2	-8	610	0
Spain	412	81	-30	8	-21	2,469	0
United States of America	118	78	-8	-4	-10	87	0
France	7,232	3,667	-929	-16	-1,083	28,940	0
Hong-Kong	7	2	-0	0	-0	13	0
Hungary	36	5	0	0	-2	338	0
Italy	49	6	-0	0	-4	236	0
Luxembourg	335	166	-33	4	-27	936	0
Morocco[1]	0	73	0	0	0	0	0
Monaco	2	1	0	-0	-0	9	0
Poland	2	-1	0	0	-0	46	0
Portugal	172	94	-30	3	-6	714	0
Czech Republic	7	-2	0	0	-1	146	0
United Kingdom	38	22	2	0	-4	68	0
Saint-Martin (Dutch part)	3	1	0	0	-0	9	0
Singapore	51	33	-3	0	-4	137	0
Slovakia	2	-3	0	0	-1	57	0
Switzerland	125	44	-6	-1	-11	338	0
Tunisia[1]	0	18	0	0	0	0	0
TOTAL	**10,354**	**4,953**	**-1,200**	**-25**	**-1,289**	**40,956**	**0**

(1) Entities consolidated by the equity method.

3c Entities fully consolidated having significant non-controlling interests

	Share of non-controlling interests in the consolidated financial statements				Financial information relative to the fully consolidated entity*			
12/31/2018	Percentage of interest	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Balance sheet total	Net profit/ (loss)	Undisclosed reserves	NBI
Groupe des Assurances du Crédit Mutuel (GACM)	34%	284	3,472	-128	116,088	806	938	1,720
COFIDIS Belgique	29%	4	207	0	852	13	0	97
COFIDIS France	29%	19	320	0	8,593	71	-4	546

* *Amounts before elimination of intercompany balances and transactions.*

	Share of non-controlling interests in the consolidated financial statements				Financial information relative to the fully consolidated entity*			
12/31/2017	Percentage of interest	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Balance sheet total	Net profit/ (loss)	Undisclosed reserves	NBI
Groupe des Assurances du Crédit Mutuel (GACM)	27%	201	2,567	-78	100,064	682	1,176	1,678
COFIDIS Belgique	29%	2	208	0	831	8	-1	98
COFIDIS France	29%	18	317	0	8,292	55	-4	525

* *Amounts before elimination of intercompany balances and transactions.*

3d Equity investments in structured non-consolidated entities

The group is related to structured non-consolidated entities in the context of its activities and to fulfill the requirements of its customers.

The main categories of sponsored structured non-consolidated entities are the following:

- ABCP securitization conduit:

  The group has a conduit, named General Funding Ltd, whose function is to carry out the refinancing by commercial paper of securitization transactions carried out by its customers. The group intervenes by giving the conduit a guarantee concerning the investment of the commercial paper.

- Asset financing:

  The group grants loans to structured entities whose sole purpose is to hold assets to be leased; the rents received enable the structured entity to repay its borrowings. These entities are dissolved following the financing transaction. The group is generally the sole shareholder.

  For these two categories, the maximum exposure to losses in respect of the structured entities corresponds to the carrying amount of the structured entity's financed asset.

- Collective investment undertakings or funds:

  The group acts as fund manager and custodian. It offers its customers funds in which its purpose is not to invest. The group markets and manages these funds, dedicated or public, and is paid for this by commissions.

For certain funds offering guarantees to unit holders, the group may be the counterparty to swaps put in place. In the exceptional cases where the group is both the manager and investor in such a way that it may be assumed to be acting primarily for proprietary trading, this entity would then be brought within the scope of consolidation.

An interest in a structured non-consolidated entity is a contractual or non-contractual connection that exposes the group to the variable yields associated with the performance of the entity.

The risk of the group is essentially an operational risk of breach of its management mandate or its mandate as custodian and, where applicable, the group is also exposed to risk up to the amounts invested.

No financial support has been granted to the structured entities of the group over the fiscal year.

12/31/2018	Securitization vehicle (SPV)	Asset management (UCITS/REIT)*	Other structured entities**
Balance sheet total	0	23,733	1,974
Carrying amounts of financial assets	0	11,962	949

** The amounts indicated concern UCITS held at more than 20% and which the group manages, including account units held by insured parties.*
*** The other structured entities correspond to asset financing entities.*

12/31/2017	Securitization vehicle (SPV)	Asset management (UCITS/REIT)*	Other structured entities**
Balance sheet total	0	20,778	2,237
Carrying amounts of financial assets	0	9,787	954

** The amounts indicated concern UCITS held at more than 20% and which the group manages, including account units held by insured parties.*
*** The other structured entities correspond to asset financing entities.*

NOTE 4 Cash, central banks (asset/liability)

	12/31/2018	01/01/2018
Cash, central banks – asset		
Central banks	54,659	55,134
of which mandatory reserves	*1,980*	*1,765*
Cash	859	807
Total	**55,518**	**55,941**
Central banks – liability	**350**	**285**

NOTE 5 Financial assets and liabilities at fair value through profit or loss

5a Financial assets at fair value through profit or loss

	12/31/2018				01/01/2018			
	Transaction	Fair value option	Other FVPL	Total	Transaction	Fair value option	Other FVPL	Total
Titres	**10,455**	**418**	**4,014**	**14,887**	**8,822**	**470**	**3,134**	**12,426**
■ Government securities	774	0	0	774	865	0	0	865
■ Bonds and other debt securities	9,135	418	149	9,702	6,989	470	125	7,584
■ Listed	9,135	82	25	9,242	6,989	107	47	7,143
■ Non-listed	0	336	124	460	0	363	78	441
of which UCIs	*130*		*7*	*137*	*98*		*0*	*98*
■ Shares and other capital instruments	546		3,158	3,704	968		2,276	3,244
■ Listed	546		1,007	1,553	968		271	1,239
■ Non-listed	0		2,151	2,151	0		2,005	2,005
■ Long-term investments			707	707			733	733
■ Investments in non-consolidated companies			202	202			222	222
■ Other long-term investments			180	180			204	204
■ Investments in subsidiaries and associates			324	324			306	306
■ Other long-term investments			1	1			1	1
Derivative instruments	**3,398**			**3,398**	**3,279**			**3,279**
TOTAL	**13,853**	**418**	**4,014**	**18,285**	**12,101**	**470**	**3,134**	**15,705**

5b Financial liabilities at fair value through profit or loss

	12/31/2018	01/01/2018
Financial liabilities held for trading	4,390	5,455
Financial liabilities at fair value through profit or loss on option	0	0
TOTAL	**4,390**	**5,455**

FINANCIAL LIABILITIES HELD FOR TRADING

	12/31/2018	01/01/2018
Short sales of securities	1,227	2,111
■ Government securities	3	0
■ Bonds and other debt securities	585	917
■ Shares and other capital instruments	639	1,194
Trading derivatives	3,159	3,248
Other financial liabilities held for trading	4	96
TOTAL	**4,390**	**5,455**

5c Analysis of trading derivatives

	12/31/2018			01/01/2018		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
TRADING DERIVATIVES						
Rate instruments	383,539	2,042	1,812	341,985	2,103	2,027
Swaps	76,014	1,697	1,680	73,924	1,999	1,841
Other firm contracts	282,649	6	4	244,581	7	7
Options and conditional instruments	24,876	339	128	23,480	97	179
Foreign exchange instruments	123,131	980	881	127,180	869	846
Swaps	88,385	37	44	90,727	45	53
Other firm contracts	7,749	846	740	10,177	705	682
Options and conditional instruments	26,997	97	97	26,276	119	111
Other than rates and foreign exchange	27,187	375	466	23,010	307	375
Swaps	10,668	93	130	12,995	131	162
Other firm contracts	8,401	14	90	5,526	42	75
Options and conditional instruments	8,118	268	246	4,489	134	138
TOTAL	**533,857**	**3,397**	**3,159**	**492,175**	**3,279**	**3,248**

Swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged elements are valued with a BOR curve. The difference resulting from the use of different valuation curves for the hedged items and the hedging instruments is accounted for as hedge ineffectiveness.

Moreover, the value of derivatives takes counterparty risk into account.

NOTE 6 Hedging

6a Hedging derivatives

	12/31/2018			01/01/2018		
Hedging derivatives	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Fair Value Hedges	191,959	3,064	2,357	144,659	3,418	3,344
Swaps	86,814	3,067	2,356	95,172	3,422	3,343
Other firm contracts	103,504	0	0	47,399	0	0
Options and conditional instruments	1,641	-3	1	2,088	-4	1
TOTAL	**191,959**	**3,064**	**2,357**	**144,659**	**3,418**	**3,344**

Swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged elements are valued with a BOR curve. The difference resulting from the use of different valuation curves for the hedged items and the hedging instruments is accounted for as hedge ineffectiveness.

Moreover, the value of derivatives takes counterparty risk into account.

MATURITY SCHEDULE OF THE NOMINAL VALUE OF HEDGING DERIVATIVES

Hedging derivatives	Less than 3 months	3 months to less than 1 year	1 to 5 years	Over 5 years	12/31/2018
Fair Value Hedges	8,140	13,979	78,657	91,182	191,959
Swaps	6,702	7,188	45,617	27,307	86,814
Other firm contracts	1,327	6,456	31,848	63,873	103,504
Options and conditional instruments	112	336	1,192	1	1,641
TOTAL	**8,140**	**13,979**	**78,657**	**91,182**	**191,959**

6b Remeasurement adjustment on interest-risk hedged portfolios

	12/31/2018	01/01/2018
FAIR VALUE OF PORTFOLIO INTEREST RATE RISK		
■ in financial assets	696	429
■ in financial liabilities	19	-270

The presentation of the remeasurement adjustment was modified as of January 1, 2018. The net amount resulting from the adjustment of hedged assets and liabilities is now recognized under assets or liabilities.

6c Items micro-hedged under Fair Value Hedging

ASSET ITEMS HEDGED

	12/31/2018		
	Carrying amount	Of which revaluation relating to hedging	Of which revaluation for the fiscal year*
Loans and receivables due from credit institutions at amortized cost	23,235	0	0
Customer loans at amortized cost	86,453	717	-3
Securities at amortized cost	1,455	55	-20
Financial assets at fair value through equity	16,373	109	8
TOTAL	**127,516**	**881**	**-15**

* *To recognize the inefficiency of hedging over the fiscal year.*

LIABILITY ITEMS HEDGED

	12/31/2018		
	Carrying amount	Of which revaluation relating to hedging	Of which revaluation for the fiscal year*
Debt securities	53,798	1,031	3
Due to credit institutions	12,656	822	2
Due to customers	26,082	8	0
TOTAL	**92,536**	**1,861**	**5**

** To recognize the inefficiency of hedging over the fiscal year.*

NOTE 7 Financial assets at fair value through shareholders' equity

7a Financial assets at fair value through shareholders' equity by product type

	12/31/2018	01/01/2018
Government securities	9,574	11,023
Bonds and other debt securities	17,078	15,152
■ Listed	16,697	14,788
■ Non-listed	381	364
Accrued interest	156	167
Debt securities sub-total, gross	**26,808**	**26,342**
Of which impaired debt securities (S3)	2	141
Impairment of performing loans (S1/S2)	-11	-9
Other impairment (S3)	-1	-1
Debt securities sub-total, net	**26,796**	**26,332**
Shares and other capital instruments	16	83
■ Listed	13	13
■ Non-listed	3	70
Long-term investments	383	377
■ Investments in non-consolidated companies	60	59
■ Other long-term investments	185	144
■ Investments in subsidiaries and associates	138	174
Sub-total capital instruments	**399**	**460**
TOTAL	**27,195**	**26,792**
Of which unrealized capital gains or losses recognized under equity	-97	-4
Of which investments in listed non-consolidated companies	-1	-1

7b List of main non-consolidated equity investments

		% held	Equity	Balance sheet total	Net banking income or revenue	Net profit/(loss)
Ardian Holding	Unlisted	<20%	382	829	429	264
Banque Marocaine du Commerce Extérieur[1]	Listed	<30%	24,684	313,344	13,368	2,844
Covivio (formerly Foncière des Régions)	Listed	<10%	10,168	21,733	850	1,353
Covivio Hôtels (formerly Foncière des Murs)	Listed	10%	2,405	4,380	205	284
Crédit Logement	Unlisted	<10%	1,871	10,770	239	121
CRH (Caisse de Refinancement de l'Habitat)	Unlisted	<40%	563	32,180	0	0

The figures (except the percentage held) relate to fiscal year 2017.
(1) In millions of Moroccan dirhams.

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7c Exposure to sovereign risk

COUNTRIES BENEFITING FROM A SUPPORT PLAN

	12/31/2018		01/01/2018	
Net exposures*	**Portugal**	**Irlande**	**Portugal**	**Irlande**
Financial assets at fair value through profit or loss	22		8	
Financial assets at fair value through other comprehensive income		195	52	115
Investments in insurance business line	17	21		15
TOTAL	**38**	**216**	**60**	**130**

* *The amounts of net exposure are after taking into account the share in the profit of insured parties for the insurance part.*

Residual contract term	Portugal	Ireland	Portugal	Ireland
< 1 year		88	50	
1 to 3 years	1	5		93
3 to 5 years		30	2	30
5 to 10 years	19	93	5	7
more than 10 years	18		3	
TOTAL	**38**	**216**	**60**	**130**

OTHER SOVEREIGN EXPOSURES OF THE BANKING PORTFOLIO

	12/31/2018		01/01/2018	
Net exposure	**Spain**	**Italy**	Spain	Italy
Financial assets at fair value through profit or loss	65	93	42	98
Financial assets at fair value through other comprehensive income	504	290	282	647
TOTAL	**569**	**383**	**324**	**745**

Capital markets activities are shown at market value, and other businesses at nominal value. The exposures are presented net of CDS.

Residual contract term	Spain	Italy	Spain	Italy
< 1 year		283	169	565
1 to 3 years	14	51	26	82
3 to 5 years	41	40	36	33
5 to 10 years	124	5	58	54
more than 10 years	390	4	35	11
TOTAL	**569**	**383**	**324**	**745**

NOTE 8 Fair value hierarchy of financial instruments carried at fair value

12/31/2018	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS IFRS 9				
Fair value through other comprehensive income	23,053	2,726	1,415	27,193
Government securities and similar instruments	9,612	37	0	9,648
Bonds and other debt securities	13,293	2,687	1,152	17,147
Shares and other capital instruments	19	2	0	15
Investments and other long-term securities	129	0	101	245
Investments in subsidiaries and associates	0	0	161	138
Trading/Fair value option/Other	10,623	3,734	3,930	18,286
Government securities and similar instruments – Trading	615	159	0	774
Government securities and similar instruments – Fair value option	0	0	0	0
Government securities and similar instruments – Other FVPL	0	0	0	0
Bonds and other debt securities – Trading	7,882	926	327	9,135
Bonds and other debt securities – Fair value option	35	20	363	418
Bonds and other debt securities – Other FVPL	102	0	48	149
Shares and other equity instruments – Trading	546	0	0	546
Shares and other equity instruments – Other FVPR[1]	1,193	0	2,026	3,158
Investments and other long-term securities – Other FVPL	3	0	389	383
Investments in subsidiaries and associates – Other FVPL	0	0	217	325
Derivatives and other financial assets – Trading	247	2,629	560	3,398
Hedging derivatives	0	3,052	11	3,063
TOTAL	**33,676**	**9,512**	**5,356**	**48,542**
FINANCIAL ASSETS IAS 39 – INVESTMENTS OF THE INSURANCE BUSINESS LINE				
Fair value through profit or loss	21,348	4,751	0	26,099
Transaction	0	0	0	0
Fair value option – debt securities	2,167	3,093	0	5,260
Fair value option – capital instruments	19,181	1,658	0	20,839
Hedging derivatives	0	0	0	0
Available-for-sale assets	63,048	1,911	520	65,479
of which SPPI assets	*61,284*	*89*	*9*	*61,382*
Government securities and similar instruments	16,066	0	0	16,066
Bonds and other debt securities	37,742	81	0	37,824
Shares and other capital instruments	8,458	1,809	1	10,267
Equity investments, shares in subsidiaries and associates and other long-term investments	782	21	519	1,322
TOTAL	**84,396**	**6,662**	**520**	**91,579**
FINANCIAL LIABILITIES IFRS 9				
Trading/Fair value option	1,443	2,168	779	4,390
Derivatives and other financial liabilities – Trading	1,443	2,168	779	4,390
Hedging derivatives	0	2,336	21	2,356
TOTAL	**1,443**	**4,503**	**800**	**6,746**
FINANCIAL LIABILITIES RELATED TO IAS 39 INSURANCE BUSINESS POLICIES				
Fair value through profit or loss	0	5,315	0	5,315
Transaction	0	-1	0	-1
Fair value option	0	5,316	0	5,316
Hedging derivatives	0	0	0	0
Total	**0**	**5,315**	**0**	**5,315**

(1) Notably includes the equity investments held by the group's private equity companies.

- Level 1: prices quoted in an active market.
- Level 2: prices quoted in active markets for similar instruments, and measurement method in which all significant inputs are based on observable market information.
- Level 3: measurement based on internal models containing significant unobservable inputs.

Instruments in the trading portfolio classified under levels 2 or 3 mainly consist of derivatives and securities considered as illiquid.

There are uncertainties surrounding the measurement of all these instruments, which result in value adjustments reflecting the risk premium that a market participant would incorporate when establishing the price.

Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions and the counterparty risk present in the fair value of over-the-counter derivatives. The methods used may change. The latter include the own counterparty risk present in the fair value of over-the-counter derivatives.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

FAIR VALUE HIERARCHY – LEVEL 3

12/31/2018	Opening	Purchases	Sales	Transfers	Gains and losses in the income statement	Gains and losses in equity	Other movements	Closing
Shares and other equity instruments – Other FVPL	1,846	524	-642	62	240	0	-3	2,026

NOTE 9 Details of securitization outstandings

As requested by the banking supervisor and the markets regulator, an analysis is provided below of sensitive exposures based on FSB recommendations.

The trading portfolios and the portfolios of securities at fair value through other comprehensive income were valued at market price based on external data sourced from organized markets, leading brokers or, when no price was available, based on comparable securities quoted in the market.

Summary	Carrying amount 12/31/2018
RMBS	1,518
CMBS	543
CLO	3,211
Other ABS	2,404
Sub-total	**7,677**
RMBS hedged by CDS	0
CLO hedged by CDS	0
Other ABS hedged by CDS	0
RMBS program liquidity lines	0
ABCP program liquidity lines	215
TOTAL	**7,892**

Unless otherwise indicated, securities are not hedged by CDS.

Exposures on 12/31/2018	RMBS	CMBS	CLO	Other ABS	Total
Trading	472	-	-	253	725
Financial assets at fair value through equity	810	543	2,951	1,895	6,199
Financial assets at amortized cost	237	-	260	256	753
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
France	251	-	555	644	1,450
Spain	125	-	-	195	320
United Kingdom	344	-	135	211	690
Europe excluding France, Spain and the UK	310	-	363	1,199	1,871
USA	293	543	639	1	1,476
Other	197	-	1,519	155	1,870
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
US Agencies	125	-	-	-	125
AAA	1,045	543	3,041	1,634	6,262
AA	141	-	120	508	770
A	20	-	38	57	115
BBB	7	-	-	200	207
BB	18	-	-	7	24
B or below	162	-	-	-	162
Not rated	-	-	11	-	11
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
Origination 2005 and earlier	60	-	-	-	60
Origination 2006-2008	283	-	-	56	338
Origination 2009-2011	31	1	-	-	32
Origination 2012-2018	1,144	542	3,211	2,349	7,247
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**

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NOTE 10 Netting of financial assets and liabilities

12/31/2018	Gross value of financial assets	Gross value of financial liabilities offset on balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet			Net amount
				Impact of framework offsetting agreements	Financial instruments received as guarantee	Cash received (cash collateral)	
FINANCIAL ASSETS							
Derivatives	8,038	-1,576	6,462	-1,118	0	-3,194	2,150
Repurchase agreements	19,813	0	19,813	0	-19,527	-185	102
TOTAL	**27,851**	**-1,576**	**26,275**	**-1,118**	**-19,527**	**-3,379**	**2,252**

12/31/2018	Gross amount of financial liabilities	Gross value of financial assets offset on balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet			Net amount
				Impact of framework offsetting agreements	Financial instruments given as guarantee	Cash paid (cash collateral)	
FINANCIAL LIABILITIES							
Derivatives	7,090	-1,576	5,514	-1,150	0	-2,828	1,536
Repurchase agreements	36,221	0	36,221	0	-35,429	-791	1
TOTAL	**43,311**	**-1,576**	**41,735**	**-1,150**	**-35,429**	**-3,619**	**1,537**

01/01/2018	Gross value of financial assets	Gross value of financial liabilities offset on balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet			Net amount
				Impact of framework offsetting agreements	Financial instruments received as guarantee	Cash received (cash collateral)	
FINANCIAL ASSETS							
Derivatives	6,698	0	6,698	-1,819	0	-2,747	2,132
Repurchase agreements	17,662	0	17,662	0	-17,570	-69	24
TOTAL	**24,360**	**0**	**24,360**	**-1,819**	**-17,570**	**-2,816**	**2,156**

01/01/2018	Gross amount of financial liabilities	Gross value of financial assets offset on balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet			Net amount
				Impact of framework offsetting agreements	Financial instruments given as guarantee	Cash paid (cash collateral)	
FINANCIAL LIABILITIES							
Derivatives	6,592	0	6,592	-1,860	0	-3,563	1,169
Repurchase agreements	29,344	0	29,344	0	-29,135	-208	1
TOTAL	**35,936**	**0**	**35,936**	**-1,860**	**-29,135**	**-3,771**	**1,170**

These disclosures, required by an amendment to IFRS 7, seek to provide a basis for comparison with the treatment under generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IFRS.

The amounts shown in the 2nd column correspond to the offset of carrying amounts under IAS 32, for transactions processed going through a clearing house.

The column entitled "Impact of master offsetting agreements" corresponds to outstanding transactions under enforceable contracts that are not offset for accounting purposes. These include transactions for which the right to offset is exercised in case of the default, insolvency or bankruptcy of one of the parties to the contracts. They relate to derivatives and repurchase agreements, whether or not processed via clearing houses.

The "Financial instruments received/given in guarantee" column shows the market value of securities exchanged as collateral.

The "Cash collateral received/paid" column shows the guarantee deposits received or given in respect of the positive or negative market values of financial instruments. They are recognized under "Other assets or liabilities" in the balance sheet.

NOTE 11 Financial assets at amortized cost

	12/31/2018	01/01/2018
Loans and receivables due from credit institutions	57,322	54,130
Loans and receivables due from customers	243,999	223,142
Securities at amortized cost	2,957	3,205
TOTAL	**304,278**	**280,477**

11a Securities at amortized cost

	12/31/2018	01/01/2018
Titres	3,156	3,267
■ Government securities	1,921	2,246
■ Bonds and other debt securities	1,235	1,021
■ Listed	489	396
■ Non-listed	746	625
Accrued interest	14	20
TOTAL GROSS	**3,170**	**3,287**
of which impaired assets (S3)	392	356
Impairment of performing loans (S1/S2)	0	-1
Other impairment (S3)[1]	-213	-81
TOTAL NET	**2,957**	**3,205**

(1) The change in other S3 depreciations relates to a transfer of provisions from liabilities (see note 21a).

11b Loans and receivables due from credit institutions at amortized cost

	12/31/2018	01/01/2018
■ Performing loans (S1/S2)	57,076	53,952
Accounts of the Crédit Mutuel network[1]	5,757	4,604
Other ordinary accounts	3,365	2,266
Loans	35,832	33,117
Other receivables	4,945	6,128
Repurchase agreements	7,177	7,836
■ Individually-impaired receivables, gross (S3)	0	0
■ Accrued interest	249	183
■ Impairment of performing loans (S1/S2)	-3	-6
■ Other impairment (S3)	0	0
TOTAL	**57,322**	**54,129**

(1) Mainly concerns outstanding CDC repayments (LEP, LDD, Livret bleu, Livret A).

11c Loans and receivables to customers at amortized cost

	12/31/2018	01/01/2018
Performing loans (S1/S2)	227,075	207,334
Commercial loans	15,323	14,749
Other customer receivables	211,317	192,198
■ Home loans	82,037	76,202
■ Other loans and receivables including repurchase agreements	129,280	115,996
Accrued interest	436	388
Insurance and reinsurance receivables	0	0
Individually-impaired receivables, gross (S3)	9,064	9,136
Receivables, gross	**236,139**	**216,470**
Impairment of performing loans (S1/S2)	-1,419	-1,332
Other impairment (S3)	-5,120	-5,244
SUB TOTAL I	**229,600**	**209,894**
Finance leases (net investment)	14,273	13,127
■ Equipment	9,983	9,045
■ Real estate	4,290	4,082
Individually-impaired receivables, gross (S3)	427	429
Impairment of performing loans (S1/S2)	-110	-106
Other impairment (S3)	-190	-201
SUB TOTAL II	**14,400**	**13,249**
TOTAL	**244,000**	**223,143**
of which subordinated loans	13	14
of which repurchase agreements	9,350	7,337

FINANCE LEASE TRANSACTIONS WITH CUSTOMERSV

	01/01/2018	Increase	Decrease	Other	12/31/2018
Gross carrying amount	13,556	1,690	-512	-34	14,700
Impairment of non-recoverable lease payments	-307	-142	146	3	-300
Net carrying amount	13,249	1,548	-366	-31	14,400

MATURITY ANALYSIS OF MINIMUM FUTURE LEASE PAYMENTS RECEIVABLE UNDER FINANCE LEASES*

	< 1 year	> 1 year and < 5 years	> 5 years	Total
Minimum future lease payments receivable	3,606	7,067	2,677	13,350
Present value of future lease payments	3,543	6,906	2,295	12,744
UNEARNED FINANCIAL INCOME	**63**	**161**	**382**	**606**

** These figures do not include CM-CIC Leasing Solutions SAS.*

NOTE 12 Financial liabilities at amortized cost

12a Debt securities at amortized cost

	12/31/2018	01/01/2018
Certificates of deposit	38	113
Interbank certificates and Negotiable dept instruments	56,406	55,395
Bonds	62,544	56,164
Non-preferred senior securities	0	0
Related debt	767	780
TOTAL	**119,755**	**112,452**

12b Due to credit institutions

	12/31/2018	01/01/2018
Other ordinary accounts	13,920	12,471
Borrowings	15,182	11,719
Other debts	4,193	6,708
Repurchase agreements	28,807	23,536
Related debt	95	43
TOTAL	**62,197**	**54,477**

The group participates in TLTRO II (Targeted Long Term Refinancing Operation) proposed by the ECB up to €9,994 million on December 31, 2018.

12c Amounts due to customers at amortized cost

	12/31/2018	01/01/2018
Special savings accounts	55,208	52,397
■ on demand	40,349	38,184
■ in the future	14,859	14,213
Related liabilities on savings accounts	1	1
Sub-total	**55,209**	**52,398**
Demand accounts	101,845	91,818
Term deposits and borrowings	34,227	37,531
Repurchase agreements	2,024	2,017
Related debt	144	144
Other debts	10	13
Insurance and reinsurance debts	0	0
Sub-total	**138,250**	**131,523**
TOTAL	**193,459**	**183,921**

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NOTE 13 Gross values and movements in impairment provisions

13a Gross values subject to impairment

	12/31/2018	01/01/2018
Financial assets at amortized cost – loans and receivables due from credit institutions, subject to	57,325	54,135
12-month expected losses (S1)	57,312	54,073
with expected losses at maturity (S2)	13	62
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
Financial assets at amortized cost – loans and receivables due from customers, subject to	250,840	230,026
12-month expected losses (S1)	220,047	199,572
with expected losses at maturity (S2)	21,302	20,889
of which customer receivables coming under IFRS 15	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	9,447	9,538
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	44	27
Financial assets at amortized cost – securities	3,170	3,287
with 12-month expected losses (S1)	2,778	2,894
with expected losses at maturity (S2)	0	37
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	392	356
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
Financial assets at fair value through other comprehensive income – debt securities	26,808	26,342
12-month expected losses (S1)	26,699	25,996
with expected losses at maturity (S2)	107	205
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	2	141
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
Financial assets at fair value through other comprehensive income – Loans subject to	0	0
12-month expected losses (S1)	0	0
with expected losses at maturity (S2)	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
TOTAL	**338,143**	**313,790**

13b Movements in impairment provisions

	01/01/2018	Allowances	Reversals	Other	12/31/2018
Financial assets at amortized cost – loans and receivables due from credit institutions	-6	-2	4	1	-3
Financial assets at amortized cost – loans and receivables due from customers	-6,883	-1,653	1,709	-12	-6,839
Financial assets at amortized cost – securities	-82	-3	7	-135	-213
Financial assets at fair value through equity – debt securities	-10	-6	5	-1	-12
Financial assets at fair value through equity – loans	0	0	0	0	0
TOTAL	**-6,981**	**-1,664**	**1,725**	**-147**	**-7,067**

	01/01/2018	Allowances	Reversals	Other	12/31/2018
Loans and receivables due from credit institutions	**-6**	**-1**	**2**	**-1**	**-6**
of which originated credit-impaired assets (S3)	0	0	0	0	0
12-month expected losses (S1)	-3	-2	1	1	-3
expected losses at maturity (S2)	-3	0	3	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Customer loans	**-6,883**	**-1,653**	**1,709**	**-12**	**-6,839**
of which originated credit-impaired assets (S3)	0	0	0	0	0
12-month expected losses (S1)	-682	-334	261	0	-755
expected losses at maturity (S2)	-759	-363	344	4	-774
of which customer receivables coming under IFRS 15	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-5,442	-956	1,104	-17	-5,311
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at amortized cost – securities	**-82**	**-3**	**7**	**-135**	**-213**
of which originated credit-impaired assets (S3)	0	0	0	0	0
12-month expected losses (S1)	0	0	0	0	0
expected losses at maturity (S2)	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-81	-3	7	-136	-213
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at FVOCI – debt securities	**-10**	**-6**	**5**	**-1**	**-12**
of which originated credit-impaired assets (S3)	0	0	0	0	0
12-month expected losses (S1)	-9	-6	5	-1	-11
expected losses at maturity (S2)	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-1	0	0	0	-1
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
TOTAL	**-6,981**	**-1,663**	**1,723**	**-149**	**-7,070**

NOTE 14 Investments/assets and liabilities relative to contracts under the insurance business line

14a Short-term investments in the insurance business line and reinsurers' share of technical provisions

Financial assets	12/31/2018	01/01/2018
Fair value through profit or loss	26,099	16,550
■ transaction	0	1
■ fair value option – debt securities	5,260	1,258
■ fair value option – capital instruments	20,839	15,291
Hedging derivatives	0	0
Available-for-sale[1]	65,479	62,555
■ government securities and similar instruments	16,066	14,688
■ bonds and other debt securities	37,824	36,044
■ shares and other capital instruments	10,267	10,567
■ equity investments, shares in subsidiaries and associates and other long-term investments	1,322	1,256
Loans and receivables	2,624	1,418
Held-to-maturity	10,559	9,359
Sub-total financial assets	**104,761**	**89,882**
Investment property	**3,228**	**2,589**
Shares of reinsurers in the technical provisions and other assets	**751**	**692**
TOTAL	**108,740**	**93,163**

The fair value of buildings recognized at amortized cost is €4,120 million on 12/31/2018.
(1) Of which SPPI assets €61,382 million.

BREAKDOWN BY STANDARD & POOR'S RATING OF SPPI INSURANCE ASSETS

Standard & Poor's rating	SPPI insurance assets
AAA	6%
AA+	2%
AA	27%
AA-	5%
A+	10%
A	13%
A-	10%
BBB+	9%
BBB	6%
BBB-	1%
NN*	11%
TOTAL	**100%**

* *Not rated.*

14b Liabilities relative to contracts of the insurance business line

Technical provisions of insurance policies	12/31/2018	01/01/2018
Life	80,963	71,701
Non-life	3,763	3,389
Account units	11,716	8,903
Other	307	297
Total	**96,749**	**84,290**
Of which deferred profit sharing liabilities	*10,302*	*10,748*
Deferred profit-sharing assets	0	0
Share of reinsurers in the technical provisions	348	310
NET TECHNICAL PROVISIONS	**96,401**	**83,980**

Financial liabilities	12/31/2018	01/01/2018
Fair value through profit or loss	5,315	3,766
■ Transaction	-1	0
■ Fair value option	5,316	3,766
Due to credit institutions	167	-187
Subordinated debt	300	0
Sub-total	**5,782**	**3,579**
Other liabilities	**337**	**320**
TOTAL	**6,119**	**3,899**

NOTE 15 Income tax

15a Current tax

	12/31/2018	01/01/2018
Assets (through profit or loss)	1,111	1,164
Liabilities (through profit or loss)	373	530

15b Deferred tax

	12/31/2018	01/01/2018
Assets (through profit or loss)	950	973
Assets (through shareholders' equity)	182	169
Liabilities (through profit or loss)	614	610
Liabilities (through shareholders' equity)	344	511

Analysis of deferred taxes by major categories

	12/31/2018		01/01/2018	
	Assets	Liabilities	Assets	Liabilities
Tax loss carried forward				
Temporary differences in				
■ Provisions	719		703	
■ Finance leasing undisclosed reserves		352		237
■ re-valuation of financial instruments	378	617	348	774
■ Accrued expenses and accrued income	148	72	124	47
■ Earnings of flow-through entities				
■ Insurance business line	75	127	15	138
■ Other temporary differences	80	61	60	38
■ Tax deficits	3		4	
Netting	-271	-271	-113	-113
TOTAL DEFERRED TAX ASSETS AND LIABILITIES	**1,132**	**958**	**1,141**	**1,121**

Deferred taxes are calculated using the liability method.

NOTE 16 Accruals and other assets and liabilities

16a Accruals and other assets

	12/31/2018	01/01/2018
ACCRUALS ASSETS		
Collection accounts	158	177
Currency adjustment accounts	267	51
Accrued income	483	578
Other accruals	3,194	1,605
Sub-total	**4,102**	**2,411**
OTHER ASSETS		
Securities settlement accounts	103	85
Miscellaneous receivables	3,604	3,745
Inventories and similar	25	9
Other miscellaneous uses	32	32
Sub-total	**3,764**	**3,871**
TOTAL	**7,866**	**6,282**

16b Accruals and other liabilities

	12/31/2018	01/01/2018
ACCRUALS LIABILITIES		
Accounts unavailable due to recovery procedures	25	290
Currency adjustment accounts	85	54
Accrued expenses	891	848
Deferred income	664	661
Other accruals	5,002	1,822
Sub-total	**6,667**	**3,675**
OTHER LIABILITIES		
Securities settlement accounts	422	594
Outstanding amounts payable on securities	71	79
Sundry creditors	1,245	1,244
Sub-total	**1,738**	**1,917**
TOTAL	**8,405**	**5,592**

NOTE 17 Investments in equity-consolidated companies

17a Share of net profit/(loss) of equity-consolidated companies

12/31/2018	Country	% interest	Value under equity consolidation method	Share of net profit/(loss)	Dividends received	Fair value of the investment (if quoted)
ENTITIES UNDER SIGNIFICANT INFLUENCE						
ASTREE Assurances	Tunisia	30.00%	14	1	1	19
Banque de Tunisie	Tunisia	34.00%	160	16	7	171
Banque Marocaine du Commerce Extérieur (BMCE)**	Morocco	NA	NA	56	19	NA
Euro-Information	France	26.36%	367	28	0	NC*
Euro Protection Surveillance	France	25.00%	35	6	0	NC*
Lyf SA (ex Fivory)	France	46.00%	8	-1	0	NC*
Royale Marocaine d'Assurance (ex RMA Watanya)	Morocco	22.02%	130	17	12	NC*
SCI La Tréflière	France	46.09%	10	0	0	NC*
Other equity investments			2	0		NC*
Total (1)			**726**	**125**	**39**	
JOINT VENTURE						
Bancas	France	50.00%	1	0	0	NC*
Banque du groupe Casino	France	50.00%	55	5	0	NC*
Total (2)			**56**	**5**	**0**	
TOTAL (1) + (2)			**782**	**130**	**39**	

** NC: Not communicated.*

*** Exited from scope of BMCE in 2018 following loss of significant influence – see note 3.*

01/01/2018	Country	% interest	Value under equity consolidation method	Share of net profit/(loss)	Dividends received	Fair value of the investment (if quoted)
ENTITIES UNDER SIGNIFICANT INFLUENCE						
ACM Nord IARD	France	49.00%	39	8	8	NC*
ASTREE Assurances	Tunisia	30.00%	14	2	1	23
Banco Popular Español	Spain	3.95%	0	-246	0	0
Banque de Tunisie	Tunisia	34.00%	159	15	7	166
Banque Marocaine du Commerce Extérieur (BMCE)	Morocco	26.21%	833	-130	18	897
CMCP – Crédit Mutuel Cartes de Paiement	France	45.05%	0	0	0	NC*
Euro-Information	France	26.36%	340	26	1	NC*
Euro Protection Surveillance	France	25.00%	29	7	0	NC*
Lyf SA (ex Fivory)	France	43.50%	8	0	0	NC*
NELB (North Europe Life Belgium)	Belgium	49.00%	104	1	2	NC*
Royale Marocaine d'Assurance (ex RMA Watanya)	Morocco	22.02%	114	20	11	NC*
SCI La Tréflière	France	46.09%	10	0	0	NC*
Other equity investments			2	0	0	NC*
Total (1)			**1,653**	**-296**	**49**	
JOINT VENTURE						
Bancas	France	50.00%	1	0	0	NC*
Banque du groupe Casino	France	50.00%	40	-4	0	NC*
Total (2)			**40**	**-4**	**0**	
TOTAL (1) + (2)			**1,693**	**-300**	**49**	

* *NC: Not communicated.*

17b Financial data published by the main equity consolidated companies

	12/31/2018					
	Balance sheet total	Net banking income or revenue	GOI	Net profit/(loss)	Reserves OCI	Equity
ENTITIES UNDER SIGNIFICANT INFLUENCE						
ASTREE Assurance[1]	525	122	22	17	55	179
Banque de Tunisie[1] [2]	5,279	269	164	136	NC*	801
Euro-Information[2]	1,292	1,132	167	97	0	1,106
Euro Protection Surveillance[2]	199	161	41	26	0	149
Lyf SA (ex Fivory)	18	-1	-1	-1	0	16
RMA Watanya[2] [3]	351,720	18,695	4,630	1,119	3,961	6,558
JOINT VENTURE						
Banque Casino	1,198	136	63	9	0	112

(1) In millions of Tunisian dinars.
(2) Amounts 2017.
(3) In millions of Moroccan dirhams.
* *NC: Not communicated.*

	12/31/2017					
	Balance sheet total	Net banking income or revenue	GOI	Net profit/ (loss)	Reserves OCI	Equity
ENTITIES UNDER SIGNIFICANT INFLUENCE						
ACM Nord	215	159	26	17	2	74
ASTREE Assurance[1]	441	146	23	14	39	155
Banque de Tunisie[1] [2]	4,718	236	129	101	NC*	730
Banque Marocaine du Commerce Extérieur [2] [3]	305,923	12,990	5,615	2,835	-6	23,583
Euro-Information[2]	1,181	1,052	137	89	0	1,011
Euro Protection Surveillance[2]	169	150	36	23	0	123
Lyf SA (ex Fivory)	18	0	-1	-1	0	18
RMA Watanya[2] [3]	342,166	17,756	4,551	905	4,997	5,529
JOINT VENTURE						
Banque Casino	978	118	53	6	0	97

(1) In millions of Tunisian dinars.
(2) Amounts 2016.
(3) In millions of Moroccan dirhams.
** NC: Not communicated.*

NOTE 18 Investment property

	01/01/2018	Increase	Decrease	Other	12/31/2018
Historical cost	66	14	-8	19	91
Depreciation, amortization and impairment	-27	-3	4	-13	-39
NET AMOUNT	**39**	**11**	**-4**	**6**	**52**

The fair value of investment property carried at amortized cost is comparable to its carrying amount.

NOTE 19 Property, plant and equipment and intangible assets

19a Property, plant and equipment

	01/01/2018	Increase	Decrease	Other	12/31/2018
HISTORICAL COST					
Operating sites	471	20	-1	-1	489
Operating buildings	3,054	56	-43	4	3,071
Other property, plant and equipment	1,148	83	-79	1	1,153
Total	**4,673**	**159**	**-123**	**4**	**4,713**
DEPRECIATION, AMORTIZATION AND IMPAIRMENT					
Operating sites	-7	-2	0	0	-9
Operating buildings	-1,918	-103	45	-2	-1,978
Other property, plant and equipment	-892	-48	45	-3	-898
Total	**-2,817**	**-153**	**90**	**-5**	**-2,885**
NET AMOUNT	**1,856**	**6**	**-33**	**-1**	**1,828**

19b Intangible assets

	01/01/2018	Increase	Decrease	Other	12/31/2018
HISTORICAL COST					
■ Internally developed intangible assets	0	0	0	0	0
■ Acquired capital assets	1,408	27	-19	11	1,427
■ Software	497	23	-9	8	519
■ Other	911	4	-10	3	908
Total	**1,408**	**27**	**-19**	**11**	**1,427**
DEPRECIATION, AMORTIZATION AND IMPAIRMENT					
■ Internally developed intangible assets	0	0	0	0	0
■ Acquired capital assets	-875	-42	6	-3	-914
■ Software	-454	-20	1	-1	-474
■ Other	-421	-22	5	-2	-440
Total	**-875**	**-42**	**6**	**-3**	**-914**
NET AMOUNT	**533**	**-15**	**-13**	**8**	**513**

NOTE 20 Goodwill

	01/01/2018	Increase	Decrease	Variation in depreciation	Other	12/31/2018
Gross goodwill	4,539				5	4,544
Write-downs	-490				-5	-495
NET GOODWILL	**4,049**				**0**	**4,049**

Subsidiaries	Value of goodwill on 01/01/2018	Increase	Decrease	Variation in depreciation	Others[1]	Value of goodwill on 12/31/2018
TARGOBANK Allemagne	2,787				63	2,851
Crédit Industriel et Commercial (CIC)	506					506
COFIDIS Participations	378					378
COFIDIS France	79					79
Factofrance SA	68					68
Heller Gmbh and Targo Leasing GmbH	63				-63	0
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	53					53
SIIC Foncière Massena	26					26
CM-CIC Investissement SCR	21					21
Banque de Luxembourg	13					13
Agrupació AMCI d'Assegurances i Reassegurances S.A.	12					12
COFIDIS Italy	9					9
Banque Transatlantique	6					6
Dubly Transatlantique Gestion	5					5
Other	22					22
TOTAL	**4,049**	**0**	**0**	**0**	**0**	**4,049**

(1) Following the merger of Targo Commercial Finance with Targobank AG.

The cash generating units to which the goodwill is assigned are subject to annual tests of their recoverable amount. Impairment is ascertained by depreciation of goodwill when the recoverable amount is less than the carrying amount.

The recoverable amount is determined according to two types of methods:

- the fair value net of sales costs, which is based on observation of valuation multiples on comparable transactions or market parameters adopted by the analysts on entities with similar activities;
- the value in use, which is based on converting future expected cash flows to current value.

To determine the value in use, the cash flows are based on business plans determined by the management over a maximum period of five years, then on projection of a flow to infinity according to a long-term growth rate. The latter is fixed at 2% for the whole of Europe, which is an assumption measured in comparison to inflation rates observed over a very long period.

The cash flow discount rates correspond to the cost of capital, which is determined from a long-term riskless rate, to which a risk premium is added. The risk premium is determined by observation of the sensitivity of the price in relation to the market in the case of a listed asset, or by analyst's estimate in non-listed assets.

The main sensitivity factors of the recoverable amount test based on the value in use are the discount rate and anticipated levels of future flows. When the value in use was used as an impairment test, the parameters and their sensitivity were the following:

	TARGOBANK Allemagne	COFIDIS
	Network bank	Consumer loan
Cost of capital	9.00%	9.00%
Effect of a variation upwards of 50 basis points in the cost of capital	-427	-220
Effect of a 1% drop in future flows	-67	-35

NOTE 21 Provisions and contingent liabilities

21a Provisions

	01/01/2018	Allowances for the fiscal year	Reversals for the fiscal year (utilized provisions)	Reversals for the fiscal year (surplus provisions)	Other variations	12/31/2018
Provisions for risks	**663**	**145**	**-24**	**-165**	**-242**	**377**
On guarantee commitments	***192***	***84***	***-1***	***-85***	***-3***	***187***
■ of which 12-month expected losses (S1)	32	19	0	-18	-2	31
■ of which expected losses at maturity (S2)	40	23	-1	-29	0	33
On financing commitments	***54***	***30***	***-4***	***-28***	***1***	***53***
■ of which 12-month expected losses (S1)	42	23	-3	-18	1	45
■ of which expected losses at maturity (S2)	12	7	-1	-10	0	8
On country risks	0	0	0	0	0	0
Provision for taxes	34	0	-2	-5	-1	26
Provisions for claims and litigation	121	15	-17	-41	-2	76
Provision for risk on miscellaneous receivables	263	16	0	-5	-241	33
Other provisions	**992**	**382**	**-76**	**-23**	**80**	**1,355**
Provisions for mortgage saving agreements	55	9	0	0	0	64
Provisions for miscellaneous contingencies[1]	579	261	-62	-9	111	880
Other provisions[2]	357	112	-14	-14	-30	411
Provisions for retirement commitments	**901**	**51**	**-24**	**-16**	**-43**	**869**
TOTAL	**2,556**	**578**	**-124**	**-204**	**-205**	**2,601**

(1) Other movements in provisions for miscellaneous contingencies include a transfer of provisions of €131 million against assets at amortized cost (see note 11a).

(2) Other provisions mainly include provisions for French economic interest groups (GIE) totaling €339 million.

21b Retirement and other employee benefits

	01/01/2018	Allowances for the fiscal year	Reversals for the fiscal year	Other variations	12/31/2018
DEFINED-BENEFIT PLANS NOT COVERED BY PENSION FUNDS					
Retirement Benefits	673	45	-27	-51	640
Supplementary pensions	147	9	-10	-10	136
Bonuses for long-service awards (other long-term benefits)	70	2	-2	1	71
Sub-total recognized	**890**	**56**	**-39**	**-60**	**847**
SUPPLEMENTARY DEFINED-BENEFIT PENSIONS COVERED BY THE GROUP'S PENSION FUNDS					
Commitments to employees and retirees[1]	11	1	-1	12	23
Fair value of assets					
Sub-total recognized	**11**	**1**	**-1**	**12**	**23**
TOTAL AMOUNT RECOGNIZED	**901**	**57**	**-40**	**-48**	**870**

Defined benefit plans: Main actuarial assumptions	12/31/2018	01/01/2018
Discount rate[2]	1.5%	1.3%
Expected increase in salaries[3]	Minimum 1%	Minimum 1%

(1) The provisions for pension fund shortfalls relate to the group's foreign entities.
(2) The discount rate, which is determined by reference to the long-term rate on private-sector borrowings, is based on the IBOXX index.
(3) The annual increase in salaries is the estimate of future inflation combined with the increase in salaries; it also depends on the age of the employee.

Change to the provision relative to retirement benefits

	12/31/2017	Effect of discounting	Financial income	Cost of services rendered	Other, including past service cost	Actuarial difference related to changes in assumptions: financial	Actuarial difference related to changes in assumptions: demographics	Payment to beneficiaries	Contributions to plan	Mobility transfer	Other	12/31/2018
Commitments	1,242	16	0	40	-1	5	-75	-37	1	0	9	1,200
Non-group insurance policies and externally-managed assets	569	0	4	0	-1	0	-22	-7	18	0	0	560
Provisions	673	16	-4	40	0	5	-53	-30	-17	0	9	640

Discount rate sensitivity

Liability at 19% (-50 bp)	Liability at 2% (+50 bp)	Duration
140	-137	18

	12/31/2016	Effect of discounting	Financial income	Cost of services rendered	Other, including past service cost	Actuarial difference related to changes in assumptions		Payment to beneficiaries	Contributions to plan	Mobility transfer	Other	12/31/2017
						financial	demographics					
Commitments	1,109	13	0	43	-1	0	-21	-32	-2	0	6	1,116
Non-group insurance policies and externally-managed assets	408	0	5	0	0	0	18	0	13	0	0	443
Provisions	701	13	-5	43	-1	0	-39	-32	-14	0	6	673

Variation in the fair value of the assets of the plan

	Fair value of assets 12/31/2017	Effect of discounting	Actuarial difference	Yield of the plan assets	Contributions of participants in the plan	Contributions of the employer	Payments to beneficiaries	Exchange rate effects	Other	Fair value of assets 12/31/2018
Fair value of assets	673	3	-16	26	4	32	-19	0	-36	632

	Fair value of assets 12/31/2016	Effect of discounting	Actuarial difference	Yield of the plan assets	Contributions of participants in the plan	Contributions of the employer	Payments to beneficiaries	Exchange rate effects	Other	Fair value of assets 12/31/2017
Fair value of assets	617	3	-8	31	13	7	-27	0	0	636

Breakdown of fair value of plan assets

	Assets quoted on an active market				Assets not quoted on an active market			
	Debt securities	Capital instruments	Real estate	Other	Debt securities	Capital instruments	Real estate	Other
Composition of the assets of the plan	63%	21%	0%	15%	0%	0%	1%	0%

21c Provisions for risks arising from commitments on mortgage saving agreements

AMOUNTS OUTSTANDING UNDER MORTGAGE SAVING ACCOUNTS AND PLANS

	12/31/2018	01/01/2018
Mortgage saving plans (PEL)		
Contracted less than 10 years ago	6,295	5,824
Contracted more than 10 years ago	4,406	4,472
Total	**10,701**	**10,296**
Amounts outstanding under mortgage saving accounts (CEL)	***645***	***631***
TOTAL MORTGAGE SAVING AGREEMENTS (ACCOUNTS AND PLANS)	**11,346**	**10,927**

LOANS UNDER MORTGAGE SAVING AGREEMENTS

	12/31/2018	12/31/2017
Loans under mortgage saving agreements for which provisions for risks have been recognized in assets	26	37

PROVISIONS ON MORTGAGE SAVING AGREEMENTS

	12/31/2017	Allowances or net reversals	Other variations	12/31/2018
On mortgage saving accounts	4			1
On mortgage saving plans	50	13		63
On loans under mortgage saving agreements	1	-1		-
Total	**55**	**12**		**64**
PROVISIONS FOR MORTGAGE SAVING PLANS, BY MATURITY				
Contracted less than 10 years ago	50	-6		44
Contracted more than 10 years ago	0	19		19
TOTAL	**50**	**13**		**63**

Mortgage savings accounts ("CEL") and mortgage savings plans ("PEL") are government-regulated retail products available in France. These products have a phase of interest-bearing savings giving entitlement to a property loan in a second phase. They generate for the distributor institution two types of commitments:

- future compensation from savings at a fixed rate (only on PELs, the remuneration rate for CELs being akin to a variable rate, periodically revised based on an indexation formula);
- a loan agreement with customers who request it, under predefined conditions (PEL and CEL).

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data.

A provision is recognized in liabilities to cover the future costs relating to the risk that the terms of such products may be potentially unfavorable to the bank, compared to the interest rates offered by the bank to individual customers on similar, but non-regulated, products. This approach is carried out per homogeneous generation in terms of the regulated conditions for PEL. The impacts on profit (loss) are recorded as interest paid to customers.

The change in the provision is mainly due to the implementation of a new rate model (Hull and White), which has replaced the Cox-Ingersoll-Ross (CIR) model.

NOTE 22 Subordinated debt

	12/31/2018	01/01/2018
Subordinated debt	6,116	6,613
Participating loans	21	23
Perpetual subordinated debt	1,506	1,661
Related debt	81	79
TOTAL	**7,724**	**8,376**

Principal subordinated debt

In € millions	Type	Issue date	Amount of Issuance	Fiscal year-end amount[1]	Rate	Maturity
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	10/22/2010	€1,000m	€916m	4.00	10/22/2020
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	05/21/2014	€1,000m	€1,000m	3.00	05/21/2024
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	09/11/2015	€1,000m	€1,000m	3.00	09/11/2025
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	03/24/2016	€1,000m	€1,000m	2.375	03/24/2026
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	11/04/2016	€700m	€700m	1.875	11/04/2026
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	03/31/2017	€500m	€500m	2.625	03/31/2027
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	11/15/2017	€500m	€500m	1.625	11/15/2027
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	05/25/2018	€500m	€500m	2.500	05/25/2028
CIC	Participatory	05/28/1985	€137m	€9m	[2]	[3]
Banque Fédérative du Crédit Mutuel	TSS	12/15/2004	€750m	€730m	[4]	TBD
Banque Fédérative du Crédit Mutuel	TSS	02/25/2005	€250m	€250m	[5]	TBD

(1) Net amounts from intra-group.

(2) Minimum 85% (TAM + TMO)/2 Maximum 130% (TAM + TMO)/2.

(3) Non-amortizable but repayable at borrower's discretion as from May 28, 1997 at 130% of the face value incremented at the rate of 1.5% for each subsequent year.

(4) CMS 10 years ISDA CIC +10 basis points.

(5) CMS 10 years ISDA +10 basis points.

NOTE 23 Reserves related to capital and reserves

23a Shareholders' equity – Group share (excluding profit and loss and unrealized gains and losses)

	12/31/2018	01/01/2018
Capital and reserves related to capital	6,198	6,198
■ Capital	1,689	1,689
■ Issue premium, contribution, merger, split, conversion	4,509	4,509
Consolidated reserves	16,662	15,042
■ Regulated reserves	9	9
■ Other reserves (including effects related to initial application)	16,653	15,033
of which profit on disposal of capital instruments	*6*	*0*
TOTAL	**22,860**	**21,240**

23b Unrealized or deferred gains or losses

	12/31/2018	01/01/2018
UNREALIZED OR DEFERRED GAINS OR LOSSES* RELATING TO:		
■ insurance business investments (assets available-for-sale)	621	862
■ financial assets at fair value through recyclable shareholders' equity – debt instruments	-30	149
■ financial assets at fair value through non-recyclable shareholders' equity – capital instruments	-51	-97
■ Cash flow hedges (CFH)	3	4
■ Other	-195	-273
TOTAL	**348**	**645**

* *Balances net of corporation tax and after shadow accounting treatment.*

23c Recycling of gains and losses directly recognized in shareholders' equity

	12/31/2018 Movements	01/01/2018 Movements
Translation adjustments		
Reclassification in net profit/(loss)	0	0
Other movements	42	-146
Sub-total	42	-146
Remeasurement of financial assets at FVOCI – debt instruments		
Reclassification in net profit/(loss)	0	3
Other movements	-177	168
Sub-total	-177	171
Remeasurement of financial assets at FVOCI – capital instruments		
Reclassification in net profit/(loss)	-1	-87
Other movements	56	76
Sub-total	55	-11
Remeasurement of insurance business investments		
Reclassification in net profit/(loss)	0	
Other movements	-241	
Sub-total	-241	0
Remeasurement of hedging derivatives		
Reclassification in net profit/(loss)	0	0
Other movements	-2	36
Sub-total	-2	36
Remeasurement of non-current assets	0	0
Remeasurement adjustment due to own credit risk on financial liabilities under fair value option transferred to reserves	0	0
Actuarial gains and losses on defined benefit plans	34	43
Share of unrealized or deferred gains and losses of associates	-9	-26
TOTAL	-299	68

23d Tax relating to gains and losses directly recognized in shareholders' equity

	12/31/2018			01/01/2018		
	Gross value	Taxes	Net value	Gross value	Taxes	Net value
Translation adjustments	42	0	42	-146	0	-146
Remeasurement of financial assets at FVOCI – debt instruments	-211	34	-177	255	-84	171
Remeasurement of financial assets at FVOCI – capital instruments	55	0	55	-53	42	-11
Remeasurement of insurance business investments	-382	140	-241			
Remeasurement of hedging derivatives	-3	1	-2	35	1	36
Remeasurement of non-current assets	0	0	0	0	0	0
Remeasurement adjustment due to own credit risk on financial liabilities under fair value option transferred to reserves	0	0	0	0	0	0
Actuarial gains and losses on defined benefit plans	42	-8	34	65	-22	43
Share of unrealized or deferred gains and losses of associates	-9	0	-9	-86	60	-26
TOTAL CHANGES IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUITY	**-466**	**167**	**-298**	**70**	**-3**	**67**

NOTE 24 Commitments pledged and received

COMMITMENTS GIVEN

	12/31/2018	01/01/2018
Funding commitments	**49,605**	**45,944**
Liabilities due to credit institutions	1,143	1,217
Commitments to customers	48,462	44,727
Guarantee commitments	**21,525**	**19,263**
Credit institution commitments	4,512	3,264
Customer commitments	17,013	15,999
Securities commitments	**3,425**	**1,530**
Securities acquired with option to repurchase	0	0
Other commitments given	3,425	1,530
Commitments pledged from the insurance business line	**2,314**	**1,567**

COMMITMENTS RECEIVED

	12/31/2018	01/01/2018
Funding commitments	**13,322**	**18,234**
Commitments received from credit institutions	13,322	18,234
Commitments received from customers	0	0
Guarantee commitments	**65,882**	**53,072**
Commitments received from credit institutions	44,320	41,073
Commitments received from customers	21,562	11,999
Securities commitments	**1,583**	**452**
Securities sold with option to repurchase	0	0
Other commitments received	1,583	452
Commitments received from the insurance business line	**4,340**	**4,246**

SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	12/31/2018	01/01/2018
Assets sold under repurchase agreements	36,284	29,321
Related liabilities	36,147	29,319

OTHER ASSETS GIVEN AS COLLATERAL FOR LIABILITIES

	12/31/2018	01/01/2018
Security deposits on market transactions	4,434	5,528
TOTAL	**4,434**	**5,528**

For the purposes of its refinancing activities, the group enters into repurchase agreements in respect of debt securities and/or equity securities. This results in the transfer of the ownership of securities that the transferee may in turn lend. Coupons and dividends are the property of the borrower. These transactions are subject to margin calls and the group is exposed to the non-recovery of the securities.

The other assets given as collateral for liabilities relate to derivatives for which margin calls are paid when their fair value is negative. These amounts comprise the initial margins and those paid subsequently.

NOTE 25 Interest income and expense

	12/31/2018		12/31/2017	
	Income	Expenses	Income	Expenses
Credit institutions and central banks	446	-609	507	-391
Customers	10,191	-4,612	9,088	-3,670
of which finance leases and operating leases	4,062	-3,711	3,100	-2,753
Hedging derivatives	3,278	-2,845	2,868	-3,141
Financial assets at fair value through profit or loss	5,038	-4,920	0	0
Financial assets at fair value through shareholders' equity/Assets available-for-sale	385	0	567	0
Securities at amortized cost	135	0	103	0
Debt securities	0	-1,679	0	-1,632
Subordinated debt	0	-25	0	-27
TOTAL	**19,473**	**-14,690**	**13,133**	**-8,861**
of which interest income and expense calculated at effective interest rate	*11,158*	*-6,924*	*10,264*	*-5,719*

As from January 1, 2018, income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). This change was made for the sake of consistency with regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on interest received and paid. In addition, the interests of paying and receiving legs of derivatives are recognized separately in interest income and expense, respectively. As a comparison, under the 2018 presentation, the 2017 income and expenses generated by these assets would have amounted to €4,324 million and -€4,306 million respectively.

NOTE 26 Commissions

	12/31/2018		12/31/2017	
	Income	Expenses	Income	Expenses
Credit institutions	3	-7	4	-9
Customers	1,185	-14	1,168	-13
Titres	797	-58	758	-59
of which activities managed on behalf of third parties	*599*	*0*	*561*	*0*
Derivatives	4	-8	3	-5
Exchange	20	-2	19	-2
Financing and guarantee commitments	44	-3	61	-3
Provision of services	1,747	-1,110	1,615	-1,016
TOTAL	**3,800**	**-1,202**	**3,628**	**-1,107**

NOTE 27 Net gains on financial instruments at fair value through profit or loss

	12/31/2018	12/31/2017
Transaction instruments	214	394
Instruments at fair value on option[1]	29	443
Ineffective portion of hedges	-17	-34
On fair value hedges (FVH)	-17	-34
■ Change in the fair value of hedged items	-119	-196
■ Change in fair value of hedging instruments	102	162
Foreign exchange gains/(losses)	133	62
Other instruments at fair value through profit or loss[1]	225	0
TOTAL CHANGES IN FAIR VALUE	**584**	**866**

(1) Of which €209 million from the private equity business in 2018 classified in other instruments at fair value through profit or loss, compared to €254 million in 2017 classified as fair value instruments on options.

NOTE 28 Net gains or losses on financial assets at fair value through shareholders' equity (2018)/ assets available-for-sale (2017)

	12/31/2018	12/31/2017
Dividends	8	127
of which arises from instruments derecognized over the period:		
■ realized gains and losses on debt instruments	184	270
■ realized gains and losses on capital instruments (2017)		-124
■ realized gains and losses on debt instruments		93
TOTAL	**192**	**366**

NOTE 29 Net gains or losses resulting from derecognition of financial assets at amortized cost

	12/31/2018	12/31/2017
FINANCIAL ASSETS AT AMORTIZED COST		
Gains and losses realized on:	1	0
■ government securities	0	0
■ bonds and other fixed-income securities	1	0
■ loans	0	0
FINANCIAL LIABILITIES AT AMORTIZED COST		
Gains and losses realized on:	0	0
■ unsubordinated notes issued	0	0
■ subordinated notes issued	0	0
TOTAL	**1**	**0**

NOTE 30 Net income from insurance business line

	12/31/2018	12/31/2017
INSURANCE POLICIES		
Premiums earned	11,080	9,353
Service charges	-8,089	-7,002
Change in provisions	-1,341	-2,857
Other technical and non-technical income and expenses	100	79
Net income from investments	277	2,420
Net income on insurance policies	**2,027**	**1,993**
Interest margin/fees	-9	0
Net income on financial assets	**-9**	**0**
Other net income	**8**	**0**
NET INCOME FROM THE INSURANCE BUSINESS LINE	**2,026**	**1,993**

NOTE 31 Income/expenses generated by other activities

	12/31/2018	12/31/2017
INCOME FROM OTHER ACTIVITIES		
Investment property*:	0	3
■ reversal of provisions/depreciation	0	3
■ capital gains on disposals	0	0
Rebilled expenses	86	80
Other income	670	884
Sub-total	**756**	**967**
EXPENSES ON OTHER ACTIVITIES		
Investment property*:	-5	-36
■ additions to provisions/depreciation	-5	-36
■ capital losses on disposals	0	0
Other expenses	-582	-526
Sub-total	**-587**	**-562**
NET TOTAL OF OTHER INCOME AND EXPENSES	**169**	**405**

* *Excludes insurance business line.*

NOTE 32 General operating expenses

	12/31/2018	12/31/2017
Employee benefits expense	-3,256	-3,140
Other expenses	-2,794	-2,838
TOTAL	**-6,050**	**-5,978**

32a Employee benefits expense

	12/31/2018	12/31/2017
Wages and salaries	-2,140	-2,041
Social security contributions[1]	-758	-748
Short-term employee benefits	-3	-2
Employee profit-sharing and incentive schemes	-167	-164
Payroll-based taxes	-188	-181
Other	0	-4
TOTAL	**-3,256**	**-3,140**

(1) The amount of the French Competitiveness and Employment Tax Credit (CICE) recognized as a credit item in employee benefits expense amounted to €38 million in 2018.

The CICE, in particular, made it possible to maintain and even increase funding for employee training to a level well above regulatory allowances and to improve the group's competitiveness overall, notably through efforts:

- investments, particularly in new technologies such as digital tools (tablets) and videoconferencing systems;
- the development of a virtual assistant based on cognitive technologies, designed to provide even greater quality of service to both members and customers;
- in development of new payment modes by telephone and ancillary services;
- in the search for new services for business clientele;
- in the use of electronic signatures to sign contracts remotely.

AVERAGE WORKFORCE

	12/31/2018	12/31/2017[1]
Bank technical staff	24,636	24,512
Managers	16,320	16,051
Total	**40,956**	**40,563**
Of which France	28,940	28,863
Of which those abroad	12,016	11,700
TOTAL	**40,956**	**40,563**

(1) After applying the group method to the calculation of Targobank Group FTEs in Germany.

	12/31/2018	12/31/2017[1]
Registered workforce[2]	46,661	46,236

(1) After applying the group method to the calculation of TARGOBANK Group FTEs in Germany.

(2) The registered workforce corresponds to the total number of employees at end-of-period for entities controlled by the group, which differs from the average full-time equivalent (so-called FTE) workforce, which focuses solely on full consolidation.

32b Other operating expenses

	12/31/2018	12/31/2017
Taxes and duties	-350	-326
External services	-2,278	-2,319
Other miscellaneous expenses	22	21
TOTAL	**-2,606**	**-2,624**

32c Dotations et reprises sur amortissements et provisions des immobilisations corporelles et incorporelles

	12/31/2018	12/31/2017
Depreciation and amortization:	-188	-203
■ property, plant and equipment	-151	-163
■ intangible assets	-37	-40
Write-downs:	0	-11
■ property, plant and equipment	0	0
■ intangible assets	0	-11
TOTAL	**-188**	**-214**

NOTE 33 Cost of counterparty risk

	12/31/2018	12/31/2017
Expected losses at 12 months (S1)	-78	0
Expected losses at maturity (S2)[1]	-46	-18
Impaired assets (S3)	-681	-765
TOTAL	**-805**	**-783**

(1) Relates to collective provisions in 2017 pursuant to IAS 39.

12/31/2018	Allowances	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	TOTAL
Expected losses at 12 months (S1)	**-383**	**305**				**-78**
■ Loans and receivables due from credit institutions at amortized cost	-2	1				-1
■ Customer loans at amortized cost	-333	260				-73
of which finance lease	*-41*	*30*				*-11*
■ Financial assets at amortized cost – securities	0	0				0
■ Financial assets at fair value through shareholders' equity – debt securities	-6	5				-1
■ Financial assets at fair value through shareholders' equity – loans	0	0				0
■ Commitments given	-42	39				-3
Expected losses at maturity (S2)	**-433**	**387**				**-46**
■ Loans and receivables due from credit institutions at amortized cost	0	3				3
■ Customer loans at amortized cost	-363	344				-19
of which finance lease	*-39*	*45*				*6*
■ Financial assets at amortized cost – securities	*0*	*0*				*0*
■ Financial assets at fair value through shareholders' equity – debt securities	0	0				0
■ Financial assets at fair value through shareholders' equity – loans	0	0				0
■ Commitments given	-70	40				-30
Impaired assets (S3)	**-984**	**1,099**	**-560**	**-376**	**140**	**-681**
■ Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
■ Customer loans at amortized cost	-911	1,044	-557	-367	130	-661
of which finance lease	*-31*	*33*	*-9*	*-5*	*3*	*-9*
■ Financial assets at amortized cost – securities	-4	5	0	0	0	1
■ Financial assets at fair value through shareholders' equity – debt securities	0	0	-2	-7	10	1
■ Financial assets at fair value through shareholders' equity – loans	0	0	0	0	0	0
■ Commitments given	-69	50	-1	-2	0	-22
TOTAL	**-1,800**	**1,791**	**-560**	**-376**	**140**	**-805**

12/31/2017	Allowances	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	TOTAL
Expected losses at maturity (S2)	**-101**	**83**				**-18**
■ Loans and receivables due from credit institutions at amortized cost	0	0				0
■ Loans and receivables on customers at amortized cost*	*-101*	*83*				*-18*
of which finance lease	0	0				0
■ Financial assets at amortized cost – securities	0	0				0
■ Financial assets at fair value through shareholders' equity – debt securities	0	0				0
■ Financial assets at fair value through shareholders' equity – loans	0	0				0
■ Commitments given	0	0				0
Impaired assets (S3)	**-1,525**	**1,645**	**-733**	**-344**	**192**	**-765**
■ Loans and receivables due from credit institutions at amortized cost	0	0	0	0	2	2
■ Customer loans at amortized cost	-1,437	1,555	-731	-332	184	-761
of which finance lease	*-53*	*67*	*-24*	*-2*	*5*	*-7*
■ Financial assets at amortized cost – securities	-12	17	0	0	0	5
■ Financial assets at fair value through shareholders' equity – debt securities	0	4	-2	-12	6	-4
■ Financial assets at fair value through shareholders' equity – loans	0	0				0
■ Commitments given	-76	69	0	0		-7
TOTAL	**-1,626**	**1,728**	**-733**	**-344**	**192**	**-783**

* *Expected losses at maturity (S2) in 2017 correspond to collective provisions pursuant to IAS 39.*

NOTE 34 Gains or losses on other assets

	12/31/2018	12/31/2017
Tangible and intangible assets	8	-2
■ Capital losses on sale	-10	-14
■ Capital gains on sale	18	12
Gains/(losses) on disposals of shares in consolidated entities[1]	29	0
TOTAL	**37**	**-2**

(1) Of which €18 million relating to the consolidation of Banque de Luxembourg Investments SA (see note 3a).

NOTE 35 Changes in the value of goodwill

	12/31/2018	12/31/2017
Impairment of goodwill	0	-15
Negative goodwill stated in profit or loss	0	0
TOTAL	**0**	**-15**

NOTE 36 Income tax

Breakdown of income tax expense

	12/31/2018	12/31/2017
Income tax expense due	-1,204	-1,501
Deferred income tax expense	-25	-47
Adjustments in respect of prior years	5	7
TOTAL	**-1,224**	**-1,541**

Reconciliation between the recognized income tax expense and the theoretical income tax expense

	12/31/2018	12/31/2017
Taxable result	3,535	3,665
Theoretical tax rate	34.43%	34.43%
Theoretical tax expense	**-1,217**	**-1,262**
Impact of preferential "SCR" and "SICOMI" rates	78	68
Impact of reduced rate on long-term capital gains	40	16
Impact of different tax rates paid by foreign subsidiaries	44	28
Permanent differences	-155	-29
Other[1]	-14	-362
Income tax expense	**-1,224**	**-1,541**
Effective tax rate	**-34.64%**	**-42.04%**

(1) The 2017 figure specifically includes the non-recurring surcharge on corporation tax recorded in the amended 2017 French finance law in the amount of €296 million.

NOTE 37 Earnings per share

	12/31/2018	12/31/2017
Net profit/(loss) attributable to the group	2,084	1,549
Number of shares at beginning of year	33,770,590	33,770,590
Number of shares at end of year	33,770,590	33,770,590
Weighted average number of shares	33,770,590	33,770,590
Basic earnings per share	61.71	45.86
Weighted average number of shares that may be issued	0	0
Diluted earnings per share	61.71	45.86

NOTE 38 Outstanding related party transactions

Balance sheet items pertaining to related party transactions

	12/31/2018			01/01/2018		
	Companies consolidated using the equity method	Other establishments belonging to the French Confederation	Crédit Mutuel Alliance Fédérale parent companies	Companies consolidated using the equity method	Other establishments belonging to the French Confederation	Crédit Mutuel Alliance Fédérale parent companies
ASSETS						
Assets at fair value through profit or loss	20	57	97	0	84	21
Hedging derivatives	0	0	424	0	0	408
Financial assets at fair value through shareholders' equity	0	40	0	0	70	0
Financial assets at amortized cost	1,047	2,621	32,129	882	2,579	29,444
Investments in insurance business line	0	519	0	0	24	0
Other assets	1	11	7	4	0	2
TOTAL	**1,068**	**3,248**	**32,657**	**886**	**2,757**	**29,875**
LIABILITIES						
Liabilities at fair value through profit or loss	0	36	0	0	53	6
Debt securities	0	29	0	0	329	0
Due to credit institutions	37	561	11,727	0	1,039	9,782
Due to customers	467	1,532	25	491	1,528	25
Liabilities related to insurance business policies	0	196	0	0	0	0
Subordinated debt	0	0	500	0	25	500
Miscellaneous liabilities	67	0	0	50	0	0
TOTAL	**571**	**2,354**	**12,252**	**541**	**2,973**	**10,314**
Financing commitments pledged	115	0	0	470	0	0
Guarantees given	0	0	210	0	15	14
Financing commitments received	0	0	0	0	0	0
Guarantee commitments received	0	629	1,986	0	563	1,698

Profit and loss items pertaining to related party transactions

	12/31/2018			12/31/2017		
	Companies consolidated using the equity method	Other establishments belonging to the French Confederation	Crédit Mutuel Alliance Fédérale parent companies	Companies consolidated using the equity method	Other establishments belonging to the French Confederation	Crédit Mutuel Alliance Fédérale parent companies
Interest received	14	122	470	13	17	617
Interest paid	0	-121	-54	0	-26	-52
Fees received	14	2	6	17	3	8
Fees paid	-28	-4	-44	-20	0	-46
Net gains or losses on financial assets at fair value through shareholders' equity and fair value through profit or loss	26	-9	0			
Other income and expenses	-19	-207	-463	11	-93	-450
General operating expenses	-581	0	-44	-413	0	-51
TOTAL	**-574**	**-216**	**-130**	**-394**	**-98**	**27**

NOTE 39 Fair value hierarchy of financial instruments recognized at amortized cost

The estimated fair values presented are calculated based on observable parameters at December 31, 2018. They correspond to a calculation in relation to the discounting of future cash flows estimated using a rate curve that includes the debtor's inherent signature cost.

The financial instruments presented in this information are composed of loans and borrowings. They do not include non-monetary items (shares), supplier accounts, other asset and liability accounts, or accruals. Non-financial instruments are not discussed in this section.

The fair value of financial instruments repayable on demand and regulated customer savings deposits equals the amount that may be requested by the customer, i.e. the carrying amount.

Certain group entities may also apply assumptions whereby fair value is deemed to equal the carrying amount for contracts indexed to a floating rate, or whose residual life is one year or less.

Readers' attention is drawn to the fact that, except for held-to-maturity financial assets, financial instruments carried at amortized cost are not transferable or are not, in practice, sold prior to maturity. Consequently, capital gains or losses will not be recognized.

However, if financial instruments carried at amortized cost were to be sold, their sale price could differ significantly from the fair value calculated at December 31, 2018.

	12/31/2018						
	Market value	Carrying amount	Unrealized gain or loss	Level 1	Level 2	Level 3	TOTAL
Financial assets at amortized cost – IFRS 9	**311,035**	**304,278**	**6,757**	**2,284**	**64,151**	**244,600**	**311,035**
Loans and receivables due from credit institutions	57,443	57,322	122	0	57,283	161	57,443
Loans and receivables due from customers	250,467	244,000	6,467	0	6,551	243,915	250,467
Securities	3,125	2,957	168	2,284	317	524	3,125
Investments in insurance business line at amortized cost	**14,081**	**13,183**	**898**	**11,457**	**2,624**	**0**	**14,081**
Of which SPPI assets	*11,457*	*10,559*	*898*	*11,457*	*0*	*0*	*11,457*
Loans and receivables	2,624	2,624	0	0	2,624	0	2,624
Held-to-maturity	11,457	10,559	898	11,457	0	0	11,457
Financial liabilities at amortized cost – IFRS 9	**389,309**	**383,136**	**6,173**	**0**	**296,339**	**92,971**	**389,310**
Due to credit institutions	62,771	62,197	574	0	62,771	0	62,771
Due to customers	194,822	193,459	1,363	0	101,851	92,971	194,822
Debt securities	123,223	119,755	3,468	0	123,224	0	123,224
Subordinated debt	8,493	7,724	769	0	8,493	0	8,493
Insurance business liabilities at amortized cost	**467**	**467**	**0**	**0**	**467**	**0**	**467**
Due to credit institutions	167	167	0	0	167	0	167
Subordinated debt	300	300	0	0	300	0	300

NOTE 40 Relations with the group's key executives

In connection with changes to the regulations (decree of November 3, 2014) and compliance with professional recommendations, the group's decision-making bodies and more particularly the board of directors of the Banque Fédérale made commitments in terms of the compensation of market professionals, as well as corporate officers.

These commitments were the subject of declarations to the AMF and publications on the institution's website. Compensation received by the group's key executives includes a portion relating to their activities within Crédit Mutuel and the CIC. For each activity, they consist of a fixed portion and a variable portion. This compensation is set by the decision-making bodies of BFCM and CIC based on proposals from the respective compensation committees. No variable portion has been paid in the last four years. During the fiscal year, the group's key executives also benefited from the collective and supplementary retirement savings plans instituted for all Group employees.

On the other hand, the group's key executives did not enjoy any other specific benefits. No capital securities or securities giving access to capital or the right to acquire capital securities of BFCM or the CIC was allocated to them. In addition, they do not receive attendance fees because of their office, whether in Group companies or in other companies, but because of their functions within the group. The group's key executives may also hold assets or loans in the group's banks, under the conditions offered to all employees.

Compensation paid overall to key executives * *(In € thousands)*	**12/31/2018**	**12/31/2017**
	Overall compensation	**Overall compensation**
Corporate officers – Management committee – Board members receiving compensation	7,958	8,832

* *See also the section on corporate governance.*

The amount of provisions for retirement benefits and long-service awards amounted to €2,227,000 as of December 31, 2018.

As of February 26, 2015, the board of directors of BFCM decided to award termination benefits to the Chairman of the board of directors, Nicolas Théry, paid on condition of performance, representing one year of benefits as a corporate officer, thus an estimated commitment of €720,000 (inclusive of social security contributions). For his term of office, Nicolas Théry also benefits from a supplementary pension plan, whose conditions are identical to those of BFCM employees, and whose contributions paid to the company over the entirety of this commitment amounted to €15,893 in 2018.

As of April 6, 2017, the board of directors of BFCM decided to award termination benefits to the chief executive officer, Daniel Baal, paid on condition of performance, representing one year of benefits as a corporate officer, thus an estimated commitment of €1,100,000 (inclusive of social security contributions).

For his term of office, Baal also benefits from a supplementary pension plan, whose conditions are identical to those of BFCM employees, and whose contributions paid to the company over the entirety of this commitment amounted to €15,893 in 2018

NOTE 41 Events after the reporting period and other information

The consolidated financial statements of the BFCM Group, closed as of December 31, 2018, were approved by the board of directors as of February 20, 2019.

NOTE 42 Risk exposure

The information on risk exposure as required by IFRS 7 is given in section 4 "Risks in the management report".

NOTE 43 Fees to statutory auditors

	12/31/2018			
	Ernst & Young et Autres		PricewaterhouseCoopers France	
	Amount in €m excl. tax	%	Amount in €m excl. tax	%
CERTIFICATION OF ACCOUNTS				
■ BFCM	0.170	4%	0.160	4%
■ Fully consolidated subsidiaries	2.891	70%	2.586	70%
NON-AUDIT SERVICES				
■ BFCM	0.586	14%	0.231	6%
■ Fully consolidated subsidiaries	0.455	11%	0.730	20%
TOTAL	**4.102**	**100%**	**3.707**	**100%**
Of which fees paid to the statutory auditors in France for the statutory audit of the financial statements	*1.389*		*2.079*	
Of which fees paid to the statutory auditors in France for services other than the statutory audit of the financial statements	*0.615*		*0.372*	

	12/31/2017			
	Ernst & Young et Autres		PricewaterhouseCoopers France	
	Amount in €m excl. tax	%	Amount in €m excl. tax	%
CERTIFICATION OF ACCOUNTS				
■ BFCM	0.150	4%	0.19	3%
■ Fully consolidated subsidiaries	3.257	86%	2.846	51%
NON-AUDIT SERVICES*				
■ BFCM	0.141	4%	0.25	4%
■ Fully consolidated subsidiaries	0.256	7%	2.354	42%
TOTAL	**3.804**	**100%**	**5.635**	**100%**
Of which fees paid to the statutory auditors in France for certification of financial statements	*1.677*		*2.235*	
Of which fees paid to the statutory auditors in France for non-audit services	*0.190*		*0.413*	

* *In 2017, services other than certification of financial statements specifically include comfort letters in connection with market transactions as well as the reports and certificates required for regulatory purposes.*

5.4 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BFCM GROUP

PricewaterhouseCoopers France

63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
French limited liability company (SARL) with capital of €86,000
Statutory auditors
Member of the Regional Company of Statutory Auditors of Versailles

ERNST & YOUNG et Autres

1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1
Simplified joint-stock company (SAS) with variable capital
Statutory auditors
Member of the Regional Company of Statutory Auditors of Versailles

Fiscal year ended December 31, 2018

Statutory auditors' report on the consolidated financial statements

To the shareholders' meeting of BFCM,

Opinion

In performance of the mission entrusted to us by your shareholders' meeting, we have audited the consolidated financial statements of BFCM for the year ended December 31, 2018, as appended to this report.

We certify that in accordance with the IFRS as adopted in the European Union, the consolidated financial statements are accurate and sincere, and give a true and fair view of the results of transactions over the past fiscal year as well as the financial position and assets at the end of the fiscal year of the group composed of the persons and entities included within the scope of consolidation.

5

Basis of the opinion

Accounting basis

We conducted our audit according to applicable professional standards in France. We feel that the items that we collected were of a sufficient and appropriate basis for forming our opinion.

Our responsibilities pursuant to these standards are set out in the section of this report entitled "Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements".

Independence

We conducted our audit in compliance with the rules regarding independence applicable to us, for the period from January 1, 2018 to the date of issuance of our report and, in particular, we have not provided any of the services prohibited by Article 5, paragraph 1 of (EU) Regulation 537/2014 or by the code of ethics for statutory auditors.

Observation

Though we do not call into question the opinion expressed above, your attention is drawn to the change of accounting method relating to the application of the new IFRS 9 "Financial instruments", as well as the change of method relating to the presentation of interest income and expenses on financial instruments at fair value through profit or loss set out in note 1 "Accounting policies and principles" and in the other notes that give figures related to these changes in accounting method.

Justification of the assessment – Key points of the audit

Pursuant to the provisions of Articles L.8239 and R.8237 of the French Commercial Code pertaining to justification of our assessment, we bring to your attention key points of the audit as they pertain to the risk of material misstatements, which according to our professional judgment, were the most important for the audit of the consolidated financial statements, as well as our response in the face of these risks.

The assessments made in this way fall within the scope of the audit of the consolidated financial statements taken as a whole and the formation of our opinion as expressed above. We have no opinion regarding elements of these consolidated financial statements taken separately.

Valuation of goodwill

Identified risk	Our response
Your Group has undertaken external growth operations which led to the recognition of goodwill. This goodwill stood at €4,049 million in net value terms as of December 31, 2018 and is presented on a separate line of the balance sheet for fully consolidated companies (note 20). As noted in note 1.2, goodwill represents the difference between the price paid and the fair value of the assets and liabilities of the entities acquired. Goodwill is allocated to Cash Generating Units and is subject to impairment tests at least once a year or whenever an indication of loss of value appears. When their recoverable amount falls below the carrying amount, impairment is recognized. As outlined in note 20, the recoverable amount is determined according to two methods: ■ the fair value net of selling costs, based on observing valuation ratios on comparable transactions or market parameters selected by analysts on entities with similar activities; ■ the value in use, based on discounting expected future cash flows. As regards the value in use, cash flows are based on business plans drafted by management for a maximum term of five years, then on an ad infinitum forecast according to a long-term growth rate. We considered that the assessment of goodwill constitute a key point of the audit owing to: ■ their material significance on the group's consolidated balance sheet; ■ the significance of management's judgment when choosing the recoverable amount method and regarding the value in use, the assumptions of future results of the companies in question, and the discount rate applied to projected cash flows.	The work conducted with our assessment and modeling experts specifically consisted of: ■ an analysis of the methodology applied by your Group; ■ an assessment of the main parameters and assumptions used by comparison with the available market data. As regards the value in use method, we carried out: ■ a critical review of the projected business plans from which projected cash flows were determined; ■ a review of sensitivity tests available (as outlined in note 20) to assess the value in use.

Credit risk and estimation of expected losses on non-downgraded performing loans, downgraded loans and non-performing receivables as part of the initial application of IFRS 9

Identified risk

The banks in your Group are exposed to credit risks inherent to their business.

As indicated in note 1 to the consolidated financial statements, since January 1, 2018 your Group has applied IFRS 9 "Financial Instruments" (Phases 1 and 2) to financial assets and liabilities, apart from those in the insurance business line. This standard sets out, inter alia, new principles regarding impairment of credit risk on receivables to customers, financing commitments and financial guarantees. According to the IFRS 9 impairment model, outstandings are divided into 3 categories:

- Status 1 – non-downgraded performing loans: provisioning on the basis of 12-month expected credit losses as from initial recognition of the financial assets, provided that the credit risk has not increased significantly since initial recognition.
- Status 2 – downgraded performing loans: provisioning on the basis of the lifetime expected credit losses if the credit risk has increased significantly since initial recognition.
- Status 3 – non-performing loans: this category comprises the financial assets for which there is objective evidence of impairment related to an event that has occurred since the loan was granted.

The models for allocating the loans to a category (Statuses 1 to 3), forward-looking scenarios and parameter calculation methods constitute the methodological basis for impairment calculations. They are defined for the Crédit Mutuel group as a whole and are applied within the BCFM group according to the portfolios involved.

S1, S2 and S3 impairment on loans and receivables to customers and on commitments are given in note 13 to the consolidated financial statements.

Given the significance of judgment firstly when classifying outstandings by category, and secondly when calculating expected losses, as well as changes entailed by the implementation of the new standard (changes to calculation of credit losses, new information systems), we considered that the estimate of credit losses and the information published in the notes, both as of the date of first application of the new standard and as of December 31, 2018, were key points of the audit.

Our response

As regards outstandings classified in Statuses 1 and 2 and the corresponding impairments as of January 1, 2018 and December 31, 2018, the work we performed consisted of:

- conducting a critical review and examining the conclusions of the work performed by the statutory auditors of the Crédit Mutuel group on the methodology options and impairment models defined by management. In particular, this work covers following aspects:
  - amount review of the measures put in place to categorize receivables (Statuses 1, 2 or 3) and evaluate the amount of the expected credit losses recognized in order to assess whether the estimates used were based on methods that comply with the principles described in the notes to the consolidated financial statements and IFRS 9;
  - a review of the methods and measures used for the various credit loss calculation models and parameters;
  - tests on the quality of the data, as well as verifications on the IT systems used to determine expected credit losses;
- analyzing data relating to the appropriate classification of receivables by category (Statuses 1 and 2);
- examining the reconciliations between the computer data used to calculate expected losses and the accounting records;
- analyzing changes in the portfolio and impairment levels, by status and for a sample of entities, between January 1, 2018 and December 31, 2018, in order to appraise overall consistency.

Concerning loans classified under Status 3 and the corresponding impairments, our work mainly consisted in:

- examining the conclusions of the special committees of the group's main entities in charge of monitoring non-performing loans and recognizing related impairments;
- testing a sample of credit files, as at December 31, 2018, in respect of the main assumptions used for the assessment of the individual impairment of receivables classified under Status 3;
- examining the changes over time in the following key indicators:
  - report of non-performing and sensitive receivables compared to total outstandings;
  - rate of coverage of non-performing receivables by impairment;
- each time that an indicator differed from the average, we analyzed the differences observed.
- we also appraised:
  - the consistency of the information provided in the notes to the consolidated financial statements with IFRS 9 requirements;
  - the relevance of the information provided upon first-time application of the standard at the start of fiscal year 2018;
  - the relevance of the information given on outstandings and credit commitments and the associated provisions at the end of fiscal 2018.

Measurement of complex financial instruments classified under Levels 2 and 3

Identified risk	Our response
As part of its proprietary trading and group treasury activities and in connection with the services offered to customers, your group holds financial instruments for trading purposes. These instruments are financial assets or liabilities recognized at fair value in the balance sheet, as mentioned in note 1.3.1.5 of the notes to the consolidated financial statements. The gain or loss on remeasurement of these financial instruments in the balance sheet on the closing date is recognized in profit or loss. In our opinion, the measurement of complex financial instruments classified under Levels 2 and 3 was a key point of the audit as it entails a significant risk of material misstatements in the consolidated financial statements, requiring the exercise of judgment, particularly regarding: ■ the determination of measurement inputs not observable on the market for an instrument and the categorization of the instruments according to the fair value hierarchy for financial assets and liabilities; ■ the use of internal measurement models; ■ the estimation of the main valuation adjustments, to take account of risks such as counterparty or liquidity risks; ■ the analysis of any measurement differences with counterparties in connection with margin calls or sales of instruments.	We assessed the processes and controls implemented by the group to identify and measure complex derivatives, including: ■ the governance of valuation models and valuation adjustments; ■ independent explanation and validation of the results recorded on these transactions; ■ the controls related to the collection of the inputs needed to measure complex financial instruments classified under Levels 2 and 3. Our audit team included specialists in the measurement of complex financial instruments. With their assistance, we also: ■ conducted our own valuation tests on a sample of complex financial instruments; ■ analyzed the internal identification and validation processes of the primary value adjustments applied to financial instruments and their evolution over time. Our analyses dealt with the examination of methodologies retained on market reserves and value adjustments, and the governance mechanism put in place by the company to control the adjustments made; ■ we reviewed the main existing margin call variances and the losses and/or gains on sales of complex financial instruments in order to assess their consistency with previous measurements. ■ we analyzed the criteria used in the fair value hierarchy as described in note 8 "Hierarchy of the fair value of financial instruments assessed at fair value carrying amount" in the notes to the consolidated financial statements.

Measurement of the private equity division's complex or Level 3 investments

Identified risk	Our response
Through its private equity subsidiaries, your group has investments classified at inception at fair value through profit or loss. These instruments are recognized at fair value at the time of their initial recognition and subsequently up to the date of their disposal. Changes in fair value are taken to the income statement under "Net gains/(losses) on financial instruments at fair value through profit or loss". If the financial instrument is traded on an active market, its fair value is the quoted price. In order to calculate the fair value of securities when they are not listed on an active market, your Group estimates the fair value of these investments using a mark-to-model approach based specifically on unobservable data, as outlined in the paragraph "Determination of the fair value of financial instruments" in note 1.3 "Accounting policies and principles" of the notes to the consolidated financial statements. Since judgment is used when determining the fair value for unlisted financial instruments, and given the complexity of its modeling, we have estimated that the valuation of complex investments or those recognized in level 3 of the private equity division constitutes a key point of the audit.	We have reviewed the processes and checks implemented by your Group pertaining to the valuation of private equity securities. With the help of our valuation specialists, our work involved analyzing the unobservable valuation data and methods estimated by your Group. Again with the help of our valuation specialists, our work also involved assessing whether the fair value estimate determined by your Group is based on one of the documented valuation methods, and depending on the securities in question: ■ for lines valued on the basis of a mark-to-model approach and using unobservable data or other valuation methods, an analysis of the valuation methods used by your Group; ■ for valuations based on the transaction price, to ensure that the valuation selected by management is comparable with the price observed in a recent transaction.

Assessment of mathematical provisions on borrower insurance policies and reserves for tangible auto claims

Identified risk	Our response
LThe accounting principles and valuation rules applied to the liabilities generated by insurance company policies are those of IFRS 4 in line with note 1.3.2.3 "Insurance activities – Non-financial liabilities" of the notes to the consolidated financial statements. As of December 31, 2018, the technical provisions of the insurance policies stood at €96,401 million, as set out in note 14b "Financial liabilities related to insurance business policies" in the notes to the consolidated financial statements. Among these liabilities, the mathematical provisions on borrower insurance policies correspond to the redemption values of life insurance policies, while the provisions for claims on non-life insurance policies (tangible auto claims) correspond to unearned premiums (since they relate to subsequent years) and claims payable. The valuation of these provisions employs actuarial methods that require management to use its professional judgment. Given the importance of judgment in their assessment, we considered that the mathematical provisions on borrower insurance policies and reserves for tangible auto claims constituted a key point of the audit.	As regards the specific provisions outlined above, the work carried out with the help of actuarial experts, mainly involved: ■ an analysis of the consistency between the selected valuation methodology for provisions and the contractual conditions; ■ a review of the relevance of the computational assumptions used in respect of the risks insured and the applicable regulations (discount rate, regulatory tables, etc.); ■ review the actuarial formulas used; ■ analyze the level of reserves for claims that have occurred but have not yet been reported; ■ test by sampling the amount of reserves constituted for tangible auto claims by reviewing the file and discussing it with the relevant manager.

Specific verifications

In accordance with the professional standards applicable in France, we have also performed the specific verifications required by the legal and regulatory texts as regards information concerning the group, given in the management report by the board of directors.

We have no comment to make as to their accuracy or consistency with the consolidated financial statements.

Information resulting from legal or regulatory requirements

Designation of statutory auditors

We were named statutory auditors of BFCM by your shareholders' meeting of May 11, 2016, for the PricewaterhouseCoopers France firm, and of September 29, 1992, for the ERNST & YOUNG et Autres firm.

On December 31, 2018, the PricewaterhouseCoopers France firm was in its third year of its mission without interruption, and the ERNST & YOUNG et Autres firm was in its twenty-seventh year.

Responsibilities of management and those in charge of corporate governance regarding 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 adopted by the European Union, and to implement internal control procedures as it deems necessary for the preparation of consolidated financial statements that contain no material misstatements, whether such misstatements are the result of fraud or errors.

During the preparation of consolidated financial statements, it is incumbent upon management to assess the company's ability to continue as a going concern, and as the case may be, the necessary information with regard to business continuity and to apply the standard accounting policy for a going concern, unless it is foreseen to liquidate the company or cease doing business.

The consolidated financial statements have been approved by the board of directors.

Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements

Our responsibility is to prepare a report regarding the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements, as a whole, contain no material misstatements. Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit conducted in accordance with professional standards may systematically detect every material misstatement. Misstatements may come from fraud or result from errors and are considered significant when one can reasonable expect that they may, either individually or cumulatively, influence economic decisions made by users who make decisions based on the financial statements.

As specified by Article L.823101 of the French Commercial Code, our mission of certification of financial statements does not consist of guaranteeing the viability or quality of your company's management.

In the context of an audit completed in accordance with professional standards applicable in France, the statutory auditor exercises its professional judgment throughout the audit process. Furthermore:

- identifies and assesses the risk that the consolidated financial statements contain material misstatements and that such misstatements result from fraud or errors, defines and implements audit procedures to address these risks, and collects information that he/she considers a sufficient and appropriate basis for such opinion. The risk of non-detection of a material misstatement from fraud is higher than a material misstatement resulting from any error, because fraud may involve collusion, falsification, deliberate omissions, false statements or circumventing internal controls;
- it takes note of relevant internal controls for the audit in order to determine the appropriate audit procedures for the circumstance, and not for the purpose of expressing an opinion on the effectiveness of internal controls;
- it assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the related information provided in the consolidated financial statements;
- it assesses the appropriateness of management's application of accounting policy for a going concern and, depending on the elements gathered, the existence or not of any significant uncertainty related to events or circumstances likely to call into question the company's ability to continue as a going concern. This assessment relies on the elements collected up to the date of the report; however, with a reminder that subsequent circumstances or events could call into question the going concern. If the statutory auditor concludes that significant uncertainty exists, he/she brings the information provided in the consolidated financial statements regarding such uncertainty to the attention of readers of his/her report or, if such information is not provided or is not relevant, the statutory auditor issues a qualified opinion or a denial of opinion;
- they assess the overall presentation of the consolidated financial statements and assess whether or not the consolidated financial statements reflect the underlying transactions and events to provide a true and fair view thereof;
- regarding the financial information of the persons or entities included within the scope of consolidation, they gather items deemed sufficient and appropriate to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the management, supervision and preparation of the audit of the consolidated financial statements, as well as the opinion expressed on these financial statements.

Neuilly-sur-Seine and Paris-La Défense, April 10, 2019
The statutory auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Lévi	Hassan Baaj

DEVELOP

... our

key skills

6

FINANCIAL INFORMATION FROM THE ANNUAL FINANCIAL STATEMENTS OF THE BFCM

6.1 MANAGEMENT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF THE BFCM

6.1.1 The balance sheet

The balance sheet adopted on December 31, 2018 totals €188.5 billion, up by 2.7% compared to the previous fiscal year.

On the liability side, the debts to credit institutions totaled €75.1 billion and mainly consisted of term loans to organizations of the group, demand accounts (€25.3 billion) and securities given under repurchase agreements in the context of TLTRO (€10 billion). Term loans to organizations of the group stand at €34.5 billion, the majority of which come from resources collected by its subsidiary CM-CIC Home Loan SFH (€27.0 billion) and by the CIC and its regional Banks (€6.9 billion).

Amounts due to customers totaled €11.8 billion. This item is mainly composed of demand accounts in credit (€4.1 billion) and term deposits and borrowing from financial customers (€6.5 billion).

Securities liabilities totaled €80.2 billion and are composed of securities in the interbank market (€5.4 billion), negotiable debt securities (€32.3 billion), bonds and monetary EMTN (€42.6 billion).

The amount of deeply subordinated notes of an amount of €1 billion (against 1.7 billion in 2017) dropped following the redemption in 2018 of a tranche of 0.7 billion.

The funds for general banking risks, amounting to €61.6 million remained stable from one fiscal year to the other. All of the shareholders' equity and equivalent stood at €10.9 billion on December 31, 2018 (including the 2018 net profit/(loss) of €991.6 million), against €10.8 billion at the end of 2017.

On the asset side, the central treasury of Crédit Mutuel Alliance Fédérale was reflected by receivables held on credit institutions at €115.3 billion. The refinancing granted to the Caisse Fédérale de Crédit Mutuel represents €31.5 billion, in order to supply the loans distributed by the Caisses de Crédit Mutuel and to ensure the liquidity of Caisse Fédérale de Crédit Mutuel. The term refinancing activity of BFCM also covers the Banque Européenne de Crédit Mutuel (€4.7 billion), the CIC group and its finance leasing and factoring subsidiaries (€55.2 billion), the COFIDIS group (€9.8 billion), the Factofrance group (€4.4 billion) and other subsidiaries (€2.6 billion). The BFCM also refinances €2.1 billion of requirements from other groups of Crédit Mutuel.

Loans and receivables due from customers totaled €1.8 billion. This amount corresponds to interventions in credit, mainly oriented towards large companies, and to the refinancing of special purpose acquisition entities for BFCM's long-term equity investments.

Short-term investment securities, investment securities and those ancillary to transactions constitute the other uses of cash (€27.2 billion).

Investments in associates, which stand at €15.6 billion, are mainly composed of equity investments in TARGOBANK Deutschland GmbH (€5.7 billion), the CIC (€4.1 billion), Factofrance (€1.5 billion), Groupe des Assurances du Crédit Mutuel (€1.0 billion) and the COFIDIS group (€1.3 billion). The investments in listed non-consolidated companies stand at €0.4 billion, down following a reclassification of securities as short-term investment.

Articles L.441-6-1 and D.441-4 of the French Commercial Code provide for specific information on the maturity dates of debts with regard to suppliers and receivables with regard to customers.

In accordance with subparagraph 8 of Article L.441-6 of the French Commercial Code, the maturity dates of debts with regard to suppliers and receivables with regard to customers of our company do not exceed 45 days from the end of the month or 30 days from the date of issue of the invoice. Given the status as a credit institution, the information communicated relative to payment deadlines specified by Article D.441-4 of the French Commercial Code do not include bank transactions and ancillary transactions governed by the French Monetary and Financial Code.

Invoices received and not paid on the reporting date of the fiscal year, for which the deadline is expired (in euros)

	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total
Number of invoices	6					6
Amount	351,603.00	0.00	0.00	0.00	0.00	351,603.00
Percentage of total	0.37%	0.00%	0.00%	0.00%	0.00%	0.37%

Invoices received that were subject to late payment during the fiscal year (Article D.441-4 § II)

There were no significant transactions that were subject to late payment during 2018.

6.1.2 The income statement

Interest and similar income stands at €4.7 billion (€4.2 billion consisting of transactions with credit institutions) and interest and similar expenses stood at 4.8 billion (€3.2 billion in interest paid to credit institutions and €1.3 billion on securities issued), representing a net interest margin of -€83 million, against -€160.1 million in 2017.

Income from variable-income securities (shares) for €1.677 billion mainly consists of dividends received from subsidiaries of BFCM (€1.673 billion).

The positive impacts on the trading portfolios for €14.1 million mainly arose from foreign exchange gains on assets denominated in foreign currencies (€35.1 million) and net allocations to provisions on the swapped bond portfolio (€20.9 million) related to interest rate changes.

The allocations (net of reversals) of provisions for depreciation (-€357.2 million) constitute most of the item "profit and loss on short-term investment portfolios" (-€346.5 million).

After recognition of commissions and other elements related to operation, net banking income stood at €1.105 billion, against €593.3 million in 2017.

General operating expenses, which were quite stable, totaled €71.8 million (against 71.4 million in 2017).

In 2018, cost of risks were €305 million compared to -€305 million in 2017. This change corresponds to guarantee commitments on credit granted by the BFCM, which were reimbursed during the fiscal year.

The balance of the item "profit and loss on non-current assets" of -€344.1 million is composed:

- of a merger profit following the transfer of all assets and liabilities from an associated company;
- of capital gain and loss, both realized and unrealized, on our investments in listed non-consolidated companies, mainly corresponding to valuation adjustments.

An amount of €12,288, corresponding to rents and non-tax-deductible depreciation of company vehicles, was reintegrated into the profit/loss taxable at default rates.

The corporate income tax item for €1,955 million is mostly composed of a tax adjustment over previous fiscal years.

6.1.3 The proposals of the board to the meeting

Finally, in 2018, BFCM recorded profit of €991.6 million.

The appropriation proposed to the shareholders' meeting covers the following amounts:

- 2018 profit: €991,617,934.79;
- retained earnings: €0.00;
- representing a total of: €991,617,934.79.

We propose:

- payment of a dividend of €3.85 to each of the 33,770,590 shares entitled to dividends over the full year, representing a distribution of €130,016,771.50 in total. These dividends are eligible for the allowance specified by Article 158 of the French General Tax Code (*Code Général des Impôts* – CGI);
- not to pay any amount to the legal reserve, as the latter has reached the regulatory minimum of 10% of the share capital;
- to assign €861,000,000.00 to the optional reserve;
- to carry forward the balance of €601,163.29.

In accordance with the legal provisions in force, we remind you that the dividends paid per share pursuant to the last three fiscal years were the following:

	2015	2016	2017
Amount in euros	€4.15	€3.85	€2.40
Dividend eligible for the allowance specified by Article 158 of the French General Tax Code	yes	yes	yes

6.1.4 Financial profit/loss of the company over the last five fiscal years

(amount in euros)	2014	2015	2016	2017	2018
1. CAPITAL AT THE END OF THE FISCAL YEAR					
a) Share Capital	1,573,379,650.00	1,688,529,500.00	1,688,529,500.00	1,688,529,500.00	1,688,529,500.00
b) Number of ordinary shares outstanding	31,467,593	33,770,590[1]	33,770,590	33,770,590	33,770,590
c) Nominal value of shares	€50	€50	€50	€50	€50
2. TRANSACTIONS AND PROFIT/LOSS FOR THE PERIOD					
a) Net banking income, income from the securities portfolio and miscellaneous	358,072,278.38	505,953,887.37	466,909,335.69	593,256,096.24	1,105,048,350.22
b) Profit/(loss) before tax, employee share ownership and allocations to depreciation, amortization and provisions	379,019,568.48	410,762,894.39	903,621,214.10	451,465,440.48	1,606,289,203.09
c) Corporate income tax	-44,913,762.15[NB]	-35,214,634.44	250,799.70	-476,290.93	1,955,240.36
d) Employee share ownership due pursuant to the fiscal year	80,817.13	65,752.38	97,960.46	130,512.29	112,693.25
e) Profit/(loss) after tax, employee share ownership and allocations to depreciation, amortization and provisions	371,064,805.48	342,644,532.10	269,287,297.83	-162,400,325.59	991,617,934.79
f) Distributed profit	130,590,510.95	140,147,948.50	130,016,771.50	81,049,416.00[2]	130,016,771.50
3. EARNINGS PER SHARE					
a) Profit/(loss) after tax and employee share ownership but before allocations to depreciation, amortization and provisions	13.47	13.20	26.75	13.38	47.50
b) Profit/(loss) after tax, employee share ownership and allocations to depreciation, amortization and provisions	11.79	10.15	7.97	-4.81	29.36
c) Dividend assigned to each share over the full year	4.15	4.15	3.85	2.40[2]	3.85
4. PERSONNEL					
a) Average workforce employed during the fiscal year	27	24	32	68	67
b) Amount of the payroll expense for the fiscal year	5,711,747.91	5,325,581.38	6,111,275.25	8,148,624.87	7,933,548.00
c) Amounts paid pursuant to social benefits for the fiscal year (Social Security, social work)	2,403,577.71	2,256,273.16	2,672,813.48	3,665,236.87	3,528,052.07

(1) 33,770,590 shares entitled to dividends over the full year following the capital increase on July 31, 2015.

(2) The dividend distributed in 2017 was deducted from reserves.

(NB) "The amount of corporate income tax indicated also includes tax due pursuant to the fiscal year, with movements on provisions relating to these taxes. This change results from the application of the principles defined by regulation CRC No. 2000-03, which applies from the 2001 fiscal year."

6.2 FINANCIAL STATEMENTS OF THE BFCM

6.2.1 Annual financial statements

Asset side of the balance sheet

(in euros)	Notes	12/31/2018	12/31/2017
Cash, central banks, CCP		21,400,087,962.02	25,541,241,816.06
Government and equivalent securities	2.8, 2.15	7,024,131,675.77	8,368,363,847.34
Receivables on credit institutions	2.2, 2.3	115,268,119,417.52	103,052,945,168.49
Client transactions	2.3, 2.4	1,834,834,717.14	2,206,838,969.28
Bonds and other fixed-income securities	2.3, 2.15	19,388,782,817.32	24,142,304,486.12
Shares and other variable income securities	2.8, 2.15	825,766,564.97	29,324,394.50
Equity investments and other securities held long-term	2.17	418,914,802.71	1,290,217,384.94
Investments in associates	2.17	15,605,114,203.53	15,944,797,861.68
Finance leasing and leasing with purchase option		0.00	0.00
Operating lease		0.00	0.00
Intangible assets	2.0, 2.21	8,000,141.00	8,000,141.00
Property, plant and equipment	2.0	6,783,555.27	6,791,954.56
Capital subscribed not paid		0.00	0.00
Treasury shares		0.00	0.00
Other assets	2.24	5,058,720,493.45	1,557,008,373.77
Accruals	2.25	1,651,557,756.79	1,405,041,531.84
TOTAL ASSETS		**188,490,814,107.49**	**183,552,875,929.58**

Off-balance-sheet

(in euros)	Notes	12/31/2018	12/31/2017
COMMITMENTS GIVEN			
Financing commitments	3.0	2,365,447,565.59	3,768,860,958.83
Guarantee commitments	3.1	3,951,006,877.02	3,138,826,688.03
Commitments on securities		0.00	0.00

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Liability side of the balance sheet

(in euros)	Notes	12/31/2018	12/31/2017
Central banks, CCP		0.00	0.00
Debts to credit institutions	2.2, 2.3	75,093,041,814.53	66,754,024,882.42
Deposits from customers	2.3	11,800,375,371.83	15,972,899,231.43
Debt securities	2.3	80,222,472,043.03	78,514,663,864.31
Other liabilities	2.24	2,268,030,106.20	2,733,943,464.76
Accruals	2.25	768,971,050.18	811,184,073.60
Provisions for risks and expenses	2.27	568,512,911.11	697,064,471.19
Subordinated debt	2.7	7,777,456,252.26	8,987,709,902.31
Funds for general banking risks - FGBR	2.20	61,552,244.43	61,552,244.43
Shareholders' equity excluding FGBR	2.20	9,930,402,313.92	9,019,833,795.13
Capital subscribed	*2.20*	*1,688,529,500.00*	*1,688,529,500.00*
Issue premiums	*2.20*	*4,508,844,923.87*	*4,508,844,923.87*
Reserves	*2.20*	*2,741,409,955.26*	*2,984,789,985.51*
Revaluation differences		*0.00*	*0.00*
Regulated provisions and investment subsidies	*2.20*	*0.00*	*0.00*
Retained earnings	*2.20*	*0.00*	*69,711.34*
Profit (loss) for the period	*2.20*	*991,617,934.79*	*-162,400,325.59*
TOTAL LIABILITIES		**188,490,814,107.49**	**183,552,875,929.58**

Off-balance-sheet

(in euros)	Notes	12/31/2018	12/31/2017
COMMITMENTS RECEIVED			
Financing commitments	3.0	13,083,651,935.61	18,012,054,725.78
Guarantee commitments	3.1	14,646,163.55	29,376,014.88
Commitments on securities		322,425,658.04	0.00

Income statement

(in euros)	Notes	12/31/2018	12/31/2017
+ Interest and similar income	4.1	4,720,080,374.76	4,735,343,953.50
- Interest and similar expenses	4.1	-4,803,085,390.75	-4,895,425,064.71
+ Income from finance leasing transactions & early exercise of options		0.00	0.00
- Expenses from finance leasing transactions & early exercise of options		0.00	0.00
+ Income from operating lease transactions		0.00	0.00
- Expenses on operating lease transactions		0.00	0.00
+ Income from variable-income securities	4.2	1,677,288,402.88	558,088,251.66
+ Commissions (income)	4.3	94,507,997.23	79,149,018.76
- Commissions (expenses)	4.3	-93,311,729.79	-73,714,411.35
+/- Profit/loss on trading portfolio transactions	4.4	14,115,162.12	17,894,676.21
+/- Profit/loss on transactions on short-term investment portfolio and similar	4.5	-346,509,550.24	173,176,825.28
+ Other operating income	4.6	464,531.52	2,187,591.65
- Other operating expenses	4.6	-158,501,447.51	-3,444,744.76
Net banking income		**1,105,048,350.22**	**593,256,096.24**
- General operating expenses	4.7	-71,751,210.92	-71,395,927.23
- Allocations to depreciation, amortization and provisions on property, plant and equipment and intangible assets		-9,248.89	-7,841.60
Gross operating income		**1,033,287,890.41**	**521,852,327.41**
+/- Cost of risk	4.8	304,989,700.00	-304,948,715.00
Operating income		**1,338,277,590.41**	**216,903,612.41**
+/- Profit or loss on non-current assets	4.9	-344,073,598.52	-262,784,843.40
Pre-tax profit/loss		**994,203,991.89**	**-45,881,230.99**
+/- Extraordinary profit/loss	4.10	-630,816.74	3,004,614.47
- income tax	4.11	-1,955,240.36	-119,523,709.07
+/- Allocation/reversal of FGBR and regulated provisions		0.00	0.00
NET PROFIT/(LOSS)		**991,617,934.79**	**-162,400,325.59**

6.2.2 Notes to the annual financial statements

SUMMARY OF NOTES

NOTE 1 Accounting policies and valuation methods

The financial statements of the Banque Fédérative du Crédit Mutuel (BFCM) are prepared in accordance with general accounting principles and the standards 2014-03 and 2014-07 from the *Autorité des normes comptables* (ANC – French Accounting Standards Authority) authorized by ministerial order.

They respect the "prudence principle" rule and the basic agreements concerning:

- going concern;
- continuity of methods;
- independence of fiscal years.

1.1 Valuation of receivables and debts and use of estimates in preparation of financial statements

Receivables and payables on customers and credit institutions are booked to the balance sheet for their fair value or acquisition cost, if it is different to the fair value.

Related accruals (accrued or outstanding interest due or payable) are combined with the corresponding asset and liability items.

Commissions received when granting loans and those paid to business contributors on loans are gradually booked to profit/loss according to a method that amounts to considering them equivalent to interest. These installments are recognized in income net of interest on the income statement. On the balance sheet, commissions received and marginal transaction costs that are subject to installments are included in the outstanding loans concerned.

The preparation of the financial statements may require making assumptions and estimates which have an impact on the determination of income, expenses, assets and liabilities on the balance sheet and in the notes to the financial statements. In this case, the managers, based on their judgment and experience, use the information available on the date of preparation of the financial statements to make the necessary estimates.

This is the case concerning:

- the fair value of financial assets not quoted on an active market;
- pension plans and other future social benefits;
- the valuation of investments in listed non-consolidated companies;
- provisions for risks and expenses.

1.2 Customer loans

By default, all customer loans that do not come within one of the categories below are considered performing loans.

In accordance with the standard ANC 2014-07, receivables of any category are downgraded to non-performing loans in the following cases:

- in case an installment is unpaid for more than nine months for loans to local authorities, more than six months for property loans to housing purchasers and more than three months for other loans;
- when the receivable is subject to litigation (notification procedures, court-ordered reorganization, judicial liquidation, etc.);
- when the receivable has other risks of total or partial non-collection.

When a loan to an individual or legal entity is classified as non-performing, all commitments to that person or legal entity are reclassified as non-performing.

Non-performing loans are depreciated individually, loan by loan.

Interest on non-performing loans not paid and booked to the income statement is covered by depreciation for the whole of the amount recognized. Depreciation or reversals of depreciation and loan losses and recoveries on depreciated loans relating to interest on non-performing loans are booked to the item "Interest and similar income" on the income statement.

The principal of the loan is provisioned according to the most probable estimate of depreciation, in accordance with general principles of prudence. The calculation of the depreciation takes into account the value of realizing personal guarantees or collateral related to the loan.

The provision constituted covers the projected loss converted to current value at the original credit interest rate. Projected losses are equal to the difference between the initial contractual flows and the projected flows for collection. The determination of collection flows is based on statistics for estimating average collection series over time from the date of downgrading of the loan. A recovery of the provision due to the passage of time is recognized in net banking income.

Non-performing loans for which events of default have been pronounced or which have been classified for more than one year as non-performing loans are specifically identified in the category "irrevocable non-performing loans". The bank has defined internal rules for automatic downgrading, which presume the necessarily irrevocable character of the loan as soon as it has been classified for more than one year as a non-performing loan, unless it is categorically demonstrated that valid guarantees exist covering the entire risk. The recognition of interest on the loan ceases as soon as it is classified as an "irrevocable non-performing receivable".

In order to comply with the regulatory framework, it is no longer possible to reclassify non-performing loans or disputed debt as performing as long as the criteria justifying the automatic and regulatory downgrading are not eliminated; as soon as no regulatory downgrade criteria, nor any other risk, applies to the family group, the outstanding amounts are reclassified as performing.

Article 2221-5 requires specific treatment of certain restructured outstanding amounts. When they are significant, restructured outstanding amounts are isolated in a specific category. In this case, write-offs of principal or interest, outstanding or accrued, as well as future interest differences, are immediately recognized as losses, then reintegrated as the loan is amortized. The number of loans concerned and the amounts in question are low and calculation of a discount would not have any significant impact on the financial statements for the fiscal year.

1.3 Security trades

The items on the balance sheet:

- "Government and equivalent securities";
- "Bonds and other fixed-income securities";
- "Shares and other variable income securities".

record trading securities, short-term investment securities and long-term investment securities according to their category.

This classification results from the application of article 1124-15 of the standard ANC 2014-07, which requires the allocation of securities according to their intended use.

Trading securities

This portfolio includes securities acquired or sold with the intention of reselling or repurchasing them in the short term (less than one year) and which are tradable in a market in which liquidity is assured. They are recognized with the acquisition fees and any accrued interest included upon purchase. At the reporting date, trading securities are valued at the market price. The overall balance of profit and loss resulting from variations in prices is booked to the income statement.

Short-term investment securities

Short-term investment securities are acquired with the intention of holding them for more than one year, in order to obtain direct income or capital gain. This holding does not imply, for fixed-income securities, keeping them until maturity. Premiums or discounts upon acquisition of fixed income securities are staggered over the lifetime of the instrument in question, in accordance with the option offered. Upon closure of the fiscal year, unrealized capital losses on short-term investment securities, possibly corrected for the impairment and reversals of differences mentioned above, are provisioned individually by security code; short-term investment securities are valued at the average price in different places of quotation.

Unrealized capital gains are not recognized.

Long-term investment securities

This portfolio includes fixed-income securities acquired with the intention of holding them over the long-term, generally until maturity, and for which there are financing resources backed over the long-term or permanent hedging against interest-rate risk. The difference seen between the purchase price and the redemption value is spread over the lifetime of the security. Unrealized capital loss is not depreciated.

Treasury bonds, negotiable debt securities (short and medium-term) and interbank market instruments classified in the short-term investment and long-term investment portfolios are recognized at the purchase price, including accrued interest upon purchase. Interest income is calculated at the negotiated rate, with the amount of the premium or the discount being amortized according to the actuarial method.

Bonds included in the short-term investment and long-term investment portfolios are recognized excluding accrued interest. Interest income is calculated at the nominal rates of securities. When their purchase price is different from the redemption value, this difference is amortized actuarially and booked to expenses or income as appropriate.

Securities denominated in foreign currencies are valued at the exchange rate at the reporting date or at the closest prior date. Valuation differences are booked as profit or loss on financial transactions.

Other long-term investments

Other long-term investments are investments made with the intention of promoting the development of long-term professional relationships with the issuer, but without exercising an influence in its management.

Reclassification of financial assets

Reclassification outside the category of trading securities towards the categories of long-term investment securities and short-term investment securities is possible in the following two cases:

a) in exceptional market situations requiring a change of strategy;

b) when following their acquisition fixed-income securities are no longer tradable on an active market and if the establishment has the intention and ability to hold them for the foreseeable future or until maturity.

The impact of reclassifications occurring in the past is detailed in note 2.9.

Temporary disposals of securities

Temporary disposals of securities are intended to guarantee loans or cash borrowings with securities. They mainly take two separate forms, according to the legal mechanism used, namely:

- repurchase agreements;
- lending and borrowing securities.

The repurchase agreement consists legally of transferring the full ownership of the security, the buyer irrevocably committing to sell them back and the seller to buy them, at a price and date agreed when the contract is concluded. For accounting purposes, securities given under repurchase agreements are kept in their original item and continue to be valued according to the rules applicable to the portfolios to which they belong. At the same time, the debt representing the amount collected is recorded as a liability. The receivable representative of a repurchase agreement on received securities is booked as an asset.

Loans of securities are consumer loans governed by the Civil Code, in which the borrower irrevocably undertakes to return the loaned securities at maturity. These loans are generally guaranteed by the presentation of cash, which remains acquired by the lender in case of default by the borrower. In this case, the transaction is equivalent to a repurchase agreement and recorded for accounting purposes as such.

1.4 Options

The premiums paid or received are recognized in the balance sheet account when they are paid or collected. At the time of settlement, they are recognized immediately in the income statement in the case of speculative transactions.

Premiums on unsettled options are valued at close of the fiscal year when they are traded on an organized market. The difference is shown through profit and loss.

1.5 Investments in listed non-consolidated companies and shares in subsidiaries and associates

Investments in listed non-consolidated companies and subsidiaries are recognized at historical cost.

Each investment is reassessed at the year end. When the carrying amount is greater than the going-concern value, a depreciation is recognized for the amount of the unrealized capital loss. Unrealized capital gains are not recognized. The going-concern value represents what the company would accept to disburse to obtain these securities if it had to acquire them, given its objective in holding them: it may be estimated by various criteria such as net assets possibly corrected, profitability and prospects for profitability, and average stock-market prices over the last few months.

1.6 Capital assets

Property, plant and equipment is depreciated over the useful life corresponding to the actual period of use of the asset, taking into account any residual value:

- software: 1 to 10 years;
- buildings – structural building shell: 20 to 80 years;
- buildings – equipment: 10 to 40 years;
- fixtures and fittings: 5 to 15 years;
- transport equipment: 3 to 5 years;
- furniture and office equipment: 5 to 10 years;
- IT equipment: 3 to 5 years.

In the event that where components of an asset have different useful lives, each of them is recognized separately and has its own depreciation plan. Accelerated depreciation may be applied under the conditions accepted by the regulations when the useful lives accepted for tax purposes are shorter than the useful life of the asset or component.

1.7 Conversion of transactions in foreign currency

Receivables and debts, as well as forward foreign exchange contracts shown as off-balance-sheet commitments, are converted at market prices at closure of the fiscal year, with the exception of elements denominated in currencies participating in the European single currency, for which an official exchange rate has been adopted.

Property, plant and equipment are recognized at historical cost. Financial assets are converted at closing prices (see the details in the previous notes).

Income and expenses in foreign currencies are booked to profit/loss at the exchange rate in force on the last day of the month of their collection or payment; expenses and income accrued but not paid on the reporting date are converted at the exchange rates at that date.

Unrealized or definitive foreign exchange gains and losses resulting from conversion transactions are recognized at each accounts closure.

1.8 Exchange contracts (swaps)

Pursuant to Article 2522-1 of the standard ANC 2014-07, the bank may constitute three separate portfolios holding contracts according to whether they are intended to maintain open and isolated positions (a), hedge the interest-rate risk of an isolated element or a set of homogeneous elements (b), or enable specialized management of a transaction portfolio (d). There is no portfolio of swap contracts intended to hedge the overall interest-rate risk, known as a portfolio of category (c).

Under these conditions, transfers from one portfolio to another are only possible from:

- Portfolio (a) to portfolio (b);
- Portfolio (b) to portfolio (a) or (d);
- Portfolio (d) to portfolio (b).

The contracts are booked at their nominal value off-balance-sheet.

The fair value adopted for “transaction” swap contracts comes from the application of the discounted cash flow method with a zero coupon rate curve. The fixed rate branch is estimated from the various installments discounted according to the rate curve, while the current value of the variable-rate branch is estimated from the value of the current coupon increased by the nominal. The market value results from the comparison of these two present values, after taking into account the counterparty risk and future management fees. The counterparty risk is calculated in accordance with article 5.1 of the regulation ANC 2014-07, to which an equity coefficient of 8% is applied. The management fees are then determined by increasing this amount of shareholders’ equity by a rate of 10%.

The adjustments that may be received or paid at conclusion of a swap contract are recognized in the income statement on a pro rata basis over the period of the contract. In case of early termination of a contract, the adjustment received or paid is immediately recognized in profit/loss, unless the contract was initiated as part of a hedging transaction. The adjustment is then booked to the income statement according to the lifetime of the element initially hedged.

In order to measure and monitor the risks incurred due to these transactions, overall sensitivity limits including interest rate and currency swap contracts are fixed per activity. Information on these positions is regularly communicated to the bank’s executive body, according to the meaning of Article L.511-13 of the French Monetary and Financial Code.

1.9 Pension and retirement benefits and long service awards

The recognition and valuation of pensions and similar commitments is compliant with recommendation No. 2003-R01 from the French national accounting board. The discount rate used is based on long-term government securities.

Employee pension plans

Pensions are paid by various institutions to which the bank and its employees periodically make contributions.

These are recognized as expenses for the fiscal year during which they are due.

Also, employees of the Caisse Fédérale du Crédit Mutuel Centre Est Europe benefit from a supplementary pension plan financed by the employer through two insurance policies. The first contract of type Article 83 CGI serves a defined-contribution points capitalization plan. The second contract is of type Article 39 CGI and is a defined benefit plan additive over tranches B and C. The commitments relative to these plans are fully covered by the constituted reserves. Consequently, no residual commitment results for the employer.

Retirement benefits and long service awards

Future retirement benefits and bonuses to be paid for the allocation of long service awards are fully covered by insurance policies subscribed with the insurance company “Assurances du Crédit Mutuel”. The premiums paid annually take into account the rights acquired on December, 31 of each fiscal year, weighted by coefficients concerning staff turnover and the probability of survival of personnel.

The commitments are calculated according to the projected credit unit method in accordance with IFRS standards. Also taken into account are mortality, rates of personnel turnover, rates of salary increases, social security contribution rates in the specified cases and the financial discount rate.

Commitments related to rights acquired by employees on December 31 are fully covered by the reserves constituted with the insurance company. The retirement benefits and long service award bonuses due and paid to employees during the year are reimbursed by the insurer.

Commitments for retirement benefits are determined based on the contractual benefits upon retirement at the initiative of the employee having reached his/her 62nd birthday.

1.10 Funds for general banking risks

Defined in item 9 of Article 1121-3 of the standard ANC 2014-07, this fund is the amount that the bank decides to assign to general banking risks, including its overall exposure to interest-rate and counterparty risks.

The amounts assigned to this fund stand at €61.6 million, as no movement affected this item during the fiscal year.

1.11 Provisions

Provisions assigned to asset items are deducted from the corresponding receivables, which thus appear for their net amounts. Provisions relative to off-balance-sheet commitments are booked to provisions for contingent liabilities.

The BFCM may be party to various disputes; their possible outcomes and any financial consequences are regularly examined and, as required, are the subject of allocations to provisions recognized as necessary.

1.12 Corporate income tax

With effect from January 1, 2016, the Caisse Fédérale de Crédit Mutuel exercised the option for "cooperative tax consolidation" in accordance with the provisions of Article 223 A, 5th subparagraph of the French General Tax Code.

The tax consolidation mechanism enables corporate income tax to be paid on an overall profit obtained by making the algebraic sum of the profits and losses of the various entities of the group. The CFCM's tax consolidation group is composed of:

- the Caisse Fédérale de Crédit Mutuel, the "consolidation head";
- 1,358 Caisses de Crédit Mutuel and 10 regional Caisses de Crédit Mutuel attached to federations belonging to the CM Alliance Fédérale, mandatorily members of this tax consolidation;
- the Banque Fédérative du Crédit Mutuel and 24 of its subsidiaries, who have exercised the option to participate in it.

By agreement, each member of the tax consolidation is required to pay to the Caisse Fédérale de Crédit Mutuel, as a contribution to the payment of the group's corporate income tax and whatever the actual amount of the said tax, an amount equal to the tax which would have been payable on its profit/loss if the member was separately taxable, consequently deducting all offset rights that the members would have benefited from in the absence of tax consolidation.

In accordance with the provisions of the regulation ANC 2014-07, and particularly of its Article 1124-57, the section "Income tax" includes:

- the amount of corporate income tax and the additional contribution calculated as if the company was separately taxed;
- the additional contribution of 3% on distributed income;
- any adjustments relating to prior fiscal years and tax adjustments;
- the tax expense or income related to tax credits on zero-rate loans and equivalent loans.

The corporate income tax due pursuant to the fiscal year and the additional contributions are determined according to the applicable tax regulations. The tax credits attached to income from securities is not recognized. They are directly offset against the income tax expense.

1.13 Tax Credit for Competitiveness and Employment (*Crédit d'impôt pour la compétitivité et l'emploi* – CICE)

The competitiveness and employment tax credit was recorded in accordance with the information note issued by the French accounting standards board's college on February 28, 2013.

The amount of the CICE, which is not taxable, is recognized as a credit to a subaccount of employee benefits expenses.

1.14 Consolidation

The company is fully consolidated within the consolidation scope of the CM Alliance Fédérale, which itself forms part of the consolidation scope of the Confédération Nationale du Crédit Mutuel.

1.15 Establishment in states or territories that are not cooperative in the fight against fraud and tax evasion

The bank has no direct or indirect establishment in states or territories covered by Article L.511-45 of the French Monetary and Financial Code, shown on the list fixed by order dated February 12, 2010 and modified by the law 2016-1691 dated December 9, 2016.

1.16 Commissions

Commissions are recognized according to the collection criterion with the exception of those relative to financial transactions, which are recognized from closure of the issue or when they are invoiced. Commissions include income from banking transactions paying for services provided to third parties.

NOTE 2 Notes to the balance sheet

The figures given in the various tables that follow are expressed in thousands of euros.

2.0 Movements affecting items of non-current assets

	Gross value as of 12/31/2017	Acquisitions	Disposals	Transfers or reimbursement	Gross value as of 12/31/2018
Non-current financial assets	34,259,268	2,439,330	4,412	-8,117,717	28,576,469
Property, plant and equipment	8,286	1			8,287
Intangible assets	8,000				8,000
TOTALS	**34,275,554**	**2,439,331**	**4,412**	**- 8,117,717**	**28,592,756**

2.1 Depreciation, amortization and impairment on non-current assets

DEPRECIATION AND AMORTIZATION

	Depreciation and Amortization as of 12/31/2017	Allocations	Reversals	Depreciation and Amortization as of 12/31/2018
Non-current financial assets	0			
Property, plant and equipment	1,494	9		1,503
Intangible assets	0			
TOTALS	**1,494**	**9**	**0**	**1,503**

IMPAIRMENTS

	Impairments as of 12/31/2017	Allocations	Reversals	Impairments as of 12/31/2018
Non-current financial assets	970,667	706,079	312,370	1,364,376
Property, plant and equipment	0			0
Intangible assets	0			0
TOTALS	**970,667**	**706,079**	**312,370**	**1,364,376**

2.2 Breakdown of receivables and debts on credit institutions

RECEIVABLES ON CREDIT INSTITUTIONS

	Amount 2018		Amount 2017	
	Demand	Term	Demand	Term
Ordinary Accounts	870,234		843,692	
Loans, securities received under repurchase agreements	43,668	110,388,220		98,802,197
Securities received under repurchase agreements delivered		593,705		576,280
Securities not posted				
Accrued interest	-202	304,343		215,625
Non-performing loans				
(Depreciation)				
TOTAL	**913,700**	**111,286,268**	**843,692**	**99,594,102**
Total receivables on credit institutions		**115,268,119**		**103,052,945**
of which equity loans		0		0
of which subordinated loans		3,068,151		2,615,151

DEBTS TO CREDIT INSTITUTIONS

	Amount 2018		Amount 2017	
	Demand	Term	Demand	Term
Ordinary Accounts	22,662,988		17,625,331	
Borrowings	1,357,897	39,271,039	1,495,277	33,844,910
Securities given under repurchase agreements		9,994,000		9,994,000
Securities given under repurchase agreements delivered		206,372		927,880
Securities not posted				
Related debt	62	297,482	929	290,636
Other amounts due	1,303,202		2,575,062	
TOTAL	**25,324,149**	**49,768,893**	**21,696,599**	**45,057,426**
Total debts to credit institutions		**75,093,042**		**66,754,025**

2.3 Breakdown of receivables and debts according to their residual maturity

ASSETS

	Less than or equal to three months	From three months to one year	From one to five years	More than five years and of indeterminate duration	Interest accrued and outstanding	Total
RECEIVABLES ON CREDIT INSTITUTIONS						
Demand	913,902				-202	913,700
Term	19,462,447	24,543,830	45,315,184	24,728,615	304,343	114,354,419
CUSTOMER LOANS						
Commercial loans						0
Other loans to customers	538,265	295,178	378,505	373,133	646	1,585,727
Overdrawn current accounts	249,102				6	249,108
BONDS & OTHER FIXED-INCOME SECURITIES	1,706,391	4,107,685	8,961,250	4,550,928	62,529	19,388,783
of which trading securities	*19,502*					*19,502*
TOTALS	**22,870,107**	**28,946,693**	**54,654,939**	**29,652,676**	**367,322**	**136,491,737**

Non-performing loans are considered as being repayable at more than 5 years.

LIABILITIES

	Less than or equal to three months	From three months to one year	From one to five years	More than five years and of indeterminate duration	Interest accrued and outstanding	Total
DEBTS TO CREDIT INSTITUTIONS						
Demand	25,324,087				62	25,324,149
Term	8,784,987	6,548,296	24,227,739	9,910,389	297,482	49,768,893
DEPOSITS FROM CUSTOMERS						
Special plan savings accounts						
Demand						0
Term						0
Other debts						
Demand	4,146,718					4,146,718
Term	1,105,685	1,045,031	5,500,000	0	2,941	7,653,657
DEBT SECURITIES						
Interbank market securities and negotiable debt securities	11,934,704	20,774,735	4,169,666	643,508	122,551	37,645,164
Bonds	2,786,687	4,677,206	23,312,878	11,505,020	295,517	42,577,308
Other securities						0
SUBORDINATED DEBT	0	0	1,500,000	6,200,000	77,456	7,777,456
TOTALS	**54,082,868**	**33,045,268**	**58,710,283**	**28,258,917**	**796,009**	**174,893,345**

2.4 Breakdown of customer loans

Excluding accrued interest of €652 thousand on gross receivables

	Amount 2018			Amount 2017		
	Receivables gross	of which non-performing loans	Depreciation	Receivables gross	of which non-performing loans	Depreciation
BREAKDOWN BY MAIN TYPES OF COUNTERPARTY						
Companies	1,833,611			2,207,470		
Sole proprietors						
Individuals	16					
Public administration	556			63		
Private non-profit institutions						
TOTAL	**1,834,183**	**0**	**0**	**2,207,533**	**0**	**0**
BREAKDOWN BY BUSINESS SEGMENTS						
Agriculture and mining industries						
Retail and wholesale commerce	41,253			252,761		
Industries						
Services to companies and holding	404,486			505,364		
Services to individuals						
Financial services	1,138,042			1,186,235		
Real estate services	164,716			172,764		
Transport and communication	73,952			72,288		
Not allocated and others	11,734			18,121		
TOTAL	**1,834,183**	**0**	**0**	**2,207,533**	**0**	**0**
BREAKDOWN BY GEOGRAPHICAL SEGMENTS						
France	1,567,772			1,958,795		
Europe outside France	266,411			248,738		
Other countries						
TOTAL	**1,834,183**	**0**	**0**	**2,207,533**	**0**	**0**

Amongst the receivables, there are no non-performing loans or any considered irrevocably non-performing and no restructured receivables.

2.5 Amount of commitments on equity investments and fully-consolidated subsidiaries

ASSETS

	Amount 2018	Amount 2017
RECEIVABLES ON CREDIT INSTITUTIONS		
Demand	94,218	235,407
Term	76,696,376	67,431,018
CUSTOMER LOANS		
Commercial loans	0	
Other loans to customers	748,838	777,157
Overdrawn current accounts	0	
BONDS AND OTHER FIXED-INCOME SECURITIES	11,510,074	16,223,104
SUBORDINATED RECEIVABLES	3,132,482	2,679,527
TOTAL	**92,181,988**	**87,346,213**

LIABILITIES

	Amount 2018	Amount 2017
DEBTS TO CREDIT INSTITUTIONS		
Demand	11,637,574	8,260,466
Term	33,339,212	29,152,932
DEPOSITS FROM CUSTOMERS		
Special plan savings accounts		
Demand		
Term		
Other debts		
Demand	212,520	143,533
Term	5,000,186	10,000,843
DEBT SECURITIES		
Certificates of deposit		
Interbank market securities and negotiable debt securities	798,599	878,582
Bonds	3,507,644	3,448,494
Other debts represented by a security		
SUBORDINATED DEBT	100,087	834,563
TOTAL	**54,595,822**	**52,719,413**

This table includes the commitments received and given on equity investments and fully-consolidated subsidiaries within the consolidation of the BFCM Group.

2.6 Breakdown of subordinated assets

	Amount 2018		Amount 2017	
	Subordinated amount	of which equity loans	Subordinated amount	of which equity loans
RECEIVABLES ON CREDIT INSTITUTIONS				
Term	2,777,151		2,324,151	
TBD	291,000		291,000	
CUSTOMER LOANS				
Other loans to customers	161,150	161,150	159,950	159,950
BONDS AND OTHER FIXED-INCOME SECURITIES	132,948	128,547	127,293	127,293
TOTAL	**3,362,249**	**289,697**	**2,902,394**	**287,243**

2.7 Subordinated debts

	Amount 2018			Amount 2017		
		Outstanding	Maturity		Outstanding	Maturity
Type of loan	redeemable subordinated notes	1,000,000	10/22/2020	redeemable subordinated notes	1,000,000	12/06/2018
	redeemable subordinated notes	1,000,000	05/21/2024	redeemable subordinated notes	1,000,000	10/22/2020
	redeemable subordinated notes	500,000	05/25/2025	redeemable subordinated notes	1,000,000	05/21/2024
	redeemable subordinated notes	1,000,000	09/11/2025	redeemable subordinated notes	1,000,000	09/11/2025
	redeemable subordinated notes	1,000,000	03/24/2026	redeemable subordinated notes	1,000,000	03/24/2026
	redeemable subordinated notes	700,000	11/04/2026	redeemable subordinated notes	700,000	11/04/2026
	redeemable subordinated notes	500,000	03/31/2027	redeemable subordinated notes	500,000	03/31/2027
	redeemable subordinated notes	500,000	11/15/2027	redeemable subordinated notes	500,000	11/15/2027
	SUB loan	500,000	TBD	SUB loan	500,000	TBD
	Loan Deeply subordinated notes	1,000,000	TBD	Loan Deeply subordinated notes	1,700,000	TBD
		7,700,000			**8,900,000**	
		77,456	Accrued interest		87,710	Accrued interest
Conditions	Subordinated notes and loans occupy a lower rank than receivables of all other creditors, other than non-voting loan stock. Deeply subordinated notes occupy the lowest rank, because they are expressly subordinate to all other debts of the company, whether they are unsecured or subordinate.					
Possibility of early repayment	No possibility in the last 5 years unless there is a concomitant capital increase. Prohibited for redeemable subordinated note loans, except in the case of market purchases, takeover bids and exchange offers. Restricted for deeply subordinated notes because they are equivalent to core shareholders' equity.					

2.8 Securities portfolio: breakdown between trading, short-term investment and long-term investment portfolios

	Amount 2018			Amount 2017		
	Trading portfolio	Short-term investment portfolio	Long-term investment portfolio	Trading portfolio	Short-term investment portfolio	Long-term investment portfolio
Government and equivalent securities		7,024,132		0	8,368,364	
Bonds and other securities	19,502	8,175,828	11,193,453	0	8,075,816	16,066,488
Shares and CIU		825,767		0	29,324	
TOTALS	**19,502**	**16,025,727**	**11,193,453**	**0**	**16,473,504**	**16,066,488**

There are no outstanding trading securities on an active market according to the meaning of article ANC 2321-1.

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2.9 Securities portfolio: securities having been the subject of a transfer from one portfolio to another

Following modifications to regulation 90-01 from the Banking Regulatory Committee concerning the recognition of transactions on securities introduced by regulation CRC No. 2008-17 dated December 10, 2008 relating to transfers of securities outside the category "trading securities" and outside the category "short-term investment securities", the BFCM made no reclassification as of December 31, 2018.

On September 30, 2018, the BFCM transferred, from the portfolio "investments in listed non-consolidated companies" to the category "Short-term investment securities", the securities in foreign currencies (MAD) acquired for an original equivalent amount of €1,132,993 thousands. These transferred securities were valued according to the rules of the original category on the transfer date and prior to it. They were transferred on that date into the category "short-term investment securities" for a value of €823,822 thousand.

On December 31, 2018, these securities in foreign currency were valued at €798,774 thousand (including the difference in exchange rate).

2.10 Securities portfolio: differences between purchase price and redemption price of short-term investment securities and long-term investment securities

	Net discounts/premiums remaining to amortize			
	Amount 2018		Amount 2017	
Nature of securities	Discount	Premium	Discount	Premium
Short-term investment securities				
■ Bond market	5,528	110,845	4,446	120,938
■ Money market				134
Long-term investment securities				
■ Bond market				
■ Money market				1,089

2.11 Securities portfolio: unrealized capital gain and loss on securities

	Amount 2018	Amount 2017
Amount of unrealized capital gain on short-term investment securities	940,047	1,038,355
Amount of unrealized capital loss on short-term investment securities and that was subject to depreciation	387,174	29,980
Amount of unrealized capital loss on long-term investment securities	68,048	
Amount of unrealized capital gain on long-term investment securities	7,795	19,321

2.12 Securities portfolio: amount of receivables representative of lent securities

	Amount 2018	Amount 2017
Government and equivalent securities	0	0
Bonds and other fixed-income securities	0	0
Shares and CIU	0	0

2.13 Securities portfolio: amount of receivables and debts related to securities deliveries under repurchase agreements

	Amount 2018		Amount 2017	
	Receivables related to securities delivered under repurchase agreements	Debts relating to securities delivered under repurchase agreements	Receivables related to securities delivered under repurchase agreements	Debts relating to securities delivered under repurchase agreements
RECEIVABLES ON CREDIT INSTITUTIONS				
Demand				
Term	593,706		576,280	
CUSTOMER LOANS				
Other loans to customers				
DUE TO CREDIT INSTITUTIONS				
Demand				
Term		206,372		927,880
DEPOSITS FROM CUSTOMERS				
Other debts				
Demand				
Term				
TOTAL	**593,706**	**206,372**	**576,280**	**927,880**

Assets put under repurchase agreements on December 31, 2018 correspond to:

- special purpose entity for €425,334 thousand;
- government bonds for €168,372 thousand.

2.14 Securities portfolio: breakdown of bonds and other fixed-income securities according to the issuer

	Amount 2018			Amount 2017		
	Issuer			Issuer		
	Public organizations	Others	Accrued interest	Public organizations	Others	Accrued interest
Government securities, bonds and other securities	9,618,727	16,670,979	123,208	11,238,016	21,130,453	142,199

2.15 Securities portfolio: breakdown according to listing

	Amount 2018			Amount 2017		
	Amount of listed securities	Amount of non-listed securities	Accrued interest	Amount of listed securities	Amount of non-listed securities	Accrued interest
Government and equivalent securities	6,963,453		60,679	7,937,322	370,134	60,908
Bonds and other securities	17,155,687	2,170,567	62,529	22,144,925	1,916,089	81,291
Shares and CIU	798,800	26,967	0	396	28,928	
TOTALS	**24,917,940**	**2,197,534**	**123,208**	**30,082,643**	**2,315,151**	**142,199**

2.16 Securities portfolio: information on CIU

	2018			2017		
	Amount of shares in French CIU	Amount of shares in foreign CIU	Total	Amount of shares in French CIU	Amount of shares in foreign CIU	Total
Variable-income securities: CIU		26	26	197	4,982	5,179

	2018			2017		
	Amount of shares of capitalization CIU	Amount of shares of distribution CIU	Total	Amount of shares of capitalization CIU	Amount of shares of distribution CIU	Total
Variable-income securities: CIU		26	26		5,179	5,179

2.17 Securities portfolio: equity investments and investments in associates held in credit institutions

	Amount held in credit institutions in 2018	Amount held in credit institutions in 2017
Equity investments and portfolio activity	119,865	1,000,951
Investments in associates	6,772,140	6,455,223
TOTAL	**6,892,005**	**7,456,174**

2.18 Securities portfolio: information on portfolio activity

On December 31, 2018, there are no outstanding securities on the portfolio activity.

2.19 Unlimited liability companies in which the establishment is an associate

Name of the company	Registered office	Legal form
REMA	Strasbourg	General Partnership
CM-CIC Foncière	Strasbourg	General Partnership

2.20 Breakdown of item "Shareholders' equity"

	Amount 2017	Appropriation of earnings	Increase in capital and other variations	Amount 2018
Capital subscribed	1,688,530			1,688,530
Issue premiums	4,508,845			4,508,845
Legal reserve	168,853	0		168,853
Statutory and contractual reserves	2,806,442	-243,380		2,563,062
Regulated reserves	0			0
Other reserves	9,495			9,495
Retained earnings	70	-70		0
Profit (loss) for the period	-162,400			991,617
Distribution of dividends		81,050		
TOTAL	**9,019,835**	**-162,400**	**0**	**9,930,402**
Funds for general banking risks	61,552			61,552

The capital is composed of 33,770,590 shares of a nominal value of €50.

2.21 Start-up expenses, research and development expenses and purchased goodwill

	Amount 2018	Amount 2017
Start-up expenses		
Formation expenses		
Initial expenses		
Expenses for capital increases and miscellaneous transactions		
Research and development expenses		
Purchased goodwill		
Other intangible assets	8,000	8,000
TOTAL	**8,000**	**8,000**

2.22 Receivables eligible for refinancing by a central bank

Eligible receivables are exclusively composed of customer loans. On December 31, 2018, BFCM customer loans eligible for refinancing by a central bank stood at €54,735 thousand out of readily-available group assets of €11,341,390 thousand.

2.23 Accrued interest to be received or paid

ASSETS

	Accrued interest to be received	Accrued interest to be paid
Caisse, central banks, CCP		
Government and equivalent securities	60,679	
Receivables on credit institutions		
Demand	-202	
Term	304,343	
Customer loans		
Commercial loans		
Other loans to customers	646	
Overdrawn current accounts	6	
Bonds and other fixed-income securities	62,529	
Shares and other variable income securities		
Equity investments and portfolio activities		
Investments in associates		

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LIABILITIES

	Accrued interest to be received	Accrued interest to be paid
Central banks, CCP		
Debts to credit institutions		
Demand		62
Term		297,482
Deposits from customers		
Special plan savings accounts		
Demand		
Term		
Other debts		
Demand		
Term		2,941
Debt securities		
Certificates of deposit		
Interbank market securities and negotiable debt securities		122,551
Bonds		295,517
Other debts represented by a security		
Subordinated debt		77,456
TOTAL	**428,001**	**796,009**

2.24 Items “Other assets” and “Other liabilities”

OTHER ASSETS

	Amount 2018	Amount 2017
Conditional instruments purchased		
Securities transaction settlement accounts	41,257	3,138
Miscellaneous debtors	5,017,463	1,553,870
Carry back receivables		
Other stocks and equivalent		
Other miscellaneous uses		
TOTAL	**5,058,720**	**1,557,008**

OTHER LIABILITIES

	Amount 2018	Amount 2017
Other securities debts		
Conditional instruments sold		
Trading securities debts		
of which debts on borrowed securities		
Securities transaction settlement accounts	330,417	509,193
Payment remaining to be made on non-paid-up securities		
Miscellaneous creditors	1,937,613	2,224,751
TOTAL	**2,268,030**	**2,733,944**

2.25 Accruals

ASSETS

	Amount 2018	Amount 2017
Head office and branch network		
Collection accounts	151	733
Adjustment accounts	929,025	877,824
Variation accounts		
Potential losses on forward financial hedging instrument contracts not unwound		
Losses to be spread on unwound forward financial hedging instrument contracts	33,560	45,721
Expenses to be distributed	258,368	258,388
Prepaid expenses	15,854	15,935
Deferred income	21,933	90,167
Miscellaneous adjustment accounts	392,667	116,274
TOTAL	**1,651,558**	**1,405,042**

LIABILITIES

	Amount 2018	Amount 2017
Head office and branch network		
Accounts unavailable on collection transactions	142	542
Adjustment accounts	270,326	5,258
Variation accounts		
Potential profits on forward financial hedging instrument contracts not unwound		
Profits to be spread on unwound forward financial hedging instrument contracts	327,175	319,208
Unearned income	32,714	49,366
Expenses to be paid	12,344	333,896
Miscellaneous adjustment accounts	126,270	102,914
TOTAL	**768,971**	**811,184**

Articles L.441-6-1 and D.441-4 of the French Commercial Code provide for specific information on the maturity dates of debts with regard to suppliers; the amounts in question are negligible for our company and no invoices have been settled late.

2.26 Non-amortized balance of the difference between the amount initially received and the redemption price of debt securities

	Amount 2018	Amount 2017
Issue premium of fixed income securities	201,748	212,351
Redemption premiums of fixed income securities	3,297	5,914

2.27 Provisions

	Amount 2018	Allocation	Reversal	Amount 2017	Reversal period
For miscellaneous eventualities	400,000	158,000		242,000	> 3 years
For retirement expenses	1,820			1,820	> 3 years
On swaps	21,941	20,888		1,053	< 1 year
For risks on long-term investments	16,600			16,600	< 3 years
For guarantee commitment	7,483		305,000	312,483	< 3 years
For taxes and adjustments	120,000		2,429	122,429	> 1 year
Other provisions	669	635	645	679	< 1 year
TOTAL	**568,513**	**179,523**	**308,074**	**697,064**	

2.28 Equivalent value in euros of the assets and liabilities in currencies outside the Eurozone

ASSETS

	Amount 2018	Amount 2017
Caisse, central banks, CCP		
Government and equivalent securities		
Receivables on credit institutions	14,623,054	13,044,321
Customer loans	158,814	96,728
Bonds and other fixed-income securities	0	0
Shares and other variable income securities	803,989	7,376
Real estate development		
Subordinated loans		
Equity investments and portfolio activities	185,751	1,063,858
Investments in associates		
Intangible assets		
Property, plant and equipment		
Other assets	84,665	189,799
Accruals	207,202	254,213
TOTAL FOREIGN CURRENCY ACTIVITY	**16,063,475**	**14,656,295**
Percentage of total assets	**8.52%**	**7.98%**

LIABILITIES

	Amount 2018	Amount 2017
Central banks, CCP		
Debts to credit institutions	3,754,771	3,341,485
Deposits from customers	150,898	179,631
Debt securities	24,748,570	24,333,877
Other liabilities	140,679	103,195
Accruals	91,858	80,854
Provisions	0	0
Surplus of expenses over income	-32,691	-202,700
TOTAL FOREIGN CURRENCY ACTIVITY	**28,854,085**	**27,836,342**
Percentage of total liabilities	**15.31%**	**15.17%**

NOTE 3 Notes to the off-balance-sheet commitments

The figures given in the various tables that follow are expressed in thousands of euros.

3.0 Financing commitments given and received

	Amount 2018	Amount 2017
FINANCING COMMITMENTS GIVEN		
Credit institutions	587,778	1,102,066
Customers	1,777,669	2,666,795
FINANCING COMMITMENTS RECEIVED		
Credit institutions	13,083,652	18,012,055
of which BDF	*13,083,652*	*18,012,055*
Customers	0	0
TOTAL	**15,449,099**	**21,780,916**

3.1 Guarantee commitments given and received

	Amount 2018	Amount 2017
GUARANTEE COMMITMENTS GIVEN		
Credit institutions	3,771,160	2,948,503
Customers	179,847	190,324
GUARANTEE COMMITMENTS RECEIVED		
Credit institutions	0	0
Customers	14,646	29,376
TOTAL	**3,965,653**	**3,168,203**

3.2 Assets given as guarantee commitments

	Amount 2018	Amount 2017
Securities assigned as guarantees for forward market transactions	0	0
Repurchase agreement pledges given	104,046	165,172
Other securities assigned under guarantee	23,077,652	28,006,055
of which BDF	*23,077,652*	*28,006,055*
TOTAL	**23,181,698**	**28,171,227**

The company CM-CIC HOME LOAN SFH is a 99.99% owned subsidiary of the BFCM. Its purpose is to issue, exclusively on behalf of its parent company, securities secured by the networks of Crédit Mutuel and CIC. In application of the contractual provisions related to these transactions, the BFCM would be required to provide assets as guarantees for the issues of CM-CIC HOME LOAN SFH under certain potential conditions (such as the downgrading of the rating below a certain level or the sizing of mortgage loans). On December 31, 2018, this dispensatory mechanism did not need to be used.

3.3 Assets received as guarantees

	Amount 2018	Amount 2017
Securities received as guarantees for forward market transactions	0	0
Other securities received under guarantee	0	0
TOTAL	**0**	**0**

The bank refinances itself from the Caisse de Refinancement de l'Habitat by the issue of promissory notes covering receivables mentioned in Article L.313-42 of the French Monetary and Financial Code for a total of €5,233,510 thousand on December 31, 2018. The home loans guaranteeing these promissory notes are provided by the groupe Alliance Fédérale of which the BFCM is a subsidiary and at the same date stood at €7,800,883 thousand.

3.4 Forward currency transactions not yet unwound on the date of balance-sheet closure

	Amount 2018		Amount 2017	
	Assets	Liabilities	Assets	Liabilities
FORWARD FOREIGN EXCHANGE TRANSACTIONS				
Euros to be received against currencies to be delivered	5,715,150	5,584,242	5,590,354	5,257,917
of which currency swaps	*4,373,318*	*4,234,548*	*4,283,318*	*3,966,497*
Currencies to be received against euros to be delivered	19,584,490	19,352,668	19,569,067	20,006,447
of which currency swaps	*10,345,979*	*10,325,847*	*8,533,665*	*8,823,056*
Currencies to be received against currencies to be delivered	8,175,320	8,315,266	12,642,118	12,419,795
of which currency swaps	*0*	*0*	*0*	*0*

3.5 Other forward transactions not yet unwound at the date of balance sheet closure

	Amount 2018	Amount 2017
TRANSACTIONS PERFORMED ON ORGANIZED MARKETS AND EQUIVALENT TO INTEREST-RATE INSTRUMENTS		
Firm hedging transactions		
of which Sales of FUTURES contracts		
of which Purchases of FUTURES contracts		
CONDITIONAL HEDGING TRANSACTIONS		
Other firm transactions		
of which Sales of FUTURES contracts		
OVER-THE-COUNTER TRANSACTIONS ON INTEREST-RATE INSTRUMENTS		
Firm hedging transactions	196,656,138	171,355,582
of which interest-rate swaps	*187,752,951*	*165,399,925*
currency-rate swaps	*8,803,187*	*5,855,657*
Purchase of FLOOR	*100,000*	*100,000*
Sale of FLOOR		
Conditional hedging transactions		
of which Purchase of SWAP OPTION		
Sale of SWAP OPTION		
of which Purchase of CAP/FLOOR		
Sale of CAP/FLOOR		
Other firm transactions	300,000	300,000
of which interest-rate swaps	*300,000*	*300,000*
currency-rate swaps		
Other conditional transactions		
OVER-THE-COUNTER TRANSACTIONS ON EXCHANGE-RATE INSTRUMENTS		
Conditional hedging transactions		
of which exchange-rate option purchases		
Sales of exchange-rate options		
OVER-THE-COUNTER TRANSACTIONS ON INSTRUMENTS OTHER THAN INTEREST-RATE AND EXCHANGE-RATE INSTRUMENTS		
Firm hedging transactions		
including Purchases of forward commitments (NDF)		
Sales of forward commitments (NDF)		
Conditional hedging transactions		
of which option purchases		
Option sales		

3.6 Breakdown of forward transactions not yet unwound according to residual maturity

	Amount 2018			Amount 2017		
	Less than one year	More than one year to five years	More than five years	Less than one year	More than one year to five years	More than five years
Transactions in foreign currencies	20,399,813	8,696,927	4,155,436	26,080,526	7,032,488	4,571,145
TRANSACTIONS ON ORGANIZED MARKETS FOR INTEREST-RATE INSTRUMENTS						
Firm transactions						
of which Sales of FUTURES contracts						
of which Purchases of FUTURES contracts						
Other firm transactions						
of which Sales of FUTURES contracts						
OVER-THE-COUNTER TRANSACTIONS ON INTEREST RATE INSTRUMENTS						
Firm transactions	63,748,184	77,867,030	55,340,924	56,044,089	85,459,703	30,151,790
of which swaps	*63,748,184*	*77,867,030*	*55,240,924*	*56,044,089*	*85,459,703*	*30,051,790*
Purchase of FLOOR			*100,000*			*100,000*
Sale of FLOOR						
Conditional hedging transactions						
of which Purchase of SWAP OPTION						
Sale of SWAP OPTION						
of which Purchase of CAP/FLOOR						
Sale of CAP/FLOOR						
Other conditional transactions						
OVER-THE-COUNTER TRANSACTIONS ON EXCHANGE-RATE INSTRUMENTS						
Conditional hedging transactions						
of which exchange-rate option purchases						
Sales of exchange-rate options						
OVER-THE-COUNTER TRANSACTIONS ON OTHER FORWARD INSTRUMENTS						
Firm transactions						
including Purchases of forward commitments (NDF)						
Sales of forward commitments (NDF)						
Conditional transactions						
of which option purchases						
Option sales						

3.7 Commitments with equity investments and fully-consolidated subsidiaries

COMMITMENTS GIVEN

	Amount 2018	Amount 2017
Financing commitments	215,000	670,000
Guarantee commitments	3,849,676	3,037,717
Commitments on currency transactions	1,093,140	414,213
Commitments on forward financial instruments	39,845,430	37,692,964
TOTAL	**45,003,246**	**41,814,894**

COMMITMENTS RECEIVED

	Amount 2018	Amount 2017
Financing commitments		
Guarantee commitments		
Commitments on currency transactions	619,573	414,412
Commitments on forward financial instruments		
Commitments on securities	200,009	
TOTAL	**819,582**	**414,412**

This table includes the commitments received and given on equity investments and fully-consolidated subsidiaries within the consolidation of the BFCM Group.

3.8 Fair value of derivative instruments

	Amount 2018		Amount 2017	
	Assets	Liabilities	Assets	Liabilities
RATES RISKS – HEDGE ACCOUNTING (MACRO-MICRO)				
Conditional or optional instruments				
Firm instruments other than swaps				
Embedded derivatives	17,042	110,275	17,650	126,418
Swaps	2,486,911	1,496,480	2,711,864	1,611,568
RATES RISKS – OUTSIDE HEDGE ACCOUNTING				
Conditional or optional instruments				
Firm instruments other than swaps				
Embedded derivatives	38,680		34,185	
Swaps	278,508	324,196	513,944	545,866
FOREIGN EXCHANGE RISKS				
Conditional or optional instruments				
Firm instruments other than swaps				
Swaps	85,043	40,340	37,265	67,825
CREDIT RISKS				
CDS				
OTHER RISKS				
Conditional or optional instruments				
Firm instruments other than swaps				
Swaps				

The presentation of this note results from the application of the regulations of the CRC No. 2004-14 to 2004-19 relative to information to be provided on the fair value of financial instruments. The fair value of derivative instruments is determined in relation to the market value, or failing this, by the application of market models.

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NOTE 4 Notes to the income statement

The figures given in the various tables that follow are expressed in thousands of euros.

4.1 Interest income and expenses

	Income 2018	Income 2017
Income on transactions with credit institutions	4,203,765	4,108,103
Income on transactions with customers	12,969	20,336
Income on bonds or other fixed-income securities	444,854	559,821
Income on subordinated loans	46,346	33,333
Other income of an interest character	12,146	13,751
Reversals/allocations of provisions relative to interest on non-performing loans		
Reversals/allocations of provisions of an interest character		
TOTAL	**4,720,080**	**4,735,344**

	Expenses 2018	Expenses 2017
Expenses on transactions with credit institutions	3,232,531	3,230,464
Expenses on transactions with customers	100,109	110,850
Expenses on bonds or other fixed-income securities	1,037,289	1,120,750
Expenses on subordinated loans	283,209	283,720
Other expenses of an interest character	149,947	149,641
Allocations/reversals of provisions relative to interest on non-performing loans		
Allocation/reversals of provisions of an interest character		
TOTAL	**4,803,085**	**4,895,425**

4.2 Breakdown of income from variable-income securities

	Amount 2018	Amount 2017
Income from shares and other variable-income short-term investment securities	4,470	11,966
Income from investments in listed non-consolidated companies and subsidiaries	1,672,818	546,122
Income from securities relating to portfolio activity		
TOTAL	**1,677,288**	**558,088**

4.3 Commissions

	Income 2018	Income 2017
Commissions on transactions with credit institutions	110	110
Commissions on transactions with customers	1,000	2,186
Commissions relative to securities transactions	6	41
Commissions on foreign exchange transactions	5	2
Commissions on financial services	93,102	76,588
Commissions on off-balance-sheet transactions		
Miscellaneous operating commissions	285	222
Reversals of provisions relative to commissions		
TOTAL	**94,508**	**79,149**

	Expenses 2018	Expenses 2017
Commissions on transactions with credit institutions	1,303	2,280
Commissions on transactions with customers	6	5
Commissions relative to securities transactions	7,823	7,074
Commissions on foreign exchange transactions	825	904
Commissions on financial services	82,423	62,793
Commissions on off-balance-sheet transactions		
Miscellaneous operating commissions	932	658
Allocations to provisions relative to commissions		
TOTAL	**93,312**	**73,714**

4.4 Profit or loss on the trading portfolio

	Amount 2018	Amount 2017
Trading securities	-149	-35
Foreign exchange	35,152	10,134
Forward financial instruments	0	13
Net allocations/reversals of provisions	-20,888	7,783
TOTAL	**14,115**	**17,895**

In 2018, a profit of €31,653 thousand affected the "Foreign exchange" item following the transfer of BMCE securities into the "short-term investment" category.

4.5 Profit or loss on the short-term investment securities and equivalent portfolio

	Amount 2018	Amount 2017
Acquisition fees on short-term investment securities		-1,076
Net capital gain or loss on disposal	10,684	149,612
Net allocations or reversals of provisions	-357,194	24,641
TOTAL	**-346,510**	**173,177**

In 2018, allocations recorded an amount of €376,217 thousand related to the downgrading of BMCE securities.

4.6 Other operating income or expenses

	Amount 2018	Amount 2017
Miscellaneous operating income	465	2,188
Miscellaneous operating expenses	-158,501	-3,445
TOTAL	**-158,036**	**-1,257**

On December 31, 2018, the BFCM recorded a provision for miscellaneous contingencies of €158,000 thousand related to its exposure on the continent of Africa.

4.7 General operating expenses

	Amount 2018	Amount 2017
Wages and salaries	7,933	8,149
Pension expenses	968	896
Other social-security contributions	2,560	2,769
Employee profit-sharing and shareholding	785	687
Taxes, duties and equivalent payments on compensation	1,439	1,816
Other taxes and duties	12,377	14,975
External services	38,557	37,813
Allocations/reversals of provisions on general operating expenses	-2,429	2,374
Other miscellaneous expenses	11,018	7,853
Re-invoiced expenses	-1,457	-5,936
TOTAL	**71,751**	**71,396**

CICE: The amount of the tax credit for competitiveness and employment, recognized as a credit against employee benefits expenses, stood at €78,671.18 pursuant to the 2018 fiscal year.

The CICE enabled the financing of employee training to be maintained or increased at a level well beyond the regulatory allocations and improving the overall competitiveness of the group, notably through efforts:

- in matters of investment in new technologies such as digital tools (tablets) and videoconferencing systems;
- in IT developments of a virtual assistant, based on cognitive technologies, designed to provide even more quality of service to customers;
- in development of new means of payment by telephone and ancillary services;
- in the search for new services intended for merchant customers;
- in the deployment of the digital signature for remote contracts.

The overall amount of direct and indirect compensation paid to the managers of BFCM by the group stood at €7,957,924.56 2018, against €8,832,120.92 in 2017. No attendance fees were paid.

Concerning transactions with related parties:

- on February 26, 2015, the board of directors of BFCM decided on a termination benefit for the Chairman of the Group, Mr. Théry, paid under a performance condition, representing one year of compensation as a corporate officer, namely a commitment currently estimated at €720,000 (including social-security charges). Assets provisioned on December 31, 2018. For his position as a corporate officer, Mr. Théry also benefits from a supplementary pension plan, the conditions of which are identical to those of employees of BFCM and for which the contributions paid to the insurance company covering all of this commitment stood at €15,892.92 in 2018.
- on April 6, 2017, the board of directors of BFCM decided on a termination benefit for the chief executive officer of the group, Mr. Baal, paid under a performance condition, representing one year of compensation as a corporate officer, namely a commitment currently estimated at €1,100,000 (including social-security charges). Assets provisioned on December 31, 2018. For his position as a corporate officer, Mr. Baal also benefits from a supplementary pension plan, the conditions of which are identical to those of employees of BFCM and for which the contributions paid to the insurance company covering all of this commitment stood at €15,892.92 in 2018.

In accordance with the regulation from the ANC 2016-07, the fees paid to statutory auditors are detailed below:

(in thousands of euros ex VAT)	PricewaterhouseCoopers France	Ernst & Young and others
Audit of the accounts	160	170
Non-audit services[1]	297	587

(1) The services cover the SACC provided on request from the entity, corresponding to comfort letters in the context of market transactions and reports and certifications required for regulatory requirements.

4.8 Cost of risk

	Amount 2018	Amount 2017
Allocations to provisions related to receivables	-10	-305,034
Reversals of provisions related to receivables	305,000	109
Loan losses covered by provisions		-24
TOTAL	**304,990**	**-304,949**

In 2017, BFCM decided to guarantee the loan commitments of press companies carried by the Banque Européenne du Crédit Mutuel (BECM). In this regard, a provision of €305,000 thousand was constituted. In 2018, this provision was reversed following the repayment of the loans covered by the guarantee at the same time as the recapitalization of the press companies.

4.9 Profit/loss on non-current assets

	Amount 2018	Amount 2017
Profit or loss on property, plant and equipment		
Profit or loss on non-current financial assets	39,990	-43,465
Allocations/reversals of provisions on non-current assets	-384,064	-61,520
Allocations/reversals of provisions for risks and expenses		-157,800
TOTAL	**-344,074**	**-262,785**

In 2018, the BFCM recorded allocation to provisions on non-current assets for its Spanish subsidiary TARGOBANK SA of €27,200 thousand and additional provisions on its Moroccan subsidiary, the BMCE, of €43,178 thousand in order to adjust its value before the reclassification of securities to the "short-term investment" category. The stock of provisions on BMCE securities of an amount of €309,870 thousand (excluding foreign exchange impact) was also transferred into this "short-term investment" category. This reclassification was due to the repeated inability of the group to be able to exercise its influence over the management decisions of the company.

4.10 Extraordinary profit/loss

	Amount 2018	Amount 2017
Profit/loss of partnerships	-651	-698
Other extraordinary income		3,648
Allocations/reversals of provisions on partnerships	20	55
TOTAL	**-631**	**3,005**

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4.11 Breakdown of corporate income tax

	Amount 2018	Amount 2017
(A) Tax on ordinary profit		
(B) Tax on extraordinary elements	-1,919	
(C) Tax on previous fiscal years	-36	476
(A + B + C) Corporate income tax due pursuant to the fiscal year	**-1,955**	**476**
Allocations to provisions of a corporate income tax character		-120,000
Reversals of provisions of a corporate income tax character		0
CORPORATE INCOME TAX FOR THE FISCAL YEAR	**-1,955**	**-119,524**

4.12 Other information: Workforce

Average workforce (FTE)	2018	2017
Bank technicians	22	21
Managerial staff	45	45
TOTAL	**67**	**66**

6.3 INFORMATION RELATIVE TO SUBSIDIARIES AND EQUITY INVESTMENTS

The figures given in the various tables that follow are expressed in thousands of euros.

A. Detailed information concerning equity investments for which the gross carrying amount exceeds 1% of our capital, namely: €16,885,295	Capital on 12/31/2017	Shareholders' equity other than capital and profit/loss on 12/31/2017	Proportionate share of capital held on 12/31/2018 in %	Carrying amount of securities held on 12/31/2018	
				Gross	Net
1) SUBSIDIARIES (MORE THAN 50% OF THE CAPITAL IS HELD BY OUR COMPANY)					
Mutuel Investissement SA (ex-Devest 15), Strasbourg	930,000	-4	100.00	837,000	837,000
CM CIC Caution Habitat SA (ex-Devest 16), Strasbourg	180,037	-3	100.00	180,037	180,037
Crédit Mutuel – CIC Home Loan SFH (ex-CM CIC Covered Bonds), SA, Paris	220,000	6,475	100.00	220,000	220,000
Groupe Républicain Lorrain Comunication, SAS, Woippy	1,512	11,503	100.00	128,514	0
CIC Iberbanco, SA with board of directors and supervisory board, Paris	25,143	59,887	100.00	84,998	84,998
SIM (ex-Ebra), SAS, Houdemont	230,038	-208,122	100.00	376,937	71,700
CM CIC Immobilier (ex-Ataraxia), SAS, Orvault	31,760	55,143	100.00	80,986	80,986
Banque Européenne du Crédit Mutuel, BECM, SAS, Strasbourg	134,049	974,147	96.08	465,755	465,755
Société du Journal l'Est Républicain, SA, Houdemont	2,400	-45,315	99.96	116,860	13,588
SAP L'alsace, Mulhouse	10,200	-77,736	99.88	107,453	0
Crédit Industriel et Commercial, SA, Paris	608,440	13,240,000	93.14	4,061,391	4,061,391
COFIDIS Participation, SA, Villeneuve d'Asq	116,062	1,299,048	70.63	1,331,701	1,331,701
SPI (Société Presse Investissement), SA, Houdemont	39,360	645	100.00	75,200	51,500
Factofrance SAS, Paris	507,452	712,396	100.00	1,460,802	1,128,302
TARGOBANK Spain (ex-Banco Popular Hipotecario), Madrid	326,045	11,337	100.00	535,548	243,498
TARGOBANK Deutschland GmbH, Düsseldorf	625,526	1,929,661	100.00	5,696,196	5,696,197
2) EQUITY INVESTMENT (FROM 10 TO 50% OF THE CAPITAL IS HELD BY OUR COMPANY)					
Banque du Groupe Casino, SA, Saint Étienne	38,470	70,811	50.00	107,071	66,471
Groupe des Assurances du Crédit Mutuel, SA, Strasbourg	1,118,793	8,283,180	47.60	974,661	974,661
CM CIC Lease, SA, Paris	64,399	27,835	45.94	47,779	47,779
Caisse de Refinancement de l'Habitat, SA, Paris	539,995	22,574	20.80	116,645	116,645
Banque de Tunisie, Tunis	180,000[1]	519,691 [1]	34.00	203,974	203,974
3) OTHER INVESTMENTS IN LISTED NON-CONSOLIDATED COMPANIES (THE CAPITAL HELD BY OUR COMPANY IS LESS THAN 10%)					
None					

(1) Amounts expressed in thousands of Tunisian dinar (TND).
(3) Revenue "not applicable" for the company.
(4) NBI for credit or financial institutions.

Loans and advances granted by the Bank and not repaid as of 12/31/2018	Amount of sureties and guarantees provided by the Bank as of 12/31/2018	Revenue as of 12/31/2017	Net profit or loss as of 12/31/2017	Net dividends collected by the Bank as of 12/31/2018	Comments
0	0	0[3]	-4,965	0	
0	0	0[3]	-10	0	
5,259,815	0	5,389[4]	3,048	7,810	
11,917	0	36	88	0	
316,000	0	30,692[4]	4,848	1,643	
45,693	0	3,861	-7,792	0	
4,925	0	4,411	5,645	1,694	
5,070,464	2,750,000	290,673[4]	99,835	33,592	
5,463	0	82,908	-16,014	0	
5,673	0	42,230	-39,366	0	
55,203,125	694,136	4,991,000[4]	1,288,000	885,447	Consolidated activity
10,691,311	0	1,254,487[4]	220,488	0	Consolidated activity
0	0	0[3]	-8,300	0	
4,828,144	400,000	118,118[4]	149,799	339,942	
317,070	13,320	65,033[4]	-67,839	0	
1,348,130	0	19,852	282,993	200,000	Consolidated activity
1,050,547	115,000	118,261[4]	2,952	0	Consolidated activity
0	0	10,210,023	754,253	160,082	Consolidated activity
4,008,691	15,741	37,231[4]	14,402	6,583	
0	261,544	109[4]	6	0	
0	0	277,905[1]	133,542[1]	6,609	Consolidated activity

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B. Overall information concerning equity investments	Capital on 12/31/2017	Shareholders' equity other than capital and profit/loss on 12/31/2017	Proportionate share of capital held on 12/31/2018 in %	Carrying amount of securities held on 12/31/2018	
				Gross	Net
1) SUBSIDIARIES NOT COVERED IN PARAGRAPH A					
a) French subsidiaries (together)				58,677	35,263
of which SNC Rema, Strasbourg				*305*	*305*
b) Foreign subsidiaries (together)				0	0
2) EQUITY INVESTMENTS NOT COVERED IN PARAGRAPH A					
a) French equity investments (together)				26,131	22,056
b) Foreign equity investments (together)				3,658	704
3) OTHER INVESTMENTS IN LISTED NON-CONSOLIDATED COMPANIES NOT COVERED IN PARAGRAPH A					
a) Other investments in listed non-consolidated French companies (together)				22,852	22,246
b) Other investments in listed non-consolidated foreign companies (together)				1,049	1,049

Loans and advances granted by the Bank and not reimbursed as of 12/31/2018	Amount of sureties and guarantees provided by the Bank as of 12/31/2018	Revenue as of 12/31/2017	Net profit or loss as of 12/31/2017	Net dividends collected by the Bank as of 12/31/2018
65,112	0			1,771
0	*0*			*0*
2,652	0			782
2,199	0			7,000
0	0			609
0	0			0

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6.4 REPORT FROM THE STATUTORY AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS

PricewaterhouseCoopers France

63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
S.A.R.L. with capital of €86,000
Statutory auditors
Member of the Compagnie Régionale de Versailles

Ernst & Young et Autres

1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1
S.A.S. with variable capital
Statutory auditors
Member of the Compagnie Régionale de Versailles

Fiscal year ending on December 31, 2018

Statutory auditors' report on the annual financial statements

At BFCM's shareholders' meeting,

Opinion

In accordance with the assignment granted to us by your shareholders' meeting, we audited the annual financial statements of BFCM for the fiscal year ending December 31, 2018, which are attached to this report.

We certify that the annual financial statements are, with regard to French accounting principles and rules, a fair presentation and give a true image of the results of transactions of the past fiscal year and the financial position and assets of the company at the end of this year.

Basis of the opinion

Accounting basis

We conducted our audit according to applicable professional standards in France. We feel that the items that we collected were of a sufficient and appropriate basis on which to form our opinion.

The responsibilities incumbent upon us pursuant to these standards are expressed in the section "Responsibilities of statutory auditors relating to the audit of the annual financial statements" in this report.

Independence

We performed our audit in accordance with the applicable rules of independence, during the period from January 1, 2018 to the date our report was issued, and in particular, we did not provide any services prohibited by Article 5, paragraph 1, of the (EU) Regulation no. 537/2014 or by the professional code of conduct of statutory auditors.

Justification of the assessment – Key points of the audit

Pursuant to the provisions of Articles L.8239 and R.8237 of the French Commercial Code pertaining to justification of our assessment, we bring to your attention the key points of the audit as they pertain to the risk of material misstatements which, according to our professional judgment, were the most important for the audit of the annual financial statements, as well as our responses to these risks.

These assessments fall within the scope of the audit of annual financial statements overall and in forming our previously expressed opinion. We do not express an opinion on isolated items of the annual financial statements.

Risk on the valuation of investments in listed non-consolidated companies and accrued interest

Identified risk	Our response
Investments in listed non-consolidated companies and accrued interest represent one of the most important items of the balance sheet. Where applicable, they are depreciated on the basis of their value in use. As indicated in note 1.5 to the annual financial statements, the value in use is estimated by various criteria such as the net assets (possibly adjusted), profitability and the outlook for profitability. The estimate of the value in use of these securities requires the exercise of management's judgment in selecting the items to be considered according to the investments in question, which may correspond, as the case may be, to historical or provisional items. In this context, and because of the inherent uncertainties of certain items, in particular the probability of the forecasts being met, we considered that the valuation of the investments in listed non-consolidated companies and accrued interest was a key point of the audit.	In assessing the estimated of the investments in listed non-consolidated companies, our work consisted mainly of examining both the documentation of the values applied by management and the appropriate application of the valuation methods to the securities concerned. For valuations based on historical items, our work consisted of examining the consistency of the allocated equity with the accounts of audited entities or analytical procedures, and reviewing the documentation of the adjustments made, where applicable, to the equity. For valuations based on provisional items, our work consisted of: ■ considering the minutes of governance decisions and their documentation justifying the values in use applied; ■ analyzing the methods and parameters of valuation by including our valuation experts. In addition to assessing the value in use of investments in non-consolidated companies, our work also consisted of assessing the recoverability of the accrued interest in light of the analyses carried out on investments in listed non-consolidated companies.

Specific checks

In accordance with the professional standards applicable in France, we also made the specific legal and regulatory checks.

Information provided in the management report and in other documents on the financial position and the annual financial statements addressed to shareholders

We have no comments to make on the fairness and consistency with the annual financial statements of the information given in the management report from the board of directors, and in the other documents sent to shareholders on the financial position and the annual financial statements, other than the point mentioned below.

On the fair presentation and consistency of the information relating to the payment terms referred to in Article D.441-4 of the French Commercial Code with the annual financial statements we have the following remark: as indicated in the management report, this information does not include banking and related transactions, as your company considers these are not within the scope of information to produce.

Corporate governance report

We certify the existence, in the board of directors' report on corporate governance, of the information required by Articles L.225373 and L.225374 of the French Commercial Code.

Concerning the information provided in application of the provisions of article L.225373 of the French Commercial Code on compensation and benefits paid to corporate officers and on the commitments granted in their favor, we checked its consistency with the financial statements or the data that served to prepare these statements and, where applicable, with the elements collected by your company from companies controlling your company or controlled by it. Based on this work, we certify the accuracy and fairness of this information.

Other Information

In application of the law, we satisfied ourselves that the various information relative to equity investments and control was communicated to you in the management report.

Other legal or regulatory required information

Appointment of statutory auditors

PriceWaterhouseCoopers France and Ernst & Young et Autres were appointed statutory auditors of BFCM by your shareholders' meetings of May 11, 2016, and September 29, 1992, respectively.

On December 31, 2018, PricewaterhouseCoopers France was in the third consecutive year of its assignment and Ernst & Young et Autres in its twenty-seventh year.

Responsibilities of management and persons comprising the corporate governance as regards the annual financial statements

It is the responsibility of management to prepare annual financial statements presenting a true and fair view, in accordance with French accounting rules and principles, as well as to implement the internal controls that it deems necessary for the preparation of annual financial statements without material misstatements, whether due to fraud or are the result of errors.

During the preparation of the annual financial statements, it is management's responsibility to assess the company's ability to continue as a going concern, and as the case may be, the necessary information with regard to business continuity and to apply the standard accounting policy for a going concern, unless it expects to liquidate the company or cease doing business.

The annual financial statements were approved by the board of directors.

Responsibilities of the statutory auditors pertaining to the audit of the annual financial statements

It is our responsibility to prepare a report on the annual financial statements. Our goal is to receive reasonable assurance that the annual financial statements taken as a whole do not contain any material misstatements. Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit conducted in accordance with professional standards may systematically detect every material misstatement. Misstatements may come from fraud or result from errors and are considered as significant when one can reasonably expect that they may, either individually or cumulatively, influence economic decisions made by users who make decisions based on the financial statements.

As specified by Article L.823101 of the French Commercial Code, our assignment of certification of financial statements does not consist of guaranteeing the viability or quality of your company's management.

In the context of an audit completed in accordance with professional standards applicable in France, the statutory auditor exercises his or her professional judgment throughout the audit process. Furthermore:

- it identifies and assesses the risks that the annual financial statements contain material misstatements, whether they are due to fraud or result from errors, defines and implements audit procedures faced with these risks, and gathers items that it believes are sufficient and appropriate on which to base its opinion. The risk of non-detection of a material misstatement from fraud is higher than a material misstatement resulting from any error, because fraud may involve collusion, falsification, deliberate omissions, false statements or circumventing internal controls;
- it acknowledges relevant internal controls for the audit in order to determine the appropriate audit procedures for the circumstance, and not for the purpose of expressing an opinion on the effectiveness of internal controls;
- it assesses the appropriateness of the accounting methods used and the reasonableness of accounting estimates made by management, as well as information concerning estimates provided in the annual financial statements;
- it assesses the appropriateness of application by management of the accounting policy for a going concern and, depending on the items gathered, the existence or not of any significant uncertainty related to events or circumstances likely to call into question the company's ability to continue as a going concern. This assessment relies on the items collected up to the date of its report; however, with the reminder that subsequent circumstances or events could call into question business continuity. If it concludes that significant uncertainty exists, it draws the attention of readers of its report to the information provided in the annual financial statements concerning this uncertainty or, if this information is not provided or is not relevant, expresses reservations about certification or refuses to certify them;
- It assesses the overall presentation of the annual financial statements and assesses whether the annual financial statements reflect the underlying transactions and events in a manner that presents a true and fair view.

Neuilly-sur-Seine and Paris-La Défense, April 10, 2019

The statutory auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Lévi	Hassan Baaj

TRANSFORM

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meet
the challenges
of the new world

7

NON-FINANCIAL PERFORMANCE STATEMENT

A WORD FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Responsibility: a key factor for a solid performance

Social and mutualist responsibility (SMR) is a catalyst for innovation, wealth creation and sustainable growth that is based on a relationship of trust. As a committed and socially responsible player, Crédit Mutuel Alliance Fédérale is developing its SMR policy within the context of its long-term strategy that complements the development plan of the group's entities and helps improve their performance. This policy engages the responsibility of all players involved: executives, elected members, employees.

The group's SMR approach is based on five objectives comprising fifteen commitments that promote the values and the main social, societal and environmental goals of the group.

Crédit Mutuel Alliance Fédérale opted for a strong social policy (salary support, privileged internal development and generalized certified training) which in 2018 resulted in:

- a general pay rise of 1%;
- a bonus relative to 2017 paid in 2018 and a record incentive and participation rate in 2018;
- an exceptional €1,000 bonus paid to all employees for a total amount of €54.2 million.

In 2018, Crédit Mutuel Alliance Fédérale made a firm commitment to promote diversity and equal opportunity. Regarding the integration of young people, 4,000 work-study trainees will be recruited over the 2018/2020 period (up 40%) with the possibility for 80% of them of obtaining an open-ended contract. 25% of job vacancies will be reserved for young people from priority urban neighborhoods or rural communes with less than 5,000 inhabitants.

This responsibility is also underscored by the group's major environmental commitments.

In 2018, several concrete actions were carried out or initiated:

- renewable energy projects in France and abroad accounted for €1.4 billion of credit commitments in 2018 (+20%);
- reinforcing the rules applying to the application of sectoral policies and stopping coal-fired power plant and coal mining financing;
- implementing analysis grids that are specific to each activity sector that integrate for the purposes of granting financing, the non-financial ratings (ESG) of the counterparties;
- the gradual implementation of a carbon footprint offsetting mechanism with the aim to supply a Crédit Mutuel Alliance Fédérale Foundation the purpose of which will be to extend the commitment to regional development and solidarity;
- development of an in-house climate strategy that fosters carpooling, the use of public transport, clean vehicles, and commuting by bicycle.

Our social and cooperative responsibility goals underpin our commitment as a socially responsible player. Our aim is to establish a strong, dynamic and participative membership policy.

Nicolas Théry

Chairman of the board of directors

Daniel Baal

Chief executive officer

7.1 PREAMBLE

From the Grenelle 2 law to Statement of non-financial performance

SMR reporting: Article 225 of the Grenelle 2 law stipulates the mandatory publication of environmental, social and societal information in the management report and the verification of this information by an accredited third party. The information to be published is predetermined by law with a total of 42 indicators.

The statement of non-financial performance: in accordance with Order No. 2017-1180 of July 19, 2017 and Decree No. 2017-1265 of August 9, 2017, France interpreted the European Directive dated October 22, 2014 relating to the publication of non-financial information.

The "Grenelle 2" provisions have been replaced by the requirement to file a statement of non-financial performance. A materiality approach is required: it is no longer a question of merely filling in an identical list of CSR indicators for all companies but filing a statement that presents their business model and the main risk factors identified on non-financial issues, as well as their policies and the procedures implemented to address them and their results and key performance indicators.

This statement incorporates information required by Articles L.225-102-1, R.225-105-1 and R.225-105, Articles 70 and 173 of the law pertaining to energy transition for green growth of August 17, 2015, Article 14 of the law pertaining to combating food waste of February 11, 2016, the Sapin II law No. 2016-1691 of December 9, 2016, Article L.225-102-4 of the law of March 27, 2017, pertaining to the duty of care by parent companies and sourcing companies.

7.1.1 The scope, business model and vigilance plan

7.1.1.1 Crédit Mutuel Alliance Fédérale scope

Operating under the name Crédit Mutuel Alliance Fédérale, the mutual banking division (also called the regulatory scope) and the shareholder-owned division (also called BFCM Group) are complementary and interconnected. The Banque Fédérative du Crédit Mutuel (BFCM) is the holding company of the group. Its capital is held by the local cooperative banks and the Caisse Fédérale de Crédit Mutuel. It manages the cash needs of Crédit Mutuel Alliance Fédérale and intervenes on the financial markets. It works with businesses and local authorities in the processing of flows, credit activities and specialized financing operations and ensures correspondence with international partners. It manages the investments held in all the specialized subsidiaries that support the activity of the local cooperative banks.

In view of our organization, the information required in the non-financial performance report is given below in the name of Caisse Fédérale de Crédit Mutuel on behalf of Crédit Mutuel Alliance Fédérale. The Caisse Fédérale de Crédit Mutuel holds the collective license (banking code 10278) for all the affiliated local cooperative banks and is the head of the group comprising Banque Fédérative du Crédit Mutuel and its subsidiaries as defined in Articles L. 233-3 and L. 233-16 of the French Commercial Code.

Crédit Mutuel Alliance Fédérale includes companies that are not individually obliged to publish a specific report:

- for the regional banks of CIC and the CIC group, a specific report is published in their annual financial report;
- the technology division:
  - Euro-Information Services,
  - Euro-Information Développements,
  - Euro-Information Production;
- the press division:
  - *Le Dauphiné libéré*,
  - Groupe Progrès,
  - *L'Est républicain*,
  - *Dernières Nouvelles d'Alsace*,
  - Est Bourgogne Médias,
  - *L'Alsace*,
  - *Le Républicain lorrain*,
  - *La Liberté de l'Est*.

In keeping with the Crédit Mutuel Alliance Fédérale's organization, the information relating to the companies in the Technology and Press divisions is reported separately from the group's other quantified data and to specific reports included in this document.

The complete list of Crédit Mutuel Alliance Fédérale companies in the Press and Technology divisions is appended to this report.

Certain entities such as NELL and NELB which were included in the scope of consolidation during the second half of 2018 have not been included in the scope of consolidation for fiscal 2018. The information concerning these two entities will be integrated as of the 2019 fiscal year.

The scope retained for the collection and consolidation of the data in this report represents 97.3% of the total financial scope. In general, entities that are excluded from the scope are those which do not consume energy and have no employees as well as CIC's foreign subsidiaries other than Banque de Luxembourg and Banque de Luxembourg Investment SA.

The federations, the Caisse Fédérale de Crédit Mutuel and the subsidiaries

The local banks belong to a federation. Depending on where the local banks are located, the federation is either an association governed by the law of July 1, 1901 or, for those located in the French departments of Haut-Rhin, Bas-Rhin and Moselle, an association subject to the locally applicable Civil Code.

As a strategic planning and control body, the federation represents Crédit Mutuel in its region.

From a regulatory, technical and financial standpoint, the inter-federal bank, known as Caisse Fédérale de Crédit Mutuel, holds the collective banking license that benefits all affiliated local banks, in accordance with the French Monetary and Financial Code.

The Caisse Fédérale de Crédit Mutuel is responsible for the group's solvency and liquidity, as well as its compliance with banking and financial regulations.

On behalf of the local banks, Caisse Fédérale de Crédit Mutuel therefore performs financial functions such as liquidity management and also provides technical, legal and IT services either directly or through insurance, IT and leasing subsidiaries.

Pursuant to the French Monetary and Financial Code, each Crédit Mutuel regional group is organized around a federation, a regional bank and all the local cooperative banks that are affiliated to the federation and use the same banking code as Caisse Fédérale de Crédit Mutuel.

Since January 1, 2012, the regulatory scope comprises 11 Crédit Mutuel federations that have forged partnerships authorized by the French Prudential Supervisory and Resolution Authority (ACPR) and which resulted in the creation of the Caisse Fédérale de Crédit Mutuel, the local cooperative bank common to the 11 Crédit Mutuel groups formed by:

- Crédit Mutuel Centre Est Europe – CMCEE – (Strasbourg);
- Crédit Mutuel Île-de-France – CMIDF – (Paris);
- Crédit Mutuel Midi-Atlantique – CMMA – (Toulouse);
- Crédit Mutuel Savoie-Mont Blanc – CMSMB – (Annecy);
- Crédit Mutuel Sud-Est – CMSE – (Lyon);
- Crédit Mutuel Loire-Atlantique et Centre-Ouest – CMLACO – (Nantes);
- Crédit Mutuel Normandie – CMN – (Caen);
- Crédit Mutuel Méditerranéen – CMM – (Marseille);
- Crédit Mutuel Dauphiné-Vivarais – CMDV – (Valence);
- Crédit Mutuel Centre – CMC – (Orléans);
- Crédit Mutuel Anjou – CMA – (Angers).

Each local bank is a member of the federation of its geographic region and each federation is autonomous within its territory.

Crédit Mutuel Alliance Fédérale comprises the 11 federations indicated above as well as the Caisse Fédérale de Crédit Mutuel, the Banque Fédérative de Crédit Mutuel (BFCM) and all its subsidiaries, notably CIC, Euro-Information, Assurances of Crédit Mutuel (ACM), TARGOBANK, COFIDIS, Banque Européenne du Crédit Mutuel (BECM), Banque Transatlantique and CIC Iberbanco.

The scope of Crédit Mutuel Alliance Fédérale corresponds to the definition of the consolidated scope as presented in the Annual report – Registration document of Crédit Mutuel Alliance Fédérale.

The Crédit Mutuel group comprises six regional groups affiliated to the Confédération Nationale du Crédit Mutuel, which represents them at national level:

- Crédit Mutuel Alliance Fédérale;
- Crédit Mutuel Arkéa;
- Crédit Mutuel Antilles-Guyanne;
- Crédit Mutuel Maine-Anjou, Basse-Normandie;
- Crédit Mutuel Nord Europe;
- Crédit Mutuel Océan.

7.1.1.2 Crédit Mutuel Alliance Fédérale's business model

Crédit Mutuel places innovation at the service of the people and the territories that are at the core of the group's development strategy. It draws on its expertise in finance and services to serve its 24.9 million customers. Collectively, the group focuses on commitment, responsibility and autonomy; solid values which it shares with 4.6 million members.

Thanks to the extensive regional coverage of the Crédit Mutuel and CIC banking networks, the group now has 4,455 retail outlets located in all regions throughout France and in which 97% of loan-granting decisions are made.

As a reference player in banking insurance and local services, Crédit Mutuel places top priority on customer and member services and on supporting local-development players. More than 69,000 employees provide availability, simplicity, proximity and expertise through a decentralized and omni-channel organization.

11 federations combined to form Crédit Mutuel Alliance Fédérale

Key figures

€14.1 billion of net banking income
€2.9 billion of net profit/(loss)
69,640 employees
4,455 points of sale
€304 billion of deposits
€370 billion of loans
31 million of insurance policies
6 million customers (Crédit Mutuel members)
5.1 million customers of CIC branches

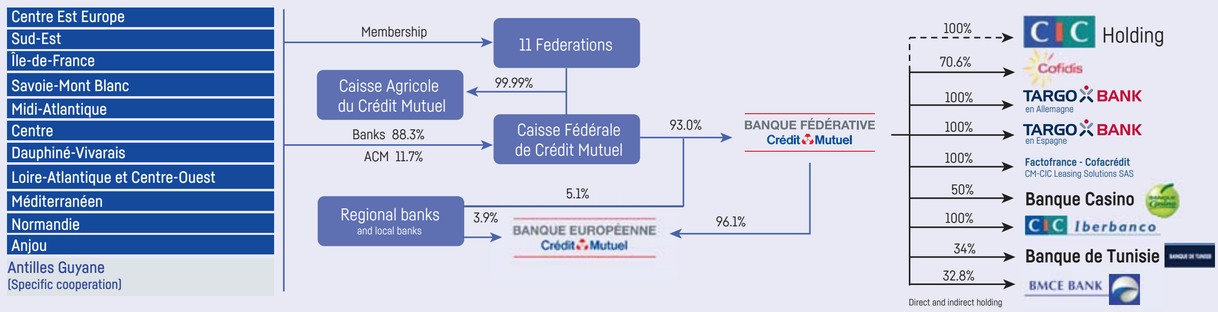
Four brands

- Crédit Mutuel
- CIC
- Cofidis
- TARGO BANK

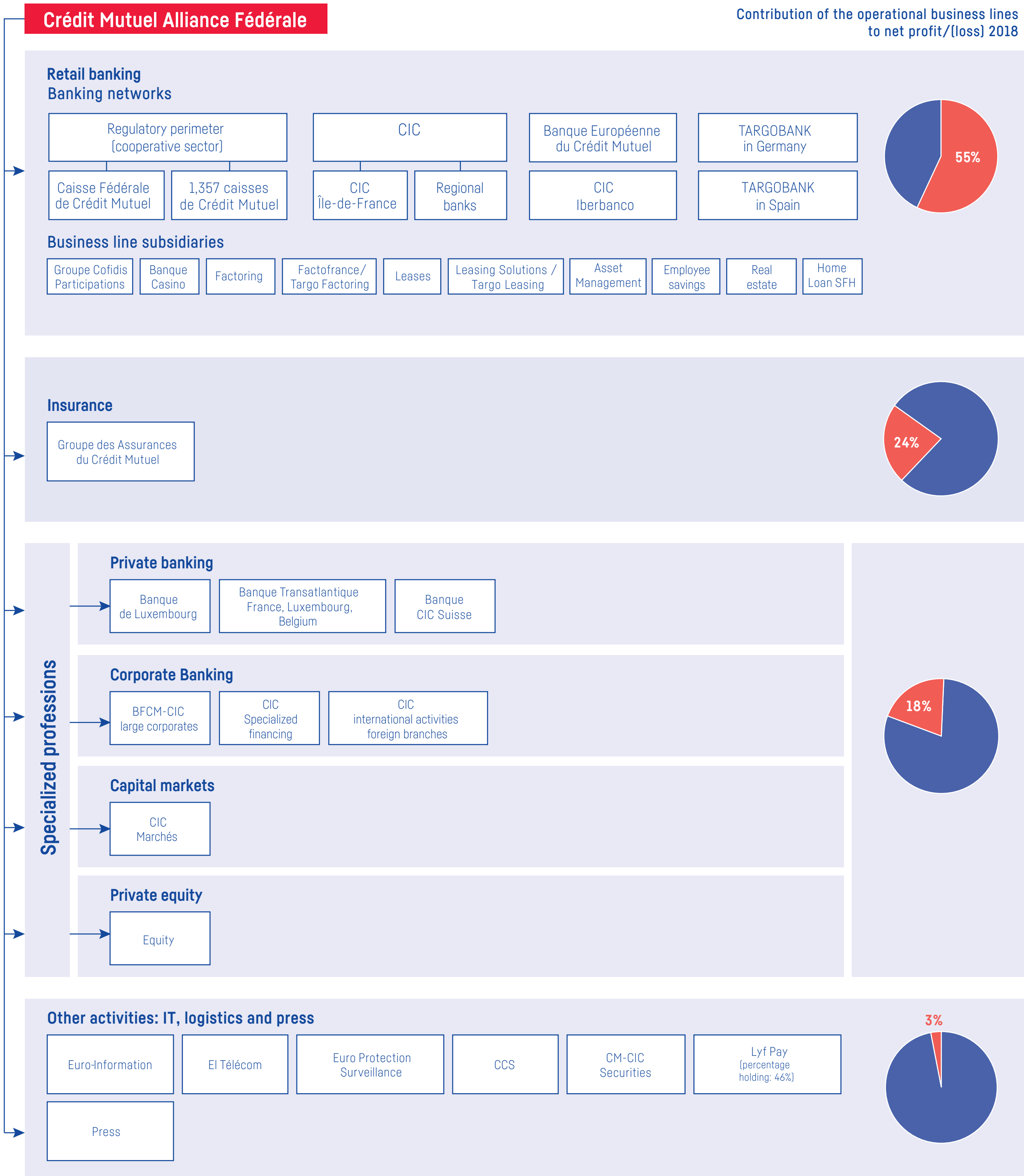
Business lines

- **Retail banking**
  - Banking and insurance network
  - Business line subsidiaries
- **Insurance: GACM**
- **Specialized professions**
  - Private Banking
  - Corporate Banking
  - Capital markets
  - Private Equity
- **Other activities**
  - IT/Logistics/Press

Caisse de Crédit Mutuel of the 11 federations



CONTRIBUTION OF BUSINESS LINES TO 2018 NET PROFIT



Crédit Mutuel Alliance Fédérale is stepping up its transformation with the launch of *ensemble#nouveaumonde*, its strategic plan for 2019-2023[1].

The *ensemble#nouveaumonde* plan maps out the strategic direction and ambitions of Crédit Mutuel Alliance Fédérale for 2019-2023 by placing members and customers at the center of its strategy and making technology a core priority.

(1) Accessible at: http://www.bfcm.creditmutuel.fr/fr/bfcm/pdf/2018_11_13_CP_PMT5Y.pdf

Action plan to address the issues of the new world

The digital revolution and new consumer behavior trends have given rise to several major challenges for the banking sector: an end to transformation gains, sustained margin decline, heavier regulations and the disappearance of the bank's borders with the emergence of digital multinationals (GAFA, etc.) and neo-banks, etc. To address these challenges Crédit Mutuel Alliance Fédérale launched its strategic plan, "ensemble#nouveaumonde".

A far-reaching development plan based on solid foundations

The *ensemble#nouveaumonde* strategic plan is based on three pillars: customer relations, employee engagement and technological innovation. To achieve these goals, the plan is underpinned by a set of financial objectives, as well as human and cooperative development targets and major technological investments.

Solid client relations[1], The soundness of its results and the reliability of the group[2], as well as constant growth of business and results, are just some of the assets of Crédit Mutuel Alliance Fédérale that give it the means to face, with confidence, the challenges of the new world. By capitalizing on its strengths and making original strategic choices to meet technological and human challenges, Crédit Mutuel Alliance Fédérale aims to become the bank of reference when it comes to customer service by always going further in achieving excellence in its client relations.

7.1.1.3 Crédit Mutuel Alliance Fédérale's non-financial risks and opportunities

Methodology applied to create a mapping of environmental, social and governance risks (ESG)

The group risk department of Crédit Mutuel Alliance Fédérale has a mapping of group risks that makes it possible to apprehend all of the factors that might affect the activities of Crédit Mutuel Alliance Fédérale and their performance. This mapping is the starting point for work led by a dedicated team to identify, assess and prioritize the group's ESG implications.

The approach in place (inspired by the CSR Reporting Methodological Guide by the MEDEF) draws on the collaborative work of the group's Risks and CSR teams, which consists of identifying risk factors for each area of ESG. These risks were subject to analysis (by experts) that made it possible to grade them based on the probability of occurrence, their seriousness in terms of impacts and their possibility of non-detection. The grading scale of 1 (very significant risk) to 5 (insignificant risk) is the one used of the group's mapping of risk and applied to the ESG implications. This work has made it possible to highlight a summary of significant ESG risks, featuring risk prevention and mitigation measures as well as the main performance indicators.

Note that, reputational risk (like legal risk) is non-quantifiable given that a negative perception of the group may result in a breach of trust that could modify the behavior of its various partners (customers, investors, suppliers, employees, regulators, etc.) and be seen as the consequence of other risks (financial, operational, credit and commercial in particular). The group manages the risk to reputation by means of other risks. However, the threat of damage to reputation may have significant consequences. That is why the group carefully evaluates the possible consequences of various risks (preventive measures) and ensures proper functioning of a crisis unit when a proven risk to reputation arises.

The mapping of significant ESG risks was approved by the group's risk committee (executive body) and the risk monitoring committee (deliberative body). The mappings of group risks and significant ESG risks will be displayed within the entities of Crédit Mutuel Alliance Fédérale in order to adapt to risks in certain business lines such as (but not limited to) insurance, asset management, consumer credit…

(1) A Kantar-TNS award won for the 11th time in thirteen years, highlighting the relationship of trust between Crédit Mutuel and its members and customers. The IFOP POSTERNAK Barometer can be viewed online at: https://www.creditmutuel.com/fr/actualites/le-credit-mutuel-une-nouvelle-fois-ndeg1-des-banques-1

(2) Top French bank in terms of EBA stress tests in 2014 and 2018.

Map of significant ESG risks SUMMARY			
Non-financial information category	Significant non-financial risks	Prevention measures	Performance indicators
GOVERNANCE			
Lack of training of elected representatives	Risk of decisions incoherent with the strategy of the group	Training plan dedicated to each profile of elected representative	Rate of training of elected representatives *(Chapter 7.1.2.3 - 7.3.1 .4 – 7.3.1.7)*
Lack of attractiveness of membership	Risk of compromise of the cooperative model	Organization of co-operative life Encourage the involvement of elected representatives in local life	Rates of membership *(Chapter 7.1.2.3 – 7.3.1.1 – GOUV62; GOUV63; GOUV65).*
Failure to advise the clientele Inappropriate goods and services sold	Risk of losing customers	Routine quality measures Satisfaction surveys Adaptation of proposed offerings	Posternak Ifop barometer[1] *(Chapter 7.1.2.3)* Complaints monitoring indicator *(Chapter 7.1.2.3)*
SOCIAL			
Transformation of skills Lack of employee training	Risk of non-compliance of banking operations	Significant training budget (>6% of the payroll expense) Support for all employees in digital transformation	Training indicators *(Chapter 7.3.3.5 – SOC46; SOC47; SOC48; SOC49; SOC50)* Transformation training ratio *(Chapter 7.1.2.3)*
Demotivation of staff (management, professional recognition, QWL...)	Risk of non-respect of procedures Risk of failure to advise customers/prospects – Loss of NBI	Internal support mechanism for employees (regular interviews, group charters and agreements, measures for improving QWL...)	Rate of job rotation *(Chapter 7.1.2.3)* Absenteeism indicators: variation in the number of days absent *(Chapter 7.3.3.2 – SOC38; SOC39; SOC40; SOC41)*
SOCIETAL			
Lack of awareness of the ESG issues in the group purchasing policy	Risk of non-respect of the vigilance plan	Respect of purchasing policy Signing of Supplier Charter	Number of supplier charters signed *(Chapter 7.1.2.3)*
Malice in the handling of customer/ prospect banking operations	Risk of internal or external fraud Risk of conflicts of interest Risk of information theft	Strengthening control procedures of banking operations	Amount of claims for internal and external fraud *(Chapter 7.3.2.3 - 7.5.2.3)*
IT systems security failure	Risk of downtime in bank IT systems Risk of cybercrime Risk of non-respect of general regulations on the protection of customer data	IT Systems Security Committee Certification ISO 27001 Training of employees in GRDP (General Regulations on Data Protection)	Rate of availability of primary TP applications[2] *(Chapter 7.5.2.2)* Impact of claims > €1,000 *(Chapter 7.5.2.3)* Rate of training in GRDP *(Chapter 7.1.1.4.)*
FIGHT AGAINST CORRUPTION			
Non-respect of procedures	Risk of corruption	Regular training of employees Internal controls	Percentage of employees trained in the fight against corruption *(Chapter 7.3.2.3)*
HUMAN RIGHTS			
Controversies over the non-respect of human rights	Risk of exposure through activities Risk of non-respect of the vigilance plan	Contractual clauses Crisis management mechanism Communication of the vigilance plan	Number of alerts from the "Power to Report" monitoring tool *(Chapter 7.1.1.4 Audited but non-published data)*
ENVIRONMENTAL			
Absence of dedicated CSR governance	Regulatory risk (poor application of regulatory texts)	The group's CSR commitment Validation of decisions by the umbrella organizations of the group Dedicated organization with contacts in each entity	5 CSR indicators included in the strategic plan "ensemble#nouveaumonde 2019-2023": Human and Cooperative Indicators *(Chapter 7.1.1.2 Indicators in process of development)*
Lack of consideration for the carbon footprint of the group's entities in the exercise of their activities	Risk to reputation Regulatory risk	Carbon offset mechanism ISO 50001 certification process (energy management)	GHG Emissions: 5-year goal of 30% reduction in the group's carbon footprint *(Chapter 7.1.2.3 – 7.1.3 Indicators in process of development)*
Failure to consider specific rules on sectors that pollute in granting financing Absence of prevention measures to reduce the carbon footprint of banking and investment operations	Risk of losing clientele and attractiveness (impact on NBI) Financial risk (depreciation of controversial securities in the portfolio)	Sectoral policies Integration of ESG criteria in granting credit and investment choices	Amount of funding authorizations for renewable energy projects (baseline calculated to reach a goal of a 30% increase in financing projects with strong impacts on the climate in 2023) (Chapter 7.1.2.3 2018 indicators: FS ENR Portfolio[3] 2019 indicator: FS ENR portfolio + ENR networks
Lack of consideration for risks associated with climate change	Risk of transition Physical risk	Work in progress on case studies in order to prepare risk management methods	In process of development

(1) Baromètre Ifop-Psternak: https://www.creditmutuel.com/fr/actualites/le-credit-mutuel-une-nouvelle-fois-ndeg1-des-banques-1
(2) TP: transactional process – major applications used by the banking network and customers.
(3) FS ENG: Funding projects specialized in Renewable Energies.

7.1.1.4 Crédit Mutuel Alliance Fédérale's vigilance plan

Introduction

The law No. 2017-399 of March 27, 2017, pertaining to the responsibility of parent companies and initiating companies is the law known as "duty of vigilance".

By this law, large companies have the obligation to establish and implement a "vigilance plan", intended to prevent serious harm to human rights and the environment as part of their activities and those of subcontractors or suppliers with which they have a lasting business relationship.

This obligation, which applies to companies (subsidiaries included) employing at least 5,000 employees in France or at least 10,000 employees in France and abroad, notably concerns the group and the entities of which it is comprised.

The vigilance plan was submitted to the group's control and compliance committee and auditing and accounting committee, which represents the surveillance authority.

It is accessible to employees of each group entity, notably through the PIXIS Intranet. It may be subject to modifications as the group makes progress in the matter and incorporates particularities of certain professions.

The vigilance plan and its implementation are made public through the non-financial performance statement (NFPS).

Presentation of the vigilance plan

Details of the vigilance plan

"The plan contains reasonable vigilance measures adequate to identify risks and prevent serious harm to human rights and the fundamental freedoms, health and safety of persons as well as the environment, resulting from the company's activities and those of the companies it controls within the meaning of the II of Article L.233-16, directly or indirectly, as well as the activities of subcontractors or suppliers with which there is an established commercial relationship, when these activities after related to this relationship." (cf. Article 1 of the law No. 2017-399.)

The vigilance plan is completely integral to the social and mutualist responsibility process – SMR – implemented by Crédit Mutuel Alliance Fédérale in 2016.

Scope of vigilance plan

The vigilance plan makes it possible to identify risks and prevent serious harm in the following three areas:

Human rights and fundamental freedoms

There are several categories:

- inherent human rights: meaning equality, freedom, property, safety and freedom from oppression;
- rights that are aspects or consequences of the preceding:
  - from the principle of equality, for example, ensues universal suffrage, gender equality, and also equality before the law, employment, taxes, justice, access to culture,
  - the principle of freedom elicits the existence of the individual freedom, of opinion, of expression, of assembly, of worship, of the right to unionize and to strike,
  - the right of property implies the freedom to dispose of personal property and entrepreneurial freedom,
  - the right to safety justifies the preclusion of arbitrariness, the presumption of innocence, respect for the rights of defense, the protection of individual freedom by justice;
- social rights, meaning services that are the responsibility of the collectivity: we can cite the right to work, protection of health, free public education;
- rights related to the environment, which affirm the right of everyone to live in a balanced environment that's respectful of health and which consecrates the notion of sustainable development and the precautionary principle.

The vigilance plan covers infringements on human rights and fundamental freedoms generated by activities of the group (subsidiaries and employees) or partners (suppliers and intermediaries) on their stakeholders within the context of established commercial relationships.

The health and safety of individuals

Definitions

- The World Health Organization (WHO) defines health as "a state of complete physical, mental and social well-being and not merely the absence of illness or infirmity".
- Safety designates all of the provisions intended to ensure the protection of persons and property in a manner such that the situation in which one finds his or herself has an acceptable level of risk.

Examples of risks to safety and health at work

Physical activity (working on a screen, lumbago, etc.), noise, occupational or chemically-caused cancers (asbestos, etc.), travel, psycho-social risks (aggression, external violence, occupational exhaustion or burn out, harassment and internal violence, stress, suicides), etc.

The vigilance plan covers infringements of health and safety inside and outside the company

- Internally, the employer should ensure safety and protect the health of employees. The employer should take the necessary preventive measures against occupational risks and inform and train employees about these risks. The employer should also respect certain rules in the layout and utilization of the work premises.
- Externally, the employer should also ensure that the company's activities like those of its suppliers do not have negative repercussions on the health and safety of the supplier's employees, customers or any other persons.

The environment

Risks related to the environment are industrial or technological risks generated by the group or partners, which have an impact on the environment: water, aire, sites and soils, noise, etc. Risks related to financing and investment activities are also included, the goal being to reduce as much as possible the environmental consequences resulting from these activities.

They concern:

- the vitality of the ecosystem (protection of the ecosystem, resource management, pollution);
- management of water, agricultural, fishing and forest resources, but also climate change and biodiversity and the air;
- environmental health (the impact of the environment on human health).

People concerned by the vigilance plan

All those people likely to be affected by a risk or an infringement of a social of environmental nature are those who are involved in the context of the group's activities or in the context of a commercial relationship, particularly with suppliers and subcontractors.

That means employees, temporary workers, staff (detached or not) of suppliers, subcontractors, customers and any other persons involved.

These people may be the cause of a violation of social or environmental rights; they may also be accomplices (active or passive) or even victims.

In summarizing, it's necessary to distinguish:

- the risks generated by the entity/subsidiary on employees;
- the risks generate by the entity/subsidiary of customers *via* activity, financing granted, investments made, products and services offered;
- the risks generate by the entity/subsidiary on its partners (suppliers and subcontractors, intermediaries…) and third parties;
- the risks generated by partners (suppliers, intermediaries…) with which the entity/subsidiary has an established commercial relationship, when activities related to this relationship, when these risks affect employees and third parties.

Measures of the vigilance plan

In accordance with the law, it includes the following five principal measures:

- a mapping of risks intended to identify, analyze and prioritize them;
- regular assessment procedures of the situation of subsidiaries, subcontractors or suppliers with which there is an established commercial relationship, in terms of the mapping of risks;
- appropriate measures to mitigate or prevent serious harm;
- an alert system and procedure for reporting the existence or occurrence of risks;
- a mechanism to monitor any measures put in place and to assess their effectiveness.

Mapping of social and environmental risks

The mapping of risks covers the areas evoked above based on an awareness of employees' work situation, relationships with customers and partners, activities exercised by the company and those of subcontractors and suppliers.

The objectives sought consist of:

1/ identifying the risks
That means identifying all the dangers to which employees of the company or suppliers, customers or third parties may be exposed;

2/ analyzing the risks
The risk incurred for each dangerous situation raised is to be defined and evaluated based on:

- the nature of the danger,
- the means of prevention already existing (technical, organizational, human);

3/ classifying risks
The classification of risks makes it possible to:

- determine the priorities of the action plan based on the potential seriousness and probability of occurrence,
- implementation of preventive measures.

For each area (human rights, fundamental freedoms, health and safety of people, environment), work has been done to identify the primary risks. These risks were the subject of analysis (by experts) that made it possible to evaluate in two times by using notions of the gross risk and then the residual risk.

The gross risk considers the probability of occurrence and its frequency as well as the impact that the particular case may have on the entity's activities and services it provides to the clientele. Scoring is established based on the 5 following levels:

Scoring	1	2	3	4	5
Degree of risk	Very substantial	Substantial	Average	Low	Very low

For each case, the residual risk is then valued according to the extent to which there is coverage for the observed risk based on the existence and relevance of preventive or mitigation measures in place. Its score is established on the basis of five levels of risk:

Scoring	1	2	3	4	5
Degree of risk coverage	**Very satisfactory coverage:** Risk covered by a controlled mechanism	**Satisfactory coverage**: Risk covered by a suitable mechanism (organization, procedures, controls, etc.)	**Average coverage:** Risk covered but with one or more points for improvement identified	**Insufficient coverage:** Risk partially covered with significant points for improvement identified	**Missing coverage:** Risk not covered and remedial measures need to be quickly implemented

On this basis, Crédit Mutuel Alliance Fédérale identified the following primary potential risks:

- concerning human rights and fundamental freedoms: discrimination, undermining equality, breach of the principle of respect for private family life; infringement on the right to strike, the freedom of assembly and the right to association as well as on the freedom of expression;
- concerning the health and safety of individuals: health risks, non-respect for legal working conditions, infringement on the safety of workers and inequality of access to the right to health;
- concerning the environment, the risk of pollution, infringement on the fight against global warming, damage to biodiversity and violations in the management or waste.

The mapping is likely to evolve as progress is accomplished in each area. It is envisaged to articulate this mapping depending on the functions exercised (for example, the purchasing function).

Assessment procedures concerning the status of suppliers and subcontractors

Regular assessment of the status of subcontractors and suppliers outside of the group with which there is a commercial relationship is conducted with the help of various operational procedures within the group.

Bidding process procedures

Most purchasing is conducted by the group's business line centers.

Certain business lines have defined procedures for the bidding process in view of the importance of negotiations. Therefore, at Euro-Information, suppliers were listed in categories whose principle is "essential and responsive suppliers" (economic or strategic importance for Euro-Information or for its customers). For the bidding process and in regular fashion, purchasing teams request these suppliers to provide documents that can attest to their CSR procedures (or to provide the link to the document on the Internet) in order to know the content. This operation is applied in the purchasing process of equipment/software, but also in the context of buying immaterial computer services vis-à-vis SSII (IT Services Company) suppliers. Euro-Information conducts a regular review of it.

The evaluation of suppliers is also done through policies established by the group (sectoral policies, purchasing policy and charter with suppliers, essential outsourced services, cf. *infra*).

Collection of documentation and information on suppliers outside the group

Numerous elements that make it possible to check on the identity of the supplier, its repute and the quality of service provided are collected as part of the group's procedures.

- Information collected on suppliers and service providers are the following:
  - with regard to combating undeclared labor (Article L.8222-5 of the Labor Code), vigilance obligations required of all suppliers with revenues in excess of €5,000 include a Kbis extract, a URSSAF declaration, URSSAF authentication, the list of foreign workers (LNTE) and a certificate of vigilance,
  - other documents requested by certain business line centers depending on their activity: E&O insurance, proof of 10-year liability insurance, licence for domestic transport, CNAPS[1] governing approval (Safety), business cards of security agents…,
  - INSEE files and legal information that may be consulted with the BILI (companies, associations, individual entrepreneurs) application,
  - for accredited suppliers in the CONTRACT application: contracts, maintenance records, operational elements…;
- regulatory data from the supplier (legal structure, address, SIRET, NAF, legal category, etc.) are reported in the application – PIEFOU – a management tool for supplier invoices;
- elements related to the fight against money laundering and financing of terrorism (CLCB-FT), when the supplier is also a customer, are requested of the supplier or service provider.

Selection of intermediaries and collection of information

- For retail banking, the PRESC application for IOBSPs (intermediaries in banking operation and payment services) makes it possible to identify the following documents: ORIAS registration, civil liability insurance, financial security, mandate…;
- In addition, each retail bank, or specialized profession, establishes a referencing procedure for IOBSPs, which allows for formalizing the collection of required information and implementation of certain controls;
- For market activities, the group establishes a policy for the selection of financial institutions or other intermediaries to which customer orders are entrusted for execution on French or foreign markets. The chosen entities must dispose of procedures and mechanisms to execute orders that correspond to the objectives set in the group's execution policy (available on the Internet) and particularly to certain criteria (rules of good conduct, terms and conditions of transmission and execution, security of processing). The selection of intermediaries may be modified depending on the evaluation grid and controls carried out;
- Each of the group's concerned entities (particularly in the case of management companies) is responsible for approval of brokers in financial instruments with whom they deal and for monitoring the relationship with them. In this regard, the entity:
  - formalizes a procedure for initiating a new relationship, including, in particular, combatting money laundering,
  - established and keeps current a formal list of authorized brokers who are authorized to work with it,
  - established an evaluation grid of brokers, which allows for regular evaluation based on qualitative criteria.

Outsourcing of essential group and non-group services

The procedural framework relative to the control of outsourcing so-called "essential" activities, developed by the group's permanent control and compliance central functions, includes the policy, the procedure and its appendices (service quality assessment form, contract assessment form, recommended contractual clauses, PSEE[2] reference list, etc.), as well as audit charters specific to certain professions (CCS, Euro-Information, etc.). These documents are updated as needed.

Since this year, non-group providers of essential services have been asked to sign the supplier charter.

Dedicated network PSEEs mainly concern investment services (portfolio management…), banking operations (means of payment, storage of precious metals, transport of funds…), IT services, archive management or even debt collection.

(1) National Council on Private Security Activities.
(2) Outsourced essential services.

Regular monitoring of the primary service provider business centers (CCS, Euro-Information and certain professions) is conducted by the group's central functions and annual supervisory audits are also prepared. A summary of it is available in the group's internal control report.

Actions to mitigate and prevent risks

A set of measure aimed at reducing and preventing these risks is implemented vis-à-vis customers, suppliers and employees. These measures are presented below.

In customer relations

Relationships based on ethics and the code of conduct

Rules of proper conduct exist within the group to prevent risks to which customers could be subject. They are defined by internal rules that apply to all of the group's entities and to which is appended the safety charter, the code of conduct, the code of ethics and deontology and the charter on prevention of and fight against harassment and violence in the workplace.

Protection of personal data

Knowing the customer and the relationship between the bank and the customer requires gathering, using and storing a certain amount of information about him or her. The collection, use and processing of these data are protected and also covered by professional secrecy.

- The Crédit Mutuel Alliance Fédérale entities concerned comply with the principle of relevance and proportionality of the data collected regarding the purpose of data processing, in order to comply with legal provisions.
- Customer information is handled in a clear and pedagogical manner, particularly concerning:
  - the identity of the person responsible for processing,
  - the purpose of data processing, avoiding unduly generic wording,
  - the obligatory of optional nature or answers and the consequences of failure to reply,
  - the recipients of this information,
  - one's rights of access, to object, to correct.

Information on the protection of personal data is disseminated to customers who use remote banking as well as conventions on opening an account.

On April 27, 2016, the European Parliament and the Council adopted the regulation on the protection of individuals with regard to the processing of personal data and the free movement of such data. This regulation, which was enforceable beginning on May 25, 2018, will strengthen protection of personal data.

Crédit Mutuel Alliance Fédérale has adapted its tools and guidelines to incorporate the regulatory changes stemming from GDPR[1]. These accommodations concern the following points:

- creation of a register of data processing activities;
- realization of an impact analysis for data processing likely to present an elevated risk to the rights and freedoms of private individuals;
- implementation of mechanisms and procedures that show respect for rules pertaining to data protection;
- establishment of a data protection officer;
- application of the principle of protection of personal data in the design of the processing operation;
- the rights of individuals.

In the 2018 fiscal year, the training department organized over 46,000 hours GDPR e-learning training (sessions for 89% of the group's employees).

In addition, Crédit Mutuel Alliance Fédérale has adopted a security charter concerning personal data management, which is published on its website.

7.1.2 Strategic orientation and SMR positioning of Crédit Mutuel Alliance Fédérale

Crédit Mutuel Alliance Fédérale is a group of strong values. Its CSR policy, deliberately renamed Social and Mutualist Responsibility (SMR) in 2016, is in line with its genetic identity, which consists of democracy, proximity, local economic and social development, mutual assistance and solidarity.

Crédit Mutuel Alliance Fédérale's SMR policy is focused on 5 goals including 15 commitments. This strategy supplements the group's development goals by incorporating social, societal and environmental issues into the activities of each of its entities.

Within the group, the SMR policy is identified with a label to facilitate its recognition and its appropriation by employees. This initiative reflects the commitment to improve communication on SMR issues within the group.

7.1.2.1 SMR: a function integrated into the Crédit Mutuel Alliance Fédérale Risk and Compliance Department

This strategic positioning reflects the group's desire to make sure that social, societal and environmental issues are identified as risk factors, the treatment of which will ensure the proper execution of the group's development strategy. The dedicated SMR team works closely with its network of expert correspondents present in each Crédit Mutuel Alliance Fédérale entity.

In addition, at the highest level in the chain of command, the SMR initiative of Crédit Mutuel Alliance Fédérale is underpinned by responsible and committed governance. Its volunteer directors actively contribute to the life of the group in accordance with the rules of independence, ethics and integrity. The SMR action plan is validated by a dedicated working group of the Trade Union and Inter-federal Committee, a decision-making body that brings together the elected chairpersons of the local, regional and federation banks and the group's managing directors at least twice a year. This working group is presided over by the Chairman of Crédit Mutuel Alliance Fédérale.

(1) General Data Protection Regulation.

7.1.2.2 Social Responsibility and Mutualist Label

7.1.2.3 SMR policy based on five goals

- Ambition members and customers.
- Governance ambition.
- Societal ambition.
- Social ambition.
- Environmental ambition.

AMBITION MEMBERS & CUSTOMERS	GOVERNANCE AMBITION	SOCIETAL AMBITION	SOCIAL AMBITION	ENVIRONMENTAL AMBITION
3 criteria	2 criteria	4 criteria	4 criteria	2 criteria
1. Attentiveness to Members & Customers 2. Banking inclusiveness 3. Control of risks	1. Effectiveness of governance bodies 2. Momentum of cooperative governance	1. ESG purchasing policy 2. Responsible relationships 3. Regional development 4. Promote local initiatives	1. Diversity and equality of opportunity 2. Support careers and mobility 3. Promote QWL 4. Strengthen the dynamics of social dialog	1. Reduce the environmental impact of the group 2. Strengthen solutions and high-quality offers and responsible service

The SMR policy, which is based on 5 objectives comprising 15 commitments, reflects the group's values and highlights its environmental, social and societal priorities. For this reason each entity adopts these SMR commitments, adapts them to its business lines and deploys them throughout its region. By drawing on this collective mobilization based on responsibility and autonomy, the development of the SMR strategy guarantees the coherence of Group actions at the regional level.

Simultaneously, and going beyond its obligation to file a non-financial performance statement, every year the group will request a non-financial rating agency to rate its environmental and social actions and its governance model on the principle of continuous improvement.

The SMR approach integrated in the 2019-2023 *ensemble#nouveaumonde* strategic plan, is a vehicle for performance and sustainable solidity that is embodied by five human and mutualist commitments:

- 100% of employees trained in transformation;
- gender equality in management and governance positions;
- membership rate in excess of 90%;
- 30% increase in financing projects with a significant impact on climate;
- reduction of more than 30% in the group's carbon footprint.

All of the governance, social, societal and environmental indicators are detailed as of section 7.3 – CSR Reporting – Fiscal Year 2018.

Attentiveness to members and customers

The group's goal is to create a lasting relationship with its customers and members. The objective is to ensure that members receive the best advice so that they are always offered the products and services they need.

Ensuring the coherence of offers and control of all advertising messages, as well as providing contractual explanations, respecting customers' rights in all circumstances and during collection operations and the rules related to canvassing operations and processing complaints, are issues that concern all team members of the group's entities regardless of their profession.

To measure and enhance the quality of customer relations, the group implements actions that enable it to be attentive to customers (by allowing them to express their satisfaction, or dissatisfaction via various channels, by asking them to voice their opinions throughout the customer experience, and by involving them in product creation discussions).

The sales and marketing teams measure the satisfaction of every new network customer. 2018 showed an improvement with an NPS score (Net Promoter Score) of 51.1% for the Crédit Mutuel federations, and of 45.6% for the CIC network, up 3.4 points and 4.4 points, respectively.

In addition, the Posternak-Ifop barometer[1], quarterly rankings of companies' corporate image, confirmed Crédit Mutuel's leadership ranking in the banking sector with a score of 68 in the fourth quarter of 2018.

In order to maintain this performance and enhance network customer loyalty, sales and marketing teams conduct targeted studies with a sample of member-customers. The purpose of these studies is to map customer satisfaction in order to promote best practices, progress points and customer expectations. These studies also serve to enhance customer complaint services.

To be even more proactive, the sales and marketing teams question customers who have just taken out a loan. Customers express themselves by assigning a global score, as well as scores pertaining to rapidity and to simplicity. A dedicated team analyzes these surveys over time. When customers express dissatisfaction via this channel, support is provided to systematically process their complaint.

Processing of claims

The mechanism for processing claims implemented by entities in the group's sales network includes the three following levels:

- customer account managers and agency managers are responsible for processing claims at the first level. They are thus analyzed at the location the customer is most familiar with in order to respond in the best possible manner to the request;
- in each region, a specialized customer service department (CSD) provides an appeal process for the customer if the initial response is not satisfactory;
- after having exhausted the previous appeal, the customer may address the Crédit Mutuel consumer Ombudsman.

The latter relies on the Secretariat of Mediation at the national level.

The customer is informed about the existence of the mechanism and its organization particularly by means of the website. Contact information for the regional CSD can thus be found there, as well as a specific toll-free telephone number. The mediation charter is also available for consultation there. All of these items are also available in branches upon request.

In 2017, the group's mediator and the AMF's mediator signed an agreement giving customers the possibility of presenting any claim within the scope of the AMF, to either the AMF mediator of the group mediator, knowing the chose is irrevocable.

In 2018, 48,499 claims were registered (Crédit Mutuel Alliance Fédérale scope excluding foreign entities other than TARGOBANK Spain), of which 45,103 were closed. The average time for processing claims is 71 days.

In addition, Crédit Mutuel Alliance Fédérale will be implementing a new customer complaints tool as of 2019, enabling customers to lodge a complaint on their personal remote banking space and to monitor the processing progress of their claim. This tool meets regulatory requirements and provides security and traceability of customer claims.

Banking inclusion

Crédit Mutuel Alliance Fédérale is the bank for all clients and is attentive to supporting all those going through difficult life situations, be they structural, social or short-term. The diversity of situations of vulnerability can lead to financial precariousness requiring the implementation of a strategy that is attentive to the populations concerned.

As part of this approach, the entities of Crédit Mutuel Alliance Fédérale undertake, by way of a concrete plan of action, to respect mutualist values and the professional codes of ethics and compliance. In November 2018, Crédit Mutuel Alliance Fédérale published a policy in favor of fragile or vulnerable customers.

This policy describes all of the specific commitments made by Crédit Mutuel Alliance Fédérale to promote banking inclusion for customers in a situation of fragility and supplements other customer protection measures designed to foster behavior that is respectful of the interests of customers and good business practices.

In addition to providing basic services for people in fragile situations, the group prevents the risk of over-indebtedness by offering a simple tool for them to manage their budget, as well as financial education training modules co-designed with a partner.

Customers and members can manage their budgets on their personal space and on mobile applications. This service enables individual customers to visualize and categorize their income and expenses in order to better manage their budget. In 2018, a new feature was introduced allowing customers to centralize the balance and movements of their accounts held in other banks.

Concerning the prevention of over-indebtedness, COFIDIS organizes training sessions within the framework of its partnership with CRESUS. Presented in the form of an entertaining board game, these sessions are designed to train customers and raise their awareness to budget-management issues based on dialog and exchange, as well as inclusion and individual and collective accountability. In 2018, the first nine employees were trained in hosting the game.

The ACMs (Assurances du Crédit Mutuel) supplement their offer concerning multi-risk operating loss cover for business customers in financial difficulty by extending the guarantee to the impossibility of gaining access to company premises and the shortage of suppliers.

Risk management

The group provides its employees with a high level of continuous training to ensure they are well versed in prevention measures related to the fight against money laundering and terrorist financing and develops technological and in particular cognitive solutions to optimize their effectiveness. Added to this is the willingness of the group to prevent the employees concerned from finding themselves in a situation of conflict of interest and/or corruption by knowing the active and/or passive practices of private players and public agents.

In addition to the measures already in place, the group has implemented a vigilance plan[2] to prevent serious violations of human rights and health and safety, and of the security of people and the environment within the framework of its activities. Actions are identified notably concerning customers (project financing, sector policies, etc.), suppliers (group purchasing policy, supplier relations charter, etc.) and employees (internal procedures and preventive measures).

An alert system and procedure for reporting the existence or occurrence of risks is in place and a monitoring mechanism to analyze actions has been implemented. The monitoring indicator, overseen by the Compliance Department, is verified by an independent third party, but not published for reasons of confidentiality.

(1) The Posternak-Ifop barometer was created 19 years ago to help businesses analyze citizen reactions and consumer behavior.
(2) Details of the vigilance plan presented in paragraph 7.1.1.

Efficiency of the governance bodies

The group's cooperative model imposes a certain transparency relative to the procedures attached to the appointment of members of the boards of directors, supervisory boards and the institutional life of the group. In addition to monitoring the functioning of the boards of directors, the attendance of their members and the setting up of specialized committees, the group makes sure that the members of the boards of directors are able to assume their missions in the best conditions and, as such, develops personalized training programs that take into account the professional skills and experience of each member.

The aim is to develop the skills of the elected members and provide customized, targeted training programs. These programs cover seven areas of knowledge and are broken down according to the different profiles and missions of each elected member: directors and censors of the umbrella structures, federal administrators, chairs of the board of directors and/or the supervisory committee, elected members of the local and regional cooperative banks of de Crédit Mutuel. These training cycles, which are sometimes qualifying go further than the regulatory requirements and reinforce the sense of commitment of elected members.

In addition, the group pays particular attention to supporting young elected members during the first years of their mandate by providing in-depth training on the group's activities. The key challenge is to ensure that young members are successfully integrated into the cooperative life of the group and to retain them over time.

Information on these new training programs is communicated by the training correspondents, as well as contacts sitting on the federal and inter-federal training committee.

In 2018, the rate of elected member training rose 1 point to 57.3% year-on-year (excluding Crédit Mutuel Normandie).

Momentum of cooperative governance

The smooth running of cooperative activities is underpinned by the wealth of opinions and expectations of the members. The aim is to enhance the attractiveness of mutualist values, particularly among young employees, and to take advantage of the general meetings of local cooperative banks, which is the basis of the democratic mutual model, as real venues for exchange. In addition, the role of the boards of directors is to validate the strategic choices of the local cooperative banks and to represent the community of members.

ESG Purchasing Policy

Purchasing goods and/or services is an act of management and is part of the operational implementation of the group's strategy.

The group's procurement policy, implemented at all its entities, incorporates economic and quality criteria, conditions relating to compliance with technical requirements, and ESG (environmental, social and governance) factors.

The group promotes relations with suppliers and/or service providers whose contracts include specific clauses related to compliance with the reference texts on human and labor rights and the strict respect of the principles relating to corruption in all its forms. It promotes proximity and long-term relationships.

Responsible relationships

The group has reinforced this initiative by requesting that all its suppliers sign a sustainable and responsible purchasing charter incorporating the internal commitments of the purchasing policy to ensure long-term commercial relations with partners committed to a process of compliance with the challenges of sustainable development.

By signing the charter, the supplier undertakes to respect the human rights and fundamental freedoms, health and safety of people and the environment, as well as the rights of employees in the context of activities carried out with the entities of the group. The supplier undertakes to respect the laws applicable to the protection of personal data and to implement all measures necessary to ensure the security and confidentiality of the information provided by the entities of Crédit Mutuel Alliance Fédérale. The supplier undertakes to implement internal procedures to ensure its activity is in compliance with the laws and regulations relating to the fight against corruption. In addition, suppliers can report any infringements to Crédit Mutuel Alliance Fédérale by using the dedicated email address.

As such, the group's aim is for all of its suppliers to sign the charter and it has already requested signatures from its main business-line center suppliers with revenues of over €1 million. At the end of 2018, 58 such charters had been signed.

Regional development

The group, which is a leading employer with a strong regional presence due to the stability of its network, bases its strategy on the demand for long-term investment to develop the economic and social ecosystem of each region. It pursues, either directly or in partnership, the distribution of personal and professional microloans to foster the development of activities in the regions.

Promote the distribution of personal and professional microloans

Crédit Mutuel Alliance Fédérale enables customers in financially precarious situations to benefit from financial support by developing partnerships with associations such as ADIE, Initiative France and France Active to promote the granting of micro-loans. The purpose of granting microloans is to create and consolidate jobs for those who are excluded from the job market (job seekers, recipients of the minimum welfare benefits, people with disabilities, etc.).

Promote job security and the return to employment

Promoting job security and the return to employment are key priorities for Crédit Mutuel Alliance Fédérale in its quest to support people in a situation of precarity. To date, more than 200 regional conventions have been signed throughout the country with social integration association networks such as CCAS, Secours Catholique, UDAF, Secours Populaire, Restaurants du Cœur and county councils to support our customers and receive advice adapted to each situation.

This commitment to foster access to employment in the regions is embodied by forging new partnerships at the national and local levels so as to supplement the mechanisms already in place within the Crédit Mutuel Alliance Fédérale entities.

For example, some federations have created a corporate foundation or association under the name "Créavenir" offering non-collateralized/unsecured loans, repayable advances, subsidies and/or sureties to help create and accompany economic activities in their regions.

Solidarity commissions have also been set up by the boards of directors of the local cooperative banks to support member-customers in difficulty.

Crédit Mutuel Loire-Atlantique et Centre-Ouest has donated more than €400,000 (in the form of personal and corporate loans to support the creation of jobs) to its structure, Crédit Mutuel Solidaire to promote innovative companies offering new job opportunities and social inclusion.

Crédit Mutuel Dauphiné-Vivarais *via* its Corporate Foundation with an annual budget of €183 million, has provided financial support to 7 agricultural projects enabling the creation of new farms.

Crédit Mutuel Centre Est Europe and ADIE (Association for the Right to Economic Initiative) concluded an agreement in June 2018 allowing for the provision of credit lines for up to €1 million. This partnership will enable those without access to conventional bank credit to realize their entrepreneurial projects.

The Crédit Mutuel Centre is setting up a system to provide young people aged 16 to 28 with financial aid to carry out their projects related to solidarity, proximity and job creation. A budget of €15,000 per regional group was allocated in 2018 enabling the validation of 23 projects.

Promote local initiatives

By drawing on its cooperative and mutualist model, the group notably supports customer-member associations by forging partnerships (financial or material) involving elected members and employees. It also participates in patronage and sponsorship operations that promote projects in the fields of education, sports, music, culture and professional reintegration etc.

Focus on some partnerships

Crédit Mutuel Insurance has concluded a partnership with Visible Patient, a Strasbourg-based medical imaging company, which has created an innovative medical imaging technology enabling surgeons to obtain 3D modeling of organs operated by remote control or by scanners, and thus improve surgical procedures and increase the chances of success. The Visible Patient solution, which is very popular with surgeons, was awarded the 2018 innovation prize by the French Association of Surgery.

Crédit Mutuel Loire-Atlantique et Centre-Ouest in association with other companies, monitor the foundations of the companies Pro Greffe and Génavie. The Pro Greffe Foundation supports basic organ-transplant research and the Genavie Foundation cardiovascular disease research carried out by the Institut du Thorax (Thorax Institute). The Foundation for Patronage renewed an operation whereby for every bank account opened with the bank the Foundation makes a donation for children with cancer.

In addition, Crédit Mutuel Loire-Atlantique et Centre-Ouest is heavily involved in several social housing structures. It is a shareholder in Entreprises Sociales pour l'Habitat (ESH), which manages around 20,000 social housing units. Atlantique Habitations, a subsidiary of Crédit Mutuel Loire-Atlantique et Centre-Ouest, manages over 10,000 housing units in 100 municipalities in Loire-Atlantique and Morbihan. Its role is to provide a range of adapted new or rehabilitated housing solutions to meet the needs of people with moderate resources.

The social housing division of Crédit Mutuel Loire-Atlantique et Centre-Ouest is also developing an affordable housing offer marketed under the Groupe Habitat Tradition (GHT) brand. This offer is produced *via* Maison Familiale de Loire-Atlantique (MFLA) and Demeures et Tradition (D&T); 2 Atlantique Habitations housing production cooperatives that produce housing for the social acquisition of property.

Their cooperative status gives them a very special situation and philosophy by allowing young, low-income households to gain first-time access to property, at below market average prices, while assuring that communities benefit from a real urban and social mix.

Crédit Mutuel Sud-Est defends the right to housing for all in the department of Loire. In 2018, €25,000 was donated to the association, "Un toit pour tous" ("a roof for all") whose vocation is to support all initiatives that fight against situations of inadequate housing.

Crédit Mutuel Anjou, in partnership with SCO Rugby Club Angers, supports a training course for the integration of young people who have dropped out of school and have no idea of what career path they should follow (around 30 young people per year). The goal is to promote social integration through sport. As part of an operational preparation for collective employment (Pôle Emploi – Région and OPCALIA training), a 400-hour training program over 5 months is offered to young people: 210 hours of professional knowledge and skills (soft skills and savoir-faire) – 120 hours of sports and 70 hours of work placement.

The aim is to integrate the young people who have completed the course into the professional world.

Crédit Mutuel Anjou, in partnership with Créavenir Anjou, is supporting a project aimed at training adults with autism in domestic and professional activities so as to promote their inclusion and socio-professional autonomy.

A house of autism (a first in France) opened on the outskirts of Angers in January 2018. This is a place where healthcare professionals:

- provide educational, individual and coordinated care;
- create socialization groups by training parents and professionals;
- organize social-skills groups for participants to learn how to play and communicate;
- create a space for parents, a documentation center and organize artistic events;
- organize professional life and independent living workshops.

Equal opportunity

Crédit Mutuel Alliance Fédérale is firmly committed to work-study programs and integration into employment. The goal is to increase the recruitment of work-study students and to offer 80% of them an open-ended contract (CDI). 25% of job vacancies will be reserved for young people from priority urban neighborhoods or rural communes with less than 5,000 inhabitants.

In 2018, Crédit Mutuel Méditerranéen increased the number of partnerships with schools to address the two-fold objective of promoting social inclusion and meeting its future recruitment needs:

- as part of the national plan "Mon stage de 3e", 5 agreements were concluded with colleges in REP+ zones (Marseille, Nice, Montpellier). A dozen or so college students are following a diversified training course comprising a presentation by Crédit Mutuel Méditerranéen, a 2 day immersion program at a local cooperative bank and contact with some business-line experts;
- existing partnerships have been reactivated with "BTS Bank" thanks to the organization of recruitment days during which 10 to 20 candidate applications were received. 58 students have been recruited in the past few months by way of internships lasting 7 to 8 weeks;
- some twenty interns with Bachelor/Master degrees are currently working in local cooperative banks throughout the federation's territory, with the aim of obtaining an open-ended employment contract (CDI).

Crédit Mutuel Île-de-France is a partner of the association "Nos quartiers ont des talents" (Our neighborhoods have talents), which promotes access to employment for young graduates from sensitive neighborhoods. The purpose of the association is to help young graduates make their entry into the professional arena, particularly via a sponsorship system. In their search for employment , these young graduates are guided by a sponsor employee of Crédit Mutuel Île-de-France.

Disability

The Crédit Mutuel group is committed to supporting people with disabilities.

The Disability charter signed in June 2016 is embodied by actions to promote the recruitment and integration of disabled workers and to ensure they enjoy the same conditions as any other employee.

In November 2018, during the European Week for the Employment of People with Disabilities, Crédit Mutuel Île-de-France sought to raise the awareness of its employees by way of an exhibition of portraits of people with varying types of disability; the challenge for employees being that they had to guess who suffered from what type of disability. This experience was particularly instructive and helped to remove many prejudices.

In the same vein, Crédit Mutuel du Cente joined the National Disability Awareness Program, which provides an information and awareness campaign on disability issues by way of its website and a team of counselors to answer employees' questions.

Euro-Information concluded a partnership with COMPETHANCE, a company whose main objective is to facilitate the integration of people with disabilities into digital professions by providing a specific training program to promote the potential of autistic people suffering from the Asperger syndrome in on-line professions.

Euro-Information took on three people for a training course in web-integration techniques with the possibility of obtaining an open-ended employment contract at the end of the training period.

Crédit Mutuel Loire-Atlantique et Centre-Ouest has published a guide on disability. The guide is available on the intranet and provides extensive information on the measures that have been undertaken, as well as the possible assistance provided by the employer, specialized bodies and contacts and the procedures to be respected to request the installation of specially adapted workstations.

Support career development and mobility

The group invests heavily in training its employees in order to develop their skills and enable them to contemplate a change in profession. In 2018, 5.36% of the payroll expense was devoted to employee training. Almost half of the budget is allocated to internal promotion and qualifying training as well as to training courses leading to certificates that foster the personal development of employees.

Crédit Mutuel Alliance Fédérale has a structure that is entirely dedicated to employee training. Career paths are developed by systematically employing a progressive pedagogical approach, to support employees as closely as possible. These courses include technical knowledge and alternate sessions devoted to role play, experimentation and consolidation. They are developed regularly in terms of content and duration.

In addition, all employees have access to a remote training platform, which offers a wider range of modules. A catalog is available on the Intranet.

Each year, more than 5,000 Crédit Mutuel Alliance Fédérale employees receive career-path training, adapted to their future profession, which serves as a guarantee of their professional development within the company.

In addition, most managers of Crédit Mutuel's regional banks and CIC agencies are appointed by way of a five-month internal recruiting program. Candidates for the position of director are relieved of any duties other than the specific training at the School of Directors and Directors. Through this program, 1,500 employees have been trained as managers of local cooperative banks or agencies.

2018 was marked by the continuation of training programs dedicated to the digital transformation of the bank. 38,333 employees received specific dedicated training. As such, in 2018, 76% of Group employees were trained in digital transformation. In this context, customer relation services training programs were provided to network managers and employees for the purposes of integrating new consumer-behavior, innovation, technology and organizational trends in their respective activities. More than 200,000 hours of training were delivered to employees and managers.

Promote Quality of Life at Work (QLW)

The group has adopted a QLW approach underpinned by its mutualist values. Reconcile the improvement both in employees' working conditions and the overall performance of the group in a rapidly changing environment remains priority.

This commitment depends on several factors: work content, professional development opportunities and quality of management, as well as customer-member satisfaction and the smooth running of the company. To install these factors over the long term, the group integrates them in its strategic agenda and in its technical, social and organizational projects.

The group voluntarily communicates information on all the charters, agreements and rules that govern the life of the company in a working environment that is in the full throes of digital evolution. To address issues related to the company's digital transformation, in 2018 the group signed an agreement with its social partners on the right to disconnect, establishing a code of conduct for communication tools enabling employees to benefit from support services using the tools and ensuring their right to privacy. An agreement on working time was also signed in 2018 allowing the various entities of the group to adapt the organization to meet the needs of customers by modulating the reduction of working time. This agreement takes into account staff health and safety and should enable employees to balance their professional and personal lives.

The aim of the group is to raise employee awareness of projects on a regular basis, to facilitate their involvement and ensure they know the procedures to be put in place so that they can be heard and protected in their function while adhering to the group's rules of conduct and demonstrating respect for one another.

The turnover rate remained stable at 3% (indicator calculated on the number of open-ended contracts in France and excluding the scope of the press division). This indicator is also audited by an independent third party.

Facilitate the labor relations process

The organization of social dialog and the procedures for reporting, negotiating and consulting with staff respond to the desire to work in close collaboration with all the company's stakeholders and to ask the group's priority questions about the strategic topics.

In 2018, following the creation of the unique status of employees of the Crédit Mutuel and CIC networks, new harmonized agreements were signed with the social partners. These include group-wide agreements concerning:

- the donation of days within Group entities;
- mobility which creates new work opportunities for employees;
- profit-sharing for the 2018, 2919, 2020 fiscal years;
- participation of employees in the company's profits for the same duration as that on profit-sharing.

In addition, in order to streamline communication, trade unions can use the internal communication tool to publish their documentation.

Reduce the environmental impact of the group

Aware of its role in the service of the economy and development, the group is committed to conducting all of its activities in a responsible manner. Consideration of environmental, economic and social issues carrying out its business is one of the principle areas of focus of its sustainable development policy.

In addition, the group is committed to reducing its carbon footprint by at least 30% to support the low-carbon transition of the economy. For this reason, the group has chosen to develop a mechanism to offset its carbon footprint beyond its regulatory obligations. The group calculates its greenhouse gas balance for all entities and has voluntarily chosen to tax their consumption. These amounts are used to fund the Crédit Mutuel Alliance Fédérale Foundation whose objective is to support the financing of climate projects.

At the same time, the group has invested in an ISO 50 001 certification project to identify ways to reduce its carbon footprint.

Crédit Mutuel Alliance Fédérale has created a virtuous circle by encouraging its entities to reduce their greenhouse gas emissions and reports on the irreducible portion of emissions by undertaking offsetting measures.

In addition, Crédit Mutuel Alliance Fédérale has chosen to stop purchasing vehicles with diesel engines for its car fleet. In 2018, the vehicle fleet remained stable (3,500 units). The slight decrease in the fleet's CO_2 emission rate reflects the general replacement of vehicles by newer, less polluting models.

The modification of the vehicle charter facilitates access to gas-powered vehicles and includes a bonus of €3,000 for vehicles powered by all types of alternative energy in addition to the government bonus. In addition, a tariff amendment policy was drafted to enable people with diesel vehicles to opt for a gasoline vehicle during the contract period. A major internal communication campaign to promote a reduction in the number of kilometers traveled is being carried out based on reporting and recommendations designed to limit traveling.

In addition, an internal traveling policy prioritizes public transport, carpooling and promotes the use of bicycles for commuting to and from work. The entities of Crédit Mutuel Alliance Fédérale based on the Wacken site in Strasbourg took an active part in the 9th edition of the intercompany "au boulot à vélo" bike-to-work challenge organized by the Urban Community of Strasbourg between June 11 and 24. The aim was to encourage the 3,500 employees on the site to cycle to work.

In addition, numerous measures have been implemented to raise employee awareness to sustainable development. The sensible use of air conditioning and heating systems is recommended (one degree reduction in heating in buildings, in the use of air conditioning, and in the thermal renovation of buildings, etc.).

Similarly, all disposable cups and plastic bottles must be recyclable and recycled.

The group is also implementing a policy for email management, paper printing and the use of videoconferencing. In 2018, the number of videoconferences organized rose by 47% on 2017, saving more than 125 million kilometers.

Euro-Information has developed a specific software which closes down remote workstations. This application is installed in the headquarters on

8,000 workstations. This device will also be developed for use in network workstations.

A world dedicated to employees of the group: "Being an eco-citizen at work" ("Être éco-citoyen au travail"). This initiative is deployed on all employee workstations to encourage staff members to take simple and effective actions to protect their environment and participate in reducing the group's energy footprint.

The tool also provides information on all measures being carried out: the launch of gray recycled paper for Group chairs, use of certified envelopes, adoption of eco-responsible checkbooks on FSC mixed paper, calculation of the carbon footprint of employee photocopies, etc.

In June 2018, access to the "Être éco-citoyen" universe was extended to all elected members.

Crédit Mutuel Loire-Atlantique Centre-Ouest and Crédit Mutuel Sud-Est organized a collection of used books in partnership with the association Recyclivres. The association Recyclivres repairs the books it collects and resells them on its website at low prices to people on low incomes. A portion of the proceeds from the book sales is donated to a charity.

Members, customers, elected members and associates collected 21,000 books.

A similar operation was conducted with employees at the Paris headquarters, who collected more than 3,200 books.

Reinforce solutions and offer quality and responsible service

The group provides specific offers and financing to support customer-members and businesses in their environmental approach. In addition to zero interest rate eco-loans, short-term and long-term energy saving loans, solidarity savings and the financing of renewable energy projects, the group offers subsidized loans to encourage growth and development of companies which have adopted a CSR approach or invested in concrete actions to support sustainable finance and the energy transition.

To this end, since December 1, 2018, Crédit Mutuel Alliance Fédérale has been marketing its Eco-Mobility loan to individuals and its subsidized energy transition loan to businesses both of which are designed to fight against global warming.

The Eco-Mobility offer will enable customers and members to acquire or renew their cars so that they can drive "green" at attractive rates. It will be marketed in Crédit Mutuel local banks and CIC agencies.

In June 2018, 3 Crédit Mutuel federations (Île-de-France, Central East Europe and South-East) and 3 CIC regional banks deployed a new rental offer with the option to purchase a range of pedelecs. This innovative offer will enable our customers and members to focus on using bicycles for business trips and commuting.

In addition, the ACMs offer an original approach to borrower insurance, based on the notion of a supportive community of 3.5 million insured borrowers by providing better support to customer-members during key moments of their lives. For this purpose, the ACMs have introduced the notion of "maintenance of medical approval" for insured persons regarding loans related to their principal residence.

Medical acceptance is thus maintained under the same conditions without taking into consideration any possible deterioration in the state of health of the insured party. If the client's state of health improves, his dossier will be reviewed in his favor.

Renewable energy financing trends

Thanks to its subsidiary CIC, Crédit Mutuel Alliance Fédérale carried out the first renewable energy operation in early 2005! This involved the financing of three wind-power projects representing 28 MW near Chalon en Champagne in the Marne, the most dynamic department in this sector.

The expertise acquired in these areas enabled the group to further increase its loan commitment by 20% this year to nearly €1.4 billion for projects in France and abroad. The group's strategy is to select operations that are well integrated in the regions:

- for wind-power projects: consultation with the local population;
- for solar projects: choice of non-agricultural land: industrial sites under renovation, old mines or quarries, landfills.

For example, we helped our client ENGIE refinance a portfolio of 34 wind and solar projects (333 MW) developed by Compagnie du Vent, which it subsequently acquired.

In addition, the CIC financed a 14 MW (7 x 2 MW) wind energy project with energy storage in Martinique, an island where electricity generation is still largely provided by fossil fuels (fuel and coal) and where the growth of renewable energies is limited by the intermittent nature of their production. For this reason, the development of storage facilities is supported by the Region. The project was commissioned in January 2019.

The CIC was also involved in the financing of the COGECAB biomass power plant at the Bazancour industrial site (Champagne) in partnership with the MERIDIAM Energy Transition fund. The CIC is an investor (with a 5% stake) in this fund alongside CDC and CNP Assurances. The 12 MW cogeneration plant will use wood waste from local sectors to produce electricity which will be sold to EDF under a regulated price contract and supply heat to a wood pellet plant.

Added to this is the funding provided by the networks, which represent more than 2,000 renewable energy financing projects to support customers in the professional, private, agricultural and business markets.

7.1.3 Note on the CSR sector policies of Crédit Mutuel Alliance Fédérale

By structuring its SMR policy around 5 objectives broken down into 15 commitments, Crédit Mutuel Alliance Fédérale has chosen to adopt operating principles that are applicable to all Group entities. This is why the group systematically submits all sector policies and modifications to the board of directors of the Caisse Fédérale de Crédit Mutuel, BFCM and the group for their approval. As such, in February 2018, the boards of directors of the umbrella bodies approved the decision to stop financing coal-fired power plants and/or coal mining regardless of the country of operation. This decision was supplemented by the commitment not to deal with any counterparties whose revenue is more than 50% derived from or related to the coal business.

In addition, the group decided to reinforce the rules related to the application of its sector policies by creating analysis grids specific to each sector of activity (to be completed by the teams in charge of the dossier and presented to the commitments committee). These analysis grids integrate counterparties' non-financial ratings which are analyzed when the decisions to grant banking and financial transactions are taken.

Thus, the group values ethical business relationships and proposes to supplement the financial analysis of the companies financed with an objective analysis of their non-financial performance and more specifically of their commitment to environmental, social and governance issues.

This is a committed approach to financing the energy transition to promote the non-financial performance of customers as an objective decision-making element. It is also a source of dialog with customers enabling the group to provide them better support in their sustainable growth projects.

In addition, the reputational risk associated with the non-application of its SMR strategy commitments could create a significant financial risk for Crédit Mutuel Alliance Fédérale. The image and integrity of the group could be tarnished by controversies linked to financing and/or investments granted to counterparties that are not in line with the group's SMR policy or its ethical and responsible values, particularly those promoting sustainable development issues.

Special attention is therefore paid to certain sectors of activity that are not covered by the requirements of the group's sector policy (coal-fired power plants, mining, civil nuclear power, defense and security).

These sectors under surveillance involve the chemical, derivatives, tobacco, forestry and agri-food industries and all sectors of activity that could have a negative impact on humans or the environment (leading to depletion of resources, serious damage to human health, the destruction of species, deterioration of the environment).

As such, the group has developed a specific analysis grid enabling sales teams to ensure compliance with the commitments of the group's SMR initiative. This decision-support grid also integrates an analysis of the counterpart's ESG policy.

In addition, the boards of directors of the umbrella bodies validated the commitment policy for fragile or vulnerable customers. This policy describes all of the specific commitments made by Crédit Mutuel Alliance Fédérale to promote banking inclusion for customers in a situation of fragility and supplements other customer protection measures designed to foster behavior that is respectful of the interests of customers and good business practices. A committee for vulnerable or fragile customers has been created to monitor projects and validate proposals submitted by the dedicated working group.

Focus on sector policies

The thermal power sector policies for coal, mining, civil nuclear energy and defense and security were revised in fiscal year 2018.

Coal Thermal Power Policies

Policy governing the operations proposed to companies producing electricity derived from coal-fired power plants or operating in the sector because of their activities in the coal-fired power plant development, construction, transport, operation and/or dismantling segments.

- Commitment to stop financing coal-fired power plants and/or coal mining regardless of the country of operation or deal with any counterparties whose revenue is more than 50% related to the coal business.

Mining Policy

Policy applicable to all financial transactions intended for mining companies irrespective of the mining resource and method of extraction employed. This covers the entire sector from ore exploration to shipping.

- Commitment to stop financing coal mining regardless of the country of operation.

Civil Nuclear Energy Policy

Policy governing operations and advice provided to companies in the civilian nuclear sector. The group ensures that all requests fall within the framework of the laws in force and comply with the standards and/or recommendations emanating from independent organizations in the nuclear sector.

- An internal decision-making process is defined and follows a reference framework which notably takes into account the host country, the type of financing of the projects in question and the international financing rules.

Defense and Security Policy

The group's sector policy related to operations with defense and security companies recognizes the existence of conventions, treaties, agreements and regulations specific to the arms industry.

- The group refuses to take any part in controversial weapons operations and respects drastic principles regarding unconventional weapons as well as countries affected by such funding.

Private banking strategy

This policy, which applies to all Group entities engaged in private banking activities, imposes rules of good conduct and ethics (no operations in countries at risk, strict compliance with the Know Your Customer – KYC – procedure, tax compliance, etc.).

- A supplement to initiating relationships in order to clarify relations with non-resident customers who are looking for exemplary conduct regarding local laws and regulations as well requirements related to the fight against money laundering and the financing of terrorism (LCB FT): control of countries at risk, off-shore structure, etc.

Commitment policy for fragile or vulnerable customers

This policy applies to all networks so as to give all the attention necessary to support our customers and members who are going through difficult life situations, be they structural, social or short-term. The diversity of situations of vulnerability can lead to financial precariousness requiring the implementation of a strategy that is attentive to the populations concerned.

- A system promoting the banking inclusion of customers identified as being fragile or vulnerable has been set up. Banking offers and services offered to these customers are adapted to each situation. These commitments concern financially fragile and vulnerable customers (protected adults and people trying to cope with the death of a loved one).

Procurement policy

The acquisition of goods and/or services constitutes a management act and is part of the operational application of the group's strategy. This policy incorporates economic, quality and respect of technical requirements criteria as well as ESG factors.

The group promotes relations with suppliers and/or service providers whose contracts include specific clauses related to compliance with the reference texts on human and labor rights and the strict respect of the principles relating to corruption in all its forms.

In addition, the group has chosen to reinforce this initiative by requesting that all of its suppliers sign a sustainable and responsible purchasing charter incorporating the internal commitments of its procurement policy.

Consumer Credit Policy

This policy governs the group's consumer credit activities in accordance with the values and rules of professional codes of ethics and compliance. The framework for the exercise of the consumer credit business, notably regarding pre-contractual and contractual information and credit intermediary training, has been strengthened.

The group has a strict framework which notably verifies whether the operations financed comply with local and European regulations on the processing of personal data and the fight against money laundering and terrorist financing. In addition, an application grid incorporating the six rules of the Consumer Credit Policy has been put in place for the entities concerned. The board of directors of the entities concerned verify that the entity has completed the grid then validates it.

The entities COFIDIS Participation and TARGOBANK Germany respectively validated the Consumer Credit policy and their application grid during the 2017 fiscal year.

This application grid identifies:

- the department in charge of the rule identified;
- the existence of procedures dealing with the rules to be respected;
- the control tool of the identified procedures.

7.2 METHODOLOGICAL NOTE

For details regarding the composition of the sub-groups, please refer to the reports published by the reporting entities.

The technology division includes the following entities: Euro-Information Services, Euro-Information, Euro-Information Production, Euro-Information Développement, Euro-Information Télécom, Euro-Protection Surveillance.

The press division comprises: Affiches d'Alsace Lorraine; Alsacienne de Portage DNA; Est Bourgogne Médias; Groupe Républicain Lorrain Imprimerie (GRLI); Groupe Dauphiné Média, Groupe Progrès; Groupe Républicain Lorrain Communication (GRLC); *La Liberté de l'Est*; *La Tribune*; *Le Dauphiné libéré*; *Le Républicain lorrain*; *Les Dernières Nouvelles d'Alsace*; *L'Est républicain*; Médiaportage; Presse Diffusion; Publiprint Province No. 1; Républicain Lorrain – TV news; Républicain Lorrain Communication; SAP Alsace; SCI Le Progrès Confluence; Société d'édition de l'hebdomadaire du Louhannais et du Jura (SEHLJ); Société d'investissements médias (SIM).

7.2.1 Indicator scope

Unless otherwise specified in the report and in the table below, all indicators are collected and consolidated for the entire reference scope (see appendix).

Theme	Indicator	Methodological note
SOC01bis	PPH workforce	Data missing for: CIC foreign subsidiaries excluding Banque du Luxembourg and Banque du Luxembourg investments
SOC13	Recruitment: Total number of hirings	
SOC19 SOC20	Number of employees with permanent employment contracts that quit the organization	
SOC38	Total number of days of absence	
SOC46	Payroll invested in training	
SOC48	Number of employees who received training	
SOC50	Training: Total number of hours	Data missing for ACM Partners
SOC107	Total gross annual compensation (in euros) of open-ended contract employees	
SOC108	Total gross annual compensation (in euros) – non-executive open-ended contract employees	
SOC109	Total gross annual compensation (in euros) – open-ended contracts: executives	
GOUV14	Number of local banks	This indicator concerns 11 Crédit Mutuel Alliance Fédérale federations
GOUV15	Number of new women directors – local banks	
GOUV56	Training hours for administrators (federation level; Alliance Fédérale except Crédit Mutuel Normandie)	
SOT27	Amount of loans on preferential terms (< €3,000) granted	This indicator concerns 11 Crédit Mutuel federations TARGOBANK Germany COFIDIS France
SOT28	SRI assets under management	CM-CIC Asset Management data
SOT28BASE	Assets under management by the management company	
SOT37	Assets under management in socially responsible employee savings plans	
SOT40	Number of NPO customers (associations, labor organizations, works councils, etc.)	This indicator concerns: the 11 federations of Crédit Mutuel Alliance Fédérale the regional banks of CIC in France BECM CIC Iberbanco Banque Transatlantique
SOT52	Total budget dedicated to patronage and sponsoring[1]	This indicator concerns: The 11 federations of Crédit Mutuel CIC excluding foreign subsidiaries other than Banque du Luxembourg and Banque Luxembourg Investment

(1) This indicator may include budgets allocated in 2018, but not fully disbursed over the year.

The measurement and reporting methodology, developed in 2006, has been progressively extended to cover the entire banking-insurance scope of Crédit Mutuel Alliance Fédérale. The corresponding indicators underwent an in-depth revision in 2018 in order to make the collection procedure more reliable with all the correspondents of the group.

This methodology organizes the rules for collecting, calculating and consolidating indicators, their scope, and the controls performed. It is intended for national collectors of the Crédit Mutuel Alliance Fédérale federations and subsidiaries contributing to reporting and formalizes the audit trail for internal and external audits.

The reference period of the data collected (social, societal and governance) corresponds to the 2018 calendar year.

7.2.2 Management rule principals

The 2018 data collection process began in September 2018 in order to mobilize all the departments concerned and organize reporting levels and consistency checks. Data collection was broken down into the search for qualitative and quantitative information.

The CSR indicators selected are based notably on:

- Article 225 of the Grenelle 2 law;
- greenhouse gas assessments;
- decree No. 2011-829 of July 11, 2011;
- the cooperative reporting;
- the "Energy Transition law for Green Growth", passed on August 18, 2015;
- Article 173 of the Energy Transition law enacted on December, 31 2015;
- the transposition of Directive 2014/95/EU of the European Parliament and of the Council of October 22, 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information (Order No. 2017-1180 of July 19, 2017 and Decree No. 2017-1265 of August 9, 2017);
- the Sapin II law on anticorruption adopted on November 8, 2016;
- the "duty of diligence" law adopted on February 21, 2017.

Governance indicators

Some of these indicators concern the cooperative governance of the group and the network of local banks. Most of this data is collected from a computer database used to manage elected-member mandates and functions (entered by Crédit Mutuel local ban managers as corporate changes are made to their boards) and from cooperative reporting (entered into an application by ban managers between mid-January and the end of February to report on corporate actions and events carried out during the previous year). Other data, notably that which is related to Group membership, are supplied by the management-control information system.

Corporate indicators

The workforce data relates to the salaried employees on the payroll as at December 31, excluding trainees, temporary workers and external service providers. The data relating to days of absence includes all the absences of employees under permanent and short-term contracts and those on work/study programs in respect of the following: indemnified sick leave, non-indemnified sick leave, sick leave without a medical certificate, workplace accidents, special leave, leave to care for a sick child, prolonged unpaid leave (more than one month), sabbatical leave and work inability leave. It does not include paid leave or days off under collective agreements (compensatory time, seniority, marriage, etc.) or maternity or paternity leave. Lastly, the percentage of payroll expenses spent on training does not include Fongecif subsidies. Regarding the group's French entities, the training indicators include the hours of classroom training and the online hours prerequisite for face-to-face hours. As of fiscal year 2018, the number e-learning training hours are also counted.

Social indicators

Most of the social indicators come from the group "management control" information system. The criteria and parameters are computerized to ensure greater reliability and traceability of the information provided. On the other hand, the social indicators are for the most part supplemented by qualitative indicators underscoring the actions carried out by Crédit Mutuel Alliance Fédérale entities in their respective region.

Environmental indicators

Given the nature of the group's activities, noise, soil and other forms of pollution from discharges into the air, water and soil which seriously affect the environment at its operating sites do not appear to be significant. In addition, the group does not have a major impact on biodiversity. However, these aspects have been reintegrated into its overall CSR approach but are not included in this report. Crédit Mutuel has not recognized any provisions in its accounts in respect of environmental risk.

As information on the monitoring of energy and water consumption is not available for all Crédit Mutuel Alliance Fédérale agencies, a CCS Consulting and Services Center has developed a calculation system for estimating this consumption when necessary.

For foreign entities that are not integrated into the group's IT system, data was collected manually and then imported into the CSR consolidation application. This mainly concerns the press, the non-French entities of COFIDIS Group, the non-French entities of ACM Group, TARGOBANK in Germany and TARGOBANK in Spain.

Most of the consumption data reported for Crédit Mutuel Alliance Fédérale (networks, head offices and subsidiaries) are taken from water and energy bills.

Data:

- consumption of hot and cold water supplied by urban networks was gathered from data provided by suppliers;
- consumption of electricity and gas: as of this year, consumption data was provided by suppliers for the first 11 months of 2018 (the month of December being annualized). Only the data concerning control rooms are still entered manually into the CONSOS collection tool and an extrapolation made for water consumption and other energies;

- consumption of water and other energies: as information relating to the monitoring of the consumption of certain forms of energy and water consumptions is not available for all buildings, a calculation system was deployed by CCS making it possible to estimate consumption levels when necessary. This information is extrapolated to complete:
  - missing monthly consumption data (in proportion to the number of months entered in the CONSOS tool),
  - consumption data missing from some meters (average consumption at m² multiplied by the surface area of the building). In most cases, published data covers the period from November 1, 2017 to October 31, 2018;
- consumption of paper for internal use: this is the combination of information provided by Sofedis (the central purchasing agency of Crédit Mutuel Alliance Fédérale), CCS for reprographics, as well as external suppliers if necessary and the service in charge of magazine subscriptions for Crédit Mutuel Alliance Fédérale;
- consumption of paper for external use: data except for Sofedis, are provided by the entities of the group's IT segment: Euro-Information Production and Euro P3C (consignments of checkbooks, credit cards and bank statements) and other suppliers, particularly for the preparation of documents for communication purposes;
- travel: the number of kilometers traveled by car fleets and the number of liters of diesel fuel and gasoline consumed by those fleets are estimated based on the information provided by CCS in charge of fleet management, on the basis of data obtained from fuel payment cards or on the basis of the internal monitoring of the consuming entities.

Fifty-six indicators are subject to a publication review, a data audit (on-site or remote) based on analytical reviews, substantiation tests on a sampling basis, comparison with sector performance Corporate Social Responsibility 9 ratios, interviews and a report testifying to the existence of the information and expressing an opinion on its fairness, issued by the statutory auditors designated as an independent third party. These indicators mainly concern the entire reference scope, except for certain specific indicators, as detailed in the table below.

Section	Indicator	Indicator code	Unit	Value 2018	Value 2017
Governance (Crédit Mutuel Alliance Fédérale)	Number of new directors – local cooperative banks	GOUV14	No.	926	1,500
	Number of new women directors – local cooperative banks	GOUV15	No.	446	641
	Number of director training hours – local cooperative banks	GOUV56	No.	101,987[1]	102,195
Social	Workforce on the payroll	SOC01bis	No.	69,640	66,617
	Workforce: Women executives on open-ended contracts – France	SOC01_F201	No.	9,633	8,937
	Workforce: Non-executive women employees on open-ended contracts – France	SOC01_F202	No.	20,955	20,903
	Workforce: Women executives on fixed-term contracts – France	SOC01_F203	No.	105	70
	Workforce: Non-executive women employees on fixed-term contracts – France	SOC01_F204	No.	1,328	1,238
	Workforce: men directors on open-ended contracts – France	SOC01_H211	No.	13,492	13,209
	Workforce: non-executive men employees on open-ended contracts – France	SOC01_H212	No.	10,212	10,162
	Workforce: men directors on fixed-term contracts – France	SOC01_H213	No.	131	81
	Workforce: non-executive men employees on fixed-term contracts – France	SOC01_H214	No.	960	855
	Workforce: Women abroad	SOC01_F205	No.	7,147	6,224
	Of which: women in management functions	SOC01_FM205	No.	946	816
	Of which: without managerial functions	SOC01_FNM205	No.	6,201	5,408
	Workforce: Men abroad	SOC01_H215	No.	5,677	4,938
	Of which: men in management functions	SOC01_HM215	No.	1,446	1,289
	Of which: men without managerial functions	SOC01_HNM215	No.	4,231	3,649
	Total number of hirings	SOC13	No.	17,604	16,643
	Number of employees with permanent employment contracts that quit the organization (including dismissals)	SOC19 SOC20	No. No.	4,543 739	4,184 745
	Total number of working days of absence	SOC38	No.	702,933[2]	661,250[2]
	Percentage of payroll expense allocated to training	SOC47	%	5.36%	5.4%
	Number of employees who received training	SOC48	No.	65,336	52,714
	Total number of hours allocated to employee training	SOC50	No. of hours	2,136,528[3]	1,882,311
	Average gross annual salary of executive and non-executive employees on open-ended (euros)	SOC107 SOC108 SOC109	€m €m €m	2,904.7 1,287.10 1,617.65	2,725 1,238 1,487

Section	Indicator	Indicator code	Unit	Value 2018	Value 2017
Societal	SRI outstandings (euros)	SOT28	€bn	7.6 [4]	7,2
	Total assets under management by the management company	SOT28BASE	€bn	58,8	63
	Assets under management in socially responsible employee savings plans (euros)	SOT37	€m	729	424
	Number of NPO customers (associations, labor organizations, works councils, etc.)	SOT40	No.	387,650	372,819
	Total budget dedicated to patronage and sponsorship (€)	SOT52	€	40,593,113 [5]	49,396,524
	Number of applications processed – ADIE	SOT16	No.	Amount published in the CNCM report	
	Amount of lines of credit made available – ADIE	SOT 17	€m	Amount published in the CNCM report	
	Number of new microloans financed – France Active	SOT19A	No.	Amount published in the CNCM report	
	Amount guaranteed – France Active	SOT20A	€m	Amount published in the CNCM report	
	Number of Nacres loans disbursed with an additional loan granted by the group	SOT19B	No.	Amount published in the CNCM report	
	Loan amounts – France Active Nacre	SOT20B	€m	Amount published in the CNCM report	
	Number of additional loans issued – Initiative France	SOT22	No.	Value published in the CNCM report	
	Number of additional bank loans granted – Initiative France	SOT23	€m	Amount published in the CNCM report	
Environment	Total energy consumption (KWh)	ENV05	KWh	456,335,081	494,032,341

(1) Data excluding Crédit Mutuel Normandie.
(2) Data excludes days of absence due to illness and accident.
(3) Data excludes ACM Partners.
(4) SRI assets under management = SRI Best in Class + ESG shareholder commitment.
(5) Scope plus the 11 federations, and CIC.

7.3 CSR REPORTING – 2018 FISCAL YEAR

7.3.1 Governance information

The purpose of the data presented under governance information, is to reflect the operating model of Crédit Mutuel Alliance Fédérale. This data is taken from several sources:

- the cooperative reporting, entered from February 1 to March 2, 2019 by the local cooperative banks of Crédit Mutuel Alliance Fédérale. The local bank managers enter this information at a board of directors' meeting in conjunction with the elected members. The aim of this reporting is to analyze, for the previous year, the institutional issues of the local cooperative banks. For information entered in early 2019 corresponding to fiscal year 2018, 1,311 out of 1,350 local cooperative banks responded and approved the questionnaire, making for a response rate of 97.11%;
- statistics regarding elected members: offices held, functions, age, etc. This data is entered by the local cooperative bank managers throughout the year as necessary and notably when terms of office are renewed;
- training of elected members: a common application is used for 5 of the 11 federations. It provides data on the training courses taken, including length and attendance. For the federations that do not use this tool, the same data is managed by the General Secretary's office at each federation. The Code of Conduct applicable to all the group's elected members and employees stipulates that "elected members and employees must regularly update their knowledge in order to improve their skills and better fulfill their responsibilities". To this end, a training catalog is made available to elected members on various topics, notably those concerning the fundamental duties and responsibilities of members so that they can exercise their terms of office correctly: elected members, Crédit Mutuel Alliance Fédérale players, the discovery of the bank's management, day-to-day cooperative banking, the actions of the chairmen of the board of directors and the supervisory board, the life of the local bank and the group, the markets and the products, etc.;
- post-shareholders' meeting report: the local cooperative bank managers are invited to enter information about the organization of their shareholders' meeting after it has been held. The information provided pertains to the length and cost of shareholders' meetings, the attendance rate and the issues raised, etc.;
- in addition, certain data is gathered from the management control IT system, notably information concerning the number of members.

7.3.1.1 Membership, voluntary membership

The percentage of customer-members of the 11 federations is stable and represents 77.19% of customers who may become members (individual customers of legal age and legal entities). 2018 saw the arrival of 280,443 new members, and the departure of 205,576 members (Group Management Control data). These members, elect the directors of the various local banks, at the shareholders' meeting.

Code	Indicator	End -2018 data	End -2017 data
GOUV63	Number of members	4,676,766	4,600,864
GOUV62	Number of key accounts (private customers and legal persons)	6,058,181	5,980,634
GOUV65	Percentage of members among private customers and legal persons	77.19%	76.79%

Admission of new members (source: 2018 cooperative reporting)

When relationships are initiated with new members, 67.78% of the local cooperative banks systematically present the cooperative difference. To ensure that new members receive this information, 68.37% of the local cooperative banks make sure their employees are aware of the cooperative difference.

To increase the number of customer-members, 60.07% of the local cooperative banks take specific actions. 16.44% of the local cooperative banks inform their new members that they will be invited to a special information meeting for members. In addition, 654 local cooperative banks (48.44%) inform their new members that they will be invited to the next shareholders' meeting.

7.3.1.2 Boards – Democratic control

Composition

	Women	Men
Number of elected members women/men in 2018	5,454	9,986

	Board of directors	Supervisory Council
Number of elected women/men in members in 2018*	10,798	4,642

* *Excluding federations such as CMCEE, CMDV, CMIDF, CMM, CMSE and CMSMB. Data at 12/31/2018.*

In 2018, 926 newly elected members joined the boards of the local cooperative banks following the elections at the local cooperative banks' shareholders' meetings.

The average term of an appointment to the supervisory boards and the boards of directors increased slightly to around 10 years.

Source: elected members' management database.

Representation of elected members

The average age of directors is 59 (56 for women and 60 for men). The average age of supervisory board members is also 59 (57 for women and 61 for men).

Concerning the initiatives carried out by the boards, the percentage of women remains a priority for 633 of the local cooperative banks (48.21%), which take action to increase the rate of women directors and supervisory board members.

Socio-professional categories of elected members in 2018	
Farmers	692
Trades people-merchants-business owners	1,723
Managers and high-level white-collar workers	3,771
Intermediary professions	1,722
Employees	1,394
Workers	299
Retired individuals	5,471
Other persons not actively employed	368

7.3.1.3 The shareholder's meeting

	2018	2017
Members present and represented at shareholders' meetings	245,772	254,025
Total members in the federations	4,676,766	4,548,917
Participation rate	5.26%	5.58%

The rate of member participation remained stable between 2017 and 2018.

Average cost per person present at the 2018 AGM	Average cost per person present at the 2017 AGM	Change
€51.75	€52	-0.48%

The average cost per person present at the 2018 shareholders' meetings fell slightly between 2017 and 2018.

Source: post-SM report on the 2018 SMs prepared in mid-2018.

7.3.1.4 Education and training

Membership development

When initiating relationships with new customers, is the cooperative difference presented?	Yes for 915 local cooperative banks (67.78%)
Are documents provided?	Yes for 752 local cooperative banks (55.70%)
Have you organized a meeting for new members?	Yes for 475 local cooperative banks (35.19%)
Have you informed them that they will be invited to the SM?	Yes for 654 local cooperative banks (48.44%)

Training of elected members

Training course reports provided at board meetings	Yes for 1,188 local cooperative banks (88%)
Training courses met expectations	Yes for 1,250 local cooperative banks (92.59%)
Are suggestions for new training topics sent to the Chairman of the elected members committee?	Yes for 367 local cooperative banks (27.19%)

7.3.1.5 Inter-cooperation

Associations

Association-customers of Crédit Mutuel local cooperative banks	Initiatives directed at associations: number of local cooperative banks that allocate a budget
251,696	1,202 (i.e. 89.04%)

7.3.1.6 Commitment to the community

Mutual aid, solidarity

370 local cooperative banks launched specific programs to support members in difficulty or precarious situations (27.41%). In 2018, 335 applications were reviewed.

7.3.1.7 Membership momentum

So that all new Crédit Mutuel customers can fully participate in the group's collective project, they are always offered the opportunity of becoming a member. Members are encouraged to become directors. The training of elected member is a priority.

The key actions to be carried out are:

- to promote co-operative activities by drawing on the wealth of different points of view and member expectations; enhance the attractiveness, notably among young professionals and local cooperative bank shareholder meetings, which is the foundations of the democratic model, and make them real venues for exchange; reinforce the role of the boards of directors in making strategic choices for local cooperative banks and with regard to representing the community of members;
- to enhance diversity, in all its aspects, of members and their elected members on the boards of directors and supervisory boards;
- to develop the skills of elected members by proposing customized, targeted training programs that draw on their expertise, notably at the professional level. These paths should be broken down according to the different profiles: elected members of local cooperative banks, chairpersons of local cooperative banks, elected federal members and directors of the umbrella structure; these qualifying training cycles go beyond regulatory obligations and underscore the meaning of their mission; the group encourages the academic validation of the experience acquired;
- to support young elected members in the first years of their mandate by providing dedicated training in the group's business lines. The key challenge is to integrate them successfully into the cooperative life of the group and retain them over time;
- to promote the involvement of elected members alongside the manager and employees of the local regional bank in local events.

7.3.2 Societal information

7.3.2.1 Regional, economic and social impact of the activities of Crédit Mutuel Alliance Fédérale

In terms of employment, regional development and local populations

The activity of Crédit Mutuel Alliance Fédérale is primarily focused on services provided to customers and members of the group (private individuals, professionals, etc.), as well as to the development of regional companies that are covered by Crédit Mutuel's network of local cooperative banks, CIC agencies, and specialized of the group's various businesses.

By strengthening its network of banking outlets over the years, the group has built up a strong and diversified presence in every region in France.

In addition to the "traditional" products and services of the group's banks, Crédit Mutuel Alliance Fédérale offers personal and business microloans to customers who wish to receive initial support for their development. These microloans in the legal sense are supplemented by traditional investment loans in amounts of less than €3,000 which are also used to support business development and growth.

In terms of employment assistance, the group's brands operate at several levels:

- directly through associations and foundations created by the regional federations – in particular under the Créavenir label – which provides financing (collateral-free loans, repayable advances, grants or guarantees) and human resources to help entrepreneurs start up new ventures. Financing criteria vary according to the regional organizations, but local roots and strong responsiveness remain the common denominators. There are also federal representatives for the Foundation for Reading, a national confederation whose aim is to develop a program to prevent illiteracy among toddlers and families and to support initiatives to combat illiteracy;
- through partnerships with recognized support networks: Initiative France, France Active and ADIE. These networks seek to create and consolidate employment, particularly for those excluded from the labor market (job seekers, minimum welfare benefit recipients, disabled persons, etc.), and intervene on the basis of the loan amounts, the total amount of the project and the business creator's financial capacity;
- by facilitating their access to credit and providing technical and financial support.

Crédit Mutuel Alliance Fédérale also has a direct impact on local associations. The entities of the Crédit Mutuel Group and more specifically CIC's network of 11 federations and 6 regional banks have always been deeply involved in local and community affairs in their regions. Of all the Crédit Mutuel local cooperative banks that completed their cooperative reporting for 2018, nearly one-third have a voluntary sector board committee (27.48%). Of all the local cooperative banks, more than 80% regularly support association-customers. As such, 59,554 associations receive support with regard to their organization and event planning from their local cooperative banks. The partnerships take numerous forms, such as financial or material support, the presence of employees and/or elected members at events, etc.

Code	Indicator	End -2018 data	End -2017 data
SOT01	Number of Crédit Mutuel Alliance Fédérale Group points of sale	3,853[1]	4,395
SOT26[2]	Number of loans on preferential terms (< €3,000) granted	1,726,017[2]	24,608[2]
SOT27[2]	Amount of loans on preferential terms (< €3,000) granted	€1,055,976,981[2]	€37,318,721[2]
SOT28	SRI assets under management at 12/31	€7.6 bn	€7.2 bn
SOT33	Assets under management excl. capitalization of *livrets d'épargne pour les Autres* (savings account that benefits humanitarian organizations)	€89,034,359	€41,644,464
SOT35	Amount from solidarity products paid to associations	€396,620.13	€249, 950
SOT37	Assets under management in socially responsible employee savings plans	€729,359,686	€424, 000,000
SOT13	Amount of microloans granted	€415,274	€451,041
SOT63	Eco-loans: number of loans granted during the year	3,140	2,672
SOT65	Total amount of interest-free loans granted during the year	€56,745,932	€45,895,349
SOT68	Amount of loans for renewable energy granted to business customers and farmers	€46,800,000[3]	€20,971,113
SOT83	Outstanding customer loans	€370,886,000,000	€344,942,000,000
SOT84	Home loans	€179,539,000,000	€167,917,000,000
SOT85	Consumer loans	€37,105,000,000	€34,277,000,000
SOT52	Total budget dedicated to patronage and sponsorship	€40,593,113[3]	€49,300,000

(1) Scope: Fedérations + CIC.
(2) Scope: CM Alliance Fédérale + COFIDIS France + TARGOBANK Germany.
(3) Scope: CM Alliance Fédérale + CIC.

7

7.3.2.2 Partnerships and patronage initiatives

Partnerships and patronage initiatives are an integral part of the activity of the Crédit Mutuel Alliance Group entities. These initiatives primarily take the form of financial and material support and are carried out by the local cooperative banks, branches, federations, subsidiaries, etc. (SOT 57).

Within the federations, a number of sponsoring and patronage initiatives have been undertaken to support sports events (soccer tournament, handball, etc.), cultural activities (music festival, film, wine fair) and charity events.

The global budget allocated in 2018 for partnership, patronage and sponsoring initiatives for the 11 Crédit Mutuel federations totaled €40.6 million. These included various types of initiatives and partners:

- educational institutions, universities and schools: a one-day event to inform apprentices about jobs in the banking sector, speeches at institutions, hosting of interns, apprenticeship tax credit, and participation in selection panels;
- integration associations: work with vocational rehabilitation centers (ESAT), project financing *via* ADIE (association for the right to economic initiative), support of local initiative platforms, and solidarity foundations of Crédit Mutuel Alliance Fédérale federations;
- since 1996, COFIDIS has sponsored a cyclist team. The brand chose cycling, a popular sport that conveys the values of courage, going beyond one's limits and team spirit. Thanks to this investment, in just a few years the Cofidis brand has become known by the general public and now enjoys broad name recognition. The amount invested in this partnership represents nearly one-third of the group's total patronage and sponsorship budget;
- ACM France: Support for the fight against skin cancer by financing the "United Against Melanoma" campaign and subsidizing the iSkin screening application by:
  1. concluding a patronage agreement between ACM Vie SA and the Gustave Roussy Institute, and
  2. donating a net annual amount of €400,000, supplemented by a variable annual amount of €1 per download of the iSkin mobile app, for up to an annual limit of €100,000;
- BECM: sponsoring initiatives to supplement ACM support, have been put in place, including support for melanoma research in partnership with the Dermatology unit of the Gustave Roussy institute in Villejuif;
- CMLACO: launch of a cultural patronage initiative at the head office and which targets employees. Balance maintained between sports and culture, and on a regional basis New partnership with the Festival of Brive.

Code	Indicator	End -2018 data	End -2017 data
SOT40	Number of non-profit organization customers (associations, labor organizations, works councils)	387,650	372,819

7.3.2.3 Fair practices

Measures taken to prevent corruption [GOUV501]

The group's code of conduct

It is implemented by each entity in the group. This registration document, annexed to internal rules of procedure, resumes the primary contractual, regulatory and statutory provisions in force with regard to the code of conduct. It's a reminder of the general principles that must be respected by all group employees in exercising their duties such as:

- rules and regulations, procedures and internal standards;
- the protection of information (professional secrecy and confidentiality);
- the quality of service due to the clientele (duty to provide advice and information);
- the duty of vigilance in the context of performing transaction for the clientele;
- integrity and probity;
- the prevention of conflicts of interest;
- combatting corruption.

It refers to the obligations of employees who hold positions deemed "sensitive," especially in market activities, corporate and investment banking, portfolio management and financial analysis, exposing their holders to possible situations of conflict of interest or to possessing confidential and privileged information. To that extent, they are subject to the rules that regulate and limit their personal transactions on financial instruments.

The new version of the Code of Conduct, updated and enriched, took effect during the summer of 2018 at the end of a legal process of consultation with social partners.

The primary modifications concern:

- on the one hand, addition of provisions related to combatting discrimination, which emphasize the prohibition on employees to treat customers differently or to refuse to provide goods or services on the basis of discriminatory criteria;
- and on the other hand, development of the topic of combatting corruption, which henceforth is the subject of a detailed chapter constituting a code of behavior on the matter.

The chain of command is called to monitor respect for these principles whose application is subject to regular verification by the control department.

Inventory of Crédit Mutuel Alliance Group losses

The figures are presented in chapters 3.3 – Risk Management of Crédit Mutuel Alliance Fédérale – and 5.2.3 – Risk Management of BFCM Group – of the registration document.

The mechanism to fight corruption

The law pertaining to transparency, the fight against corruption and modernization of economic law, called the "Sapin II law", voted on November 8, 2017, entered into force on July 1, 2017. It provides for new measures intended to fight corruption by companies or groups employing more than 500 employees and whose consolidated revenues exceed €100 million. These entities are required to take measures to prevent and detect the commission, in France or abroad, of acts of corruption or influence peddling.

Crédit Mutuel Alliance Fédérale has strengthened its anticorruption policy to comply with the new legislation. To this end, the following measures and procedures were established and are ongoing:

- the creation of a code of behavior, this being integrated into the Code of Conduct (cf. *supra*), which defines and illustrates various types of behavior to proscribe as being likely to characterize acts of corruption or influence peddling;
- the adaptation of the internal warning system which, since June 2018, collects all types of alerts transmitted by employees, integrates recourse to external authorities and improves whistleblower protection;
- establishment of a mapping of risks, which is regularly updated and intended to identify, analyze and prioritize the risks of exposing the company to corruption, in particular as a function of sectors of activity and the geographic zones in which it is carried out;
- besides procedures already in force to assess the situation of customers, systematic evaluation of top-tier intermediaries and suppliers;
- the consolidation of accounting control procedures, internal or external, intended to ensure that books, registers and accounts are not used to conceal acts of corruption or influence peddling;
- training measures intended for managers and staff who are must exposed to the risks of corruption and influence peddling;
- an internal control and assessment mechanism for these measures.

This provision furthermore relies on a disciplinary system incorporated into internal rules and regulations, which allows for sanctioning company employees in the event of violating internal rules.

The commitment to fight against all corruption in the group and to not tolerate any act of this type shall be made known to all employees, customers and business partners. This policy shall apply to all employees, whether they be technicians or managers, to all executives as well as outside individuals at the company's disposition.

In fiscal 2018, the training division organized more than 10,300 e-learning training hours, which were followed by 61% of Group employees.

The Compliance Department, in particular, is responsible for ensuring the roll out of procedures to prevent and combat corruption, verification to ensure compliance, organization of any possible investigation in the event of suspicion and responding to inquiries by employees about real or potential situations related to corruption. Compliance possesses the necessary independence and means to full its mission in total impartiality.

Supplemental mechanisms

Crédit Mutuel Alliance Fédérale has also implemented a mechanism to combat money laundering and the financing of terrorism in accordance with regulatory requirements and adapted to the risks generated by the various activities exercised across the national territory and abroad. This mechanism, including a set of procedures and tools, is implemented by employees trained and assigned to detect suspect operations. It is itself subject to thorough internal controls and is subject to regular evaluation on the part of supervisory authorities.

In this context, the group is committed to respect regulatory requirements, which consist of:

- knowing the customer and his or her operations better and assessing the risk of money laundering with the aim of avoiding any relationship whose character or activities could be unclear;
- exercising vigilance in proportion to the risks, based on the type of clientele, the installation, the products and distribution channels, on the origin of funds deposited and/or the flow of such funds in order to detect unusual or atypical operations;
- involving all employees in the fight against money laundering through regular training and awareness activities.

Crédit Mutuel Alliance Fédérale has no operations in so-called non-cooperative regions or territories, a list of which is published regularly by the French government. Operations likely to be carried out by customers directed towards countries in which the international Financial Action Task Force (FATF) emphasizes as having insufficient controls are, incidentally, subject to strengthened measures of vigilance.

Representatives of interests

The Sapin II law created a specific regime for representatives of special interests, supervised by the High Authority for Transparency in Public Life (HATVP), providing for:

- the obligation to apply a strict code of conduct;
- the obligation to report oneself on an *ad hoc* digital directory intended to inform citizens about one's activities;
- the establishment of an annual report.

These provisions entered into force on July 1, 2017. The framework procedure of Crédit Mutuel group for interest representatives, established under the auspices of the Confédération Nationale du Crédit Mutuel (CNCM), is the reference document that applies uniformly to the various regional groups making up the group. Thus, for Crédit Mutuel Alliance Fédérale, some entities are potentially concerned. The general secretariat of the CNCM takes care of the registration of entities that meet the required criteria on the digital directory of the HATVP as well as sending the respective annual reports.

7.3.3 Social information

7.3.3.1 Employment

Total workforce

Crédit Mutuel Alliance Fédérale had 69,640 employees at end 2018, up by 4.5% compared to 2017.

Code	Indicator description	Data at end of 2018	Data at end of 2017
SOC01bis	Workforce (Individuals)	69,640	66,617

Breakdown of employees by gender and age[1]

Indicator code	Indicator description	Data at end of 2018
SOC88	Workforce < 25 years old	4,196
SOC90	Workforce 25 – 29 years old	7,628
SOC92	Workforce 30 – 34 years old	9,433
SOC94	Workforce 35 – 39 years old	10,723
SOC96	Workforce 40 – 44 years old	9,491
SOC98	Workforce 45 – 49 years old	8,499
SOC100	Workforce 50 – 54 years old	7,775
SOC102	Workforce 55 – 59 years old	8,298
SOC104	Workforce 60 years old and older	3,597

Indicator code	Indicator description	Data at end of 2018
SOC89	Female workforce < 25 years old	2,386
SOC91	Female workforce 25 – 29 years old	4,433
SOC93	Female workforce 30 – 34 years old	5,704
SOC95	Female workforce 35 – 39 years old	6,488
SOC97	Female workforce 40 – 44 years old	5,455
SOC99	Female workforce 45 – 49 years old	4,562
SOC101	Female workforce 50 – 54 years old	4,317
SOC103	Female workforce 55 – 59 years old	4,280
SOC105	Female workforce 60 years old and above	1,543

Breakdown of employees by geographic area

Crédit Mutuel Alliance Fédérale is present mainly in metropolitan France, 56,816 employees working on the French territory and 12,824 abroad (SOC01_F205 + SOC01_H215).

(1) Data available for total workforce of Crédit Mutuel Alliance Fédérale.

Hires

Code	Indicator description	Data at end of 2018	Data at end of 2017
SOC13	Recruitment: Total number of hires	17,604	16,643
SOC15	Women hired	9,565	9,173
SOC16	Hires with open-ended contracts	5,875	6,389

New hires with open-ended contracts in the banking world are mainly carried out by Crédit Mutuel and CIC branch offices by recruiting young employees. In 2017, the group equipped itself with the HR tool: Talent Soft. Modern and interactive, it stimulates exchanges and offers employees the possibility to express their desire for mobility at any time and to prepare professional interviews.

In order to better support employees in the case of intra- and inter-company mobility, Crédit Mutuel Alliance Fédérale's human resources department has signed two framework agreements with MUTER-LOGER and CSE Executive Relocations. If there is no obligation for both the employer and the employee to call on any of these companies, the latter, as professionals, have experience, recognized competence and know-how in job mobility assistance services.

Layoffs

Code	Indicator description	Data at end of 2018	Data at end of 2017
SOC19	Number of employees with open-ended contracts that quit the organization	4,543	4,184
SOC20	Number of employees with open-ended contracts that quit the organization for layoffs	739	745

Compensation and changes in compensation

Code	Indicator description	Data at end of 2018	Data at end of 2017
SOC73	Gross payroll excluding employers' contributions	€2,957.25m	€2,641.7m
SOC107	Total gross annual compensation of employees with open-ended contracts	€2,904.7m	€2,560.3m
SOC108	Total gross annual compensation of employees with open-ended contracts – non-executives	€1,287.10m	€1,172.6m
SOC109	Total gross annual compensation of employees with open-ended contracts – executives	€1,617.65m	€1,387.7m
SOC80	Total amount of social security contributions paid	€1,610.08m	€1,489.4m

7.3.3.2 Organization of work

Organization of work time

Code	Indicator description	Data at end of 2018*	Data at end of 2017
SOC29	Number of full-time employees (Full time employees with open-ended + fixed-term contracts, including parental leave)	60,725	57,809
SOC30	Number of part-time employees (Full time employees with open-ended + fixed-term contracts and executives with reduced day package)	8,915	8,809

* *This data corresponds to the scope of Crédit Mutuel Alliance Fédérale, excluding foreign subsidiaries of the CIC.*

Except for specific positions such as newspaper carriers, recruitments are almost always full-time. After hiring, the employer never imposes part-time work. Thus, the only part time options that exist are chosen by the employees.

Absenteeism

Code	Indicator description	Data at end of 2018	Data at end of 2017
SOC38	Total number of days of absence	702,933[1]	661,250[1]
SOC39	Number of days of absence due to illness	678,852	636,013
SOC40	Number of days of absence due to workplace accidents	24,081	21,961
SOC41	Number of days of absence for maternity/paternity	254,192[2]	239,194[2]

(1) The 2018 data only takes into account days of absence due to illness and accident.
(2) Data doesn't take into account CIC..

7.3.3.3 Corporate relations

Organization of social dialog, procedures for informing and consulting employees and negotiating with them

Code	Indicator description	Data at end of 2017	Data at end of 2016
SOC67	Number of convictions for obstruction (in France)	0	0
SOC78	Number of consultations with staff representatives (EC, CHSCT, DP)	1,072[1]	1,313[1]
SOC79	Number of information procedures for staff representative (EC, CHSCT)	1,235[1]	1,073[1]

(1) Data doesn't take into account CIC..

In order to promote openness to dialogue, an agreement has been reached between the HR and labor organizations to enable them to communicate *via* the internal tool (PIXIS).

The agreement concluded in 2017 covers the following points:

- 4 publications per year per union;
- 1 or 2 publications in case of election;
- control over content by HR;
- no hypertext link to the Internet in messages.

7.3.3.4 Health and safety

Health and safety conditions at work

Several texts have been signed to take into account and improve the conditions of health and safety at work.

In accordance with the National Interprofessional Agreement of March 26, 2010, and in line with the work carried out pursuant to the National Interprofessional Agreement of July 2, 2008, Crédit Mutuel Alliance Fédérale developed a charter, as of October 2013, to improve raising awareness, understanding and consciousness among group employees about harassment and violence at work and to better prevent, reduce and end such situations.

This charter is part of the group's clear desire to strictly enforce respect for the dignity of individuals. Furthermore, with the objective previously defined, Crédit Mutuel Alliance Fédérale affirms its desire to deal with harassment and violence at work, which is unacceptable within the group.

By agreement of May 31, 2010, the social partners decided to analyze the topic of stress in the context of a collective approach by carrying out prior studies aimed at achieving precise and scientific knowledge on the sources of stress.

This is why a working group was created in collaboration with the social partners, including, in addition to employees of the group, external stakeholders, to analyze the topics and undertake a sustainable prevention approach. A specific questionnaire was sent to over 3,000 employees to gather action plans to be implemented.

Agreements signed with trade unions or employee representatives for health and safety at work and other issues

A charter on safety was put in place in 2013, and is still valid for the group's employees. It specifies the security conditions applicable to all, both in terms of access rules, security checks and the use of tools and equipment made available.

The following initiatives are taken to ensure the protection of group employees:

- the mobilization of occupational medicine for the detection of certain diseases (program already in the test phase and intended to be generalized);
- the "enforcement" of the mechanism of the right to disconnection;
- the beginning of negotiations on the quality of life at work and the implementation of concrete actions (launch of tests, as of 2019, on new workspaces, mobile work and teleworking).

Accidents at work and occupational illness

Code	Indicator description	Data at end of 2017	Data at end of 2016
SOC44	Number of declared workplace accidents with medical leave	526[1]	517[1]

(1) This data includes relapses.

Occupational illness

Code	Indicator description	Data at end of 2018	Data at end of 2017
SOC43	Number of occupational illnesses	19	18

7.3.3.5 Training

Training policies implemented

The objective of the human resources department is to develop skills and employability in line with the vision of the strategic plan. The group implements a number of actions that focus on supporting all employees in the digital transformation, implementation of a "New Generation" training plan, adaptation of workplaces and working hours and deployment of cognitive solutions.

All of these actions are aimed at improving the advisors' experience and enabling employees to adapt to the new demands of their tasks. They also facilitate geographic or functional mobility within the framework of an objective of sustainability and adaptability of employment throughout the duration of the plan.

It is in this context that a "digital passport and visa relational" device has been launched. Based on a diagnosis, this involves assisting each employee with the use of new tools as part of their operational activity (complete control of Internet and mobile functionalities, use in relations with clients, control and use of home shopping and cognitive tools, etc.).

This device includes a "certification" component that validates each level of the course. This certification allows everyone to enhance their level of digital literacy. It also enables the group to identify skills and areas of improvement in digital transformation. This certification will be referred to the national commission of professional certification. There are also plans to deploy a scaleable digital training platform, which integrates innovative training methods (digital management and annualized individual training course of each employee, innovative training tools, fully digital operation and connected with other bases, experimentation, etc.).

Technology at the service of our advisors and employees

The transformation is also faced with the challenge of providing employees with solutions and tools to free up time, increase their expertise and thus respond more effectively to the needs of our policyholders and customers.

Cognitive solutions and virtual assistants

The recent emergence of so-called cognitive solutions, capable of automatically processing natural language and learning by example, is the reason behind the launch of many projects based on this technology, within the group.

Since 2016, 7 cognitive solutions have been put into production:

- 4 virtual assistants to reinforce the role of advisor of the customer relationship manager in first 4 business lines like the auto/ARD insurance, individual savings, health insurance, provident insurance;
- 1 single virtual assistant to optimize access to information while incrementally integrating new business lines with virtual assistants;
- 1 email analyzer to assist the advisor in the processing of its external emails, streamline contacts and strengthen the quality of services to its customers;
- 1 improved search to facilitate access to information for our customers on our websites.

Four other solutions are under development:

- 1 customer-advisor relationship interface to increase the privileged relationship between the customer, advisor and the bank, on mobile app;
- 1 customer email analyzer for the Customer Relationship Centers of the ACM;
- 1 new virtual assistant domain for consumer credit integrated into the single virtual assistant;
- 1 tool dedicated to compliance.

With this first experience, the group's ambitions are:

- deploy this technology in all the banking and insurance businesses where they can be a growth lever and also seize new business opportunities;
- to develop solutions that do not replace human beings but assist and reinforce their effectiveness, especially through customer-advisor interfaces;
- support networks and services so that employees fully benefit from new digital tools in their day-to-day activities;
- reallocate 200,000 man-days per year to training, development of advisor expertise and business development.

Code	Indicator description	Data at end of 2018	Data at end of 2017
SOC46	Payroll expense allocated to training (payroll expense for training)*	€158.3m	€120.0m
SOC47	Percentage of payroll expense allocated to training	5.36%	5.97%
SOC48	Number of employees who have had at least one training session	65,336	47,196
SOC49	Percentage of trained employees	94.10%	70.92%

* *This indicator has been renamed "overall cost of training".*

Number of hours of training

Code	Indicator description	Data at end of 2018	Data at end of 2017
SOC50	Total number of hours allocated to employee training	2,136,528*	1,882,311

* *Scope: all entities except ACM Partners.*

7.3.3.6 Equality of treatment

Measures taken to promote gender equality

A division agreement was signed in 2015 pertaining to professional equality. Compared to the initial version of March 21, 2007, the agreement of December 9, 2015 was improved and updated on several points based on the changes in legislation and practices of the federations of Crédit Mutuel Alliance Fédérale. It now includes annual comparative indicators for women and men, pertaining to employment, compensation and training, thus making it possible to measure changes and possible gaps between women and men on these different data. Versions of this agreement have also been signed in the different entities of the group.

The feminization of managerial positions is a major objective of the group which translates into one of the human and mutualist indicators of the entire strategic plan ensemble#nouveaumonde: ambition to achieve equality between women and men in management positions and governance by 2023.

Moreover, professional equality between women and men is one of the major causes of the government, which has decided to implement an obligation of results. From March 1, 2019, companies with 1,000 or more employees must measure and report their situation against a series of indicators, from which an overall rating out of 100 points is obtained; below the 75-point threshold, they must implement corrective measures.

Crédit Mutuel Alliance Fédérale posted good results. All the companies in the group obtained an overall score of more than 75 points; nearly three-quarters of them even reported a score above 85 points. In accordance with the law, the ratings of each establishment are available on our websites and detailed information will be provided to the works councils.

Measures taken to promote employment

There were no new group or division agreements in 2018. However, several agreements are still in progress:

- division agreement of December 15, 2009, pertaining to the employment of seniors in the Crédit Mutuel division;
- division agreement of January 14, 2009 on the employment and integration of people with disabilities.

In 2018, Crédit Mutuel Alliance Fédérale developed a policy for the employment of young people as part of the work-study programs and committed to a recruitment program of 4,000 work-study trainees over the next 3 years, 25% of which will come from the Quartiers Prioritaires de la Ville (QPV) and rural municipalities with less than 5,000 inhabitants. At the end of the training, at least 80% of the young graduates will be offered an open-ended contract.

Measures taken to promote the integration of people with disabilities

In addition to the above-mentioned agreement on the employment and integration of people with disabilities, more general measures are being taken to adapt the group's premises to accommodate people with disabilities (employees or customers). In general, positions are adapted when the disability requires it, and the premises are standardized according to the legislation.

In 2017, a disability charter was signed by the entities of Crédit Mutuel Alliance Fédérale incorporating the following commitments:

- promoting recruitment and integration of workers with disabilities;
- retaining workers whose disability occurred or evolved in the course of a career;
- allowing access to workers with disabilities to training under the same conditions as any other employee;
- promoting measures of assistance and support for workers with disabilities;
- establishing internal communication to inform employees about disabilities.

Code	Indicator description	Data at end of 2018	Data at end of 2017
SOC68	Number of disabled workers in the total workforce	1,610	1,614
SOC71	Percentage of disabled workers in the total workforce	2.31%	1.55%
SOC72	AGEFIPH or FIPHFP disability contribution (scope of entities in France)	€3,184,186.44(1)	€1,040,277.45(1)

(1) The data is outside of CIC.

Anti-discrimination policy

Most of the anti-discrimination actions and policies are at the level of signing the agreements mentioned above.

Nevertheless, special emphasis is placed on combating all forms of discrimination with special mechanisms and monitoring, where appropriate. This is particularly the case in the fight against discrimination in hiring. In 2017, all the employees of the human resources department took training in non-discrimination (165 people were trained) and recall campaigns were carried out in 2018.

4.3.3.7 Promotion and respect for provisions of the fundamental conventions of the International Labor Organization (ILO)

The board of directors of the International Labor Office identified eight Conventions as fundamental to human rights at work (2003), regardless of the level of development of each member state. These rights are a pre-requisite for all others.

The ILO Declaration on Fundamental Principles and Rights at Work, adopted in June 1998, emphasizes that these eight Conventions constitute the fundamental principles of work accepted by the international community. The Declaration covers four main aspects for the establishment of a social "floor" in the world of work:

- freedom of association and effective recognition of the right to collective bargaining;
- the elimination of any form of forced or compulsory labor;
- the effective abolition of child labor;
- the elimination of discrimination in employment and professional life.

Respect for the freedom of association and the right to collective bargaining

According to the ILO, all workers and employers have the right to establish organizations of their own choosing to defend and promote their professional interests, as well as the right to affiliate freely with such organizations. This fundamental right is inseparable from the freedom of expression and is the foundation of democratic representation and good governance. Everyone must be able to exercise their right to influence issues that have a direct impact on their work: their voice must be heard and taken into account.

Crédit Mutuel Alliance Fédérale attaches great importance to respect for this freedom considering social dialog as a vector of transformation. This is why staff representative bodies are regularly consulted and informed about the group's issues.

In addition, trade unions can express themselves through the group's internal communication tool (intranet). The goal is to promote openness to dialog. An agreement was reached between the organizations and the HR department in 2017 on the possibility for organizations to have publications for employees. Trade unions and the general management jointly validated and defined rules relating to the frequency of publications and their contents in order to respect the forum of each of the trade unions.

The elimination of discrimination in employment and professional life

In employment and professional life, Crédit Mutuel Alliance Fédérale respects the law of August 4, 2015 for real equality between women and men. Several agreements were therefore signed in the group. In 2016, a company agreement was validated, stipulating in particular "*that no gender-based measure can be taken into consideration in terms of pay, training, assignment, qualification, classification, professional promotion, hiring or transfer*", and that "*the decisions must be taken on the basis of objective criteria*".

Regarding the employment and integration of people with disabilities in the Crédit Mutuel division, a division agreement signed on January 14, 2009 became part of the new social regulation for people with disabilities, resulting from the law of February 11, 2005 on equal rights and opportunities [SOC56], participation and citizenship of people with disabilities. Among other things, this agreement specified that "*the recruitment of any person with disability must be part of the employment policy within the Crédit Mutuel division. As such, people with disabilities can be hired on all types of jobs and/or levels of function consistent with their professional skills and competencies, if necessary, with the layout necessary for successful integration (environment, organization of work, working hours).*"

Elimination of forced or compulsory labor

The ILO specifies the definition of forced labor: "'*Forced labor' means any work imposed by the state or an individual under threat (starvation, confiscation of land, non-payment of wages, physical abuse, sexual abuse, imprisonment, etc.)*".

In its collective bargaining agreement, Crédit Mutuel Alliance Fédérale specifies that the concept of mutual notice, in relation to the possibility offered to all employees to legally resign, is consistent with this text. In all the countries, where Crédit Mutuel Alliance Fédérale is present, it commits to respect the conventions of the ILO.

Effective abolition of child labor

Crédit Mutuel Alliance Fédérale respects the conventions of the ILO and the French regulation on the abolition of child labor [SOC66]. In fact, the ILO indicates that "*for the effective abolition of child labor, governments must fix a minimum age for employment or minimum age for various types of activity and ensure that it is respected. Within certain limits, these ages may vary according to the economic and social situation of the country. In any case, the general minimum age of employment should not be less than the age of completion of compulsory schooling and should never be set below 15 years. Developing countries may, however, make certain exceptions to this principle, and a minimum age of 14 May be applied when the economy and education system are underdeveloped.*"

7.3.4 Environmental information

7.3.4.1 General environmental policy

Organization of the company to take environmental issues into consideration

In general, Crédit Mutuel Alliance Fédérale is not involved in highly polluting commercial activities. Most of the environmental data and criteria come from commodities (essentially paper) and energy consumption. To reduce the group's environmental footprint, the following actions have been implemented:

- development of video-conferencing solutions to avoid unnecessary travel;
- automatic two-sided printing by printers and department-wise rationalization of equipment;
- increase in online e-learning programs and network classes.

Video-conferencing is encouraged in order to substantially reduce travel.

There is a significant increase in the figures for majority of the federations with the increase in videoconferencing capacity; widespread deployment of the latest version of Skype; improved repository of videoconferences; new uses of virtual classes.

Code	Indicator description	Data at end of 2018	Data at end of 2017
ENV32	Number of video-conferences	323,881	219,372
ENV44	Human resources devoted to CSR in FTE	33.68	22.48

Training and information of employees with regard to the protection of the environment

Being an eco-citizen at work! Initiative deployed at the end of 2017 on all the workstations of the group's employees to encourage them to take simple and effective actions to protect their environment and participate in reducing the group's energy footprint. This application is also accessible to elected officials *via* their dedicated tool: ELUMUT.

The tool also informs of all actions to be implemented to limit the group's carbon footprint: Launch of gray recycled paper for the group's head office, use of labeled envelopes, adoption of eco-responsible checkbooks on mixed FSC paper, calculating the carbon footprint of printouts taken by employees.

7.3.4.2 Pollution and waste management

Measures for the prevention, recycling and elimination of waste

The consumed paper is recycled *via* external companies providing services to the group.

More local measures have also put in place, such as sorting of waste (several bins made available for paper and other waste). Toner cartridges are also recycled after use. Selective sorting has been implemented in most of the group's sites (waste recycling, recycling of computer equipment).

Code	Indicator description	Data at end of 2018	Data at end of 2017
ENV15	Recycled used paper as output (waste)	4,874 tons	5,061.1 tons
ENV16	Number of used toner cartridges recycled after use	88,875	65,579

7.3.4.3 Circular economy

Waste prevention and management

Prevention, recycling, reuse, other forms of recovery and waste disposal

Several actions have been implemented or adopted permanently:

- gradual replacement of light bulbs with energy-saving light bulbs;
- replacement of paper listings with computerized statements;
- adoption of eco-responsible checkbooks on mixed FSC paper by the entire network;
- a procedure has been put in place to allow our service providers to send us dematerialized invoices: all invoices have been dematerialized since 2015;
- gradual deployment of electronically signed contracts in the network;
- reprographic workshops of the CCS now use AA-labeled paper for printing;
- in the SOFEDIS catalog, the type of paper (labeled or recycled) is now indicated;
- internal recycling of furniture;
- recycling of computer equipment: since 2013, EIS signed a partnership with a service provider, which allows resale of various ranges of still-reusable products.

Actions to prevent food waste

Crédit Mutuel Alliance Fédérale has several collective catering sites, associated with group entities. The management of these restaurants can be diverse: works council, association, attached to a training center, or managed externally by a service provider.

For example, the Inter-Entreprises Restaurant on the Wacken site has rigorous management of incoming raw materials and waste from meals served daily.

Some statistics for this restaurant (2018 data):

- average number of meals served per day: 2,345;
- number of meals served per year: 584,021;
- number of working days per year: 249.

This restaurant has implemented multiple actions to prevent food waste. The sorting of waste has been refined as part of the opening of a snack restaurant. Bio waste is recovered through composting with a company. The number of dishes served is also adapted according to various criteria: seasonality, number of people potentially present (taking into account HR data: training, holidays and various hazards such as weather or other events likely to reduce the number of visitors to the restaurant).

Sustainable use of resources

Water consumption

Code	Indicator description	Data at end of 2018	Data at end of 2017
ENV04	Water consumption (m_3)	585,860*	674,881

* *All the entities excluding TARGOBANK, Germany.*

Commodity consumption

Code	Indicator description	Data at end of 2018	Data at end of 2017
ENV09	Total paper consumption	8,740 tons[1]	9,402 tons
ENV10	Total paper consumption for internal use	2,659 tons	2,496 tons
ENV11	Total paper consumption for external use	6,013 tons[1]	6,906 tons
ENV15R	Total recycled paper purchased	802 tons	1,767 tons

(1) The decline in total paper consumption comes from abandoning the collection of indicators "Consumption of labeled or recycled paper for internal and external use, outside group purchasing units". These indicators were abandoned due to low materiality and highly random reliability from one entity to another.

Measures taken to improve their effective use

Measures are taken essentially on energy consumption features (refer above) As far as the improved efficiency in the use of raw materials (mainly paper) is concerned, it essentially involves the setting-up of two-sided printing on the group's printers. In 2017, a software with a new mode of shared printer control was deployed within the network. The goal is to measure the ecological footprint of prints, to empower users, and limit prints. Furthermore in 2018, grey recycled paper will be deployed on the sites. It is the most environmentally friendly, non-de-inked, unbleached paper.

Energy consumption

CCS logistics teams are in contact with the main national energy producers and suppliers. The goal is to rationalize the administrative aspect (management of contracts, payments, etc.) and make the process of energy consumption more reliable.

Code	Indicator description	Data at end of 2018	Data at end of 2017
ENV05	Total energy consumption	456,335,081 kWh[1]	494,032,041 kWh[1]

(1) This data does not include data on "Steam heating in urban networks."

Measures taken to improve the energy efficiency of buildings

The group is committed to an ISO 50 001 certification process in order to have an energy management system that makes it possible to optimize resources and make environmentally responsible choices.

7.3.4.4 Climate change

Greenhouse gas emissions

In 2015, and in accordance with the regulations, energy audits were carried out in the buildings of Crédit Mutuel Alliance Fédérale. Group entities that have audit obligations thus completed and declared their BEGES (assessment of Greenhouse gas emissions) on the 2014 data (the CIC Banks, COFIDIS, federations) in 2015. In accordance with the regulations, these assessments have been prepared company-wise and have not been consolidated at group level. In conclusion of the assessments carried out in 2014, it appears that the significant items of emissions are those related to electricity consumption (no. 6, scope 2), direct emissions from stationary sources of combustion (no. 1, scope 1), and other indirect greenhouse gas emissions (no. 9, scope 3).

Adaptation to the consequences of climate change

Crédit Mutuel Alliance Fédérale faces three types of financial risks linked to climate change:

- physical risks resulting from natural hazards (100-year floods, storms, hurricanes, tornados, typhoons, earthquakes) and environmental or accidental risks arising from natural hazards (pollution, dam ruptures, major fires, nuclear catastrophes);
- transition risks that include the risks of transitioning to a low-carbon economy and are sectoral in nature;
- risk to reputation.

Apart from the physical impact on its own operations, the other impacts identified are as follows:

- risk of default by borrowers: in retail banking and corporate finance banking (Large Corporates, project financing);
- risk of asset depreciation for investment banking, market transactions (bond issues), asset management and property and health insurance activities;
- liability risk from lack of legal counsel, litigation related to fiduciary responsibility (asset management, insurance activities).

In the context of operational risks, physical risks have consequences:

- direct: on bank assets (real estate, vehicle fleet, etc.);
- indirect: on the bank's activities (customers and proprietary trading).

The types of possible losses include:

- the loss of value of a real estate property or the cost of maintaining its value (cost of reconstruction, repair, depreciation/loss of inventory, cost of soil decontamination);
- human casualties (health, safety);
- financial losses (decrease or disruption of activity, expertise fees);
- shortfalls.

All of these risks related to climate change are analyzed to assess Crédit Mutuel group's exposure and assess its financial consequences. The PUPAs can reduce the potential consequences to reduction measures (such as reasoned and diversified locations); moreover, they are taken into account in the calculation of the capital requirements for Operational Risk.

Article 173 of the Energy Transition and Green Growth Act

The Crédit Mutuel group's exposures to polluting industries have been identified since December 31, 2016 in the quarterly monitoring of the CNCM risk department: general mining activities (ICB 017075), coal and lignite mining (NACE 0510Z and NACE 0520Z), coal (ICB 017071), coal retailing (NACE 4778B).

The share of polluting industry exposure accounted for 0.07% of total gross customer exposure (Crédit Mutuel Alliance Fédérale consolidated scope – Basel calculator) as of December 31, 2018.

These sectors of activity are also governed by the monitoring of national industry limits, which is part of Crédit Mutuel group's monitoring and risk management program and is applied to each regional group.

- General mining activities, coal and lignite mining, coal (including the oil & gas industry), raw materials whose industry limit is 4%.
- The retail coal business includes the Distribution sector, whose sectoral limit is 6%.

Since 2017, the Crédit Mutuel group has drawn up a map of operational risks for climate risk, the purpose of which is to describe climate-related risks, assess the group's exposure to such risks and assess their financial consequences. For its source data, this cross-functional mapping relies mainly on maps relating to real estate and other material assets, logistics and information systems.

Integration of obligations related to Article 173 of the energy transition law of August 17, 2015 for the insurance business of Crédit Mutuel Alliance Fédérale and CM-CIC Asset Management

ACM (report on the energy transition law[1])

An ESG policy was defined incorporating an analysis of directly held assets. Several questionnaires and processes have been established to make this analysis possible and improve exchanges on these topics with management companies and partners in charge of indirectly held assets. Asset managers have been made aware of the ESG impacts of their investments, and tools enabling them to quickly obtain ESG information on portfolio companies have been put in place. An ESG dialog was started with different partners. Finally, an annual ESG committee was set-up in 2017 to endorse the ACM's ESG policies.

The ESG risks of the portfolios are generally identified as part of the annual review of ACM's portfolio by the risk department. Furthermore, to limit investments in assets with ESG risks, tools, questionnaires and processes were made available to Asset Managers. Particularly monitored ESG risks mainly include:

- investment in companies acting in violation of international standards and conventions;
- investment in companies whose governance practices are not in line with market practices;
- investment in assets with energy transition risks (companies that are highly dependent on fossil fuels, especially coal) or "physical" risks linked to climate change (*e.g.* real estate assets in flood-prone areas).

(1) Available at http://rapportannuelacm.fr/fr/documents/ACM/Rapport-ESG-ACM-2017.pdf

Any identified ESG risks are discussed in an ESG committee based on the recommendations issued by the risk department.

CM-CIC Asset Management (report on the energy transition law[1])

The active and rigorous approach for selection of sovereign issuers and CM-CIC AM companies is based on:

- the exclusion of companies involved in the production or trade of anti-personnel mines and cluster munitions (Ottawa Convention and Also Treaty) as well as States not respecting international norms or conventions;
- the selection of businesses whose activity contributes to sustainable development, by the very nature of the company, products and/or services offered;
- shareholder activism (closely monitoring controversies, dialog with businesses on improvement of their social responsibility policy, systematic vote at shareholders' meetings);
- best in class approach: CM-CIC AM's SRI approach rests in the first instance on a non-financial analysis of businesses according to environmental, social and governance (ESG) criteria, complemented by an awareness of corporate policy and the business' commitment for a responsible approach. Sectoral specificities are taken in account and regular meetings with company executives take place, For States, the following is taken into account: the legal framework, respect for fundamental freedoms, protection of the environment and living conditions, economic well-being. This analysis is then pitted against that of agencies specialized in socially responsible investment. A selection is then made by retaining only 50% of the initial securities. Then, a choice is made made to create a funds portfolio by retaining securities presenting the best potential stock performance.

Following the annual assessment report established by the PRI, CM-CIC AM obtained, for the 4th consecutive year, the highest rating A+ ("Strategy and Governance" module). This appreciation is acknowledgment of CM-CIC AM's strategy to integrate ESG (environmental, social and governance) factors in management of its range of funds.

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(1) Available at https://www.cmcic-am.fr/partage/fr/CC/CM-CIC-AM/telechargements/ESG-article-173.pdf

7.4 CROSS-REFERENCE TABLE

Information on the recently treated topics under the NFPS and excluded from the cross-reference table:

- fight against food insecurity: not applicable;
- animal welfare and responsible, fair and sustainable nutrition: not applicable;
- actions to fight tax fraud: in view of the late publication of the law (October 23, 2018), there are no details on this topic in the document. On the other hand, Crédit Mutuel Alliance Fédérale complies with its regulatory obligations in tax matters and ensures greater vigilance in the tax compliance of its customers.

Presentation of the business model	VII.1.1 – Presentation of the scope and business model Section: Business model of Crédit Mutuel Alliance Fédérale
Presentation of the main non-financial risks	VII.1.1 – Presentation of the scope and business model Section: Crédit Mutuel Alliance Fédérale's non-financial risks and opportunities
Presentation of policies and indicators	VII.1.2 – Strategic orientation and CSR positioning of Crédit Mutuel Alliance Fédérale VII.3 – CSR reporting – F.Y. 2018

I.	**SOCIAL INFORMATION**	
I.a)	**EMPLOYMENT**	
I.a) 1.1	Total workforce	SOC01bis
I.a) 1.2	Breakdown of employees by gender	SOC01_F201; SOC01_F202; SOC01_F203; SOC01_F204; SOC01_F205; SOC01_H211; SOC01_H212; SOC01_H213; SOC01_H214; SOC01_H215; SOC07
I.a) 1.3	Breakdown of employees by age	SOC88; SOC89; SOC90; SOC91; SOC92; SOC93; SOC94; SOC95; SOC96; SOC97; SOC98; SOC99; SOC100; SOC101; SOC102; SOC103; SOC104; SOC105
I.a) 1.4	Breakdown of employees by geographic area	SOC01_F201; SOC01_F202; SOC01_F203; SOC01_F204; SOC01_F205; SOC01_F205_C; SOC01_F205_NC; SOC01_H211; SOC01_H212; SOC01_H213; SOC01_H214; SOC01_H215; SOC01_H215_C; SOC01_H215_NC
I.a) 2.1	Hires	SOC13; SOC15; SOC16;
I.a) 2.2	Layoffs	SOC19; SOC20
I.a) 3.1	Compensations	SOC73; SOC107; SOC108; SOC109; SOC80
I.a) 3.2	Changes in compensation	SOC73; SOC107; SOC108; SOC109; SOC80
I.b)	**WORK ORGANIZATION**	
I.b) 1	Organization of work time	SOC01_F201; SOC01_F202; SOC01_F203; SOC01_F204; SOC01_H211; SOC01_H212; SOC01_H213; SOC01_H214; SOC08; SOC29; SOC30
I.b) 2	Absenteeism	SOC38; SOC39; SOC40; SOC41; SOC43; SOC44
I.c)	**CORPORATE RELATIONS**	
I.c) 1	Organization of social dialog, procedures for informing and consulting employees and negotiating with them	SOC67; SOC78; SOC79 SOC 86
I.c) 2	Review of collective agreements	SOC83; SOC202
I.d)	**HEALTH AND SAFETY**	
I.d) 1	Health and safety conditions at work	SOC45
I.d) 2	Agreements signed with trade unions or representatives representatives with regard to health and safety	SOC45; SOC84
I.d) 3	Frequency and seriousness of workplace accidents	SOC44
I.d) 4	Occupational illness	SOC43
I.e)	**TRAINING**	
I.e) 1	Training policies implemented	SOC46; SOC47; SOC48; SOC49;
I.e) 2	Number of hours of training	SOC50
I.f)	**EQUALITY OF TREATMENT**	
I.f) 1	Measures taken to promote equality between women and men	SOC56
I.f) 2.1	Measures taken to promote employment	SOC22; SOC56

I.f) 2.2	Measures taken to promote the integration of people with disabilities	SOC68; SOC56; SOC71; SOC72
I.f) 3	Anti-discrimination policy	SOC56
I.g)	**PROMOTION AND RESPECT FOR PROVISIONS OF THE FUNDAMENTAL CONVENTIONS OF THE INTERNATIONAL LABOR ORGANIZATION (ILO)**	
I.g) 1	Respect for the freedom of association and the right to collective bargaining	SOC67; SOC78; SOC79
I.g) 2	The elimination of discrimination in employment and professional life	SOC56 – SOC64
I.g) 3	Elimination of forced or compulsory labor	SOC65
I.g) 4	Effective abolition of child labor	SOC66
II.	**ENVIRONMENTAL INFORMATION**	
II.a)	**GENERAL ENVIRONMENTAL POLICY**	
II.a) 1.1	Organization of the company to take environmental issues into consideration	ENV32; ENV44; ENV01
II.a) 1.2	Environmental assessment or certification procedures	ENV41
II.a) 2	Training and information of employees with regard to the protection of the environment	ENV43
II.a) 3	Resources devoted to the prevention of environmental risks and pollution	Not applicable
II.a) 4	Amount of the provisions and guarantees for environmental risks, provided that this information is not likely to cause serious damage to the company in litigation in progress	Not applicable
II.b)	**POLLUTION AND WASTE MANAGEMENT**	
II.b) 1.1	Measures for prevention, reduction, repair: air	Not applicable
II.b) 1.2	Measures for prevention, reduction, repair: water	Not applicable
II.b) 1.3	Measures for prevention, reduction, repair: land	Not applicable
II.b) 2	Measures for the prevention, recycling and elimination of waste	ENV206; ENV207
II.b) 3	Consideration of noise pollution and any form of pollution specific to an activity	Not applicable
II. c)	**CIRCULAR ECONOMY**	
II. c) i) 1	Prevention, recycling, reuse, other forms of recovery and waste disposal	ENV203; ENV204
II. c) i) 2	Actions to prevent food waste	SOT410
II. c) ii) 1	Water consumption and water supply based on local constraints	ENV04
II. c) ii) 2	Consumption of raw materials and measures taken to improve efficiency in their use	ENV09; ENV10; ENV11; ENV15R; ENV39; ENV42
II. c) ii) 3	Energy consumption, measures taken to improve energy efficiency and the use of renewable energies	ENV205; ENV38; ENV40; ENV05; ENV208
II. c) ii) 4	Land use	Not applicable
II.d)	**CLIMATE CHANGE**	
II.d) 1	Greenhouse gas emissions	ENV30; ENV37
II.d) 2	Adaptation to the consequences of climate change	SOT60; ENV40
II.e)	PROTECTION OF BIODIVERSITY	
II.e) 1	Measures taken to preserve or expand biodiversity	Not applicable

III.	**INFORMATION ON SOCIETAL COMMITMENTS IN FAVOR OF SUSTAINABLE DEVELOPMENT**	
III.a)	**TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S ACTIVITY**	
III.a) 1	With regard to employment and regional development	SOT01; SOT10; SOT11; SOT13; SOT 20 SOT201; SOT202; SOT22; SOT23; SOT26; SOT27; SOT28; SOT28BASE; SOT33; SOT35; SOT37; SOT49; SOT52; SOT71
III.a) 2	Regarding neighboring or local populations	SOT26; SOT27; SOT52
III.b)	RELATIONS BETWEEN THE PEOPLE OR ORGANIZATIONS CONCERNED BY THE COMPANY'S ACTIVITIES, INCLUDING INTEGRATION ASSOCIATIONS, EDUCATIONAL INSTITUTIONS, ENVIRONMENTAL DEFENSE ASSOCIATIONS, CONSUMER ASSOCIATIONS AND NEIGHBORING POPULATIONS	
III.b) 1	Conditions for dialog with these people or organizations	SOT40
III.b) 2	Partnership or patronage actions	SOT52
III.c)	**SUBCONTRACTING AND SUPPLIERS**	
III.c) 1	Consideration of social and environmental issues in purchasing policy	SOT81
III.c) 2	Importance of subcontracting and consideration in relations with suppliers and subcontractors of their social and environmental responsibility	SOT81
III.d)	**TRUSTWORTHY PRACTICES**	
III.d) 1	Actions undertaken to prevent corruption	GOUV501
III.d) 2	Measures taken for consumer health and safety	GOUV502

7.5 CSR POLICY OF THE TECHNOLOGY DIVISION

7.5.1 Quantitative data

Indicator code	Indicator description	Unit of expression	Quantity collected 2018
ENV04	Water consumption	Cubic meter	39,045.71
ENV05	Total energy consumption	Kilo Watt Hour	86,077,417
ENV05_01	Steam water in urban networks	Kilo Watt Hour	3,060,155
ENV05_01_CO_2_X	Steam water in urban networks in CO_2	Tons of CO_2	266.44
ENV05_02	Chilled water in urban networks	Kilo Watt Hour	114,442
ENV05_02_CO_2	Chilled water in urban networks in CO_2	Tons of CO_2	0.80
ENV06	Electrical energy consumption	Kilo Watt Hour	77,449,469
ENV06_CO_2	Electrical energy consumption in CO_2	Tons of CO_2	4,414.61
ENV07	Gas energy consumption	Kilo Watt Hour	5,036,226
ENV07_CO_2	Gas energy consumption in CO_2	Tons of CO_2	1,032.42
ENV08	Fuel energy consumption	Liters	41,587.71
ENV08_CO_2	Fuel energy consumption in CO_2	Tons of CO_2	135.16
ENV09	Total paper consumption	Tons	721.72
ENV10	Total consumption of paper for internal use	Tons	63.19
ENV10_CO_2	Total consumption of paper for internal use in CO_2	Tons of CO_2	58.07
ENV11	Total paper consumption for external use	Tons	658.53
ENV11_CO_2	Total consumption of paper for external use in CO_2	Tons of CO_2	605.19
ENV12L	% labeled paper/purchased paper	Percentage rate	71.47
ENV12R	% recycled paper/purchased paper	Percentage rate	0.67
ENV13	Consumption of toner cartridges	Whole number	3,676
ENV15	Recycled used paper as output (waste)	Tons	494.04
ENV15L	Total labeled paper purchased	Tons	515.81
ENV15R	Total recycled paper purchased	Tons	4.82
ENV16	Used toner cartridges recycled after use	Whole number	6,714
ENV18	Business travel – air	Kilometers	5,997,259
ENV18_CO_2	Business travel – air in CO_2	Tons of CO_2	977.55
ENV19	Business travel – train	Kilometers	7,518,422
ENV19_CO_2	Business travel – train in CO_2	Tons of CO_2	30.07
ENV20	Vehicle fleet of the entity – number of km all vehicles	Kilometers	23,173,076
ENV20_ESS_CO_2	Vehicle fleet of the entity – gasoline engines – CO_2 emission	Tons of CO_2	15.01
ENV20_GAS_CO_2	Vehicle fleet of the entity – diesel engine – CO_2 emission	Tons of CO_2	2,259.82
ENV23	Business travel – employee vehicle	Kilometers	393,191
ENV23_CO_2	Business travel – employee vehicle in CO_2	Tons of CO_2	66.84
ENV24	Business travel – collective transport – bus-cars-metro-tram	Kilometers	258,033
ENV24_CO_2	Business travel – collective transport – bus-cars-metro-tram in CO_2	Tons of CO_2	1.80
ENV25	Business travel – taxi & car rental	Kilometers	622,232
ENV25_CO_2	Business travel – taxi & car rental in CO_2	Tons of CO_2	72.46
ENV31	Number of videoconferencing equipment	Whole number	141
ENV32	Number of videoconferences	Whole number	119,100
ENV33	Total duration of videoconferences	centesimal hours	134,859.62
ENV34	Documents digitized (paper avoided)	Tons	276.72
ENV44	Human resources devoted to CSR	Full-Time Equivalent	11.11

Indicator code	Indicator description	Unit of expression	Quantity collected 2018
GOUV01	Total number of members of the board of directors of the structure (in the sense of capitalistic company)	Whole number	61
GOUV02	Number of women on the board of directors of the structure (in the sense of capitalistic company)	Whole number	12
GOUV09_02	Subsidiaries: number of directors from the board of directors or supervisory board age < 40 years	Whole number	0
GOUV09_03	Subsidiaries: number of directors from the board of directors or supervisory board age 40-49 years	Whole number	6
GOUV09_04	Subsidiaries: number of directors from the board of directors or supervisory board age 50-59 years	Whole number	31
GOUV09_05	Subsidiaries: number of directors from the board of directors or supervisory board age >= 60 years	Whole number	24
SOC01	Total workforce in FTE	Full-Time Equivalent	4,577
SOC01bis	Registered workforce	Natural Persons	4,610
SOC01_FM205	Workforce: women: managers abroad	Natural Persons	0
SOC01_FNM205	Workforce: women: non-managers abroad	Natural Persons	0
SOC01_F201	Female executives with open-ended contracts in France	Natural Persons	780
SOC01_F202	Female non-executives with open-ended contracts in France	Natural Persons	306
SOC01_F203	Female executives with fixed-term contracts in France	Natural Persons	7
SOC01_F204	Female non-executives with fixed-term contracts in France	Natural Persons	23
SOC01_F205	Workforce: Women abroad	Natural Persons	0
SOC01_HM215	Workforce: men: managers abroad	Natural Persons	2
SOC01_HNM215	Workforce: men: non-managers abroad	Natural Persons	0
SOC01_H211	Male executives with open-ended contracts in France	Natural Persons	2,448
SOC01_H212	Male non-executives with open-ended contracts in France	Natural Persons	946
SOC01_H213	Male executives with fixed-term contracts in France	Natural Persons	5
SOC01_H214	Male non-executives with fixed-term contracts in France	Natural Persons	93
SOC01_H215	Workforce: Men abroad	Natural Persons	2
SOC02	Total workforce France (Open-ended + Fixed-term contracts) – Natural Persons	Natural Persons	4,608
SOC03	Total workforce with fixed-term + open-ended contracts outside France	Natural Persons	2
SOC04	Total workforce with fixed-term + open-ended contracts – executives	Natural Persons	3,240
SOC05	Total workforce with fixed-term + open-ended contracts – non executives	Natural Persons	1,368
SOC07	Workforce – Women (individuals)	Natural Persons	1,116
SOC08	Workforce – open-ended contract	Natural Persons	4,480
SOC08_NCADRE	Workforce – open-ended contract – non-executives	Whole number	1,252
SOC08bis	Workforce – open-ended contract – women	Whole number	1,086
SOC09	Workforce – Open-ended contract	Natural Persons	128
SOC12	% open-ended contract employees	Percentage rate	97.18
SOC13	Total hires	Natural Persons	662
SOC14	Men hired	Natural Persons	479
SOC15	Women hired	Natural Persons	183
SOC16	Hires with open-ended contracts	Natural Persons	504
SOC17	Hires with fixed-term employment contracts	Natural Persons	158
SOC19	Number of employees with open-ended contracts that quit the organization	Natural Persons	214
SOC20	Number of employees with open-ended contracts that quit the organization under layoffs	Natural Persons	24
SOC27	Turnover (resignations + layoffs + end of probationary period + conventional breach of contract)/(individual workforce)	Percentage rate	3.30
SOC29	Number of full-time employees with open-ended or fixed-term contracts (including parental Leave – full time)	Natural Persons	4,447
SOC30	Full time employees with open-ended or fixed-term contracts and executives with reduced day package	Natural Persons	163
SOC31	% of full-time employees	Percentage rate	96

Indicator code	Indicator description	Unit of expression	Quantity collected 2018
SOC32	% of part-time employees	Percentage rate	4
SOC36	Number of additional hours worked	centesimal hours	59,129
SOC38	Total number of days of absence	Working days	32,668
SOC39	Number of days of absence due to illness	Working days	31,105
SOC40	Number of days of absence due to workplace accidents	Working days	1,563
SOC41	Number of days of absence for maternity/paternity	Working days	7,972
SOC43	Number of occupational illnesses	Whole number	0
SOC44	Number of declared workplace accidents with medical leave	Whole number	52
SOC46	Payroll expense allocated to training (payroll expense for training in euros)	Euros	8,527,526.46
SOC47	% of payroll expense invested in training	Percentage rate	4.30
SOC48	Number of employees who have had at least one training session	Whole number	4,426
SOC49	% of trained employees	Percentage rate	96.01
SOC50	Total number of hours allocated to employee training	centesimal hours	126,661
SOC51	Average number of training hours per beneficiary employee	Working days	4
SOC52	Number of work-study trainings	Whole number	91
SOC53	Number of work-study trainings with professionalization contract	Whole number	47
SOC54	Number of work-study trainings with apprenticeship contract	Whole number	44
SOC55	Amount of apprenticeship tax paid	Euros	1,527,599
SOC57	Number of people in the management committees	Whole number	42
SOC58	Number of women in the management committees	Whole number	7
SOC59	Number of women among managerial staff	Whole number	787
SOC60	% of women among managerial staff	Percentage rate	24
SOC61	Number of managers promoted in the year to a higher level of function	Natural Persons	508
SOC62	Number of women among managerial promotions	Whole number	123
SOC63	% of women among managerial promotions	Percentage rate	24.21
SOC67	Number of convictions for obstruction (in France)	Whole number	0
SOC68	Number of disabled workers in the total workforce	Whole number	88
SOC71	% of disabled workers in the total workforce	Percentage rate	1.91
SOC72	AGEFIPH or FIPHFP disability contribution (6%)	Euros	728,016
SOC73	Gross payroll excluding employers' contributions (euros)	Euros	198,281,084
SOC74	Average annual compensation of employees with open-ended contracts – all statuses	Euros	43,869.64
SOC75	Average annual compensation of employees with open-ended contracts – non-executives – all statuses	Euros	32,242.08
SOC76	Average annual compensation of employees with open-ended contracts – executives – all statuses	Euros	48,379.46
SOC78	Nombre de consultations des représentants du personnel (CE, CHSCT, DP)	Whole number	251
SOC79	Number of information procedures for staff representative (EC, CHSCT)	Whole number	224
SOC80	Total amount of social security contributions paid	Euros	110,701,330
SOC81	Total amount of bonus (profit-sharing and shareholding) (in euros – excluding employer contributions)	Euros	21,543,145
SOC82	Number of employees having received a profit-sharing and shareholding bonus	Whole number	3,935
SOC88	Workforce < 25 years old	Natural Persons	205
SOC89	Women < 25 years old	Natural Persons	38
SOC90	Workforce 25 – 29 years old	Natural Persons	476
SOC91	Women 25 – 29 years old	Natural Persons	124
SOC92	Workforce 30 – 34 years old	Natural Persons	743
SOC93	Women 30 – 34 years old	Natural Persons	163
SOC94	Workforce 35 – 39 years old	Natural Persons	713
SOC95	Women 35 – 39 years old	Natural Persons	163

Indicator code	Indicator description	Unit of expression	Quantity collected 2018
SOC96	Workforce 40 – 44 years old	Natural Persons	786
SOC97	Women 40 – 44 years old	Natural Persons	211
SOC98	Workforce 45 – 49 years old	Natural Persons	658
SOC99	Of which women 45 – 49 years old	Natural Persons	158
SOC100	Workforce 50 – 54 years old	Natural Persons	476
SOC101	Women 50 – 54 years old	Natural Persons	113
SOC102	Workforce 55 – 59 years old	Natural Persons	421
SOC103	Women 55 – 59 years old	Natural Persons	115
SOC104	Workforce 60 years old and older	Natural Persons	132
SOC105	Women 60 years old and older	Natural Persons	31
SOC107	Total gross annual compensation (in euros) of employees with open-ended contracts	Euros	196,535,971
SOC108	Total gross annual compensation (in euros) of non-managerial employees with open-ended contracts	Euros	40,367,080
SOC109	Total gross annual compensation (in euros) of managerial employees with open-ended contracts	Euros	156,168,891

7.5.2 Specific report of the technology division (Euro-Information, EI)

This document brings together different entities working in the computer business. The scope did not change in 2018 and the main entities were:

- **Euro-Information Développements** which develops the group's software tools;
- **Euro-Information Production** which manages the group's technical infrastructure and production;
- **Euro-Information Télécom** which deploys the group's mobile telephony offering;
- **Euro Protection Surveillance** which offers tele-security services;
- **Euro-Information Services (EIS)** which install, maintains and replaces IT equipment (workstations, ATMs, telephone, etc.).

These entities, whose legal form may vary, are all controlled by Crédit Mutuel Alliance Fédérale. As a result, they apply the rules and procedures particularly in their social, ethical and environmental responsibility aspects.

7.5.2.1 Mapping of ESG risks

The mapping of significant ESG risks was shared with the EI teams in order to identify the significant risks specific to the EI activity.

The principal risks to be included for EI are:

- the absence of dedicated SCR (Social and Cooperative Responsibility) governance;
- the fact that social and environmental issues are not taken into account in the purchasing policy;
- the failure of the IT systems security mechanism;
- the fact that the increase in greenhouse gas emissions contributing to climate change in the group's business activities is not taken into account;
- at the level of the internal functioning of the group entities: the absence of a policy for reducing the consumption of resources (water + paper related to a tertiary activity);
- at the level of the internal functioning of the entities of the group: the absence of waste prevention and management system.

New indicators will be defined and implemented to allow monitoring of the management of these risks.

7.5.2.2 Actions taken to confront various risks

The absence of dedicated SCR (Social and Cooperative Responsibility) governance

In 2018, the CSR approach is fully in line with the new strategic plan *ensemble#nouveaumonde* defined by the group. Euro-Information is a major player in the strategic plan and has an additional objective of providing the group with the necessary information base.

In this context, the EI teams will develop the CSR reporting tool, both to adapt it to the new requirements of the NFPS but also with a view to facilitating the reporting of the 2019 BEGES (Gas Emissions Reporting) for the group entities.

The fact that social and environmental issues are not taken into account in the purchasing policy

As a reminder, the "Supplier Management Relationship" process is part of the certified Quality processes ISO 9001 V2015 monitored and audited by the AFAQ (the last renewal audit took place in June 2017).In 2018 there was a follow-up audit that was positive. The process is written, published and shows the different steps of a beginning relationship, contractualization and management of the supplier relationship.

As part of this process, the suppliers were classified into categories, the main one of which is "essential and responsive suppliers" (economic or strategic importance for Euro-Information or its customers). For the bidding process and in regular fashion, purchasing teams request these suppliers to provide documents that can attest to their CSR procedures (or to provide the link to the document on the Internet) in order to know the content. This operation is applied in the purchasing process of equipment/software, but also in the context of buying immaterial computer services vis-à-vis SSII (IT Services Company) suppliers. A review is conducted regularly.

In addition, a sectoral purchasing policy has been developed for the group. It was implemented in 2017 and makes CSR practices easier to understand when it comes to purchasing. Euro-Information has taken this sectoral purchasing policy into account in its procedures. The purchasing policy includes the signing of a charter with suppliers (around 50 charters signed on December 31, 2018). Signing the charter has been incorporated into the mandatory documents related to the policy of beginning a new relationship. Some suppliers refuse to sign the charter by producing a "similar" internal policy. In 2019, this charter should for certain suppliers replace the collection of documents that formalizes their CSR efforts.

In addition, a new version of the rules of procedure issued at the end of 2018 recalls a certain number of elements concerning the EI policy with regard to relations with suppliers. A power of attorney was signed by the Buyers reminding them of the respect related to obligations in terms of sectoral purchasing policy.

A "suppliers follow-up" committee ensures:

- retrieval of ratings on essential and responsive suppliers;
- retrieval of "financial ratings" for essential and responsive suppliers established in France; that will be expanded in 2019 to foreign suppliers;
- retrieval/updating of CSR reports for the same suppliers.

A 2018 status report will be established by the monitoring committee beginning with the first quarter, the objective being to gather all of the "financial" and "quality" ratings.

In addition, the study of new versions of equipment (PCs, printers, scanners, copiers) includes a CSR approach to energy consumption since 2013. The will is to deploy more and more energy-efficient equipment. The constant renewal of the fleet (see section Equipment circuit) contributes to reducing the group's energy consumption.

The fact that the increase in greenhouse gas emissions contributing to climate change in the group's business activities and at the level of the internal functioning of the entities of the group: the absence of waste prevention and management system are not taken into consideration

These two risks are taken into account in several business areas.

Equipment circuit

On behalf of Euro-Information, Euro-Information Services (EIS) provides installation and maintenance services for IT equipment and associated logistics services.

In 2018, more than 10,600 man-days were dedicated to replacing end-of-life products (printers, workstations, laptops, inverters, PLCs, electronic payment terminals, etc.).

Nearly 121,000 defective products were processed by the repair shop, 44,090 uninstalled products were reconditioned and 35,300 were directed to our broker.

EIS pursued regular technical discussions with the group's call structures (SAM and STU) to have accurate diagnoses (by setting up a Diagnostic Assistance Tool called "DAT") to avoid unnecessary travel. In addition, in order to optimize the travel of its technicians, EIS continues to monitor an initial resolution indicator (RPC in French), the objective of which is to troubleshoot from the first intervention. This approach saved more than 19,500 trips in 2018 compared to 2011. In addition, the decrease in the percentage of recurrence in the area of ATMs saved 3,945 interventions compared to 2010.

The activity of trading in used computer equipment (broke) continues to evolve and thus makes it possible to avoid destruction of the equipment as far as possible.

As a reminder, to monitor this activity and its changes, statistics were put in place in 2015 to analyze the changes in the equipment following an intervention.

A device that is no longer in place is in one of following four states:

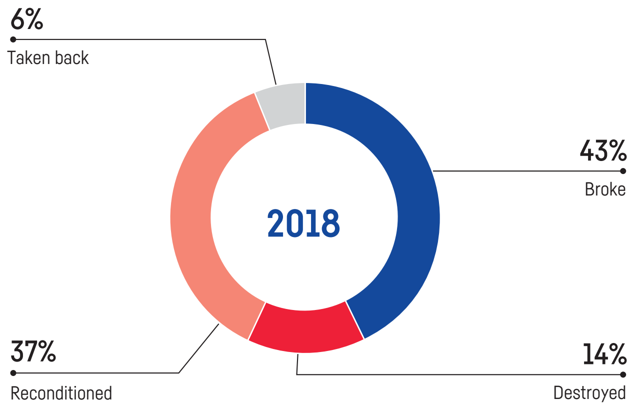
- restored (initial state);
- reconditioned (if repaired to be returned to the customer circuit);
- broke (resold);
- destroyed (if beyond repair or resale).

The goal is to reduce the time in the "restored" state and to send, where appropriate, to the broker, as soon as possible to allow reuse.

This analysis can be done by product families and customer federations from January 2014. The age of the model in place allows this year to compare the last 5 years, and to study the life cycle of equipment after 2, 3, 4 or 5 years. These studies are available by federation or product family.

2017 generation analysis by equipment life cycle

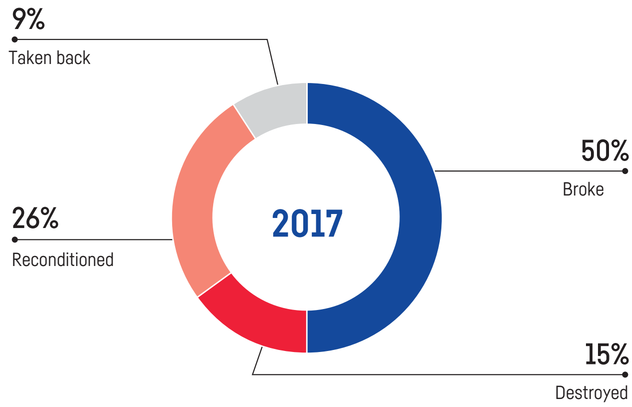
2018 – ALL EQUIPMENT



The observation corresponds to a change in the new generation data processing in 2018. In 2017, 50% of the modified items had already been sold back to the broker (compared with 22% in 2014) at the end of one year. The 2017 result is 43% (equivalent to 2016) but the switch was made to repackaging, which went from 26% to 37%. We have a better reuse of items this year.

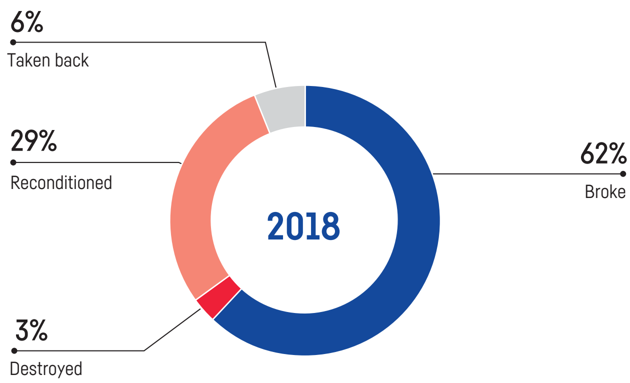
The "Restored" portion has decreased slightly, which has the overall effect of maintaining the gain on the "destruction" part obtained in 2017 (15% in 2017, 14% in 2018).

2017 – ALL EQUIPMENT



As in previous years, we observed that this trend is driven by large families of equipment and that the broker/repackaging change can be found. If we take for example the category "workstations and laptops", at the end of one year, the broker rate returned to 63% (72% in 2017), increasing the percentage of reconditioned items (from 17% to 29%), the "restored" state continues to decline from 9% to 6%.

2018 – WORKSTATIONS AND LAPTOPS

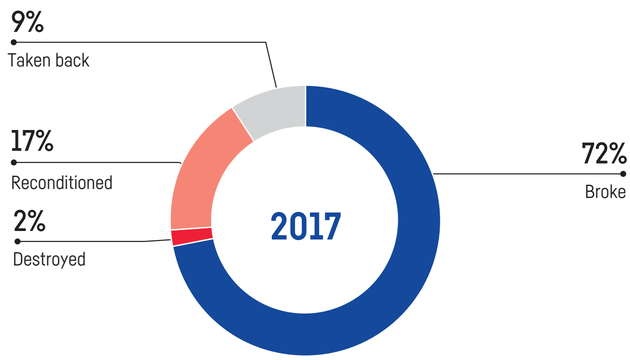


The depth of the history (2014-2018) allows us to understand the future of a fleet at 5 years.

Out of 630,000 references:

- about 50% were renewed;
- 30% were resold to brokers;
- 11% were destroyed;
- 7% were reconditioned.

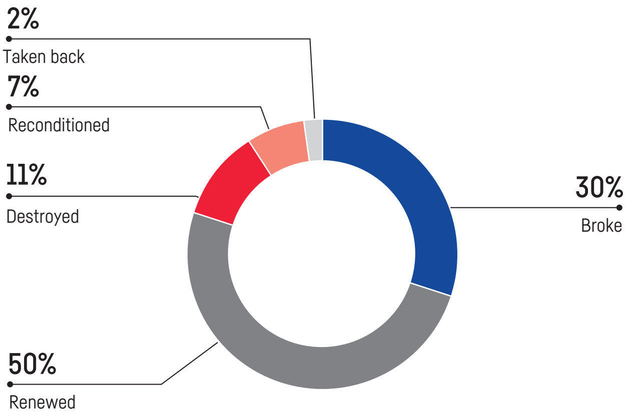
2017 – WORKSTATIONS AND LAPTOPS



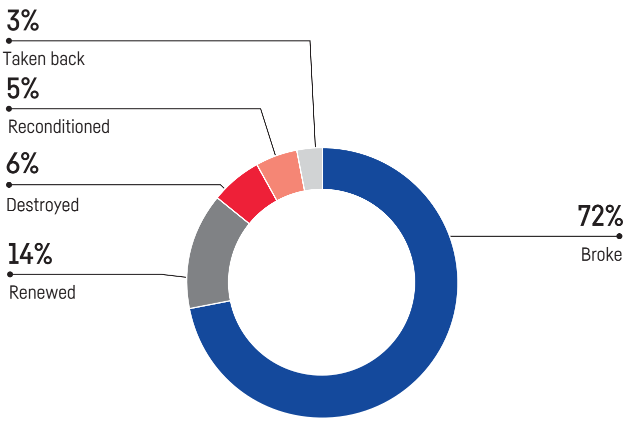
For workstations and laptops, major tools of the group's employees, 86% were renewed in the period with 72% to the broker, 5% reconditioned and therefore only 6% destroyed.

Conversely, for the screens, we found that only 33% of the equipment was renewed with 16% to the broker, 7% reconditioned and 8% destroyed.

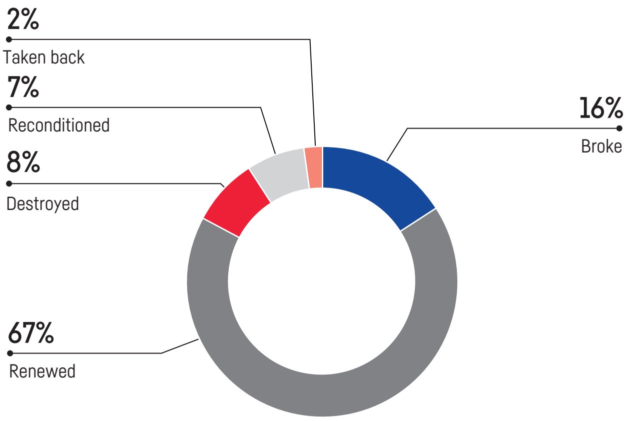
ALL EQUIPMENT FROM 2014 TO END OF 2018



WORKSTATIONS AND LAPTOPS FROM 2014 TO END OF 2018



SCREENS FROM 2014 TO END OF 2018



IP phone management

A partnership was signed with CONNEXING for the acquisition of fixed IP phones. This company resells recycled used IP phones. This company has an Eco-responsible approach. Indeed, it builds on the project "AFIBERIA" provided by the NGO Planète Urgence and undertakes to plant one tree per eco-recycled phone bought or per phone restored to its customers. CONNEXING has defined three levels of eco-recycled partnership:

- SILVER, for 100 trees planted;
- GOLD, for 200 trees planted;
- and PLATINUM for 500 trees planted.

For two years, EI has achieved the PLATINUM level, 3,848 trees planted for Euro-Information in 2018 against 3,598 in 2017.

It is also involved in the education of children (1 order the amount of which is greater than €1,500 = 1 hour of tutoring). The group *via* the EIS structure, funded 72 hours of tutoring in 2018.

A study on the repair of phones is under way with CONNEXING.

Development of computer centers using the best ecological practices of the market

Group changes require permanent IT changes and therefore a constantly increasing processing and storage capacity. Lille's Euro-Information site is being expanded with the construction of a new machine room. The site will use the free chilling (adaptation of the cooling method depending on the outside temperature) and confinement (disappearance of hot spots by separating the bays in a better way and building cold aisles) techniques representing a saving of 3,800,000 kWh for a charge of 1,000 W/m^2 (about €280,000 per year).

The implementation of these changes should make it possible to obtain a PUE (Power Usage Effectiveness) of less than 1.6 in this new room.

In addition, Euro-Information commissioned the specialist firm Carbone 4 to audit the carbon footprint of the two IT centers in Strasbourg and Lille in late 2018. The conclusions will be released in 2019 and will optimize future planned construction.

Energy optimization in the approach to real estate

Euro-Information also integrates the energy saving approach into its real estate projects, as all employees of Euro-Information Développements based in Strasbourg and its surrounding areas will be grouped together in a "Wacken 2" building. This building is being finalized and is built in compliance with all new energy standards with the target of a BEPOS certification, that is to say an ability to produce more energy than it consumes. The first relocations will begin in the second half of 2019.

Setting up videoconferencing facilities to avoid travel

For several years, Euro-Information has been carrying out a unified communication project to enable meetings via videoconferencing with people from different regions and different countries without travel. The adoption of all these means by employees and business processes increased sharply in 2018 (+24% of remote conferencing over one year). It is now a question of continuing to increase the development of these relationship modes in the Customer/Company contacts in 2019 in particular through the video interviews with Customers (Customer RDV managed through Remote Banking).

Several actions will be proposed and conducted with institution/branch office networks with customer targeting.

99% of the institutions/branch offices already have speaker-phones and webcam equipment. The equipment rate of these shared devices is now 1 to 3 and will be further completed with the adoption of these uses by customers.

EI also continues to roll out new services to simplify access to video conferencing. For example, after validation of the pilot in 2018, a new service will allow a 'one-click' videoconferencing in all of the group's videoconference rooms in 2019 (new service "Polycom OTD One Touch Dial").

PC shutdown at night

Euro-Information has been deploying a solution for shutting down PCs at night in institutions and branch offices for several years. A new version has been deployed this year which allows finer planning of shutdowns. Indeed, the tool is connected with the institution/branch office repository which contains the actual attendance times. This tool works every day and involves more than 45,600 PCs.

At the same time, a head office version is being implemented and has been deployed since the second half of 2018 (with pilots having been implemented before), prioritizing the positions of the support entities (Euro-Information and CCS). At the end of December, a little over 7,300 workstations have been shutdown. The deployment will continue in 2019 to target all the workstations at head offices.

To finish, this new version is accompanied by the construction of a new report to better understand the impact of this shutdown and measure the change according to the actions carried out. The primary measures show that the maximum saving possible is about 60% of the time for the institution/branch office workstations and about 45% for the head office workstations. The actual gain ranges between 35% and 40%.

Breakdown in IT security

Several actions help to address this risk, both in terms of security in the broad sense and the availability or security of data.

Security of the IS

Considering the processing of sensitive banking data and the numerous offers of services proposed by Euro-Information, very special attention is paid to all the aspects of the IT system, which changes to adapt to new risks, and strengthens defenses.

All means are implemented to secure the community system.

Thus, based on the ISO 27001: 2013 standard, an Information Security Management System (ISMS) is deployed on all of the production sites described above.

This ISO 27001: 2013 standard is a recognized certification reference system. It provides a framework for implementing, maintaining and improving an Information Security Management System over time.

The ISMS challenges are:

- concretely improving the security of the Information System by:
  - putting in place an operational governance of security,
  - guiding security with a risk approach,
  - defining security rules,
  - ensuring the application of these rules;
- constantly improving the security of the Information System by:
  - measuring the security levels achieved,
  - performing a security watch,
  - taking into account new threats and developments in the IS,
  - reducing the impact and frequency of security incidents.

This ISMS facilitates:

- increasing the confidence in stakeholders (shareholders, supervisory authorities, banks, federations, partners, suppliers, Euro-Information staff);
- having a competitive advantage when responding to the bidding process;
- systematically treating IT security risks in the areas concerned;
- controlling security by means of indicators and not by measuring effort (cost, time, number of people, etc.).

The ISO 27001: 2013 certification of this ISMS acquired on December 11, 2017 following the initial audit, was confirmed during the surveillance audit that took place from November 12 to 16, 2018.

The basic principles remain the following:

- availability: provide a reliable system with permanent accessibility;
- confidentiality: secure access, processing and data;
- integrity: guarantee reliability of data;
- proof: through traceability and audit features, make it possible to substantiate actions on the system.

Security is monitored through the Security Control Tower whose missions can be summed up in three words:

- anticipation;
- detection;
- response.

To cover these missions, the Security Control Tower consists of:

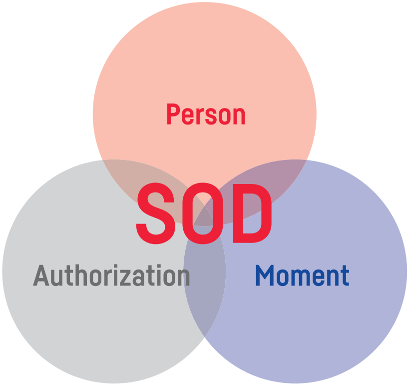
- a single point of contact for Security (SPOC – Security);
- a Security Operations Center (SOC), a true "radar" of IT security in charge of all aspects related to the detection of non-compliance;
- and lastly the CERT Crédit Mutuel Euro-Information to manage the resolution of security incidents, monitor and inform about threats.

CERT Crédit Mutuel EURO-INFORMATION

Human Resources and Organization Security is based primarily on:

- reinforced and clear security governance with a specialized team around the RSSI (Information System Security Network) and a network of security correspondents in the group's entities and business centers;
- permanent security awareness of the entire Euro-Information staff in e-learning and/or face-to-face training;
- a user charter associated with the rules of procedure. This charter illustrates the professional, respectful and responsible behavior that every employee of Euro-Information must display when using the resources of the Information System;
- an annual training plan guaranteeing the maintenance of Euro-Information's staff's skills in security matters;
- management of user access rights by powerful tools with regular and formal reviews;

- the security works on the principles of the SOD (Segregation Of Duties) concept that meet the requirements of the legal standards and obligations (SOX, Basel 2, ISO 27000, COBIT, ITIL, ISACA, CRBF 97-02, etc.) and based on the adequacy of three elements:



For example, Internet services are a part of the areas where security is indispensable. For this, there is complete segregation between the Internet and Intranet environments. State of the art protection is provided by:

- a firewall device;
- application gateways (proxies);
- demilitarized zones (DMZ);
- WAFs (application firewalls);
- antivirus software;
- BlueCoat filters;
- intrusion detection systems (IDS) and intrusion prevention systems (IPS);
- a hybrid solution to combat Denial of Services;
- the preservation of traces;
- the use of Q-RADAR, a tool to detect, warn and stem attacks on our information system (SIEM: Security Information and Event Management) with its power of analysis and correlation of hundreds of thousands of traces generated by our equipment;
- the intrusion tests conducted each year confirm the strength of our infrastructure, the quality of our applications and the IT teams' need to maintain a high level of expertise to deal with constantly evolving threats.

The plan to expand the Lille datacenter aims to set-up a Tier-4 security level (Uptime institute), maximum level of security for a datacenter with an uptime of 99.995% corresponding to an average annual downtime of 0.4 hours.

All the elements of the security system allow commercial payment solutions, known as CM-CIC P@iement and Monético Paiement, to be certified every year since November 2007, PCI-DSS level 1 (the highest security level). This certification guarantees customers the quality of performance of this solution on the technological infrastructure to store, process and transmit payment card information.

A project is underway to increase the PCI-DSS scope to other areas with a certification target in early 2019.

Gradual implementation of IBM's new Z14 technology

The deployment of the first Z14s to replace the previous generation Z13 started in 2018.

This new IBM Z14 is presented by IBM as the most powerful computer in the world, capable of handling more than 12 billion encrypted transactions per day. It automatically encrypts data associated with all applications, databases, or Cloud services. Cryptography now extends to all data, networks, external devices, or complete applications without modifying them.

This new technology brings increased performance, superior capabilities with a high level of security.

Project for securing personal data

As part of the new European GDPR regulation, EI establishes full compliance with the texts for the complete scope of the group entities.

It aims to ensure that the personal data (DCP) of customers, prospects and employees is better protected and increases their control over their own data.

This regulation has created new obligations and requirements on Customer information with respect to the collection, registration and storage of his personal data.

DPOs (Data Protection Officer) and DPCs (data protection correspondents) were appointed for each of the banks, federations and subsidiaries.

A compliance repository for all treatments has been implemented and is gradually being enriched.

Developments have been made on the extension of existing concepts of consent (Opt-in, Opt-out), as well as on the accentuation of traceability.

The archiving and deletion of data stored for the Customer -Members and prospects (right to forget) is completely reviewed.

An e-learning training has been proposed to all employees to make them aware and empower them in regards to this new regulation.

The proposed improvement in the control of the localization of personal data is in progress *via* the gradual deployment of a data dictionary.

New procedures and changes on new customer rights (right of access, right to be forgotten, right to portability, etc.) have been made or are underway.

At the level of the internal functioning of the group entities: the absence of a policy for reducing the consumption of resources (water + paper related to a tertiary activity)

This risk is also treated in many ways.

Reduction of paper consumption

The use of electronic signatures increased significantly in 2018, due to:

- greater mobilization and better appropriation of the process by advisers;
- provision of management tools for institution and branch office directors. The objective is to dematerialize 70% of the eligible contracts with electronic signature. The current average is 45%, which suggests a good room for improvement;
- the integration of electronic signature into new applications and its use in all channels (on tablet in branch offices, *via* the Customer's Remote Banking messenger to avoid sending mails and in online subscription courses on the Internet).

Institutions/branch offices continue to be equipped: about 26,000 tablets are available to advisers to have their customers sign. In the year 2018, 6 million signatures were produced (x2.3 compared to 2017) by customers and members, of which 2/3 on branch office tablets.

As a result, it is estimated that this has saved more than 30 million sheets of paper.

With all the entities adhering to the information system, the realization shall reach 7 million electronic signatures.

This deployment also has an impact on energy consumption (Scope 3) because paper documents no longer need to be circulated to scanning centers by shuttle.

EI continues to strongly develop the dematerialization of documents. Thus, 2019 will be marked by the deployment of the electronic signature for contracts of professionals and associations (pilots are already underway) and the signing of the counterfoils on tablets in branch offices (developments are underway for the discount vouchers, withdrawal tokens, payments and transfers). Studies are due to start to dematerialize real estate and business loans.

Dematerialization of the electronic payslip (BPE) for the entire group has been generalized. 94% of the group employees receive BPE (93% in Euro-Information subsidiaries). The remaining percentage corresponds to Employees who have refused the electronic slip and have returned to the paper option.

It can also be noted that, at the end of 2018, the percentage of documents for the group's internal use still in paper format is limited to 0.72%.

Printing on MFP (Multi-function printers for printing, photocopying, scanning, fax, etc.) through virtual mailboxes

This is a new approach to network printing (printing remains in the printer's memory until unlocked by the user); This process increases the level of security and saves paper by avoiding prints that people do not pick up, or those heavier than expected, that the user can interrupt while in progress.

This operation is based on a Watchdoc tool, which also has a statistical approach to printing to allow optimization of the resources required. This tool will raise awareness and make the user aware of the environmental and economic impacts of his prints, by specifying his consumption.

Watchdoc is fully deployed to enable secure printing on all group sites. Statistical tools under development will allow us to accurately assess the savings made with two-sided printing and securing but also the residual potential…

The first figures give us prints of nearly 45% two-sided printing, a potential residual gain of 10 to 15% and about 2 to 3% gain per non-printing. The figures will be improved as soon as the developments are available.

Unbleached recycled paper

The willingness to use unbleached recycled paper is part of Crédit Mutuel Alliance Fédérale's CSR (Corporate Social Responsibility) policy. At first, the scope will be limited to the head offices. However, future extension to the Network is not ruled out. A new type of paper integrating the technical and functional constraints and in line with our cost approach was validated in the first quarter of 2018 and added to the catalog. The decision to use is for the moment left to the companies; volumes were still low in 2018 but nevertheless represent 69 tons of paper already.

In addition to the actions described, EI has also mobilized around several projects related to the group's SCR initiative:

- as part of the BTP (Business Travel Plan), the Optimix project, which has implemented a group-specific version of this software package (developed by NICOMAK for Eurométropole, Strasbourg) to make it work on our intranet and interface with employee data. The latter can obtain a mobility form, which lists various mobility solutions between their home and place of work. In addition, the carpooling form provides a map of the most relevant potential carpoolers. This solution is now operational since early 2018. At the same time, actions have been taken to promote carpooling and a sticker has been introduced for carpoolers guaranteeing them a parking space at Wacken;
- Several sites have also set up mobility challenges as part of the Sustainable Development Week. For example, the Tassin site participated in the regional challenge for the first time and obtained the 19th place in its category (9th for the metropolis) with 46% participants;
- Euro-Information has also been involved in book-raising operations set up by Crédit Mutuel institutions for the benefit of charitable organizations (Strasbourg, Paris, Nantes and Lyon);
- important action has been taken as part of the integration of people with disabilities. A partnership was concluded with the organization COMPETHANCE with the award of 2 grants to train people with Asperger's syndrome, who wish to become programmers. As part of this partnership, Euro-Information Développements welcomes:
  - 2 people at the Villeneuve d'Ascq site,
  - 1 person at the Verlinghem side,
  - 1 student for the orientation course (Verlinghem site);

- Since 2012, EIS has implemented a specific mechanism to promote eco-driving. This process continued in 2018 and the following actions were to be reported:
  - eco-driving training: 9 sessions and 57 people trained,
  - eco-driving reminders on the following topics:
    - safety distances to control safety and fuel consumption better,
    - checking tire pressure,
    - stay focused on the traffic;
  - decrease in fuel consumption (6.70 in 2012 at launch):
    - average 6.14 l/100 km in 2017,
    - average 6.10 l/100 km in 2018.

7.5.2.3 New indicators

To monitor the various actions, defining the relevant indicators is being considered. Concerning the security approach of the Information System, 3 angles make it possible to follow:

- Availability angle: the system is reliable and the QMS letter determines a target of 100% operation, 7 days a week and 24 hours a day. The primary applications are monitored with a target of more than 99%. A year round green availability with an annual average of 99.63%.

Rate of availability of primary applications

2018-01	2018-02	2018-03	2018-04	2018-05	2018-06	2018-07	2018-08	2018-09	2019-10	2018-11	2018-12
99.47%	99.16%	99.77%	99.81%	99.83%	99.82%	99.86%	99.77%	99.86%	99.60%	99.32%	99.34%

- Claims angle: the treatments must be reliable and the malfunctions must be the least impacting possible. Computer claims costing more than €1,000 are systematically analyzed. This number is very small and hardly changes. It is 239 for 2018.
- Security angle: The system is constantly subjected to attacks to test its strength. Again, incidents arising from attacks should be limited in number if the cause is internal (we do not control the external volume) with the lowest possible impacts.

In 2018, there were, for example, 175 of “impaired availability” type attacks (DDos, theft, sabotage, etc.) and 57 of “attempted intrusion” type.

7

7.6 CSR OF THE PRESS DIVISION

7.6.1 Quantitative data

Indicator code	Indicator description	Unit of expression	Quantity collected 2018
ENV01P	Newsprint	Tons	56,923.5
ENV02P	Of which labeled paper	Tons	29.491
ENV03P	Aluminum plates	Tons	376.945
ENV04	Water consumption	Cubic meter	33,044.02
ENV04P	Newspaper ink and prints	Tons	800.648
ENV05	Total energy consumption	Kilo Watt Hour	46,784.789
ENV05_01	Steam water in urban networks	Kilo Watt Hour	169,254
ENV05_01_CO_2_X	Steam water in urban networks in CO_2	Tons of CO_2	33.850
ENV05_02	Chilled water in urban networks	Kilo Watt Hour	75,392
ENV05_02_CO_2	Chilled water in urban networks in CO_2	Tons of CO_2	0.753
ENV05P	Packaging	Tons	197.46
ENV06	Electrical energy consumption	Kilo Watt Hour	29,263,187
ENV06_CO_2	Electrical energy consumption in CO_2	Tons of CO_2	1,668.001
ENV06P	Waste – reel start and end	Tons	3,581.72
ENV07	Gas energy consumption	Kilo Watt Hour	17,176,517
ENV07_CO_2	Gas energy consumption in CO_2	Tons of CO_2	3,521.185
ENV07P	Waste – Fall of white paper from rotating machines	Tons	596.87
ENV08	Fuel energy consumption	Liters	10,013.85
ENV08_CO_2	Fuel energy consumption in CO_2	Tons of CO_2	0.753
ENV08P	Waste – print returns	Tons	6,007.24
ENV09	Total paper consumption	Tons	186.78
ENV09P	Waste – inserts	Tons	1,609
ENV10	Total paper consumption for internal use	Tons	147.168
ENV10_CO_2	Total consumption of paper for internal use in CO_2	Tons of CO_2	135.247
ENV11	Total paper consumption for external use	Tons	39.616
ENV11_CO_2	Total consumption of paper for external use in CO_2	Tons of CO_2	36.407
ENV12L	% labeled paper/purchased paper	Percentage rate	62.77
ENV12R	% recycled paper/purchased paper	Percentage rate	0.06
ENV13	Consumption of toner cartridges	Whole number	2,796
ENV15	Recycled used paper as output (waste)	Tons	0
ENV15L	Total labeled paper purchased	Tons	117.23
ENV15R	Total recycled paper purchased	Tons	0.10
ENV15RP	Recycled newspaper	Tons	54,465.35
ENV16	Used toner cartridges recycled after use	Whole number	88
ENV18	Business travel – air	Kilometers	233,636
ENV18_CO_2	Business travel – air in CO_2	Tons of CO_2	38.08
ENV19	Business travel – train	Kilometers	1,112,010
ENV19_CO_2	Business travel – train in CO_2	Tons of CO_2	4.44
ENV20	Vehicle fleet of the entity – number of km all vehicles	Kilometers	18,535,829
ENV20_ESS_CO_2	Vehicle fleet of the entity – gasoline engines – CO_2 emission	Tons of CO_2	2.890
ENV20_GAS_CO_2	Vehicle fleet of the entity – diesel engine – CO_2 emission	Tons of CO_2	1,814.048
ENV23	Business travel – employee vehicle	Kilometers	3,172,678
ENV23_CO_2	Business travel – employee vehicle in CO_2	Tons of CO_2	539.355

Indicator code	Indicator description	Unit of expression	Quantity collected 2018
ENV25	Business travel – taxi & car rental	Kilometers	58,937
ENV25_CO_2	Business travel – taxi & car rental in CO_2	Tons of CO_2	6.895
ENV29P	Transport – transalliance	Tons	41,363.1
ENV30	Fugitive emissions of frigorific gases	Kilograms	211.24
ENV30_CO_2	Fugitive emissions of frigorific gases in CO_2	Tons of CO_2	325.58
ENV30P	Transport – La poste	Tons	1,532
ENV31	Number of videoconferencing equipment	Whole number	11
ENV32	Number of video-conferences	Whole number	97
ENV33	Total duration of videoconferences	centesimal hours	137.47
ENV34	Documents digitized (paper avoided)	Tons	54.829
ENV44	Human resources devoted to CSR	Full-Time Equivalent	1.5
GOUV01	Total number of members of the board of directors of the structure (in the sense of capitalistic company)	Whole number	57
GOUV02	Number of women on the board of directors of the structure (in the sense of capitalistic company)	Whole number	8
GOUV09_03	Subsidiaries: number of directors from the board of directors or supervisory board aged 40-49 years	Whole number	5
GOUV09_04	Subsidiaries: number of directors from the board of directors or supervisory board aged 50-59 years	Whole number	18
GOUV09_05	Subsidiaries: number of directors from the board of directors or supervisory board aged >= 60 years	Whole number	30
SOC01	Total workforce in FTE	Full-Time Equivalent	4,372
SOC01bis	Registered workforce	Natural Persons	6,634
SOC01_F201	Female executives with open-ended contracts in France	Natural Persons	927
SOC01_F202	Female non-executives with open-ended contracts in France	Natural Persons	1,983
SOC01_F203	Female executives with open-ended contracts in France	Natural Persons	81
SOC01_F204	Female non-executives with fixed-term contracts in France	Natural Persons	162
SOC01_H211	Male executives with open-ended contracts in France	Natural Persons	1,320
SOC01_H212	Male non-executives with open-ended contracts in France	Natural Persons	1,892
SOC01_H213	Male executives with fixed-term contracts in France	Natural Persons	110
SOC01_H214	Male non-executives with fixed-term contracts in France	Natural Persons	159
SOC02	Total workforce France (Open-ended + Fixed-term contracts) – Natural Persons	Natural Persons	6,634
SOC04	Total workforce with fixed-term + open-ended contracts – executives	Natural Persons	2,438
SOC05	Total workforce with fixed-term + open-ended contracts – non executives	Natural Persons	4,196
SOC07	Workforce – Women (Natural Persons)	Natural Persons	3,153
SOC08	Workforce – open-ended contract	Natural Persons	6,122
SOC08_NCADRE	Workforce – open-ended contract – non-executives	Whole number	3,875
SOC08bis	Workforce – open-ended contract – women	Whole number	2,910
SOC09	Workforce – Open-ended contract	Natural Persons	512
SOC12	% open-ended contract employees	Percentage rate	92.28
SOC13	Total hires	Natural Persons	5,479
SOC14	Men hired	Natural Persons	3,052
SOC15	Women hired	Natural Persons	2,427
SOC16	Hires with open-ended contracts	Natural Persons	571[1]
SOC17	Hires with fixed-term employment contracts	Natural Persons	4,925[1]
SOC19	Number of employees with open-ended contracts that quit the organization	Natural Persons	789
SOC20	Number of employees with open-ended contracts that quit the organization on dismissals	Natural Persons	95
SOC29	Number of full-time employees with open-ended or fixed-term contracts (including full-time parental leave)	Natural Persons	3,641

Indicator code	Indicator description	Unit of expression	Quantity collected 2018
SOC30	Number of part-time employees with open-ended or fixed-term contracts and executives with reduced day package	Natural Persons	2,993
SOC38	Total number of days of absence	Working days	86,456
SOC39	Number of days of absence due to illness	Working days	80,837
SOC40	Number of days of absence due to workplace accidents	Working days	5,619
SOC41	Number of days of absence for maternity/paternity	Working days	4,382
SOC43	Number of occupational illnesses	Whole number	8
SOC44	Number of declared workplace accidents with medical leave	Whole number	121
SOC46	Payroll invested in training (payroll expense for training in euros)	Euros	3,207,618
SOC47	% of payroll expense invested in training	Percentage rate	1.56
SOC48	Number of employees who have had at least one training session	Whole number	2,352
SOC49	% of trained employees	Percentage rate	35.45
SOC50	Total number of hours allocated to employee training	centesimal hours	67,307
SOC51	Average number of training hours per beneficiary employee	Working days	4
SOC52	Number of work-study trainings	Whole number	58
SOC53	Number of work-study trainings with professionalization contract	Whole number	55
SOC54	Number of work-study trainings with apprenticeship contract	Whole number	3
SOC55	Amount of apprenticeship tax paid	Euros	1,404,022.30
SOC59	Number of women among managerial staff	Whole number	1,008
SOC60	% of women among managerial staff	Percentage rate	41
SOC61	Number of managers promoted in the year to a higher level of function	Natural Persons	149
SOC62	Number of women among managerial promotions	Whole number	56
SOC63	% of women among managerial promotions	Percentage rate	37.58
SOC68	Number of disabled workers in the total workforce	Whole number	220
SOC71	% of disabled workers in the total workforce	Percentage rate	3.32
SOC72	AGEFIPH or FIPHFP disability contribution (6%)	Euros	110,593.56
SOC73	Gross payroll excluding employers' contributions (euros)	Euros	205,264,005
SOC74	Average annual compensation of employees with open-ended contracts – all statuses	Euros	31,687.70
SOC75	Average annual compensation of employees with open-ended contracts – non-executives – all statuses	Euros	16,139.80
SOC76	Average annual compensation of employees with open-ended contracts – executives – all statuses	Euros	58,500.38
SOC78	Number of consultations with staff representatives (CE, CHSCT,DP)	Whole number	180
SOC79	Number of information procedures for staff Representative (EC, CHSCT)	Whole number	114
SOC80	Total amount of social security contributions paid	Euros	90,610,713.48
SOC81	Total amount of bonus (profit-sharing and shareholding) (in euros – excluding employer contributions)	Euros	351,140.00
SOC82	Number of employees having received a profit-sharing and shareholding bonus	Whole number	947
SOC88	Workforce < 25 years old	Natural Persons	230
SOC89	Women < 25 years old	Natural Persons	113
SOC90	Workforce 25 – 29 years old	Natural Persons	290
SOC91	Women 25 – 29 years old	Natural Persons	138
SOC92	Workforce 30 – 34 years old	Natural Persons	386
SOC93	Women 30 – 34 years old	Natural Persons	206
SOC94	Workforce 35 – 39 years old	Natural Persons	544

Indicator code	Indicator description	Unit of expression	Quantity collected 2018
SOC95	Women 35 – 39 years old	Natural Persons	267
SOC96	Workforce 40 – 44 years old	Natural Persons	593
SOC97	Women 40 – 44 years old	Natural Persons	303
SOC98	Workforce 45 – 49 years old	Natural Persons	944
SOC99	Of which women 45 – 49 years old	Natural Persons	443
SOC100	Workforce 50 – 54 years old	Natural Persons	1,090
SOC101	Women 50 – 54 years old	Natural Persons	534
SOC102	Workforce 55 – 59 years old	Natural Persons	1,308
SOC103	Women 55 – 59 years old	Natural Persons	649
SOC104	Workforce 60 years old and older	Natural Persons	1,249
SOC105	Women 60 years old and older	Natural Persons	500
SOC107	Total gross annual compensation (in euros) of employees with open-ended contracts	Euros	193,992,081
SOC108	Total gross annual compensation (in euros) of employees with open-ended contracts Non executives	Euros	62,541,716
SOC109	Total gross annual compensation (in euros) of managerial employees with open-ended contracts	Euros	131,450,364

(1) Total hires on open-ended and fixed-term contracts do not correspond to the total number of men and women hired because of double counting during the transformation from a fixed-term contract to an open-ended contract.

7.6.2 Specific report – Press division

Crédit Mutuel press activity includes around thirty companies, including eight companies publishing nine regional and departmental daily newspapers and two companies publishing three regional weekly newspapers, which represents information coverage in more than 24 departments in eastern France, plus more than nine hundred thousand copies sold per day, and nearly 6,700 employees[1].

These entities, whose legal form may vary, are all controlled directly or indirectly by the Banque Fédérative du Crédit Mutuel, holding company of Crédit Mutuel Alliance Fédérale.

Like the rest of the group, they are constantly seeking to improve rules and procedures, particularly at the social, ethical and environmental responsibility levels.

The socioprofessional categories of press companies are journalists (1/3 of the press companies), employees, workers (or technicians depending on the entity) and executives (administrative or technical).

The contracts are mostly open-ended. Fixed-term contracts or temporary workers are also used.

Unlike other companies, porting companies (APDNA and MEDIAPORTAGE) have the distinction of mostly employing part-time employees.

Indeed, the activity consists of carrying the newspaper in the morning, the daily working time is therefore less than 7 hours. For these entities, the proportion of part-time employees in relation to the total number of employees is more than 98%.

2018 was marked by the entry of press publishers into the Extended Producer Responsibility (EPR). They now contribute to the sorting and recycling of papers.

Legal framework

Article L.541-10-1 of the French Environment Code states that any ordering party issuing or having issued printed forms, including free of charge, intended for end-users, contributes to the collection, recovery and disposal of printed paper, household and similar waste produced.

The energy transition law for green growth dated August 17, 2015 amended this article, by bringing some paper prints and press publications into the scope of graphic papers as of January 1, 2017.

It was also defined that the contribution for press publications could be in the form of benefits in kind under the conditions provided for by Article L.541-10-1.

Declaration and implementation

For example, publishing companies joined CITEO, a non-profit company created by the merger of Éco-emballages and Ecofolio, created by companies to reduce the environmental impact of packaging and paper.

They have come together to respond to this new measure, which is to report the tonnage of paper produced annually.

The difficulties faces are mainly at two levels:

- determine products subject to the obligation of declaration;
- identify the information necessary for the application of eco-modulation and the criteria for contribution in kind.

(1) Including salaried newspapers carriers – workforce (natural persons) as of October 31, 2018.

After several weeks of work and discussions with CITEO, the first declaration of the press group was validated. The marketing of 67,350 tonnes of paper for a total contribution of €3.4 million (excluding management fees) was declared, including €3.1 million of contribution in kind.

Indeed, as indicated above, publishers have the opportunity to contribute "in kind", i.e. by dedicating advertising space to sorting and recycling.

To do this, a campaign conceived by CITEO, showcases the environmental responsibility of 300 press publishers to engage readers and mobilize around the act of sorting.

Since June, all the group's publishers have been posting messages such as the one below, inviting them to sort all the papers.

To go a step further, in partnership with CITEO, these companies have created a special 8-page booklet on recycling, utility and efficiency of the act of sorting, distributed with the newspaper.

Finally, at the local level, some publishers participated in awareness raising days on the topic.

This is the case of the EST RÉPUBLICAIN, which participated in the Eco-Travel Press: "Circular Economy of paper" by presenting the use of eco-designed paper and eco-design of the newspaper.

Regulatory control

Public authorities require control of the 15% contributions in CITEO per year, and at least 80% on the entire 2018/2022 approval. The selection of the customers, who will give rise to this regulatory control, is done randomly by the bailiff.

Over the 2018/2022 period, around 100 external controls (packaging and paper EPR) will be conducted each year on average.

These controls are provided for in the approval specifications for packaging and paper EPR.

Based on a control procedure, the content of which is defined by the regulations, the independent auditor responsible for carrying out this control ensures that the declaration complies with the expectations, in order to guarantee the reliability of the marketing data.

At the end of the regulatory control, a report is prepared by the auditor. It mainly includes the observations and non-conformities raised during the control and require a corrective declaration within 3 months.

The SIM Group was drawn this year. The declaration was audited in October and November and the final audit report presented at the end of November. This report mentions the context and mission of the auditors, anomalies noted at the declarative level as well as the processes and practices implemented by the newspapers as well as certain recommendations.

The audit concluded with a request to correct the excess declaration of 399 tonnes, i.e. less than 1% of the total tonnage declared.

This audit also enables publishers to improve the collection process for the coming years (*via* the implementation of a practical guide currently being drafted or the development of a printer card already used, allowing the identification of environmental information necessary for the declaration), but also to raise awareness regarding the use of products that meet environmental criteria.

Continuation of the steps taken in previous years

Although the CITEO declaration required special attention this year, companies have not abandoned the operations implemented in previous years. On the contrary, they continued their actions.

- In terms of health and safety at work, by continuing training for the prevention of canine risk and road risk for newspaper carriers and salespeople. The companies also carried out actions to prevent psycho-social risks, and to raise awareness regarding workplace risks (musculo-skeletal disorders, staff awareness campaign on the ergonomics of workstations, etc.).
- In terms of buildings, by modernizing lighting systems, boilers or even by carrying out insulation work in the branches.
- In terms of the use of raw materials, especially paper, ink and plates which are the essential products for the production of a newspaper.

The reduction of waste-sheets and waste by means of various processes (acquisition of newer equipment to reduce the risk of sudden shutdowns, new adhesive for bonding the coils, automatic control of the cutting registers, etc.) makes it possible to reduce Paper consumption (1% less waste corresponds to about 100 tonnes of paper saved).

In addition, all paper scraps (white paper, etc.) and unsold newspapers are sold to companies specializing in recycling and waste recovery (group contract with VEOLIA). DAUPHINE LIBÉRÉ went even further this year by optimizing waste paper removals to reduce the number of truck rotations.

As far as the plates are concerned, our companies perform two levels of savings:

- in terms of water and electrical energy using specific plates (PLATINIUM KODAK plate);
- in terms of the waste produced by modifying the CTP (plate printing) lines or by blocking unauthorized plate outlets.

Finally, with regard to inks and other chemicals, newspapers are looking for less dangerous products for humans and the environment and to optimize the doses of solvents used (dosing pump). These products are also analyzed and compared to safety data sheets provided by the occupational health department or sent periodically to the DRIRE.

Zoom-in on the transformation plan of the press division

The media is undergoing unprecedented change, linked to changes in usage and the advent of digital technology, which is changing its historical economic foundations.

The group has decided to initiate a plan to reorganize and transform its press activity with the aim of gradually balancing it and capitalize on the renown of the titles of the press activity to become the multimedia leader of the regional newspaper, recognized for the quality of its information and proximity services, as well as the excellence of its teams.

The project has three main objectives:

- restore the economic equilibrium of news organizations to guarantee their durability, independence and the pluralism of the information offer in the territories where it is present;
- transform organizations and business models to make them more agile, efficient and innovative;
- build on the strengths of the group based on local anchors, a powerful industrial tool and the talents and skills of the teams.

This transformation plan is divided into five strategic areas with the aim of improving the productivity of our media companies by €110 million and ensuring their sustainable development.

Many actions have been taken to adapt costs and preserve revenues.

First of all, organizations are revamped with the aim of creating value to meet the challenges of digital technology.

Two printing centers of the group, that of RÉPUBLICAIN LORRAIN in Woippy, and that of ALSACE in Mulhouse were respectively shutdown on March 27 and June 25, 2018.

These closures were accompanied by job protection plans for just under 150 employees.

Accompanying measures have been implemented:

- internal reclassification within the company;
- reclassification within other group entities;
- reclassification outside the group;
- retirement;
- setting up a Mobility Jobs Relay through specialized firms that provide external reclassification assistance.

Alongside these back-up plans, voluntary departure plans have been implemented in the other newspapers of the group, thus enabling the reclassification of employees affected by the shutdown of printing centers. In DERNIÈRES NOUVELLES D'ALSACE (DNA), twenty-five candidates volunteered to retire. Similarly in EST RÉPUBLICAIN, twenty people will retire and one will benefit from a reclassification through a specialized firm.

In Est Bourgogne Média, about forty people volunteered for an immediate retirement or with exemption of activity or as part of reclassification support through a specialized firm.

In DAUPHINÉ LIBÉRÉ, about 130 people volunteered to retire. The support measures are characterized by support for employees, who have found employment and retraining employees, as well as an exemption from activity for a maximum of 2 years.

It may be noted that a hiring plan for native digital journalists was initiated with the aim of replacing 80% to 100% of the volunteers in the newsrooms.

One of the objectives of the plan was to transform all organizations (copywriting, management, sale) into digital first and develop a multimedia content offer. It is accompanied by an important training plan for 1,700 journalists and the adaptation of the information system. The duration of the training provided is two to three weeks.

This plan will help spread digital culture within the editorial teams and recruit new talent.

The group is fundamentally committed to the plurality of its press titles and commits itself to respect the independence of the editorial teams through this transformation plan, with the responsibility for them to respect an editorial charter based on mutual values.

The group is fully committed to supporting the transformation and development of its press companies over the long term.

7.7 APPENDIX – LIST OF ENTITIES OF THE SCOPE

Level	Company
ACM	ACM GIE
	ACM IARD
	ACM RE
	ACM Services
	ACM Vie SAM
	Agrupacio AMCI d'Assegurances I Reassegurances
	Agrupacio Serveis Administratius
	Agrupacion Pensiones, Entidad Gestora de Fondos de Pensiones
	AMDIF
	AMGEN Seguros Generales Compañia de Seguros Y Reaseguros
	Asesoramiento en Seguros y Prevision Atlantis
	Asistencia Avancada Barcelona
	Atlantis Asesores
	Atlantis Correduria de Seguros y Consultoria Actuarial
	Atlantis Vida, Compañia de Seguros y Reaseguros
	GACM España
	Groupe des Assurances du Credit Mutuel (GACM)
	ICM Life
	MTRL
	Partners
	Procourtage
	Serenis Assurances
	Targo Seguros Mediacion (ex-Oy Mediacion)
	AMSYR – Agrupacio Seguros y Reaseguros
	ACM Vie Mutuelle
CIC	Banque de Luxembourg
	Banque Transatlantique (BT)
	CIC Est (East)
	CIC Lyonnaise de Banque
	CIC Nord Ouest (Northwest)
	CIC Ouest (West)
	CIC Sud Ouest (Southwest)
	CM-CIC Bail
	CM-CIC Bail Spain
	CM-CIC Conseil
	CM-CIC Épargne Salariale
	CM-CIC Factor
	CM-CIC Innovation
	CM-CIC Investissement
	CM-CIC Investissement SCR
	CM-CIC Lease
	Crédit Industriel et Commercial
	Dubly-Douilhet Gestion
	Transatlantique Gestion
	CM-CIC Capital

Level	Company
COFIDIS	COFIDIS Belgium
	COFIDIS Spain
	COFIDIS France
	COFIDIS Hungary
	COFIDIS Italy
	COFIDIS Portugal
	COFIDIS Czech Republic
	COFIDIS SA Poland
	COFIDIS SA Slovakia
	Creatis
	GEIE Synergie
	Monabanq
EI	EI Télécom
	Euro-Information Production
	Euro Protection Surveillance
	Euro-Information
	Euro-Information Développements
	Euro-Information Services
Federations	Caisse Fédérale de Crédit Mutuel
	Caisse Régionale CMA
	Caisse Régionale CMC
	Caisse Régionale CMDV
	Caisse Régionale CMIDF
	Caisse Régionale CMLACO
	Caisse Régionale CMM
	Caisse Régionale CMMA
	Caisse Régionale CMN
	Caisse Régionale CMSE
	Caisse Régionale CMSMB
	Caisses CMA
	Caisses CMC
	Caisses CMCEE
	DRBC
	DRN
	DRO
	DRS
	Caisses CMDV
	Caisses CMIDF
	Caisses CMLACO
	Caisses CMM
	Caisses CMMA
	Caisses CMN
	Caisses CMSE
	Caisses CMSMB
	Fédération CMA

Level	Company
Federations	Fédération CMC
	Fédération CMCEE
	Fédération CMDV
	Fédération CMIDF
	Fédération CMLACO
	Fédération CMM
	Fédération CMMA
	Fédération CMN
	Fédération CMSE
	Fédération CMSMB
Subsidiaries	Banque Européenne du Crédit Mutuel (BECM)
	Banque Européenne du Crédit Mutuel Monaco
	Banque Fédérative du Crédit Mutuel (BFCM)
	BECM Francfort
	BECM Saint Martin
	Cartes et Crédits à la Consommation
	CIC Iberbanco
	CM-CIC Asset Management
	CM-CIC Gestion
	CM-CIC Immobilier CM-CIC Caution Habitat
	CM-CIC Services
	CM-CIC Leasing Solutions SAS
	Factofrance
	Cofacrédit
	Targo Deutschland GmbH
	Targo Dienstleistungs GMBH
	Targo Factoring GMBH
	Targo Finanzberatung GMBH
	Targo Technology GMBH

Level	Company
	Targo Technology GMBH Singapore Branch
	Targo Leasing GMBH
	Targo Management AG
	TARGOBANK AG
	TARGOBANK Spain
Press	Affiches d'Alsace Lorraine
	Alsacienne de Portage DNA
	Est Bourgogne Médias
	Groupe Républicain Lorrain Imprimerie (GRLI)
	Groupe Dauphiné Media
	Groupe Progrès
	Groupe Républicain Lorrain Communication (GRLC)
	La Liberté de l'Est
	La Tribune
	Le Dauphiné libéré
	Le Républicain lorrain
	Les Dernières Nouvelles d'Alsace
	L'Est républicain
	Médiaportage
	Presse Diffusion
	Publiprint Province No. 1
	Républicain Lorrain – TV news
	Républicain Lorrain Communication
	SAP Alsace
	SCI Le Progrès Confluence
	Société d'édition de l'hebdomadaire du Louhannais et du Jura (SEHLJ)
	Société d'investissements Médias (SIM)

7.8 REPORT OF THE INDEPENDENT THIRD PARTY ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION CONTAINED IN THE MANAGEMENT REPORT OF THE CAISSE FÉDÉRALE DE CRÉDIT MUTUEL

Fiscal year ended December 31, 2018

Report of the independent third party on consolidated non-financial performance statement in the management report

To the shareholders' meeting,

As an independent third party, accredited by COFRAC under the number 3-1050 (scope of accreditation available on the www.cofrac.fr website) and member of the network of one of the statutory auditors of the Caisse Fédérale Crédit Mutuel (hereinafter the "Entity"), we present to you our report on the consolidated non-financial performance statement for the year ended December 31, 2018 (hereinafter the "Statement"), presented in the management report in accordance with the legal and regulatory provisions of Articles L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code.

The Entity's responsibility

The board of directors is responsible for preparing a Statement in accordance with the legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied in respect of these risks and the results of these policies, including key performance indicators.

The Statement was prepared in application of the Entity's procedures (hereinafter the "Guidelines"), the significant items of which are presented in the Statement.

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code and the profession's code of ethics. Furthermore, we have implemented a quality control system that includes documented policies and procedures intended to ensure compliance with ethical rules, professional standards and applicable regulations and legislation.

Responsibility of the independent third party

Based on our work, our role is to formulate a reasoned opinion expressing moderate assurance as to:

- the Statement's compliance with the provisions stipulated in Article R.225-105 of the French Commercial Code;
- the truthfulness of the information provided in application of paragraph 3 of sections I and II of Article R.225-105 of the French Commercial Code, namely the results of the policies, including key performance indicators, and the actions relating to the main risks (hereinafter the "Information").

However, it is not our responsibility to express an opinion on:

- the Entity's compliance with any other applicable legal and regulatory provisions, particularly those concerning anticorruption and combating tax evasion;
- the compliance of the products and services with the applicable regulations.

Nature and scope of the work

Our work described below was carried out in accordance with the provisions of Article A. 225-1 *et seq.* of the French Commercial Code determining the means whereby the independent third-party body is to perform its assignment, and in accordance with professional standards as well as the ISAE 3000 international standard – Assurance engagements other than audits or reviews of historical financial information.

We carried out checks allowing us to assess the Statement's compliance with the legal and regulatory requirements and the truthfulness of the Information:

- we acknowledged the activity of all the businesses included in the consolidation scope, their exposure to the main social and environmental risks associated with this activity, and, if applicable, its effects regarding respect for human rights, anticorruption and combating tax evasion as well as of the policies deriving from them and their results;
- we assessed the appropriateness of the Guidelines with respect to their relevance, completeness, reliability, neutrality and comprehensibility, taking into account, if applicable, best practices in the sector;
- we verified that the Statement covers each category of information provided for in section III of Article L.225-102-1 on social and environmental matters as well as respect for human rights, anticorruption and combating tax evasion;
- we verified that the Statement includes an explanation justifying the absence of the information required by the 2nd paragraph of section III of Article L.225-102-1;
- we verified that the Statement presents the business model and the main risks related to the activity of all the entities included within the consolidation scope, including, whenever relevant and proportionate, the risks created by its business relations, products or services as well as the policies, procedures and results, including key performance indicators;
- we verified, whenever relevant to the main risks or policies presented, that the Statement presents the information provided for in section II of Article R.225-105;
- we assessed the identification and validation process for the main risks;
- we enquired as to the existence of procedures for internal control and risk management implemented by the Entity;
- we have assessed the consistency of the results and key performance indicators selected with respect to the main risks and policies presented;
- we verified that the Statement covers the consolidation scope, i.e. all the companies included in the scope of consolidation in accordance with Article L.233-16 with the limits specified in the Statement;
- we assessed the data collection process implemented by the Entity intended to ensure the completeness and truthfulness of the Information;
- for the key performance indicators and the other quantitative results that we considered to be the most significant, we implemented in Appendix 1:
  - analytical procedures consisting of verifying the correct consolidation of collected data as well as the consistency of changes to them,
  - detailed tests based on sampling, consisting of verifying the proper application of definitions and procedures, and of reconciling data with supporting documents. This work was conducted with contributing entities of the CIC group and covers 27% of the workforce and 26% of the group's energy consumption;
- we consulted documentary sources and conducted interviews to corroborate the qualitative information (actions and results) that we considered most significant, as presented in Appendix 1;
- we assessed the overall consistency of the Statement in relation to our knowledge of all of the companies included in the consolidation scope.

We consider that the work that we conducted in exercising our professional judgement enables us formulate a conclusion of moderate assurance; a higher level of assurance would have required more extensive verification work.

Means and resources

Our work was conducted by a skilled team of eight persons, took place between November 2018 and March 2019 and lasted for approximately fifteen weeks.

We carried out approximately fifteen interviews with the persons responsible for preparing the Statement representing in particular the departments in charge of defining policies, deploying them and collecting information.

Conclusion

Based on our work, we did not observe any significant misstatement likely to call into question the Statement's compliance with the applicable regulatory requirements or the true and fair presentation of the Information, taken as a whole, in accordance with the Guidelines.

Comments

Without calling into question the conclusion expressed above, and in accordance with the provisions of article A. 225-3 of the French Commercial Code, we make the following comments:

concerning the management of climate change risks for the group's banking activity, the preventative measures and associated indicators have not yet been fully defined.

the indicators related to managing the risk of "the carbon footprint of the entities, in the exercise of their activities, not taken into account" are being developed.

Neuilly-sur-Seine and Paris-La Défense, April 10, 2019

Independent third party
ERNST & YOUNG et Associés

Caroline Delérable
Partner, sustainable development

Marc Charles
Partner

Appendix 1: information considered to be most important

SOCIETAL INFORMATION AND GOVERNANCE

Qualitative information

- Training plans for elected members
- Organizing cooperative activities to strengthen the attractiveness of the membership
- Adaptation of offers and improvement of perceived quality and customer satisfaction
- Purchasing policy and supplier charter
- Control of banking operations for management of malice/fraud risk
- Security of the IT systems and protection of personal data

Quantitative information

- Training rate of elected members
- Membership rate
- Number of claims received and processed and the average processing time
- Number of supplier charters signed
- Amount of claims for internal and external fraud
- Rate of availability of primary TP applications
- Impact of computer claims costing more than €1,000
- Rate of training in GDPR
- Number of alerts from the "Power to report" tool
- Percentage of employees trained in the fight against corruption

SOCIAL INFORMATION

Qualitative information

- Employee training

Quantitative information

- Workforce
- Transformation training rate
- Number of employees who have had at least one training session, number of training hours, payroll expense allocated to training
- Change in the number of days of absence
- Rate of job rotation

ENVIRONMENTAL AND BUSINESS INFORMATION

Qualitative information

- Structuring of Group CSR commitments and governance
- Reduction of the carbon footprint of the group's buildings, clean travel policy
- Sectoral policies for the integration of non-financial rules when financing

Quantitative information

- Energy consumption of the buildings
- Amount approved for financing renewable energy projects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discuss,
listen,
understand
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8

LEGAL INFORMATION ABOUT BFCM

8.1 SHAREHOLDERS

8.1.1 BFCM's share capital

Distribution of BFCM's capital at December 31, 2018

Shareholders	% held	Number of shares	Nominal amount held *(in euros)*
Caisse Fédérale de Crédit Mutuel	92.98%	31,401,572	1,570,078,600
CRCM Midi-Atlantique	0.07%	24,484	1,224,200
CCM Sud-Est (ex-CFCM)	0.18%	61,535	3,076,750
CRCM Savoie-Mont Blanc	0.00%	20	1,000
CRCM Méditerranéen	0.22%	74,520	3,726,000
Fédération du Crédit Mutuel Centre Est Europe	0.00%	81	4,050
CRCM Loire-Atlantique et Centre-Ouest	2.20%	741,959	37,097,950
CRCM Île-de-France	0.43%	146,411	7,320,550
CRCM de Normandie	0.37%	123,766	6,188,300
CRCM du Centre	0.91%	308,716	15,435,800
CRCM Dauphiné-Vivarais	0.01%	2,470	123,500
Natural persons	0.00%	42	2,100
CRCM Anjou	0.52%	175,991	8,799,550
CFCM Maine-Anjou, Basse-Normandie	1.36%	459,722	22,986,100
CFCM Océan	0.51%	172,116	8,605,800
CFCM Nord Europe	0.00%	1	50
CFCM Antilles Guyane	0.01%	3,111	155,550
CCM Anjou	0.00%	400	20,000
CCM Centre Est Europe	0.17%	59,066	2,953,300
CCM Centre	0.00%	1,040	52,000
CCM Dauphiné-Vivarais	0.00%	551	27,550
CCM Île-de-France	0.01%	1,890	94,500
CCM Loire-Atlantique et Centre-Ouest	0.00%	1,470	73,500
CCM Méditerranéen	0.00%	1,380	69,000
CCM Midi-Atlantique	0.00%	1,172	58,600
CCM Normandie	0.00%	910	45,500
CCM Savoie-Mont Blanc	0.00%	490	24,500
CCM Sud-Est	0.02%	5,704	285,200
	100.00%	33,770,590	1,688,529,500

CRCM: caisses régionales de Crédit Mutuel (Crédit Mutuel regional banks) – CCM: caisses de Crédit Mutuel (Crédit Mutuel banks).

Changes in the distribution of capital during the past three years

In 2018

CRCM Anjou sold 10 BFCM shares to a local bank.

CRCM de Normandie sold 40 BFCM shares to four local banks.

CRCM Méditerranéen sold 40 BFCM shares to four local banks.

CRCM Loire-Atlantique et Centre-Ouest acquired 10 BFCM shares held by a local bank.

In 2017

Caisse Fédérale de Crédit Mutuel sold 20 BFCM shares to two local banks.

CRCM Sud Est sold 10 BFCM shares to a local bank.

CRCM Centre sold 10 BFCM shares to a local bank.

In 2016

CRCM Midi-Atlantique sold 20 BFCM shares to two local banks in the Midi-Atlantique federation.

CRCM Normandie sold 50 BFCM shares to five local banks in the Normandie federation.

CRCM Méditerranée sold 30 BFCM shares to three local banks in the Méditerranée federation and received 20 BFCM shares from two local banks in the Méditerranée federation.

Individuals or legal entities exercising control over BFCM

Caisse Fédérale de Crédit Mutuel controls 93% of BFCM.

Knowledge by BFCM of an agreement likely to result in a change in control

To BFCM's knowledge, no agreement exists that might result in a change in its control at a later date.

Dependence of BFCM on other Group entities

BFCM's dependence on other Crédit Mutuel Alliance Fédérale entities is limited to the ownership ties described in the section entitled "Profiles of Crédit Mutuel Alliance Fédérale and the BFCM Group".

The section entitled "Legal Information – Sundry Information" indicates that no major agreements exist between BFCM and the subsidiaries.

8.1.2 Ordinary shareholders' meeting of May 10, 2019

Excerpt from the board of directors' draft management report to the ordinary shareholders' meeting of May 10, 2019

BFCM activities

BFCM has several key business activities:

- central refinancing for Crédit Mutuel Alliance Fédérale;
- depository for Crédit Mutuel Alliance Fédérale's undertakings for collective investments;
- financial relations with large corporates and local authorities through its payment processing, lending and financial engineering activities;
- parent company of Crédit Mutuel Alliance Fédérale's subsidiaries and coordination of their activities.

Capital markets activity – Refinancing

These comments and data concern the central treasury of Crédit Mutuel Alliance Fédérale excluding TARGOBANK Germany and TARGOBANK Spain and excluding CIC's foreign subsidiaries and branches.

The centralized cash management of Crédit Mutuel Alliance Fédérale rests on the appropriate gaging of short-term and long/medium-term resources in order to refinance the group in a prudent and efficient way. It involves public issues and private placements on national and international markets, as well as the holding of an appropriate liquidity reserve to comply with the regulatory liquidity ratios and ensure the group's resilience to severe stress.

In 2018, the debt market had to cope with tense and fluctuating operating conditions due to a number of factors: the gradual return of inflation in the euro zone, the gradual halt of stock buybacks by the European Central Bank (ECB), the continuing rise in US interest rates, the political risks in Europe, and international trade tensions – particularly between the United States and China.

The external funding raised on the markets through the group cash management activities of Crédit Mutuel Alliance Fédérale, through BFCM and its subsidiary Crédit Mutuel-CIC Home Loan SFH, totaled €138 billion at end-December 2018, representing a 4.5% rise compared with end-2017.

Short-term money-market funding (under 1 year) amounted to €49.6 billion at end-2018, up 5.2% year-on-year. It accounted for 36% of the total funding raised on the markets, remaining stable with respect to the previous year. For the proper diversification of its funding, Crédit Mutuel Alliance Fédérale uses all of the required short-term issuance programs (NEU CP, ECP, and London DCs). In order to diversify the investor base, 21% of the issues are in US dollars, and 17% in pounds sterling. Most of the foreign currency funding is subsequently transformed into euros.

Medium/long-term (MLT) funding totaled €88.4 billion at end-2018, up 4.1% compared with 2017. In 2018, Crédit Mutuel Alliance Fédérale raised €13.5 billion in MLT funding mainly through BFCM, but also Crédit Mutuel-CIC Home Loan SFH, its entity that issues covered bonds which are rated in the top bracket by rating agencies. Overall, 69% of MLT funding was raised in euros, while the remaining 31% was raised in foreign currencies (US dollar, yen, pound sterling, Swiss franc, and Australian dollar), reflecting the ongoing diversification of the investor base. The breakdown between public issues and private placements stands at 71% and 29%, respectively.

The refinancing policy also aims to control the proportion of encumbered assets. Secured MLT refinancing (SFH) accounted for 15% of the total MLT refinancing raised in 2018.

The average maturity of the MLT funding raised in 2018 was 5.5 years, similar to that recorded in 2017 (5.8 years).

In 2018, public issues amounted to €9.6 billion, breaking down as follows:

- BFCM in the form of senior EMTN:
  - €1.5 billion maturing in 7 years, issued in January,
  - €2.25 billion maturing in 4 and 10 years, issued in July,
  - £800 million maturing in 4 years, issued in January and July,

- SFr200 million (2 issues of 100 million each maturing in 7 and 8 years) issued in April and November,
- US$1.5 billion maturing in 5 years, issued in July in US144A form,
- Y107.9 billion maturing in 5, 7 and 10 years, issued in October in Samourai form,
- A$200 million maturing in 5 years, issued in November in Kangaroo form (inaugural issue for BFCM);

- BFCM in the form of subordinated EMTN: €500 million maturing in 10 years, issued in May;
- Crédit Mutuel-CIC Home Loan SFH: a total of €2 billion in two issues of €1 billion each maturing in 8 and 10 years, carried out in February and April.

For the consolidated group, the liquidity position of Crédit Mutuel Alliance Fédérale is as follows:

- an average LCR of 131.2% for 2018;
- HQLA average of €79.17 billion, with 72.6% of the assets deposited with central banks (mainly the ECB).

The total liquidity reserves of the consolidated group break down as follows:

Crédit Mutuel Alliance Fédérale *(in € billions)*	12/31/2018
Cash deposited with central banks	51.0
LCR securities	22.5
Other eligible assets, central banks	35.8
Total liquidity reserves	**109.3**

The liquidity reserves cover market resources due to mature within the next 12 months.

In 2018, the European Investment Bank (EIB) granted BFCM a new SME/mid-cap loan facility of €250 million available in two tranches. The first tranche (tranche A) of €150 million maturing in 5 years was fully drawn down during the 4th quarter. Tranche B of the SME/mid-cap loan facility should be drawn down in the first quarter 2019.

Moreover, a new partnership with the EIB was signed at end-December 2018 under the heading: "Crédit Mutuel Mid-Cap Co-Financing Platform". It consists of loans co-financed by the EIB under eligibility criteria, with the EIB portion capped at €150 million. Another initiative is being launched in 2019 for the financing of SMEs and mid-caps.

Depository for undertakings for collective investments (UCI)

A depository for undertakings in collective investments (UCI), undertakings for collective investment in transferable securities (UCITS), alternative investment funds (AIF), and securitization vehicles exercises three regulatory duties:

- asset safekeeping, i.e. custody (mainly marketable securities) and record-keeping for other financial instruments (forward financial instruments and other registered financial instruments). This responsibility is entrusted to specialized units of Crédit Mutuel Alliance Fédérale;
- ensuring the regulatory compliance of UCI management decisions;
- cash monitoring.

It may also contractually perform liability management for the UCIs, when said management has been delegated by the management company. This task mainly consists in processing share subscription and redemption orders initiated by customers. This activity is carried out by the specialized units of Crédit Mutuel Alliance Fédérale.

The depository is responsible for safeguarding the unit-holders' interests by ensuring the regulatory compliance of the decisions taken by the UCI. In this respect, it implements its audit plan, which it adapts in keeping with recent regulatory developments.

The major points concerning the depository in 2018 were identified as follows:

- the AMF College meeting of March 31, 2018 confirmed the decision of the College meeting of October 31, 2017 approving the BFCM depository performance specifications for the purposes of AMF Instruction 2016-01;
- the depository's departments worked with CM-CIC Titres to improve relations with foreign sub-depositories. Legal Opinion and Due Diligence analyses were reinforced;
- the control plan was updated to include changes in regulations and regulatory references. All control procedures were reviewed;
- the regulatory changes (Money Market Fund, Benchmark Regulation, securitization vehicles, etc.) required major efforts from the teams;
- the monitoring of asset management company relations changed with the in-depth review of analysis topics, which are now centered on aspects related to depository control, legal matters and knowledge of the asset management company;
- BFCM has taken part in market meetings, in particular within the "depository group" of AFTI (the French association of securities professionals);
- as a depository, BFCM is involved in the ECB reporting of debtor accounts for the UCIs deposited in its books;
- the tracking of private equity funds intensified. Given the life cycle of this type of UCI, an increasing number of funds have reached maturity.

At end-December 2018, Banque Fédérative du Crédit Mutuel was the depository bank for 953 UCIs with assets totaling €66.9 billion. The number of UCIs increased by 4%, while assets under management receded by 11.3% compared with end-2017. This change is mainly due to the drop in assets under management in securitization funds, with the gradual maturing of the assets.

Most of the UCIs held by Banque Fédérative du Crédit Mutuel (81.7% in terms of number, 87.7% in terms of managed assets) are managed by the group's asset management entities, namely CM-CIC Asset Management for mainstream and employee savings UCIs, CM-CIC Capital Privé for private equity funds, and CM-CIC Private Debt for securitization vehicles.

Banque Fédérative du Crédit Mutuel is also the depository bank for securitization funds used in connection with Group refinancing.

The UCIs of some twenty asset management companies not part of Crédit Mutuel Alliance Fédérale, mainly specialized in private equity, accounted for 2% of the assets held.

Large corporates and structured products

In a well-focused economic environment, the total amount of commitments from large corporates department grew in 2018. Overall exposure thus increased from €24.2 billion at the end of 2017 to €27 billion at the end of 2018 (+11.8%). Balance sheet assets increased in significant fashion: +26.3% (€8.2 billion compared to €6.5 billion at the end of 2017). Off-balance sheet financing – unused confirmed credits – for its part, grew by 2.6% (to €12.5 billion).

Commercially, and taking into account the tendency of disintermediation, development efforts were oriented towards building better customer relationships. The large corporates directorate works to ensure the good coordination between all of Crédit Mutuel Alliance Fédérale's players, in order to meet the expectations of customers by providing the best possible service.

The policy of selective risk-taking has, nonetheless, been pursued, as well as the pursuit of less concentration of commitments through greater sectoral diversification. At the end of 2018, accounting resources amounted to €6.5 billion, including 5.1 billion in demand deposits (compared to €4.4 billion a year earlier). Added to that is €1.2 billion of securities issued by the group.

Information on the activity and results of subsidiaries and controlled companies (Art. L.233-6 paragraph 2 of the French Commercial Code)

Under the above provision, the report submitted to the shareholders' meeting must disclose the results of the subsidiaries and the companies controlled by BFCM, by business line.

Financial and related sector

Groupe Crédit Industriel et Commercial SA

A leading bank in France and internationally, the CIC Group has adopted a universal bank model that combines all aspects of finance and insurance, financial solidity, and a sustainable growth strategy.

The CIC Group's good commercial performance continued in 2018:

Customers' bank deposits totaled €152.1 billion, up 5.5% compared with 2017, thanks to sustained growth in current accounts (+10.5%) and passbook accounts (+7.6%).

Total net outstanding customer loans came to €188.5 billion, up 10% compared to 2017 (adjusted to reflect the impact of IFRS 9). Outstanding equipment loans rose by 12.4% to €54.7 billion, and home loans by 6.9% to €78.8 billion.

This good performance was accompanied by increased profitability:

2018 *(in € millions)*	CIC Group	Retail banking	Private banking	Corporate banking	Capital markets	Private equity	Holding company
Net banking income	**5,021**	**3,650**	**551**	**369**	**244**	**278**	**-70**
General operating expenses	-3,166	-2,328	-375	-108	-212	-49	-95
Gross operating income	**1,855**	**1,322**	**176**	**261**	**32**	**229**	**-165**
Cost of risk	-191	-182	-16	8	-1	1	-1
Net gains/losses on assets and associates	225	199	26	0	0	0	0
Profit/(loss) before tax	**1,889**	**1,339**	**186**	**269**	**31**	**230**	**-166**
Income tax	-494	-427	-47	-67	-11	1	58
Net profit/(loss)	**1,395**	**912**	**139**	**202**	**20**	**231**	**-108**

Net banking income (NBI) grew by 0.2% to €5,021 million. All business lines recorded an increase in NBI except for capital markets which were weighed down by a highly volatile market environment. The NBI of the retail banking business accounted for 73% of the total NBI (72% in 2017).

General operating expenses increased by 1.7%. More than 30% of this rise was due to the increase in the contribution to the Single Resolution Fund (SRF).

The cost of risk dropped from €203 million to €191 million, down €12 million year-on-year.

Incurred risk declined by €56 million, mainly in corporate banking, while non-incurred risk increased by €44 million, with provisions of €40 million under IFRS 9 in 2018.

The ratio of non-performing receivables went from 3.0% of gross receivables at January 1, 2018 to 2.6% at December 31, 2018, while the overall coverage ratio stands at 58.3% versus 57.0% at January 1, 2018.

The share of net income of equity-consolidated companies increased by €63 million year-on-year (€198 million at end-2018 versus €135 million at end-2017), following the merger of Nord Europe Assurance (NEA) and its subsidiaries with Groupe des Assurances du Crédit Mutuel (GACM), resulting in income of €56 million for the retail banking business.

Net gains on disposals of non-current assets were recognized for €27 million, versus a net loss of €3 million at end-December 2017.

The result is a pre-tax profit of €1,889 million, up 3.6%.

The corporate income tax expense amounted to €494 million, down 11.2%. At December 31, 2017, this expense included a corporate surtax of €79 million. Net profit amounted to €1,395 million, up 8.1%.

At December 31, 2018, excluding transitional measures, Basel 3 Common Equity Tier 1 capital (CET1) amounted to €13.1 billion, while the CET1 solvency ratio came to 13.0% and the overall ratio came to 15.3%. The leverage ratio was 4.1% (it would be 4.2% with the exemption of the centralized regulated savings fund, according to the EU Court decision of July 13, 2018).

These indicators confirm the group's solidity.

Banque Européenne du Crédit Mutuel

Banque Européenne du Crédit Mutuel operates in the corporate and REIT markets in France and Germany, as well as the real estate development market in France. Serving over 21,400 customers, its sales network is composed of 51 branches (including 42 in France) and a subsidiary in Monaco.

Measured in monthly average capital at end-December 2018, customer loans rose 7.6% year-on-year to €15.2 billion. Deposits rose 3.4% on a rolling 12-month basis, to €13.1 billion. The commitment ratio stands at 115.8%.

At December 31, 2018, net banking income[1] was up 2.3% to €300 million. The interest margin rose 3.7% due to the drop in the cost of customer deposits and the growth in outstanding loans.

General operating expenses amounted to €96.8 million, up 3.7%. The cost/income ratio came to 32.2%, posting a slight 0.4 point rise.

Net additions to/reversals from provisions for loan losses came to €31.3 million, i.e. 0.22% of average outstanding loans, reflecting the excellent quality of the assets.

At December 31, 2018, net profit[1] amounted to €110.3 million, up 9.8%.

CIC Iberbanco

With 180 employees working at 40 branches in France, CIC Iberbanco gained more than 11,000 new customers in 2018, thus increasing its customer portfolio by 11% to 59,450.

Deposits rose by 14.6% to €783 million. Outstanding loans grew by 21.5% to 1,091 million.

Property and casualty insurance (19% increase in the total number of policies to 54,499 at end-2018) and telephone services (15% increase in the number of subscribers to 7,050 at end-2018) posted very significant growth.

This good commercial development confirms the appropriateness of the bank's target-specific affinity-based model. For 2018, net banking income[1] amounted to €32.8 million and net profit[1] came to €3.5 million.

CIC Iberbanco continued to implement its development plan with the opening of three new branches: Aix-en-Provence, Lyon and Sucy-en-Brie. For 2019, a new branch is already planned for Clamart (Hauts-de-Seine), and others are under study in Île-de-France, central France and southern France.

TARGOBANK in Germany

Retail banking remained very dynamic. Outstanding loans grew 10.4% to €14.8 billion. New direct personal loans totaled €4.2 billion, up €460 million (+12.3%) compared with the previous year. The market share for personal loans thus grew for the third consecutive year, reaching 9.0% in 2018 versus 8.5% in 2017.

Moreover, customer deposits totaled nearly €15.9 billion at end-2018, up 8.6% year-on-year.

In the corporate market, factoring and leasing activities also posted an increase compared with the previous year. The volume of invoices handled increased 3.9% to €49.3 billion and the leasing portfolio grew by an average of 11% year-on-year thanks to a 24% increase in production, to €563 million.

The operational and legal integration of the factoring entity (TARGO Factoring) and leasing entity (TARGO Leasing) acquired from General Electric in 2016 was completed in 2018. These activities round off the diversification of TARGOBANK in Germany on the corporate market, making it a bank with a comprehensive offering for individual and corporate customers.

The net banking income[1] of TARGOBANK in Germany amounted to €1,602 million, up 3.8%, while its net profit[1] grew 4.15% to €343.7 million.

TARGOBANK in Spain

An all-purpose bank wholly-owned by BFCM, with 132 branches located in Spain's main centers of economic activity, TARGOBANK Spain has nearly 123,000 customers, most of whom are private individuals. At end-2018, gross customer loans leveled out at €2.2 billion, while customer deposits remained stable at nearly €2 billion.

In 2018, a significant change took place in the network of branches through their specialization by markets (Retail, Corporates, and Large Corporates).

With gross operating income near the break-even point, 2018 was a year of transition, with the roll-out of a stable organizational structure to manage the upcoming years' growth.

The income statement posts a loss of €19.7 million[1], representing an improvement of €48 million over 2017.

Cofidis Participations Group

In 2018, commercial activity continued to be highly dynamic, both for directly marketed products and products marketed through partners. New loans increased by 14.4% compared with the previous year, to €6.8 billion.

Total outstanding loans increased significantly: +6.6% compared with 2017, to €11.6 billion.

Net banking income[1] rose by €40.4 million, buoyed by the growth in commercial activity.

Expenses include IT investments, which remained significant in Portugal, Italy and Central European countries due to the integration of acquisitions in internal IT systems. Other operating costs increased in line with business growth.

Net additions to/reversals from provisions for loan losses increased by €14.7 million compared with 2017. This was particularly due to the implementation of IFRS 9, which requires the provisioning of performing loans, resulting in a rise in provisions, given the good commercial dynamics throughout 2018.

In light of these elements, net profit amounted to €202 million, down €8.8 million compared with 2017.

Banque Casino

The bank, which has been jointly held 50-50 with Casino Group since July 2011, distributes credit cards, consumer credit and insurance products in Géant Casino hypermarkets and Casino supermarkets, and online through the CDiscount e-commerce site.

Equity-consolidated in the group's financial statements, Banque Casino's contribution to the group's net profit amounted to €4.6 million in 2018.

CM-CIC Asset Management SA

The subsidiary CM-CIC Asset Management is the asset management specialist of Crédit Mutuel Alliance Fédérale. At December 31, 2018, it was France's 4th largest asset management company (source: Six). The management company offers a large range of funds and asset management

(1) Contribution to the consolidated financial statements (IFRS) of Crédit Mutuel Alliance Fédérale.

solutions on behalf of third parties, based primarily on a balance between the quest for performance and managing risk.

After a promising first semester, CM-CIC Asset Management maintained its position in an uncertain and volatile market in the last quarter and in a context of growth in the sector.

Commercial distribution indicators remained positive with a gross inflow of nearly €6 billion in 2018 and total outstandings of nearly €59 billion at December 31, 2018.

Revenue amounted to €247.4 million, a slight decrease (-1.9%) as compared to 2017 in the context of a bear market.

To reinforce its expertise, CM-CIC Asset Management announced at the end of December 2018 an external growth operation aimed at taking over part of the assets managed by Milleis Investments, a subsidiary of Milleis Banque. This operation, which should be finalized during the first half of 2019, will allow CM-CIC Asset Management to grow its managed assets on UCITS (equity, bond and diversified funds), and to also enrich its offer of higher-performing conviction-driven funds with all of the retail, wealth management and private banking markets.

Crédit Mutuel-CIC Home Loan SFH

In 2018, the debt market had to cope with tense and fluctuating operating conditions due to a number of factors: the gradual return of inflation in the euro zone, preparation for the ending of the ECB's Quantitative Easing (QE) program, the continuing rise in US interest rates, the political risks in Europe, and international trade tensions – particularly between the United States and China.

Against that backdrop, Crédit Mutuel-CIC Home Loan SFH carried out 2 bond issues, representing 14.8% of the medium- and long-term refinancing needs of Crédit Mutuel Alliance Fédérale on the markets:

- €1 billion through an 8-year issue in February 2018;
- €1 billion through a 10-year issue in April 2018.

In a market environment set to be complex in 2019, Crédit Mutuel-CIC Home Loan SFH will be called upon to find an effective solution to round off the group's financing plan.

CM-CIC Lease SA

The adaptation by CM-CIC Lease of real estate leasing to all of the networks' customer segments made it possible to process over the course of the past year large volume increases in production, as much in amounts as in the number of transactions. Thus, new funding granted in order to meet the needs of businesses grew by 52% to €940 million. This was achieved through 342 new financing agreements, a 13% increase.

After the commissions paid to the networks involved, the contribution of CM-CIC Lease to consolidated net profit amounted to €7.4 million.

CM-CIC Leasing Solutions

CM-CIC Leasing Solutions, which resulted from the acquisition of the activities of GE Capital in France by BFCM on July 20, 2016, specializes in business equipment financing. CM-CIC Leasing Solutions operates primarily *via* a partner network to provide leases, financial leases and operating leases for office equipment, computer equipment, vehicles, hoisting equipment, medical equipment and production equipment.

For the year as a whole, CM-CIC Leasing Solutions financed nearly €900 million of equipment, representing year-on-year growth of 6%. Leasing outstandings continued to grow and while most of them consisted of office and computer equipment financing, the company's market share in the construction and public works industry and in the materials handling and transport segments has been growing.

Despite the low interest rate environment, the company's pre-tax profit[1] amounted to €27.8 million in 2018 versus €19.4 million in 2017. The improvement in the company's financial position, despite the erosion of margins, was driven by a reduction in operating expenses and the cost of risk.

CM-CIC Factor – Factofrance – Cofacrédit

In France, the factoring business is built around CM-CIC Factor – the long-time customer receivables financing and management specialist of Crédit Mutuel Alliance Fédérale – and Factofrance and Cofacrédit, two companies acquired from General Electric in July 2016.

At December 31, 2018, these entities together accounted for more than 20% of the French market, namely:

- €73.9 billion in receivables bought (vs. €68.0 billion in 2017; +8.6%);
- €16.4 billion in export revenue (vs. €14 billion in 2017; +17%);
- gross outstandings of €12.6 billion at end-December (+8% compared with end-December 2017).

After the commissions paid to the networks, the contribution of CM-CIC Factor, Factofrance and Cofacrédit to the group's consolidated net profit amounted to €42.9 million for the whole of 2018.

Insurance sector

Groupe des Assurances du Crédit Mutuel – GACM – SA

Backed by more than 40 years of experience in banking and insurance, the business of Groupe des Assurances du Crédit Mutuel (GACM) is fully integrated in Crédit Mutuel Alliance Fédérale on commercial and technological levels.

For GACM, 2018 was marked by the integration, on January 1, 2018, of the insurance holding company of Crédit Mutuel Nord Europe (CMNE), the absorption operation having been approved by the competent supervisory authorities, particularly by the ACPR, in a decision published in the *Journal Officiel* of June 27, 2018.

The insurance business of Crédit Mutuel Alliance Fédérale currently serves 12.2 million policyholders (+4.1%) through nearly 31 million policies, and extends to the CMNE distribution networks.

GACM's total revenue amounted to €12.1 billion, up 7.4%. This growth stemmed from all segments, with sustained growth in retirement life insurance (+8.6%) and property and casualty insurance (+6.0%).

Gross premium income from life insurance amounted to €6.8 billion, showing a significant rise after a decline in 2017. The strategy of a shift toward more unit-linked policies was maintained in 2018, supported by guided management, which rounded out the range of financial offerings. The share of unit-linked policies in premium income stands at 28.4%, in line with the market (28.2%).

Under the combined effect of an increase in gross premium income and a slowdown in surrendered policies, net premium income amounted to €1 billion, a sharp increase compared to the end of December 2017 (€46 million).

(1) Contribution to the consolidated financial statements (IFRS) of Crédit Mutuel Alliance Fédérale.

For property insurance, revenue amounted to €2.1 billion. The home insurance division, whose offering was reviewed at the end of 2017 in the non-occupant homeowners segment, posted record performance. The auto insurance offering also continued to perform very well. The auto and homeowners portfolios thus recorded sustained growth of +4.7% and +4.1%, respectively.

The market for professionals continued to post strong growth, as much in property insurance as in group health. The multi-risk portfolio for professionals thus grew by nearly 25% in 2018, while group health insurance grew by more than 10%. In response to the network's strong demand, the insurance offerings for professionals will be strengthened in 2019 with decennial civil liability insurance, which will allow for growth in the Building and Public Works sector.

Personal protection insurance is a strong focus of GACM's strategy. The fiscal year ended with a 5.4% increase in revenue and a portfolio of nearly 14.6 million policies, up 3.2%. In April 2018, a new offer in individual health insurance was rolled out, consisting of a comprehensive range of supplemental insurance, hospitalization coverage and a product dedicated to prevention and well-being. Simultaneously, a new help tool for sales was made available to the network. This tool includes a reimbursement simulator that allows customers to understand with full transparency the levels of insurance coverage offered. These improvements boosted sales of individual health insurance, which posted growth of 5.3%, excluding hospitalization contracts.

In personal protection insurance, the Funeral insurance offering underwent an in-depth review. This completes the renewal of the range initiated in 2017.

Furthermore, in 2018, the GACM rolled out a new credit-protection insurance offer.

Concerning results, GACM's operating margin decreased, mainly due to the financial market downturn. In addition, its underwriting income was weighed down by additional provisions in respect of borrowers' insurance due to the rise in disability and invalidity claims resulting from a larger number of natural disasters in 2018. Indeed, natural disasters gave rise to more than 80,000 claims for indemnities exceeding €130 million, i.e. €50 million more than in the previous year, which had also been impacted by numerous events, including Hurricane Irma.

The contribution of insurance to the results of Crédit Mutuel Alliance Fédérale rose 4.4% to €844 million. GACM's net profit increased by 4.2% to €855 million, *versus* €821 million.

In line with the growth in revenue, the commissions paid to distributor networks rose 5.6%, exceeding €1.5 billion for the very first time.

Revenue earned outside France amounted to nearly €650 million, accounting for 5.4% of the total. Spain is the biggest market with €410 million, followed by Belgium (€155 million).

The Belgian market has been expanding, on the one hand with the consolidation of North Europe Life Belgium (NELB) following the merger with the insurance holding company CMNE, and on the other hand with the marketing of the auto and home insurance policies of Partners Assurances SA by the Beobank network, the Belgian subsidiary of Crédit Mutuel Nord Europe (CMNE). For this first full year of partnership, the sales performance achieved in this network of over 200 outlets is satisfactory.

At December 31, 2018, GACM's shareholders' equity amounted to €11.4 billion, up 1.5% compared to 2017. GACM's balance sheet remains sound, which enables it to confidently contend with the increasingly competitive environment and the low interest rates.

In all its business segments, GACM continued to implement its strategy to improve its products and services for policyholders. The websites and smartphone applications have been enhanced with numerous new functionalities.

In 2018, auto and home insurance benefited from the launch of new on-line services such as insurance claims, estimates (with the auto estimate based on only three photos) and, at the end of the year, the purchase of home insurance. Online insurance purchasing will be extended to auto insurance in the coming months. For life insurance, policyholders can make payments and manage their policies online. Finally, in credit-protection insurance, the e-signature feature allows policyholders to quickly and easily complete the formalities for approval. These policyholders also have the exclusive advantage of continued medical acceptance in the event of a new loan following a change of main residence.

Insurance sites are also open to employees of businesses that have taken out group health or retirement policies for them.

These developments are in line with GACM's strategy to simplify insurance procedures for its clients. It aims to provide a high-quality, efficient and loyalty-building experience at each moment of the relationship with policyholders.

Real estate sector

CM-CIC Immobilier SAS

The real estate subsidiary CM-CIC Immobilier is organized around the following activities: CM-CIC Agence Immobilière (AFEDIM) sells new housing units across France. CM-CIC Gestion Immobilière is responsible for managing new housing units purchased by investors. CM-CIC Aménagement Foncier develops and markets building plots. ATARAXIA Promotion builds real estate development programs and CM-CIC Réalisations Immobilières (SOFEDIM) is focused on co-development projects. Lastly, CM-CIC Participations Immobilières participates in financing rounds related to real estate development operations across France.

In 2018, the revenue of CM-CIC Immobilier SAS totaled €4.5 million and its net profit amounted to €7.4 million.

Technology sector

Euro-Information SAS

Euro-Information SAS acts as an IT sub-holding company for the group. In particular, it finances all the group's investments in IT and peripheral equipment as well as the technical subsidiaries' investments.

For 2018, the company recorded net profit of €95.2 million[1], in line with forecasts. Banque Fédérative du Crédit Mutuel holds 13.83% of its capital.

Euro-Information Développements

Euro-Information Développements provides project management for all of the group's IT development and is responsible for upgrades to the single IT system shared by 15 Crédit Mutuel federations, the CIC banks and the various Crédit Mutuel and CIC business centers. In 2018, a little over 729,000 man-days were devoted to upgrades and maintenance on the common IT system.

(1) Contribution to the consolidated financial statements (IFRS) of Crédit Mutuel Alliance Fédérale.

Euro-Information Télécom (EIT)

In 2018, Euro-Information Télécom enhanced its full MVNO status, which is unique in Europe (4G interconnection with 3 infrastructure operators). In this regard, a vast migration of the core network was launched in 2018 and will take 2 years to complete. It will allow the use of the new 4G services including VoLTE (4G voice) and prepare the change in the architecture for the arrival of 5G. At the same time, EIT completed the technical project for the launch of a high-speed fixed broadband offer in partnership with SFR (commercial launch in December 2018). This year was thus marked by a unique and unprecedented effort in terms of development and technical projects. This reflects the strategic decision to have a latest-generation high-speed broadband network, initially mobile-centric and subsequently fixed-mobile convergent.

Commercially, Euro-Information Télécom recorded a net gain of 200,000 customers. The stock of active lines on the EIT network totaled 1,867,000 at end-December. On the consumer market, EIT continued to develop its white labels Auchan.

Telecom and Cdiscount Mobile, alongside its historic brands NRJ Mobile, Crédit Mutuel Mobile and CIC Mobile. On the B2B market, the year was marked by the development and growth of the Corporates markets, in particular for CIC and BECM.

Euro-Information Télécom generated net profit of €14 million[1], down on 2017 due to the combined impact of investments in high-speed fixed broadband and the core network.

Euro Protection Surveillance (EPS)

Euro Protection Surveillance continued to expand in 2018, now totaling nearly 470,000 subscribers (+6.2%). EPS thus confirmed its No. 1 position in residential remote surveillance in France with a 31% share of the market (Source: Atlas de la Sécurité 2018/Internal data).

In 2018, EPS launched its first video offer for private customers and over 1,800 cameras were installed.

Lyf Pay electronic wallet

Lyf Pay – born out of the merger of Fivory and Wa ! (BNPP) in 2017 – offers an innovative and industrial mobile payment solution which simplifies the customer experience by digitizing payment and loyalty services.

Lyf Pay's objective is to meet the new requirements of today's payment and commerce players, which means developing new purchasing experiences which are fluid & omni-channel, managing the customer relationship, and monitoring the ensuing data.

With over 1.3 million downloads, Lyf Pay aims to make everyday life easier for its users by bringing together, in a single application, all the functionalities that connected consumers need on a daily basis: in-store and online payments, digitization of loyalty services, person-to-person payments, charitable donations, sharing of expenses, and soon payments into collaborative funds.

Lyf Pay is a proven solution which is already being used in numerous major retail chains across France (such as Casino and Auchan), at sporting and cultural events, and by non-profit organizations.

Communications sector

This sector comprises the group's long-standing equity investments in press and media companies based in Eastern France: *Le Progrès de Lyon*, *Le Dauphiné libéré*, *Le Républicain lorrain*, *L'Est républicain*, *Vosges Matin*, *Les Dernières Nouvelles d'Alsace*, *L'Alsace*, *Le Bien public* and *Le Journal de Saône-et-Loire*. A net loss of €34 million was recognized in 2018, an improvement of €115 million compared with 2017.

Trends and outlook

In 2018, Crédit Mutuel Alliance Fédérale – of which BFCM is the holding company – achieved record profits, reflecting the effectiveness of the "Priorité Client Sociétaire 2018" transformation plan. On the strength of its results and extensive networks, Crédit Mutuel Alliance Fédérale is a solid player supporting the development of the local economy and businesses and serving everyone as a community-minded mutualist bank.

The success of the "Priorité Client Sociétaire 2018" transformation plan and the multi-service diversification strategy are real assets for the launch of the new strategic plan for the 2019-2023 period – *ensemble#nouveau monde* – based on the principle of technology in the service of mankind, and an alliance of local Crédit Mutuel banks, federations and subsidiaries united in the search for efficiency for the benefit of customers and members.

Resolutions of the ordinary shareholders' meeting of May 10, 2019

First resolution

The shareholders' meeting, having heard the reports of the board of directors and statutory auditors, approves the financial statements and the statement of financial position for 2018 as presented, which show a net profit of €991,617,934.79.

It also approves the transactions shown in the financial statements or summarized in these reports.

The shareholders' meeting grants the directors and statutory auditors full discharge of their duties for the year under review.

Second resolution

The shareholders' meeting resolves to appropriate the year's net profit of €991,617,934.79 as follows:

- to pay a dividend of €3.85 for each of the 33,770,590 shares carrying dividend rights for the full year, i.e. total dividend of €130,016,771.50. This dividend is eligible for the tax deduction provided for in Article 158 of the French Tax Code;
- not to allocate any amount to the legal reserve, which has already reached the regulatory minimum of 10% of the share capital;
- to allocate €861,000,000.00 to the optional reserve;
- to allocate €601,163.29 to retained earnings.

(1) *Contribution to the consolidated financial statements (IFRS) of Crédit Mutuel Alliance Fédérale.*

In accordance with the legal provisions in force, we remind you that the dividends paid per share for the last three years were as follows:

	2015	2016	2017
Amount in euros	4.15	3.85	2.40
Dividend eligible for the deduction provided for in Article 158 of the French Tax Code (*Code Général des Impôts* – CGI)	Yes	Yes	Yes

Third resolution

The shareholders' meeting approves BFCM's consolidated financial statements for the year ended December 31, 2018 as presented by the board of directors.

Fourth resolution

The shareholders' meeting approves the agreements referred to in Article 225-38 of the French Commercial Code presented in the special report of the statutory auditors.

Fifth resolution

The shareholders' meeting, having considered the board of directors' report to the shareholders' meeting, approves the elements of compensation paid or awarded to Mr. Nicolas Théry for the previous fiscal year.

Sixth resolution

The shareholders' meeting, having considered the board of directors' report to the shareholders' meeting, approves the principles and criteria used to determine, allocate and award elements of compensation to Mr. Nicolas Théry for that fiscal year up to June 1, 2019.

Seventh resolution

The shareholders' meeting, having considered the board of directors' report to the shareholders' meeting, approves the elements of compensation paid or awarded to Mr. Daniel Baal for the previous fiscal year.

Eighth resolution

The shareholders' meeting, having considered the board of directors' report to the shareholders' meeting, approves the principles and criteria used to determine, allocate and award elements of compensation to Mr. Daniel Baal for that fiscal year up to June 1, 2019.

Ninth resolution

In application of Article L.511-73 of the French Monetary and Financial Code and Articles L.225-37-2 and L.225-100 of The French Commercial Code, the shareholders' meeting approves the overall amount of the compensation indicated in the board of directors' report. This amount includes the compensation of any kind paid during the past fiscal year to executive corporate officers and to regulated categories of employees pursuant to Article L.511-71 of the French Monetary and Financial Code.

Tenth resolution

The shareholders' meeting approves the budget for compensation paid to members of the board of directors of the Banque Fédérative du Crédit Mutuel, as set out in the charter governing the resources allocated to the members of the board of directors and supervisory board of the Crédit Mutuel Alliance Fédérale, and which is capped at 900,000 euros for 2019, this amount being the overall maximum for the Caisse Fédérale de Crédit Mutuel, the Banque Fédérative du Crédit Mutuel and the Banque Européenne du Crédit Mutuel taken together.

Eleventh resolution

The shareholders' meeting ratifies the co-option of Mr. Francis Singler to replace Mr. Jacques Humbert for the remainder of his term of office as director, i.e. until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2020.

Twelfth resolution

The shareholders' meeting ratifies the co-option of Mr. René Schwartz, to replace Mr. Maurice Corgini for the remainder of his term of office as director, i.e. until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2020.

Thirteenth resolution

The shareholders' meeting ratifies the co-option of Mr. Albert Mayer to replace Mr. Jean-Louis Boisson for the remainder of his term of office as director, i.e. until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2020.

Fourteenth resolution

The shareholders' meeting renews the term of office of board member Mr. Gérard Cormorèche for a period of three years. His term of office expires after the shareholders' meeting called to rule on the financial statements for the fiscal year 2021.

Fifteenth resolution

The shareholders' meeting appoints Mr. Philippe Gallienne as member of the board of directors for a period of three years to replace Mr. Hervé Brochard. His term of office expires after the shareholders' meeting called to rule on the financial statements for the fiscal year 2021.

Sixteenth resolution

The shareholders' meeting appoints Mr. Dominique Trinquet as member of the board of directors for a period of three years to replace Mr. Jean-Louis Girodot. His term of office expires after the shareholders' meeting called to rule on the financial statements for the fiscal year 2021.

Seventeenth resolution

The shareholders' meeting appoints Mr. Claude Courtois as member of the board of directors for a period of three years to replace Mr. Lucien Miara. His term of office expires after the shareholders' meeting called to rule on the financial statements for the fiscal year 2021.

Eighteenth resolution

The shareholders' meeting appoints Mrs. Ghislaine Ravanel for a period of three years to replace Mr. Daniel Rocipon. Her term of office expires after the shareholders' meeting called to rule on the financial statements for the fiscal year 2021.

8.2 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

PricewaterhouseCoopers France
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex, France
French limited liability company (SARL) with capital of €86,000
Statutory auditors
Member of the Regional Company of Statutory Auditors of Versailles

Ernst & Young et Autres
1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1, France
Simplified joint-stock company (SAS) with variable capital
Statutory auditors
Member of the Regional Company of Statutory Auditors of Versailles

Statutory auditors' Special report on Regulated Agreements and Commitments

(shareholders' meeting approving the financial statements for the fiscal year ended December 31, 2018)

BANQUE FÉDÉRATIVE DU CRÉDIT MUTUEL BFCM

In our role as statutory auditors of your company, we present our report on the regulated agreements and commitments.

It is our responsibility, based on the information passed on to us, to outline the characteristics, essential terms and grounds justifying the company's interest in the agreements and commitments of which we have been informed, or which we have discovered during our mission, without having to comment on their utility or merits, nor to look for the existence of other agreements and commitments. Pursuant to Article R.225-31 of the French Commercial Code, it is your responsibility to assess the interest inherent in the conclusion of these agreements and commitments with a view to their approval.

In addition, it is our responsibility, where appropriate, to provide you with the information scheduled in Article R.225-31 of the French Commercial Code relating to the performance during the past fiscal year of the agreements and commitments already approved by the shareholders' meeting.

We performed the due diligence we considered necessary in light of the professional standards of the French National Company of Statutory Auditors for this mission. This due diligence consisted of verifying that the information given to us was consistent with the base documents from which it came.

Agreements and commitments submitted to the shareholders' meeting for approval

We hereby inform you that we were not given notice of any agreement or commitment authorized and agreed during the past fiscal year to be submitted for the approval of the shareholders' meeting pursuant to the provisions of Article L. 225-38 of the French Commercial Code.

Agreements and commitments already approved by the shareholders' meeting

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the performance of the following agreements and commitments, already approved by the shareholders' meeting in previous fiscal years, whose performance continued over the past fiscal year.

With Nicolas Théry, Chairman of the board of directors of your company

Nature, purpose and terms

At the meeting of your board of directors as of November 14, 2014, Nicolas Théry was appointed Chairman of the board of directors of your company. The remuneration committee, which was held on the same date, after the meeting of the board of directors, maintained the compensation of Nicolas Théry, no longer as an employee, rather as a corporate officer, at €720,000.

In addition, at the meeting as of February 26, 2015 your board of directors decided to authorize termination benefits for Nicolas Théry, calculated on the basis of the average salary over the last twelve months prior to the end of his term of office, subject to the performance condition being achieved, as set by the remuneration committee.

The termination benefits for the office of Chairman of the board of directors of Nicolas Théry currently represents an estimated commitment of €720,000 (including social security contributions).

In his capacity as an employee, Nicolas Théry falls under the supplementary company pension scheme of January 1, 2008. As a result, the remuneration committee proposed to apply this pension scheme in respect of compensation for Nicolas Théry, in his capacity as Chairman of the board of directors, under the same conditions as for all Group employees. Under the supplementary pension scheme, the contributions paid by your company to the insurance company fully covering this commitment amounted to €15,892.92 in 2018.

However, it is recalled that Nicolas Théry has been a Group employee since September 1, 2009, and that his employment contract was suspended with effect from December 1, 2014.

For his term of office, Nicolas Théry also benefits from a supplementary pension scheme, whose conditions are identical to those of your company's employees.

With Daniel Baal, chief executive officer of your company

Nature, purpose and methods

During the board of directors' meeting held on April 6, 2017, Mr. Daniel Baal was appointed as Chief Executive Office and Effective Manager of your company as of June 1, 2017. Following a favorable opinion from the remuneration committee, your board of directors, which met on April 5, 2017, decided to set the compensation of Mr. Daniel Baal at €700,000.

In addition, your board of directors on April 6, 2017 also decided to set severance compensation equivalent to one year's annual gross salary at the time of termination of his corporate office, subject to the fulfillment of the performance condition defined by the remuneration committee.

The severance compensation for Daniel Baal's corporate office of chief executive officer currently represents an estimated commitment of €1,100,000 (including social security contributions).

For his corporate office, Daniel Baal also benefits from a supplementary pension plan under the same conditions applicable to all company employees and for which the contributions paid to the insurance company covering the entire commitment stood at €15,892.92 in 2018.

For his corporate office, Daniel Baal is also covered by a complementary pension plan under the same conditions applicable to all company employees.

Executed in Neuilly-sur-Seine and Paris-La Défense, April 10, 2019

The Statutory Auditors

PricewaterhouseCoopers France	Ernst & Young et Autres
Jacques Lévi	Hassan Baai

8.3 MISCELLANEOUS INFORMATION

8.3.1 Business name and commercial name of the issuer

Banque Fédérative du Crédit Mutuel (BFCM)

8.3.2 Place of incorporation and registration number of BFCM

Strasbourg B 355 801 929

APE/NAF business identifier code: 6419 Z

8.3.3 Date of incorporation and term of BFCM

The company was created as of June 1, 1933 under the name of "Banque Mosellane". Unless extended or terminated early, it will end as of June 1, 2032.

8.3.4 Registered office, legal form, legislation governing the activities of BFCM, country of origin, telephone number of BFCM's registered office

BFCM is a *société anonyme* (French Limited Company) with a board of directors. In its capacity as a credit institution and limited company, it is subject to a statutory audit by two registered statutory auditors. These statutory auditors are appointed by the shareholders' meeting of the company for a period of six years, upon approval by the French Prudential Supervisory and Resolution Authority (ACPR).

BFCM is governed by the provisions of the French Commercial Code on public limited companies and the laws applicable to French credit institutions, in essence codified by the French Monetary and Financial Code. BFCM is a member of the French Banking Federation (FBF).

The legal documents relating to Banque Fédérative du Crédit Mutuel may be viewed at the company's registered office, 4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg, France. + 33 (0)3 88 14 88 14

8.3.5 Corporate purpose (Article 2 of the Articles of Association)

The purpose of the company is:

- to organize and develop the diversification business of the group it comprises with the Caisses de Crédit Mutuel in its area of business, the Caisse Fédérale de Crédit Mutuel and the federation of Crédit Mutuel Center Est Europe;
- to undertake for its own account, on behalf of third parties or as a joint venture, in France and abroad, all banking transactions and all related and contiguous transactions, to perform all insurance brokerage activities and more generally all insurance intermediation activities, and all other transactions in the area of business of a bank, in accordance with the regulations and legislation in force;
- to take and manage any direct or indirect shareholding in any French or foreign company via the establishment of new companies, contributions, subscriptions or purchases of securities or rights, mergers, associations or joint ventures, underwriting syndicates or other;
- and generally perform any financial, industrial, commercial, securities or real estate transactions directly or indirectly related to the aforementioned purposes or falling within the area of business of a bank.

The company also seeks to provide investment services governed by the French Monetary and Financial Code.

8.3.6 Corporate fiscal year

From January 1 to December 31 each year.

8.3.7 Statutory Distribution of Profits (Article 40 of the Articles of Association)

After appropriations are made to the legal reserve, if the financial statements of the fiscal year, as approved by the shareholders' meeting, express distributable income, the shareholders' meeting resolves to send it to one or more reserve accounts, which it assigns and employs, to carry forward or to distribute.

In the event of distribution, dividends will be deducted in priority from the profits of the previous fiscal year.

Upon recognition of the fact that it has reserves at its disposal, the shareholders' meeting may decide to distribute sums deducted from these reserves. In this event, the decision expressly sets out the reserve items from which said deductions are to be taken.

The shareholders' meeting that approves the financial statements for the fiscal year has the option of granting each shareholder, for all or part of the dividend distributed, the choice between payment in cash or in shares, in line with the legal provisions in force.

The board of directors may also decide to pay interim dividends by granting each shareholder the choice between payment in cash or in shares.

8.3.8 shareholders' meetings

The shareholders' meeting is called by the board of directors, by notice published in a journal of legal announcements at the location of the registered office. The notice to attend is renewed by standard individual letter sent to shareholders who have held registered shares for at least one month prior to the date of publication in the above journal.

Since the share capital is made up only of ordinary shares, one share gives entitlement to one vote. There are no double voting rights.

In addition, no declaratory threshold is scheduled in the Articles of Association. The capital of BFCM is "closed" (see Article 10 of BFCM's Articles of Association under "Additional specific provisions relating to the issuer").

8.3.9 Additional specific provisions relating to the issuer

Shareholding structure

Conditions of shareholder admission (extract from the Articles of Association, Article 10 of BFCM)

Only the following parties may be shareholders of the company:

1. the federation of Crédit Mutuel du Centre Est Europe, the Caisse Fédérale de Crédit Mutuel and the "Assurances du Crédit Mutuel-Vie" mutual insurance company;
2. the Caisses de Crédit Mutuel and other cooperative and mutual organizations that are members of the Caisse Fédérale de Crédit Mutuel;
3. the departmental or interdepartmental Caisses and the Caisse Centrale du Crédit Mutuel referred to in Article 5-1, paragraphs 3 and 4 of the order dated October 16, 1958; Subsidiaries or joint ventures of the entities referred to in 2 and 3 above which are controlled by one or more departmental or interdepartmental Caisses.
4. the members of the board of directors of the company.

Legal entities or private individuals who do not fall into any of the aforementioned categories but who still own shares in the company may retain their shares in their personal capacity.

The provisions of this Article may only be amended with the prior approval of the Chambre Syndicale of the Crédit Mutuel Centre Est Europe federation and the shareholders' meeting of the Caisse Fédérale de Crédit Mutuel.

Transfer of BFCM shares

Shares are freely negotiable, but ownership of the shares may only be transferred between legal entities or private individuals that meet the above conditions, and after approval by the board of directors (Article 11 of the Articles of Association).

Amount of subscribed capital, number and category of securities it represents

The share capital stands at €1,688,529,500.00; it is divided into 33,770,590 shares each of €50.00, all of the same class.

Authorized capital not issued

None.

Convertible bonds that may be exchanged or redeemed which give access to the capital

None.

Statement of changes in share capital

See "Statement of financial results over the previous five fiscal years" in the "Financial information in the annual financial statements of BFCM"

Securities market of the Issuer

Shares of Banque Fédérative du Crédit Mutuel are not listed or traded on any market.

Dividends

Changes in earnings and dividends:

	2014	2015	2016	2017	2018
Number of shares as of December 31	31,467,593	33,770,590	33,770,590	33,770,590	33,770,590
Net profit/loss *(in € per share)*	11.79	10.15	7.97	-4.81	29.36
Gross dividend *(in € per share)*	4.15	4.15	3.85	2.40*	3.85

* *By deduction from the optional reserve.*

In the event that a dividend is unclaimed, it will be subject to the provisions of Article L.27-3 of the State Property Code which states that:

"... deposits of sums of money and, in general, any cash holdings in banks, credit institutions and other institutions that receive funds into their deposit or current accounts, when these deposits or assets have not been subject to any transactions or claims by the rightful claimants for thirty years, are permanently acquired by the State..."

8.3.10 Financial information in the registration document that is not taken from the issuer's audited financial statements

Among the financial information contained in the registration document not taken from the issuer's audited financial statements, the following points are of note, taken from the following sections:

Profiles of Crédit Mutuel Alliance Fédérale and the BFCM Group

Organization and business lines (1.3)

Financial information on the BFCM Group – Risk report (5.2.3)

Interbank loans

Managing interest-rate risk

Capital market risks

The European solvency ratio (ESR)

Operational risks

8.3.11 Dates of the most recent financial information

BFCM's most recent financial information is dated December 31, 2018.

8.3.12 Interim half-yearly information

Not applicable.

8.3.13 Material change in the issuer's financial position

No material change in the BFCM group's financial or commercial position has occurred since the publication as of February 21, 2019 of the financial statements to December 31, 2018. Similarly, no material downturn has affected BFCM's outlook since that date.

8.3.14 Recent events specific to BFCM of material interest when assessing its solvency

No material change to the group's financial or trading position has occurred since the end of the last fiscal year for which audited financial statements were published that might affect its solvency.

8.3.15 Profit forecasts or estimates

Not applicable.

8.3.16 Significant contracts

To date, there are no significant contracts signed by BFCM that may alter BFCM's financial position to such an extent that BFCM cannot face the obligations related to the issue of its securities.

8.3.17 Information from third parties, expert statements and declarations of interest

Not applicable.

8.3.18 Judicial and arbitration proceedings

The case relating to check image transfer fees is once more presented before the Court of Cassation following the banks' appeal in January 2018 against the ruling of the Court of Appeal of Paris of December 21, 2017 confirming the decision of the French Competition Authority of September 21, 2010 which sanctioned a number of banks including CIC.

To date, no timetable has been set.

There are no other governmental, judicial or arbitration proceedings known to the company that may have a material impact on the company's liquidity or solvency.

8.3.19 Position of dependence

Crédit Mutuel Alliance Fédérale is not dependent on any patent, license nor any industrial, commercial or financial supply contract.

8.3.20 Articles of Association of the issuer

Updated September 20, 2018.

Form – Purpose – Name – Registered office – Term

Article 1 – Form of the company

The company takes the form of a *société anonyme* (French Limited Company) with a board of directors governed by the French Commercial Code, by all decrees, and subsequent legal or regulatory texts, as well as by these Articles of Association.

Article 2 – Purpose

The purpose of the company is:

- to organize and develop the diversification business of the group it comprises with the Caisses de Crédit Mutuel in its area of business, the Caisse Fédérale du Crédit Mutuel du Centre Est Europe, the federation of the Crédit Mutuel du Centre Est Europe;
- to undertake for its own account, on behalf of third parties or as a joint venture, in France and abroad, all banking transactions and all related and contiguous transactions, to perform all insurance brokerage activities and more generally all insurance intermediation activities, and all other transactions in the area of business of a bank, in accordance with the regulations and legislation in force;
- to take and manage any direct or indirect shareholding in any French or foreign company via the establishment of new companies, contributions, subscriptions or purchases of securities or rights, mergers, associations or joint ventures, underwriting syndicates or other;
- and generally perform any financial, industrial, commercial, securities or real estate transactions directly or indirectly related to the aforementioned purposes or falling within the area of business of a bank.

The company also seeks to provide investment services governed by the French Monetary and Financial Code.

Article 3 – Name

The name of the company is:

“Banque Fédérative du Crédit Mutuel”.

In all deeds and documents issued by the company intended for third parties, the name must always be preceded or followed immediately by the words “société anonyme” and a statement of the amount of the share capital.

Article 4 – Registered office

The registered office of the company is located at 4, rue Frédéric-Guillaume Raiffeisen, STRASBOURG (Bas-Rhin), France.

It may be transferred to any other location in the department or in a neighboring department by simple decision of the board of directors, subject to this decision being ratified by the next ordinary shareholders' meeting.

It may be transferred anywhere else, pursuant to a deliberation of the extraordinary shareholders' meeting.

Agencies, branches and offices may be created in any country, by simple decision of the board of directors, which may then transfer and withdraw them as it sees fit.

Article 5 – Term

The term of the company is set at ninety-nine years from the date of its final incorporation (June 1, 1933 under the name of “Banque Mosellane”) except in the event of early dissolution or extension provided by law, and these articles of association.

Share capital – Shares

Article 6 – Share capital

The share capital stands at €1,688,529,500.

It is divided into 33,770,590 shares each of €50, and all of the same class.

Article 7 – Changes in share capital

Capital increase

The share capital may be increased by any legal means.

The new shares are issued either at their nominal amount or at this amount plus an issue premium.

The extraordinary shareholders' meeting has sole authority to resolve to carry out a capital increase, based on the report of the board of directors. It may delegate the powers necessary to perform the capital increase to the board of directors on one or more occasions, to set its terms and conditions, to observe its completion and to make the corresponding amendments to the articles of association. The capital increase must be completed within five years of the date of the shareholders' meeting that decided it.

In proportion to the nominal value of the shares they own, shareholders have a preferential right to subscribe to cash shares issued to perform a capital increase. This right shall be exercised in the forms, periods and conditions determined by the board of directors.

The period granted to shareholders to exercise their right of subscription may not be less than twenty days from the opening of the subscription. The subscription period will close early as soon as all irreducible subscription rights have been exercised.

Shareholders are notified by notice of the issue of the new shares and their terms and conditions, in accordance with the laws and regulations in force. The funds from a capital increase will be deposited in accordance with the law. The funds may be withdrawn by an agent of the company upon the issue of the depositary's certificate which shows the subscriptions and payments.

Capital reduction

A capital reduction is decided by the extraordinary shareholders' meeting, which may delegate all powers to the board of directors to perform it.

Under no circumstances may the capital reduction affect the equality between shareholders.

The capital reduction project is sent to the statutory auditors within the legal time period. The shareholders' meeting then decides based on the report of the statutory auditors, who give their assessment of the grounds and conditions of said reduction. Once the board of directors completes the operation, by delegation of the shareholders' meeting, it drafts a report for public disclosure, and makes the required amendments to the articles of association.

Article 8 – Payment of shares

The amount of shares subscribed in cash, including any required subscriber premium, is payable to the registered office, on one or more occasions, in accordance with the legal provisions in force.

Article 9 – Form of shares

All shares must be in registered form. They give rise to registration in an individual account according to the terms and conditions scheduled by the laws and regulations in force.

Article 10 – Conditions of shareholder admission

Only the following parties may be shareholders of the company:

1. the federation of Crédit Mutuel du Centre Est Europe, the Caisse Fédérale du Crédit Mutuel du Centre Est Europe and the “Assurances du Crédit Mutuel-Vie” mutual insurance company;
2. the Caisses de Crédit Mutuel and other cooperative and mutual organizations that are members of the Caisse Fédérale de Crédit Mutuel;
3. the departmental or interdepartmental Caisses and the Caisse Centrale du Crédit Mutuel referred to in Article 5-1, paragraphs 3 and 4 of the order dated October 16, 1958.

   Subsidiaries or joint ventures of the entities referred to in 2 and 3 above which are controlled by one or more departmental or interdepartmental Caisses;
4. the members of the board of directors of the company.

Legal persons or natural persons who do not fall into any of the aforementioned categories but who still own shares in the company may retain their shares in their personal capacity.

The provisions of this Article may only be amended with the prior approval of the Chambre Syndicale of the Crédit Mutuel Centre Est Europe federation and the extraordinary shareholders' meeting of the Caisse Fédérale de Crédit Mutuel.

Article 11 – Transfer of shares

The shares are freely negotiable.

Ownership of the registered shares is established via their entry on the company's registers. The upkeep of the register of registered securities and the entries relating to transactions to which they may be subject are set by the laws and regulations in force.

Ownership of the shares may only be transferred between legal persons or natural persons that meet the conditions of admission of Article 10, and after approval by the board of directors.

Transfer of shares in respect to third parties and the company occurs by means of an account-to-account transfer order signed by the transferor or their agent. The transfer is entered in the registers.

Article 12 – Indivisibility of shares

The shares are indivisible with regard to the company. Undivided owners are obliged to be represented in respect of the company by one of them alone, considered to be the sole owner.

Article 13 – Rights and obligations attached to shares

Each share entitles its holder to a portion of profits and corporate assets in proportion to the fraction of the capital it represents. In addition, it entitles its holder to a proportionally equal share of profits as set out in Article 40 below.

Shareholders are only liable up to the nominal amount of the shares they own; beyond that, all calls for funds are forbidden.

The rights and obligations attached to the share follow the security regardless of the hands into which it falls. Ownership of a share automatically entails acceptance of the company's articles of association and the resolutions passed by the shareholders' meeting.

The heirs, representatives or creditors of a shareholder may not, under any circumstances, require the affixing of seals on the assets and papers of the company, request its partition or liquidation, or interfere in any way whatsoever in the deeds of their administration; they must, in order to exercise their rights, refer to the social inventories and decisions of the shareholders' meeting.

Management bodies

Article 14 – The board of directors

Provisions applicable from May 3, 2017 through December 14, 2018 (first board of directors' meeting held after the *Chambre syndicale et interfédérale* of the federation of Crédit Mutuel Centre Est Europe of December 2018)

The company is managed by a board of directors composed of at least three members and at most eighteen members, appointed by the ordinary shareholders' meeting.

The members of the board of directors may be natural or legal persons. The latter persons must appoint a permanent representative who is subject to the same conditions, obligations, and liabilities as if they were a member of the board in their own name, without prejudice to the joint and several liability of the legal person they represent. The permanent representative mandate of a legal person ceases at the end of the mandate entrusted to them; any change to the permanent representative must be promptly notified by the legal person who is a member of the board of directors to the company by registered letter, along with the first and last names and address of the new permanent representative; the same applies in the event of death, incapacity or resignation of the latter.

The term of office of the directors is three years, one-third of which may be renewed each year. They may always be re-elected.

Members of the board of directors may be dismissed at any time by the shareholders' meeting.

In the event of the death or resignation of one or more members, the board of directors may make provisional appointments between two shareholders' meetings. These appointments are subject to ratification by the next shareholders' meeting. A director appointed to replace another director shall only remain in office for the remaining term of their predecessor. If the provisional appointments are not ratified by the shareholders' meeting, then the deliberations taken and the deeds accomplished by the board remain equally valid.

The age limit of the members of the board of directors is that scheduled by Article L.225-19 paragraph 2 of the French Commercial Code. The mandate of the director concerned will continue until the next shareholders' meeting following the date of termination of the mandate, pursuant to the above Article.

Provisions applicable from December 14, 2018 (first board of directors' meeting held after the *Chambre syndicale et interfédérale* of the federation of Crédit Mutuel Centre Est Europe of December 2018)

The company is managed by a board of directors composed of at least three members and at most eighteen members, appointed by the ordinary shareholders' meeting.

The members of the board of directors may be natural or legal persons. The latter persons must appoint a permanent representative who is subject to the same conditions, obligations, and liabilities as if they were a member of the board in their own name, without prejudice to the joint and several liability of the legal person they represent. The permanent representative mandate of a legal person ceases at the end of the mandate entrusted to them; any change to the permanent representative must be promptly notified by the legal person who is a member of the board of directors to the company by registered letter, along with the first and last names and address of the new permanent representative; the same applies in the event of death, incapacity or resignation of the latter.

The term of office of the directors is three years, one-third of which may be renewed each year. They may always be re-elected.

Members of the board of directors may be dismissed at any time by the shareholders' meeting.

In the event of the death or resignation of one or more members, the board of directors may make provisional appointments between two shareholders' meetings. These appointments are subject to ratification by the next shareholders' meeting. A director appointed to replace another director shall only remain in office for the remaining term of their predecessor. If the provisional appointments are not ratified by the shareholders' meeting, then the deliberations taken and the deeds accomplished by the board remain equally valid.

The age limit of the members of the board of directors is set at seventy years of age. When those ages are reached, terms of office shall end at the shareholders' meeting following the date of the birthday.

Article 15 – Deliberation of the board of directors

The directors are given notice to attend the meetings of the board of directors by any means.

The board of directors meets as often as the interests of the company so require when convened by the Chairman or if unable to attend, by the Vice-Chairman, and at least once every quarter.

In order for deliberations to be valid, the effective presence of at least half the members is necessary.

When calculating the quorum and majority, those directors taking part in the board meeting by video-conference in accordance with the regulatory conditions are deemed to be in attendance. However, actual or represented attendance shall be necessary for all board deliberations relating to the appointment and dismissal of the Chairman or chief executive officer, the approval of the annual and consolidated financial statements, and the preparation of the group's management report.

Any director who is unable to attend a meeting may be represented by one of their colleagues, whereby each colleague is only permitted to have one mandate. This mandate, valid for a single session, may be granted by letter, telegram or fax.

Decisions are made by way of a majority vote of the members present or represented, with each member having one vote.

In the event of a tie, the Chairman of the meeting shall have the casting vote.

Article 16 – Minutes of the deliberations of the board of directors

The deliberations of the board of directors are noted in the form of minutes drafted in a special register kept at the registered office.

The minutes are signed by the Chairman and at least one director; in the event that the Chairman is unable to sign, it is signed by at least two directors.

Copies or extracts of the minutes are validly certified by the Chairman of the board of directors, the Vice-Chairman of the board, the chief executive officer or a proxy appointed for that purpose.

The production of a copy or extract of the minutes provides sufficient justification for the number of members of the board of directors in office, their attendance or representation.

Article 17 – Powers of the board of directors

The board of directors sets the course of the company's business and ensures its implementation. Subject to the powers expressly granted by law to shareholders' meetings and within the limits of the corporate purpose, it tackles any issues concerning the smooth running of the company and regulates those matters concerning it via its deliberations.

In its relations with third parties, the company is bound by the deeds of the board of directors which do not fall within its corporate purpose, unless it proves that the third party knew that the deed in question fell outside this purpose or that this could not be ignored given the circumstances, on the understanding that the simple publication of the articles of association cannot suffice to constitute said proof.

At all times, the board of directors undertakes the controls and verifications it deems appropriate.

Each director must receive the information necessary to complete their mission and can obtain all documents they deem useful from Executive Management.

The board of directors may grant all delegations of powers to the agents of its choice within the limits of its powers pursuant to the law and these articles of association.

Article 18 – The Chairman of the board of directors

Provisions applicable from May 3, 2017 through December 14, 2018 (first board of directors' meeting held after the *Chambre syndicale et interfédérale* of the federation of Crédit Mutuel Centre Est Europe of December 2018)

From among its members, the board of directors elects a Chairman and a Vice-Chairman who must be natural persons.

The age limit of the Chairman is set at seventy-five years of age. It takes effect at the end of the first meeting of the board of directors following the ordinary shareholders' meeting which has approved the financial statements for the past fiscal year and held in the year when this age is reached. However, before this limit takes effect, the board of directors may extend it on one or more occasions for a total period not in excess of two years.

The Chairman represents the board of directors. He organizes and directs the work of the board, on which he reports to the shareholders' meeting. He ensures the proper functioning of the company's bodies and specifically ensures that the directors are able to fulfill their mission.

Provisions applicable from December 14, 2018 (first board of directors' meeting held after the *Chambre syndicale et interfédérale* of the federation of Crédit Mutuel Centre Est Europe of December 2018)

From among its members, the board of directors elects a Chairman and a Vice-Chairman who must be natural persons.

The age limit for the Chairman and Vice-Chairman is seventy years of age. When those ages are reached, terms of office shall end at the shareholders' meeting following the date of the birthday.

The Chairman represents the board of directors. He organizes and directs the work of the board, on which he reports to the shareholders' meeting. He ensures the proper functioning of the company's bodies and specifically ensures that the directors are able to fulfill their mission.

Article 19 – Executive Management

Working methods

In line with Article L.225-51-1 of the French Commercial Code, the executive management of the company is assumed under its responsibility, either by the Chairman of the board of directors, or by another natural person, taken from the members of the board of directors or outside of them, appointed by the board of directors, and given the title of chief executive officer.

The choice between these two working methods of Executive Management is made by the board of directors. The deliberation of the board regarding the choice of the working method of Executive Management is made by a majority of the directors present or represented. The choice of the board of directors is brought to the attention of shareholders and third parties within the conditions scheduled by the regulations in force.

A change in the working method of the Executive Management does not entail a change in the articles of association.

Executive management

Provisions applicable from May 3, 2017 through December 14, 2018 (first board of directors' meeting held after the *Chambre syndicale et interfédérale* of the federation of Crédit Mutuel Centre Est Europe of December 2018).

Depending on the working method chosen by the board of directors, the Chairman or a chief executive officer under his responsibility undertakes the executive management of the company.

The chief executive officer is appointed by the board of directors, which sets the term of their office, determines their compensation and, where applicable, the limitations of their authority.

The age limit of the chief executive officer is set at seventy-five years of age. It takes effect at the end of the first meeting of the board of directors following the ordinary shareholders' meeting which has approved the financial statements for the past fiscal year and held in the year when this age is reached. However, before this limit takes effect, the board of directors may extend it on one or more occasions for a total period not in excess of two years.

The chief executive officer may be dismissed at any time by the board of directors.

Provisions applicable from December 14, 2018 (first board of directors' meeting held after the *Chambre syndicale et interfédérale* of the federation of Crédit Mutuel Centre Est Europe of December 2018).

Depending on the working method chosen by the board of directors, the Chairman or a chief executive officer under his responsibility undertakes the executive management of the company.

The chief executive officer is appointed for a renewable term of three years by the board of directors, which also determines their compensation and, where applicable, the limitations of their powers.

The age limit of the chief executive officer is set at seventy years of age. When those ages are reached, terms of office shall end at the board meeting following the date of the birthday.

The chief executive officer may be dismissed at any time by the board of directors.

Powers of the chief executive officer

The chief executive officer is afforded the broadest powers to act on behalf of the company in all circumstances. These powers are exercised within the limits of the corporate purpose, and subject to the powers expressly granted by law to shareholders' meetings and the board of directors.

The CEO represents the company in its dealings with third parties. The company is bound by the deeds of the chief executive officer which do not fall within its corporate purpose, unless it proves that the third party knew that the deed in question fell outside this purpose or that this could not be ignored given the circumstances, on the understanding that the simple publication of the articles of association cannot suffice to constitute said proof.

Chief operating officers

Provisions applicable from May 3, 2017 through December 14, 2018 (first board of directors' meeting held after the *Chambre syndicale et interfédérale* of the federation of Crédit Mutuel Centre Est Europe of December 2018).

On the proposal of the chief executive officer, whether this function is exercised by the Chairman of the board of directors or by another person, the board of directors may appoint one or more natural persons to assist the chief executive officer, given the title of chief operating officers.

The maximum number of chief operating officers is set at five.

In agreement with the chief executive officer, the board of directors determines the scope and term of the powers granted to the chief operating officers, as well as setting their compensation.

The age limit of the chief operating officer is set at seventy years of age. It takes effect at the end of the first meeting of the board of directors following the ordinary shareholders' meeting which has approved the financial statements for the past fiscal year and held in the year when this age is reached. However, before this limit takes effect, the board of directors may extend it on one or more occasions for a total period not in excess of two years.

In respect of third parties, the chief operating officer(s) have the same powers as the chief executive officer.

In the event of termination of office or inability on the part of the chief executive officer, the chief operating officers maintain their office and responsibilities, unless otherwise decided by the board of directors, until the appointment of a new chief executive officer.

The chief operating officers may be dismissed on the proposal of the chief executive officer at any time. The dismissal of the chief operating officers may give rise to damages if the decision is made without just cause.

Provisions applicable from December 14, 2018 (first board of directors' meeting held after the *Chambre syndicale et interfédérale* of the federation of Crédit Mutuel Centre Est Europe of December 2018)

On the proposal of the chief executive officer, whether this function is exercised by the Chairman of the board of directors or by another person, the board of directors may appoint one or more natural persons to assist the chief executive officer, given the title of chief operating officers.

The maximum number of chief operating officers is set at five.

In agreement with the chief executive officer, the board of directors determines the scope of the powers for a period of three years, as well as setting their compensation.

The age limit of the chief operating officer is set at seventy years of age. When those ages are reached, terms of office shall end at the board meeting following the date of the birthday.

In respect of third parties, the chief operating officer(s) have the same powers as the chief executive officer.

In the event of termination of office or inability on the part of the chief executive officer, the chief operating officers maintain their office and responsibilities, unless otherwise decided by the board of directors, until the appointment of a new chief executive officer.

The chief operating officers may be dismissed on the proposal of the chief executive officer at any time. The dismissal of the chief operating officers may give rise to damages if the decision is made without just cause.

Article 20 – Non-voting directors

Provisions applicable from May 3, 2017 through December 14, 2018 (first board of directors' meeting held after the *Chambre syndicale et interfédérale* of the federation of Crédit Mutuel Centre Est Europe of December 2018)

The board of directors may appoint non-voting directors for three-year terms.

They participate in the deliberations of the board of directors in an advisory capacity.

Provisions applicable from December 14, 2018 (first board of directors' meeting held after the *Chambre syndicale et interfédérale* of the federation of Crédit Mutuel Centre Est Europe of December 2018).

The board of directors may appoint non-voting directors for three-year terms.

The age limit of the non-voting directors is set at seventy-five years of age. When those ages are reached, terms of office shall end at the board meeting following the date of the birthday.

They participate in the deliberations of the board of directors in an advisory capacity. They may, by a decision of the majority of non-voting directors present or represented, request a second deliberation by the board.

Article 21 – The statutory auditors

The ordinary shareholders' meeting appoints at least two statutory auditors, who meet the conditions set out by law.

The statutory auditors are appointed for a term of six years, and their office expires after the shareholders' meeting which meets to approve the financial statements of the sixth fiscal year. The outgoing statutory auditors may always be eligible for re-election. An Auditor appointed by the Meeting to replace another Auditor shall only remain in office until expiry of the mandate of their predecessor.

The statutory auditors are mandated to audit the ledgers, the fund, the portfolio and the securities of the company, to audit the regular nature and sincerity of the annual financial statements, as well as the accuracy of the information provided in the board of directors' report to the shareholders' meeting. They ensure that equality is respected between shareholders.

They must be invited to attend all shareholders' meetings, by registered letter with advice of receipt, at the latest simultaneously with the invitation given to shareholders, as well as the meeting of the board of directors called to approve the financial statements of the previous year.

The statutory auditors draft a report for each fiscal year in which they report to the ordinary shareholders' meeting on the performance of their mandate. In addition, they draft a special report on the agreements referred to in Article 225-38 of the French Commercial Code and all other reports scheduled by law.

Article 22 – The shareholders' meeting

The shareholders' meeting, duly constituted and convened, is the body intended for the direct expression of the collective will of the shareholders and the company. Its deliberations obligate all shareholders, even those who are absent, dissident or incapable.

Depending on the purpose of the resolutions proposed, there are two types of shareholders' meeting:

- the ordinary shareholders' meeting;
- the extraordinary shareholders' meeting.

Article 23 – Duties and powers of the ordinary shareholders' meeting

The ordinary shareholders' meeting has the following duties and powers:

- it hears the board of directors' report and reads the annual financial statements presented to it;
- it receives the statutory auditors' report;
- it deliberates and rules on all matters relating to the annual financial statements of the previous fiscal year, and in particular on the appropriation of income and the distribution of profits;
- it appoints and dismisses the directors. It ratifies the provisional appointments made by the board of directors;
- it receives the special reports of the statutory auditors on the agreements referred to in Article 225-38 of the French Commercial Code;
- it appoints and dismisses the statutory auditors;
- more generally, it rules on all issues that are not within the exclusive competence of the extraordinary shareholders' meeting.

Article 24 – Duties and powers of the extraordinary shareholders' meeting

The shareholders' meeting may amend all the provisions of the articles of association. However, it may not increase shareholders' commitments.

Article 25 – Meeting of the shareholders

The Annual ordinary shareholders' meeting is convened each year within five months of the end of the previous fiscal year, to approve the financial statements for that fiscal year.

The ordinary shareholders' meeting is convened to an extraordinary sitting, and such extraordinary shareholders' meetings are held whenever this is deemed useful for the interest of the company.

Article 26 – Composition of the shareholders' meeting

The shareholders' meeting is composed of all the shareholders, regardless of the number of shares they hold.

Article 27 – Convening the shareholders' meeting

The shareholders' meeting is convened by the board of directors.

Failing that, it may also be convened:

1. by the statutory auditors;
2. by an agent appointed by the court under the terms of Article 225-103 of the French Commercial Code;
3. by the liquidator(s) during the period following the dissolution of the company.

Article 28 – Setting the agenda

Setting of the agenda and preparation of the draft resolutions to be submitted to the shareholders' meeting are the responsibility of the convening authority.

However, one or more shareholders representing a percentage of the share capital covered by the legislation in force, are able to request the inclusion on the agenda of draft resolutions, which cannot concern the presentation of candidates to sit on the board of directors.

These draft resolutions are included on the agenda of the meeting, in accordance with the conditions set out by law.

The meeting may not deliberate on an item that is not included on the agenda. However it may, in all circumstances, dismiss one or more members of the board of directors and undertake their replacement.

The meeting agenda cannot be modified upon second notice to attend.

Article 29 – Method of convening the shareholders' meeting – place of meeting

Notices to attend shareholders' meetings are given by way of a notice placed in a gazette authorized to receive legal announcements in the location of the registered office and within the legal deadlines.

The notice to attend will be renewed by standard letter sent to shareholders who have held registered shares for at least one month prior to the date of publication in the above journal.

One notice to attend the meeting has been given, and until the 5th day inclusive prior to the meeting, all shareholders holding registered shares may ask the company to send them, at the address they indicate, all the documents and information hereafter:

- a proxy form;
- the agenda;
- all other documents scheduled by the laws and regulations in force.

The company shall send the above items at its expense.

If the meeting is unable to validly deliberate after the first notice to attend, a further notice to attend will be issued, with the notices or letters of attendance setting out the agenda and the dates and results of the previous meeting(s).

The shareholders' meeting is held at the registered office, or at any other place indicated in the notice to attend.

Article 30 – Period of notice for attendance

Regardless of the meeting's form, the minimum time periods between the publication of the notice to attend and the meeting itself is fifteen clear days for the first notice, and six clear days for subsequent notices.

Article 31 – Quorum of the shareholders' meeting

At ordinary or extraordinary shareholders' meetings, the quorum is calculated on the basis of all the shares comprising the share capital.

In order to validly deliberate, the shareholders' meeting must bring together:

1. the ordinary shareholders' meeting: on first notice to attend, one-quarter of the shares; on second notice to attend, no quorum is required;
2. the extraordinary shareholders' meeting: on first notice to attend, one-half of the shares; on second notice to attend, one-quarter of the shares; on extension of the second notice to attend, also one-quarter of shares.

By way of exception, when the extraordinary shareholders' meeting decides on a capital increase by incorporation of reserves or profits, it deliberates validly according to the quorum conditions of the ordinary shareholders' meeting.

Article 32 – Majority – Voting potential

The deliberations of the ordinary shareholders' meeting are taken by a majority of the votes of those shareholders present or represented.

To be valid, the deliberations of the extraordinary shareholders' meeting must achieve at least two-thirds of the votes of those shareholders present or represented.

However, when the extraordinary shareholders' meeting decides on a capital increase by incorporation of reserves or profits, it may deliberate according to the majority conditions of the ordinary shareholders' meeting.

Each share entitles its holder to one vote. A shareholder may represent one or more other shareholders.

Article 33 – Access to the shareholders' meeting – Representation of shareholders

In order to attend or be represented at the shareholders' meeting, shareholders must be registered on the company's register at least three days prior to the meeting.

However, the convening authority may, as a general measure, shorten or remove the above time period.

Shareholders may be represented by an agent, provided that said agent is also a shareholder.

The proxy given by a shareholder must be signed by the shareholder and give their usual first and last names, residential address and capacity. It may designate by name a shareholder that will not be in a position to substitute. It may also be given by electronic signature in line with the regulatory requirements in force.

The mandate is granted for a single meeting, but it may be granted for two meetings – one ordinary, the other extraordinary – held on the same day or within a maximum period of seven days.

The mandate granted for a meeting is valid for successive meetings convened with the same agenda.

Members of the board of directors may also attend the shareholders' meeting.

Any shareholder may vote by correspondence using a form that they can have sent to them according to the conditions given in the notice to attend the meeting.

Article 34 – Attendance sheet

An attendance sheet is kept at each meeting.

The attendance sheet must be signed by all the shareholders present and agents.

It must be certified as accurate by the bureau of the meeting.

The powers given to agents must be attached to the attendance sheet.

The attendance sheet and the attached powers must be kept at the registered office.

Article 35 – Bureau of the Meeting

The shareholders' meeting is chaired by the Chairman of the board of directors or, in his absence, by the Vice-Chairman or the chief executive officer or a director appointed for this purpose by the board of directors.

Failing this, ultimately the meeting may elect its own Chairman.

If convened by the statutory auditors or the Liquidators, the meeting is chaired by one of the parties convening it.

Scrutineers take the form of the two shareholders present appointed for this purpose by the shareholders' meeting who accept this role.

The bureau composed in this way goes on to appoint a secretary who is not obliged to be a shareholder.

Members of the bureau are responsible for verifying, certifying and signing the attendance sheet, ensuring the proper conduct of discussions, resolving incidents during the meeting, and ensuring that the minutes are drafted.

At the request of any shareholder, their decisions may be submitted to the sovereign vote of the meeting itself.

Article 36 – Casting of votes

Voting takes place and votes are cast either by a show of hands, or by sitting or standing, or by roll call, as decided by the bureau of the meeting.

However a secret ballot may be requested:

- either by the convening authority;
- or by shareholders representing at least one-quarter of the share capital, provided that they made a written request to the authors of the notice to attend, at least three clear days prior to the meeting being held.

Shareholders have the option of voting by post.

Article 37 – Minutes of the deliberations of the meeting

The minutes of the deliberations of the meeting give the date and place of the meeting, the way in which the meeting was called, the agenda, the composition of the bureau, the number of shares taking part in the vote, the quorum achieved, the documents and reports submitted to the meeting, a summary of the discussions, the text of the resolutions put to the vote, and the result of the votes. It is signed by all bureau members.

The minutes are drafted in a special register held at the registered office.

Copies or extracts of the minutes of the deliberations of the shareholders' meeting to be produced in a court of law or elsewhere are authentic when they are signed by the Chairman of the board of directors, the chief executive officer, a director or the secretary of the meeting or lastly, after dissolution of the company, by a single liquidator.

Article 38 – Shareholder right of disclosure

In the fifteen days prior to the annual ordinary shareholders' meeting, the annual financial statements, along with all the documents which must by law be disclosed to said meeting, and the list of the shareholders, are held at the registered office for perusal by shareholders.

At any time of year, all shareholders may also read or copy, at the registered office, in person or by way of an agent, all the documents submitted to the shareholders' meetings over the previous three years, along with the minutes of these meetings, and all documents covered by the law in force.

Financial year – Profit – Reserves

Article 39 – Financial year – Annual financial statements

The financial year starts January 1 and ends December 31.

Regular accounts of company transactions are kept in accordance with commercial laws and customary practice. An annual statement of the company's asset and liability position is prepared and, as of December 31, an inventory of the company's assets and liabilities is drawn up, the income statement and the balance sheet respectively. The board of directors drafts a written management report on the company's position and its business.

The annual financial statements are kept at the registered office for the perusal of the statutory auditors before the ordinary shareholders' meeting, in line with the legal timeframe.

The board of directors' report on the transactions during the fiscal year and the company's position are kept for their perusal in line with the law.

The above financial statements must be drafted at the end of each fiscal year using the same forms and methods of assessment as those used in previous years. Any amendments must be approved by the ordinary shareholders' meeting to which the statements are submitted, in the light of the board of directors' report and the statutory auditors' report.

Article 40 – Determination and distribution of income

After appropriations are made to the legal reserve, if the financial statements of the fiscal year, as approved by the shareholders' meeting, express distributable income, the shareholders' meeting resolves to send it to one or more reserve accounts, which it assigns and employs, to carry forward or to distribute.

In the event of distribution, dividends will be deducted in priority from the profits of the previous fiscal year.

Upon recognition of the fact that it has reserves at its disposal, the shareholders' meeting may decide to distribute sums deducted from these reserves. In this event, the decision expressly sets out the reserve items from which said deductions are to be taken.

The shareholders' meeting that approves the financial statements for the fiscal year has the option of granting each shareholder, for all or part of the dividend distributed, the choice between payment in cash or in shares, in line with the legal provisions in force.

The board of directors may also decide to pay interim dividends by granting each shareholder the choice between payment in cash or in shares.

Extension – Transformation – Merger and Demerger – Dissolution – Liquidation

Article 41 – Extension – Consultation of shareholders one year prior to the end of the statutory term

At least one year prior to the company's expiration date, the board of directors must convene an extraordinary shareholders' meeting to decide whether or not the company's lifespan should be extended.

Failing this, any shareholder, regardless of the proportion of capital they represent, may request the appointment in court of an agent in charge of convening the shareholders' meeting to decide on this matter.

Article 42 – Transformation – Merger and Demerger

The company may absorb one or more other companies, or be absorbed by another company, or take part in the formation of a new company by way of a merger.

It may also contribute its assets in whole or in part to existing companies or take part in the formation of new companies with them.

Lastly, It may contribute its assets in whole or in part to new companies, by way of a demerger.

The operations referred to in the above paragraphs are governed by the laws and regulations in force.

Article 43 – Dissolution – Liquidation

Dissolution

At any time, the board of directors may propose the early dissolution of the company to the extraordinary shareholders' meeting.

In the event of losses, if shareholders' equity falls to below half of the share capital, then a meeting of the board of directors is held within four months after the approval of the financial statements that reveal this loss, in order to convene the extraordinary shareholders' meeting in order to decide whether to dissolve the company, or to immediately reduce its capital by an amount equal to that of the losses which could not be charged to reserves. In both cases, the resolution adopted by the extraordinary shareholders' meeting must be published in a gazette authorized to carry legal announcements, lodged with the registrar of the Commercial Court, and entered in the Trade Register.

The dissolution of the company does not automatically terminate the leases of the buildings used for its corporate business, including the residential premises attached to these buildings. If, in the event of assignment of the lease, the guarantee obligation binding the owner cannot be ensured under their terms, it may via interim order be replaced by any guarantee offered by the assignee or by a third party, which is deemed sufficient.

Liquidation

The company will fall into liquidation from the moment of its dissolution for any reason whatsoever.

The legal personality of the company will subsist for the purposes of liquidation until its closure.

During an ordinary shareholders' meeting, the shareholders appoint, whether from their number or not, one or more liquidators whose functions they determine and whose compensation they set; the directors may be appointed as liquidators.

The appointment of the liquidators brings to an end the powers of the board of directors; it does not bring to an end the mission of the statutory auditors.

The ordinary shareholders' meeting may dismiss the liquidator(s) in office, appoint new members, approve their financial statements and discharge them, renew the powers of the statutory auditors or appoint new ones.

The shareholders' meeting is convened by the liquidator(s); the meeting is chaired by the liquidator or, if there are more than one, by the oldest of those present; failing this, the meeting shall appoint its own Chairman.

During the liquidation period, the shareholders may disclose the corporate documents in the same conditions as previously.

Within three months of the end of each fiscal year, the liquidator drafts the inventory, the income statement, the balance sheet and a written report in which it relates the liquidation operations during the past fiscal year.

Shareholders are called to attend an ordinary shareholders' meeting at least once per year, at the latest within six months of the end of each fiscal year, to examine the liquidator's statement and to set, with said party's consent, the amount of available funds that may be distributed.

The liquidator, or each of them if there are more than one, represents the company and is afforded the broadest powers to realize the assets by tender or amicably, as advised, to pay creditors, to continue ongoing business, and even to undertake new business for the purposes of liquidation.

Any internal restrictions placed on the powers of the board of directors and the Chairman of the board of directors in their dealings with the company are not upheld with regard to the liquidators.

After extinguishing the liabilities and liquidation costs, the net proceeds of the liquidation are used to refund the released, unamortized amount to shareholders of the shares they own; any surplus is distributed among the shareholders in proportion to the number of shares held by each of them.

The ordinary shareholders' meeting is convened once the liquidation is complete to approve the final financial statements, to grant discharge to the liquidators' management, and to record the completion of the liquidation.

Disputes

Article 44 – Disputes – Election of domicile

Any disputes that may arise during the life of the company or its liquidation, whether between the shareholders, the members of the board of directors and the company, or between the shareholders themselves, with respect to business matters, will be judged in accordance with the law, and subject to the jurisdiction of the competent courts of the registered office; to this end, in the event of a dispute, any shareholder is required to elect domicile within the jurisdiction of the registered office, and all assignments and service shall be made in a regular manner to that elected domicile regardless of the actual domicile; in the absence of an address for service, assignments and service shall be validly made to the Public Prosecutor's Office of the Public Prosecutor of the French Republic at the High Court of the registered office.

Article 45 – Publications

To enable the company's publications wherever necessary, all powers are given to the bearer of a dispatch, an original or an extract of these articles of association, the minutes of the deliberations of the constitutive meeting, and all other documents that may be required.

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transformations

9

ADDITIONAL INFORMATION

9.1 DOCUMENTS AVAILABLE TO THE PUBLIC

During the validity of the registration document, the following documents (or copy of these documents) can be viewed:

Electronically on BFCM's website

http://www.bfcm.creditmutuel.fr

- Historical financial information of the BFCM and Crédit Mutuel Alliance Fédérale for each of the two fiscal years preceding the publication of the registration document.
- This registration document and those of the two previous fiscal years.

Regarding physical media

- The issuer's charter and articles of association.
- All reports, letters and other documents, historical financial information, valuations and statements prepared by an expert at the request of the issuer, a part of which is included or referred to in the registration document.
- The historical financial information of the subsidiaries of the BFCM for each of the two financial years preceding the publication of the registration document.

By sending a request by mail to:

Banque Fédérative du Crédit Mutuel

Legal Department

4, rue Frédéric-Guillaume Raiffeisen

67913 STRASBOURG Cedex 9

9.2 INFORMATION OFFICER

Mr. Alexandre Saada

Deputy chief executive officer of the BFCM

Email: alexandre.saada@creditmutuel.fr

Mrs. Annie Gain

Financial Director of Crédit Mutuel Alliance Fédérale

Email: annie.gain@creditmutuel.fr

9.3 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Mr. Daniel Baal,

Chief executive officer of the Caisse Fédérale de Crédit Mutuel.

Declaration by the person responsible

After having taken all reasonable measures to that effect, I hereby declare that, to the best of my knowledge, the information contained in this registration document is accurate and contains no omissions that could adversely affect its scope.

I hereby declare that, to best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the company and all subsidiaries included in the scope of consolidation, and that the management report (the correspondence table indicates the content on pages 548 to 550), is an accurate table of the changes in the business, results and financial position of the company and all the subsidiaries included in the scope of consolidation as well as a description of the main risks and uncertainties which they face.

I have obtained a completion letter from the statutory auditors Ernst & Young et Autres and Pricewaterhouse Coopers France, in which they state that they have audited the financial position and financial statements in this document and have read the entire document.

Strasbourg, April 18, 2019

9.4 STATUTORY AUDITORS

Principal statutory auditors

Ernst & Young et Autres, member of the (Regional Association of Auditors of Versailles) Compagnie Régionale de Versailles – represented by Mr. Hassan Baaj – 1-2, place des saisons 92400 Courbevoie Paris la Défense 1.

Start date of first term of office: September 29, 1992.

Current term of office: 6 fiscal years with effect from May 11, 2016.

Renewal: the shareholders' meeting of May 11, 2016 renewed the term of office of the Ernst & Young et Autres firm as principal statutory auditors for a period of six years, i.e. until the end of the shareholders' meeting called to rule on the financial statements of fiscal year 2021.

PricewaterhouseCoopers France, member of the Compagnie Régionale de Versailles – represented by Mr. Jacques Lévi – 63, rue de Villiers 92200 Neuilly-sur-Seine.

Start date of first term of office: May 11, 2016.

Current term of office: 6 fiscal years with effect from May 11, 2016.

The shareholders' meeting of May 11, 2016 appointed Pricewaterhouse Coopers France, principal statutory auditors for a period of six years, i.e. until the end of the shareholders' meeting called to rule on the annual financial statements of fiscal year 2021, for the company and consolidated financial statements, by replacing KPMG Audit whose term of office is about to expire.

Alternate statutory auditors

Cabinet Picarle & Associés, Jean-Baptiste Deschryver.

9.5 CROSS-REFERENCE TABLE OF THE REGISTRATION DOCUMENT OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

In order to facilitate the reading of the registration document, the following cross-reference table refers to the main items required by annex 1 of European regulation No. 809/2004 issued pursuant to the so-called "Prospectus" directive.

Pursuant to Article 28 of European Regulation No. 809-2004 on prospectuses and Article 212-11 of the AMF General Regulations, the following items are included by way of reference:

- the consolidated financial statements, management report as well as the statutory auditors' reports on the consolidated financial statements as of December 31, 2017, presented respectively for the Crédit Mutuel CM11 group on pages 112 to 169, 68 to 111 and 170 to 171 of the registration document of the Crédit Mutuel CM11 group -2017 fiscal year, registered with the AMF on April 20, 2018 under number D.18-0354;
- the consolidated financial statements, management report as well as the statutory auditors' reports on the consolidated financial statements as of December 31, 2017, the extract of the annual financial statements including the management report for the fiscal year ended December 31, 2017 presented respectively for the Banque Fédérative du Crédit Mutuel on pages 274 to 331, 251 to 272, 332 to 333 and 338 to 368 of the registration document of the Crédit Mutuel CM11 group – Fiscal year 2017, registered with the AMF on April 20, 2018 under number D.18-0354;
- the consolidated financial statements, management report as well as the statutory auditors' reports on the consolidated financial statements as of December 31, 2016, presented respectively for the Crédit Mutuel CM11 group on pages 114 to 189, 64 to 113 and 190 to 191 of the registration document of the Crédit Mutuel CM11 group – Fiscal year 2016, registered with the AMF on April 28, 2017 under number D.17-0479;
- the consolidated financial statements, management report as well as the statutory auditors' reports on the consolidated financial statements as of December 31, 2016, the extract of the annual financial statements including the management report for the fiscal year ended December 31, 2016 presented respectively for the Banque Fédérative du Crédit Mutuel on pages 286 to 361, 255 to 285, 362 to 363 and 366 to 405 of the registration document of the Crédit Mutuel CM11 group – Fiscal year 2016, registered with the AMF on April 28, 2017 under number D.17-0479.

The following table of contents identifies the principal information required in the annual financial report stipulated by Article L.451-1-2 of the French Monetary and Financial Code and by Article 222-3 of the AMF General Regulations.

GLOSSARY

This glossary lists some of the technical terms and abbreviations in this document. The list is not comprehensive.

A

ABCP Asset-Backed Commercial Paper Money market security whose payments are derived from cash flows from a pool of underlying assets. ABCP conduits: off-balance sheet securitization vehicles used to finance a variety of bank assets through commercial paper with maturities of less than one year.

ABS Asset-Backed Securities Securities representing a pool of financial assets, excluding mortgage loans, whose cash flows are derived from the underlying asset or pool of assets.

Account unit (insurance) In a life insurance policy, this is the type of investment in securities chosen by the subscriber.

ACPR *Autorité de contrôle prudentiel et de résolution* French prudential supervision and resolution authority for the banking and insurance sectors.

Add-on[2] Additional requirement.

Administrative expenses See General Operating Expenses.

AERAS Agreement[3] AERAS is an acronym for "*s'assurer et emprunter avec un risque aggravé de santé*" which translates into English as "Insure and Borrow with an Aggravated Health Risk". It was signed in July 2006 and replaced the Belorgey agreement, signed in September 2001, between the government, banks, insurance companies, and consumer and patient associations to facilitate access to insurance and credit for people with an increased health risk.

AFS Available-for-sale.

AGIRC *Association générale des institutions de retraite des cadres* Pension plan for executives.

A-IRB Advanced Internal Rating-Based Approach Institutions provide internal estimates for all parameters. This approach requires historical data with a large enough statistical base to calculate the value of the parameters.

ALM Asset and Liability Management Set of management techniques and tools to measure, control and analyze the overall on- and off-balance sheet financial risks (mainly liquidity risk and interest rate risk).

AM Asset Management.

AMA Advanced Method Approach Optional approach requiring individual authorization by the regulator. The institution's request must be submitted as a formal application for authorization. In the absence of authorization to use the advanced approach, regulated institutions apply the standardized or even basic indicator approach. The latter may therefore be considered the standard procedure applicable by default.

AMAFI *Association française des marchés financiers* French association of financial market professionals in France. AMAFI's members are mostly investment firms, credit institutions and market infrastructure operators.

AMF *Autorité des marchés financiers* French Financial Markets Authority.

AML-CTF Anti-money laundering and counter-terrorist financing.

ANI National Interprofessional Agreement Concluded between the management and unions on January 11, 2013, this agreement modifies the employment rights of employees and employers. The agreement provides for advances on employee rights, such as universal access to a group insurance plan, and imposes stricter conditions for the use of precarious work (such as by taxing short fixed-term contracts). For the insurance business line, with respect to access to supplemental coverage of health-care costs: funding for this insurance plan is divided evenly between employees and employers. The agreements negotiated entered into force at the affected companies no later than January 1, 2016.

AQR Asset Quality Review The EBA has recommended that national supervisors coordinate the bank asset quality reviews with the timetable for the European stress test exercise. The asset quality reviews will verify that assets have been classified and properly valued to remove any remaining doubts as to the quality of European banks' balance sheets. This work was completed prior to the stress test exercise.

Arbitrage On a market, a transaction involving the sale of a security, financial product or currency to buy a different one. For a life insurance policy, a transaction that involves transferring some or all of the savings from one vehicle to another. Arbitration Legal term for a form of alternative dispute settlement. The resolution of a dispute is referred to a third party, the arbitrator, who is selected by the parties and whose decision is binding thereon (as opposed to mediation).

ARC *Atténuation du risque de crédit* Credit risk mitigation. See CRM.

ARRCO *Association pour le régime de retraite complémentaire des salariés* Supplemental pension plan for employees.

AT1 Additional Tier 1 Perpetual debt instruments, with no incentive or obligation to redeem (in particular step-ups in interest rates). AT1 instruments are subject to a loss absorption mechanism which is triggered when the CET1 ratio is below a minimum threshold of 6.375%. The instruments can be converted into shares or reduced in nominal value. Total payment flexibility is required: automatic payments are prohibited and coupon payments may be canceled at the issuer's discretion.

B

€B Billions of euros.

Back office Department responsible for the administrative and accounting functions required to make transactions.

Bail-in For the purpose of considering systemic risk, a bail-in involves converting subordinated debt into equity to absorb the institution's losses. It allows the authorities to force banks to recapitalize with private capital and not with public funds.

Banking book[2] Bank portfolio. All assets and off-balance sheet items not in the trading book.

Bank savings products Off-balance sheet savings outstandings held by our customers or held in custody (securities accounts, UCITS, etc.) – management data (group entities).

Basel I (the Basel Accords) Prudential framework established in 1988 by the Basel Committee to ensure the solvency and stability of the international banking system by setting an international standard minimum limit on the amount of equity of banks. It introduces a minimum ratio of capital to total risks borne by the bank of 8%.

Basel II (the Basel Accords) Prudential framework for better assessment and limitation of the risks borne by credit institutions. It has three complementary and interdependent pillars: – Pillar 1, core minimum capital requirements: addresses the minimum capital required for credit, market and operational risk; – Pillar 2 institutes the principle of a supervisory review process; – Pillar 3 is focused on market discipline. It sought to improve banks' financial transparency by requiring that they disclose the information third parties would need to understand their capital adequacy.

Basel III (the Basel Accords) In 2009, the Basel Committee announced several series of measures to reinforce financial regulation and supervision. New rules were published to reinforce Basel II on prudential coverage of market risks and securitization transactions, risk management under Pillar 2, transparency under Pillar 3.

Basel Committee Forum where banking supervision topics are regularly (four times a year) discussed. It meets at the Bank for International Settlements in Basel.

BCBS 239 Basel Committee on Banking Supervision In January 2013, the Basel Committee issued its "*principles for effective risk data aggregation and risk reporting*" to enhance banks' ability to aggregate their risk data. These principles cover systemic banks (G-SIBs). The directive consists of 14 principles including 11 for banking institutions (governance and infrastructure, risk data aggregation capabilities and risk reporting practices) and 3 for regulators (supervisory review, tools and cooperation).

BCE Banque Centrale Européenne.

Book Portfolio.

Bps Basis points.

Broker Stock market intermediary who buys and sells on behalf of his or her clients.

C

CAD Capital Adequacy Directive (minimum equity requirements) European Directive dated March 15, 1993 imposing capital requirements of investment firms and credit institutions. This directive formed part of the liberalization of European financial services.

Capital buffers Additional capital requirements in the banking sector under CRD 4. These four buffers aim to take into account stages of the economic cycle and macroeconomic or systemic risk. They are all fully composed of instruments eligible for CET 1. They are: 1) the capital conservation buffer, which applies to all banks and is mandatorily set at 2.5% of risk-weighted assets; 2) the countercyclical capital buffer, established in the event of excessive credit growth (in particular deviations of the credit/net banking income ratio); 3) the buffer for systemically important institutions, which aims to reduce the risk that big banks will fail by strengthening their capital requirements; and 4) the systemic risk buffer, which aims to limit long-term, non-cyclical macroprudential or systemic risks.

Cash Flow Hedge Hedge of the exposure to variability in the cash flows of a recognized asset or liability or of a highly probable forecast transaction and that could affect profit or loss.

CCF Credit Conversion Factor This is the ratio between (i) the unused amount of a commitment that could be drawn and at risk at the time of a default and (ii) the amount of the commitment not yet used. Under the standardized approach, the regulator determines this factor. Under the internal ratings-based (IRB) approach, the CCF is calculated by the bank based on a review of its own customers' behavior.

CCR Credit and counterparty risk Risk of loss due to the default of a counterparty. RWAs and capital requirements concerning the Credit and Counterparty Risk include the amounts related to the hedging of CVAs inherent to over-the-counter derivatives other than credit derivatives recognized as reducing RWAs for credit risk, as well as RWAs and capital requirements pertaining to contributions to the default fund of a central counterparty.

CDD *Contrat de travail à durée déterminée* Fixed-term contract.

CDI *Contrat de travail à durée indéterminée* Permanent contract.

CDS Credit Default Swap[2] Default hedging. Contract in which an institution that would like to protect against the risk of non-payment of a loan it holds makes regular payments to a third party in exchange for which it receives a predetermined amount should the default in fact occur.

CET1 Common Equity Tier 1 A component of Tier 1 capital consisting of share capital instruments and the associated share premiums, reserves, retained earnings and the general banking risks reserve. Total flexibility of the payments is required and the instruments must be perpetual.

CET1 ratio Ratio between Common Equity Tier 1 and assets weighted by risks, according to CRD4/CRR rules.

CGU Cash-Generating Unit The smallest group of identifiable assets whose cash flow is largely independent of the cash flows generated by other assets or groups of assets, in accordance with IAS 36.

CHF Swiss franc.

CHSCT Committee on health, safety and working conditions.

CIU Collective investment undertaking[2] Investment fund which pools the savings of a large number of investors in order to invest in marketable securities (shares, bonds, etc.) or in real estate (for OPCIs). These savings are invested by professionals (management companies) in a diversified manner in accordance with a stated strategy: investments in French, international or other equities, or in euro-denominated or foreign currency-denominated bonds, diversified investments in equities and bonds, etc. Fees are charged every year ("ongoing fees") for this professional management service. CIUs are subject to authorization by the AMF or another European authority.

Clearing A mechanism that enables banks and financial institutions that are clearing house members to carry out transactions. A transaction always has a debtor and a creditor. Clearing reflects the book entry in the accounts that gives effect to the transaction. The credit to the creditor's account is said to "clear" the debit from the debtor's account.

CLO Collaterialized Loan Obligations Securitization of loans of different sizes structured in multiple tranches.

CMBS Commercial Mortgage-Backed Securities Result from the securitization of commercial mortgages commonly issued on the US capital markets. It is a Mortgage-Backed Security (MBS) backed by commercial real estate assets.

CNIL *Commission nationale de l'informatique et des libertés* National Commission on Informatics and Liberty. Instituted by the law dated January 6, 1978, the French Data Protection Act. This is an independent administrative authority whose primary mission is to protect privacy and individual and public liberties.

Collateral A transferable asset or guarantee provided as a pledge to repay a loan if the beneficiary of the loan is unable to meet its payment obligations.

COREP COmmon solvency ratio REPorting Name of the prudential reporting promoted by the Committee of European Banking Supervisors (CEBS).

It is a decision common to all European banking supervisory authorities, covering the European solvency ratio (CAD3 = Capital Adequacy Directive 3), which is a transposition of the European legislation from the Basel II agreements. The aim was, in particular, to reduce the administrative burden on institutions operating in several European markets and to facilitate cooperation among the supervisory authorities. The harmonization of the financial (FINREP) and prudential (COREP) reporting, framework was approved by the CEBS. It is part of the necessary convergence of regulatory reporting, arising from implementation of new IFRS and the Basel II reform.

Cost/income ratio Ratio calculated using consolidated income statement items: ratio of general operating expenses (sum of the "General operating expenses" and "Movements in depreciation, amortization and provisions for property and equipment and intangible assets" lines on the consolidated income statement) to "IFRS net banking income".

Cost of known risks Net provisions on impaired assets (non-performing loans). "Impaired assets (S3)" line of the "Cost of risks" note attached to the consolidated financial statements.

Cost of unknown risks Introduced by IFRS 9, which imposes a new impairment model based on the principle of provisioning all or part of the expected losses, meaning a statistical provisioning when the loan is granted. Lines "12-month expected losses (S1)" +"expected losses at termination (S2)" of the "Cost of risks" note attached to the consolidated financial statements.

Country risk/Sovereign risk Sovereign risk concerns only commitments made with regard to a state or any entity related or equivalent to the state. It differs from country risk, which encompasses the risk exposure associated with any type of private and/or public counterparty in a single country.

Covered bonds Simple securitization instruments. These secure bonds are comparable to traditional bonds. They differ in that they offer protection in the event of the bond issuer's insolvency: covered bonds are backed by a pool of assets, allowing payments to be made to bondholders. Covered bonds are usually backed by mortgages or public sector (local government) debt.

CRBF *Comité de réglementation bancaire et financière* Banking and Financial Regulatory Committee. This committee's mission is to specify, "within the scope of the guidelines defined by the government and subject to the powers of the *Comité de la réglementation comptable* [French accounting regulation committee], the general requirements applicable to credit institutions and investment firms."

CRD Capital Requirement Directive European Directive on regulatory capital.

CRD 4 European Directive that transposes the proposals of the Basel III Accords, which define the rules for bank capital. More specifically, it provides a harmonized definition of capital, proposes rules on liquidity, and seeks to address pro-cyclicality.

Credit and counterparty risk See CCR.

Credit default swap (CDS) Bilateral financial contract by which a buyer of protection periodically pays a premium to a seller of protection who promises to compensate the losses on a reference asset (sovereign debt or security from a financial institution or company) in case of a credit event (bankruptcy, payment default, moratorium or restructuring). It is an insurance mechanism against credit risk.

CRM Credit Risk Mitigation Mitigation of credit risk by taking into account real securities, personal sureties and credit derivatives, or clearing or novation mechanisms.

CRR (under Pillar III) Capital Requirement Regulation European Capital Requirements Regulation (like CRD 4), which aims to stabilize and strengthen the banking system by forcing banks to set aside more capital, including high-quality capital, to mitigate the effects of crises.

CSR Corporate Social Responsibility The concept of CSR as a whole ("overall responsibility") means all the economic, social, societal, environmental and governance commitments made by a public or private organization, in the most concerted and open way possible, to implement an integrated sustainable performance strategy that is relevant and has a motivating impact on its shareholders, members, customers and employees and on the regions in which it operates.

Currency risk Risk to which the bank is exposed when it holds an asset or liability in a foreign currency, due to exchange rate fluctuations.

Customer funds invested in group savings products Sum of bank deposits, insurance savings products and bank savings products.

CVA Credit Valuation Adjustment Adjustment of the value of credit. Accounting adjustment, introduced by the IAS 39 standard, on the fair value of over-the-counter derivatives (rate swaps, collateralised or not…). The adjustment involves incorporating a discount equal to the market value of the counterparty default risk into the valuation of products. Technically, this means measuring the difference between the risk-free value of an OTC trading book in the absence of default risk and its value taking into account potential counterparty default. The CVA is reflected in the accounts with a provision to protect against statistically expected losses. Over time, these provisions change along with the exposures (new contracts, expired contracts) and the credit quality of the counterparties. In prudential terms, CRD IV introduced a capital requirement for the CVA in January 2014. This requirement is intended to cover unexpected losses resulting from significant changes in the CVA related to sharp and rapid deteriorations in the credit quality of the counterparties (significant increases in credit spreads). These scenarios are not absorbed in the calculation of the above-referenced CVA provision.

D

Delegated Act Format The delegated acts procedure allows the European parliament to delegate to the European Commission the power to adopt non-legislative acts of general application to supplement or amend certain non-essential elements of a legislative act.

Deposits The "Amounts due to customers" line on the liabilities side of the consolidated balance sheet.

Derivatives Financial instruments whose value depends on an underlying commodity or marketable security, such as oil or grain prices, for example, or interest rates and monetary developments. They may be used in different ways, including as insurance against certain risks or for investment or speculative purposes.

Desk Each desk on a trading floor specializes in a particular product or market segment.

Downgrade/upgrade Rating downgrade: a worsening of the rating – Rating upgrade: an improvement to the rating.

DSS Deeply Subordinated Notes are those with the following characteristics: permanence: the securities must be of an indeterminate period, and cases of early repayment must be at the sole initiative of the issuer or prohibited; subordination: in case of liquidation, the redemption of the securities is subordinate to the repayment of all other loans; conditional payment of interest: it must be specified that, under certain conditions such as non-payment of a dividend to shareholders of the company, the payment of coupons is left to the full discretion of the issuers or the regulator; such non-payment must not be considered as a case of default, but as cancellation of interest without any postponement of the unpaid interest (non-cumulative interest). Furthermore, this non-payment is mandatory if a payment is likely to jeopardize the company's compliance with its prudential requirements. Clauses on increased interest (step-up clauses) are prohibited; mechanism for interest revision in the event of losses: the notes must allow the issuer, in addition to the non-payment of interest, to absorb losses through a reduction in the nominal value of the notes, so it can continue to operate.

DVA Debt Valuation Adjustment Accounting adjustment in the form of a provision, introduced in January 2013 by IFRS 13, for the fair value measurement of OTC derivatives. It matches the CVA provision in that it is an adjustment which aims to reflect the bank's own credit risk that it inflicts on its counterparty. The amount of the DVA, an adjustment to one of the bank's financial liabilities, corresponds overall to the CVA recognized as an asset by the counterparty with which the derivative contract has been made. The methods for calculating the DVA provision mirror those used to determine the CVA provision and therefore depend on the bank's own credit factors, i.e., its probability of default, market spread, recovery rate in the event of default, etc. Unlike the CVA, the risk reflected by the DVA is not subject to capital requirements.

E

EAD Exposure At Default Likely amount of exposure at risk at the time of default. This concerns the institution's on and off-balance sheet exposures in the event of counterparty default. Off-balance sheet exposures are converted to a balance sheet equivalent using internal or regulatory conversion factors.

EBA European Banking Authority European supervisory authority that replaced the Committee of European Banking Supervisors (CEBS). Its purpose is to promote harmonized and more reliable European standards. It has even more powers than the committee that preceded it (CEBS) because it may take priority over national supervisors in case of a situation of urgency. In addition to the new stress tests, the EBA must ensure application of new international solvency and liquidity standards.

EBCP Emergency and Business Continuity Plan In its order dated November 3, 2014 relative to the internal control of companies in the banking sector, payment services and investment services subject to the control of the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority), article 10 defines the EBCP as all measures aiming to ensure, according to various crisis scenarios, including external shocks, the maintenance, temporarily where applicable according to a degraded mode, of the provision of services or other essential or important operational tasks of the subject company, then the planned resumption of business while limiting its losses.

EFP Capital requirement Its amount is obtained by applying a rate of 8% to the weighted risks (or RWAs).

EL Expected Loss Loss expected in the event of default. It is determined by multiplying exposure at default (EAD) by probability of default (PD) and by loss given default (LGD).

EMTN Debt security generally maturing in 5 to 10 years. These securities may have very different characteristics depending on the issuance programs, including more or less complex arrangements in terms of remuneration or guaranteed capital.

Eonia Euro OverNight Index Average The daily benchmark rate for unsecured (i.e., not backed by securities) interbank deposits made overnight in the eurozone.

ESR European Solvency Ratio.

ETF Exchange Traded Funds[1] Funds that reproduce the changes in an index. When investors buy an ETF, they are exposed to rises and falls in the securities that make up the index in question without having to buy them. An ETF can be bought or sold on the exchange throughout the trading day just like "traditional" shares. ETFs are subject to approval by the AMF or another European authority.

ETI *Entreprise de taille intermédiaire* Medium-sized entities.

EU European Union.

EUR Euro.

Euribor Euro Interbank Offered Rate Inter-bank rate offered in euros; Euro area monetary market reference rate.

European Securities and Markets Authority "ESMA" One of the new European supervisory authorities which constitute, with the national supervisory authorities, the European financial supervision system.

Expected Loss See EL.

F

FACTA Foreign Account Tax Compliance Act Law on the tax compliance of foreign companies, voted on March 18, 2010. It came into force in July 2014.

Fair value Market value. Price at which an asset can be sold if there is an open and active market for trading the asset.

Fair Value Hedge Hedge of exposure to changes in the fair value of a financial instrument that is attributable to a particular risk and could affect profit or loss.

FATF Financial Action Task Force Intergovernmental body created in 1989 by the ministers of its member states. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

FBF *Fédération bancaire française* French banking federation. Trade organization of all banks in France.

FCPR *Fonds commun de placement à risque* Venture capital fund.

FED Federal Reserve System US central bank.

Financial Stability Board (FSB) Organization created in 1999 at the initiative of the G7 under the name of Financial Stability Forum or FSF. It groups 26 national financial authorities (central banks, finance ministries…), several international organizations and groups drawing up standards in the field of financial stability. It facilitates cooperation in the supervision and oversight of financial institutions. Its secretariat is hosted by the Bank for International Settlements in Basel.

FIP *Fonds d'investissement de proximité* Local Investment Fund. Created by the Dutreil law in 2003, it is a fund whose assets are made up of at least 70% of unlisted French SMEs from 4 neighboring regions and created less than 7 years ago.

Format US144A/program US144A Legal program to issue securities in USD. An issuer may use this type of program if it meets various requirements of the American supervisory authorities. After the issuer sends various elements, the supervisory authorities give their authorization, depending upon the characteristics specified, to an institution to use the program to issue in dollars on American territory.

FRA Forward Rate Agreement.

Front office Traders on the trading floor who handle market, foreign currency and interest rate transactions.

FRU *Fonds de Résolution Unique* Single Resolution Fund. Designed to help banks in difficulty to refinance themselves during the resolution phase, which consists of applying the plan approved by the Single Resolution Board and during which the bank in question no longer has access to the interbank market. The fund is not intended to recapitalize bankrupt banks, but to assist in the proper execution of the resolution plan.

FSB See Financial Stability Board.

FTE Full-Time Equivalent.

FVA Funding Value Adjustment Adjustment to the price of a financial product that accounts for funding costs. It concerns, in particular, trades in derivatives on the over-the-counter (OTC) market that are not hedged or imperfectly hedged and represents the Net Present Value (NPV) of the additional funding cost to hedge these trades. FVAs are reflected in the accounts with a provision. Unlike the CVA, the risk reflected by the FVA is not subject to capital requirements.

G

GAAP Generally Accepted Accounting Principles[2] Accounting standards in force in the United States, defined by the Financial Accounting Standards Board.

GBP British pound.

GDP Gross Domestic Product.

General Operating Expenses The sum of "employee benefits expense", "other operating expenses" and "Movements in depreciation, amortization and provisions for property and equipment and intangible assets". The terms "general operating expenses" and "operating expenses" are used interchangeably throughout the document.

Gross exposure Exposure before accounting for provisions, adjustments and risk mitigation techniques.

G-SIFIs Global Systemically Important Financial Institutions The 28 global systemically important banks; the list is updated every year.

H

Hedge funds (or arbitrage funds) Investment fund whose management objective is set in terms of absolute return. It seeks to obtain the maximum return on invested capital by using hedging, arbitrage and leverage techniques.

HQLA High Quality Liquid Assets.

Hybrid instruments Hybrid instruments are financial products that combine the characteristics of several types of securities. They are between the pure debt and the capital of a company. The funding represented by these hybrid securities is often called quasi-equity. For example, a convertible bond is a hybrid security, since the debt security that the convertible bond represents may be converted into an equity security.

Hybrid security Security that combines the characteristics of equity and debt (convertible bonds, equity notes, etc.).

I

IARD ***Incendie, accidents et risques divers*** Property and casualty insurance.

IAS International Accounting Standards.

Iboxx Index made up of bonds with a range of maturities.

ICAAP Internal Capital Adequacy Assesment Process Regulatory procedure for assessing whether banks have sufficient capital to cover all the risks to which they are exposed. The ICAAP must describe the procedures for calculating and stress-testing the institution's various risks. The supervisor approves the institution's ICAAP once a year.

IDA ***Impôt différé actif*** Deferred tax asset. This arises from timing or temporary differences between accounting expenses and tax expenses.

IDD Insurance Distribution Directive.

IFRS International Financial Reporting Standards Standards for international financial reporting. See IFRS standards.

IFRS standards International Financial Reporting Standards International standards for preparing financial statements established by the International Accounting Standard Board (IAS). These standards apply to all of the states that wish to adopt them (these are the states of the European Union). Unlike CNC *(Conseil national de la comptabilité)*, French national accounting board standards, which favor measurement of transactions at historical cost (acquisition cost), IFRS favor measurement of transactions at market value ("fair value").

IGRS ***Institution de gestion de retraite supplémentaire*** French supplementary pension management institution.

ILAAP Internal Liquidity Adequacy Assessment Process Regulatory procedure which can assess whether the situation of the institution is sufficient to cover the liquidity risk. The principle involves finding out the measures that the institution uses to control and mitigate this risk.

Impairment Accounting recognition of a probable loss on an asset.

Incremental Risk Charge (IRC) The Basel Committee sought to strengthen its framework by proposing that a standard be adopted to supplement the existing framework, with an "incremental" charge intended to cover the risks of default and of credit rating migration. The so-defined *Incremental Risk Charge* covers issuer risks (the issuer of a credit instrument, an underlying of a derivative, or a securitization vehicle) and not counterparty risk for market transactions that have in any case already been recognized.

Insurance savings product Life insurance outstandings held by our customers – management data (insurance company).

Interest margin It is calculated by the difference between the interest received and the interest paid: interest received = item "Interest and similar income" on the consolidated publishable income statement; interest paid = item "Interest and similar expenses" on the publishable consolidated income statement.

Interest rate cap[3] Ceiling rate or rate limit. Maximum upward change in the interest rate applicable to a loan if the contract so provides. This cap on the change in the interest rate is either set at a given value (*e.g.*, 5.20%) or determined through a formula such as benchmark or index rate + fixed portion (*e.g.*, initial rate +2%). The conditions for this cap (index, level, period, and terms and conditions) are defined in the contract and may also include a floor that limits a downward change in the rate. Combining an interest rate cap and floor creates an interest rate collar.

Interest rate floor Interest rate floor.

Interest rate risk Defined as the exposure of a bank's earnings to fluctuations in interest rates. As the value of an institution is directly related to its earnings, changes in interest rates also mean changes in its asset value with an impact on the balance of on- and off-balance sheet items.

Intermediation risk Risk to investment services providers that provide performance guarantees for transactions in financial instruments.

Investment grade Long-term rating assigned by an external agency ranging from AAA/Aaa to BBB-/Baa3 for a counterparty or an underlying issue. A rating of BB+/Ba1 or below signifies a Non-Investment Grade instrument.

IRB Internal Rating-Based Regulations have established a standard rating system but each institution may develop its own internal rating system. The system must allow for a rigorous and honest assessment of the characteristics of the debtors, for differentiation and for a relevant quantification of the related risks.

IRBF Internal Rating Based Foundation Institutions provide internal estimates of Probabilities of Default (PDs). The other parameters are still specified by the regulators.

ISR ***Investissement Socialement Responsable*** Socially Responsible Investment. In France, socially responsible investment is generally characterized as a process of selection, by portfolio management companies, of securities composing their portfolios, that takes into account, as well as financial criteria, the environmental, social/societal and governance practices of the company. This management is ideally accompanied by dialogs with the management companies and the active exercise of the voting rights attached to the securities.

Itraxx Credit derivatives market. It consists of the most liquid names in the European and Asian markets.

K

KRI Key Risk Indicators The "key indicators on operational risks" are one of the key elements in the internal modeling methods (Advanced Measurement Approach) implemented by banks. They are identified through risk mappings conducted in advance. The indicators must be data that are objective, quantifiable and continuously monitored. Each indicator has a threshold above which systematic actions are triggered. The indicators must be reviewed periodically as their relevance depends on the effectiveness of the risk control measures put in place.

L

L&R Loans and Receivables.

LBO Leveraged Buyout.

LCR Liquidity Coverage Ratio Ratio showing liquidity at one month. See LCR ratio.

LCR ratio Liquidity Coverage Ratio Short-term, 30-day ratio that requires banks to continuously hold enough high-quality liquid assets to bear an acute crisis for 30 days. This monthly ratio is one of the provisions of Basel III.

Leverage/leveraged financing Debt financing.

Leverage ratio (LR) This is the ratio of regulatory Tier 1 capital to accounting on- and off-balance sheet items, after certain items are restated.

LGD Loss Given Default Ratio of a loss in the event of default expressed as a percentage of EAD: ratio between the loss suffered on an exposure in case of default of a counterparty and the amount of the exposure at the time of default.

Libor London Interbank Offered Rate[3] London interbank rate.

Liquidity For a bank, it is the ability to cover its short-term payments due. A market or security is liquid when transactions (buy/sell) can be carried out seamlessly, without sharp price fluctuations, due to high trading volumes. A "liquid" market is therefore a market in which it is easy to sell at a price close to the quoted price.

Liquidity buffer Buffer required to meet cash outflows assuming the markets are closed and there is no access to any liquidity.

Liquidity risk We can define liquidity as the ability of an institution to find the funds necessary to finance commitments at a reasonable price, at any time. Thus, a credit institution risks not being able to cope with its commitments due to a scarcity of financial resources or a risk of refinancing at a significantly higher price. Assets are less liquid than liabilities: if the credit institution is not sufficiently liquid, it may have to sell assets at a loss.

Loans/deposits ratio Ratio calculated from items on the consolidated balance sheet: Ratio expressed as a percentage of total lending to customers ("Loans and receivables due from customers" line on the assets side of the consolidated balance sheet) to customer deposits ("Amounts due to customers" line on the liabilities side of the consolidated balance sheet).

Loss Given Default See LGD.

Loss rate See LGD.

LTRO Long Term Refinancing Operation Refinancing operations the ECB offers to eurozone banks.

M

M&A Mergers and acquisitions.

M€ Millions of euros.

Market risk Risk related to capital markets and the volatility of markets (rates, foreign exchange, liquidity, counterparty), which presents a risk of loss on an instrument due to adverse movements in market prices, for the minimum period needed to liquidate the position (1 day, 1 month, etc.).

Mark-to-market Method that values an asset at its market value, as opposed to the "historical cost" valuation, in which the asset remains valued at its price on the date of purchase, even if its market value has changed in the interim.

Mark-to-model Valuation of a financial instrument at fair value based on a financial model, in the absence of a market price.

Mezzanine Form of financing that falls between equity and debt. In terms of rank, mezzanine debt is subordinate to "senior" debt but is senior to shares.

Micro-hedging Hedging of the interest-rate, foreign-exchange or credit risks of an asset portfolio on an asset-by-asset basis.

Mid-cap Medium-sized market capitalization.

MIF1/MIF2/MIFID2/MIFIR European Directive on the markets for financial instruments – came into force on November 1, 2007, this directive modifies the conditions under which savers make their financial investments. It makes it easier for banks and other investment firms to offer their investment services in the 27 EU countries. Customers benefit from appropriate protection mechanisms. They can therefore take advantage of new offer conditions. MiFID has been supplemented by MiFID 2: in order to address the weaknesses identified during the 2008 financial crisis and take into account the performance of the financial markets, the European Commission presented its proposals to revise the directive in October 2011. The new regulatory framework was adopted in May 2014 and published in the Official Journal of the European Union on June 12, 2014 with the aim of improving the safety, transparency and functioning of the financial markets and strengthening investor protection. It is composed of: – the directive 2014/65 EU dated May 15, 2014 on the markets for financial instruments (MIFID 2 Markets in Financial Instruments Directive which abrogates MIFID 1); – the regulation 600/2014 dated May 15, 2014 on the markets for financial instruments (MiFIR), which covers transparency aspects of the market in relation to the public and modifies the regulation 648/2012 dated July 4, 2012 on over-the-counter derivative products (known as the "EMIR" regulation).

Monte-Carlo method Simulation technique for statistically assessing the probability of realization of various financial decisions.

MREL Minimum Requirement Eligible Liabilities Minimum level of debts eligible for "bail-in" (MREL), in a credit institution. About 8% of liabilities according to the Bank Recovery and Resolution Directive, but which the national resolution authority will set on a case-by-case basis.

MRTs Material Risk Takers European Delegated Regulation no. 604/2014.

MRU *Mécanisme de Résolution Unique* Single Resolution Mechanism. Mechanism intended to avoid, or in any case manage as well as possible, banking crises via: 1) setting up recovery and resolution plans by the banks, 2) early intervention powers, with the possibility of designating a special administrator, 3) the contribution of shareholders and holders of debt (Tier 1, Tier 2, or even senior) to the rescue of banks (principle known as Bail-In, which will nevertheless not be applied before 2018), 4) resolution powers harmonized at the European level.

N

NACE Code Classification of economic activities according to NACE nomenclature (Statistical classification of economic activities in the European Community).

NBI Net Banking Income.

Negotiable debt instruments Fixed-term investments maturing in between 1 day and 7 years. As the minimum unit amount of an investment is relatively high (€150,000), negotiable debt instruments are rarely purchased by individuals, but rather by large investors and collective investment organizations (UCITS). The following are categorized as negotiable debt instruments: – Certificates of deposit (CD); – Negotiable Medium-Term Notes (NMTN); – Commercial paper (CP); – Notes issued by specialized financial institutions.

Net customer loans The “Loans and receivables due from customers” line on the assets side of the consolidated balance sheet.

Net interest income See Interest margin.

Netting Netting systems are used to reduce the number of interbank settlements, the risks incurred on counterparties and the liquidity needs of participants.

New lending Amounts of new funds made available to customers – source: management data, sum of individual data for entities in the “Retail banking – Banking network” segment.

Non-performing loans ratio Ratio of non-performing loans (see note “loans and receivables to customers at amortized cost” of the appendix to the consolidated financial statements) and the gross end-of-period outstanding loans (see note “loans and receivables to customers at amortized cost” of the appendix to the consolidated financial statements: total loans and receivables to customers at amortized cost excluding impairment over performing loans and other impairments).

Non-performing receivables rate See Non-performing loan ratio.

NRE ***Loi sur les nouvelles réglementations économiques*** The French New Economic Regulations Law.

NSFR See NSFR ratio.

NSFR ratio Net Stable Funding Ratio One-year ratio of available stable funding relative to required stable funding. Sources of funding must cover applications of funding at a ratio of 100% over a one-year horizon. Amounts to be funded are weighted by their liquidity and sources of funding by their stability. This quarterly ratio is one of the provisions of Basel III.

O

OAT ***Obligations assimilables du trésor***[3] Fungible treasury bonds. Government bonds issued by Agence France Trésor (French Treasury). These listed bonds are called “fungible” because each new series (tranche) issued is linked to an already existing series with the same characteristics: interest rate, nominal value, maturity, repayment terms.

Obligation (security)[1] A bond is a portion of a loan issued by an issuer, i.e., a company, public-sector entity or national government. An investor in a bond becomes the lender and therefore the issuer’s creditor. In exchange for this loan, the investor generally receives interest paid periodically (the coupon). The capital (nominal amount) is in theory repaid at maturity. Reselling a bond before maturity may result in a gain or a loss.

OCI Other Comprehensive Income This corresponds to revenues, expenses, gains and losses and other similar items that contributed to an increase or decrease in equity but which are excluded from the income statement. It includes, among others, unrealized gains and losses on short-term investment securities recognized at fair value and unrealized foreign currency gains or losses.

OEEC ***Organisme externe d’évaluation du crédit*** External credit rating agency. An external credit assessment institution registered or certified in accordance with European regulations or a central bank that assigns credit ratings.

OPE ***Offre publique d’échange*** Public exchange offer[1]. Transaction in which an entity publicly announces to shareholders of a listed company (the target company) that it has agreed to acquire their securities. The entity offers to acquire the securities in exchange for existing securities or securities to be issued in the future.

Operating expenses See General Operating Expenses.

Operational risks Direct or indirect losses resulting from inadequate or failed internal processes, people and systems. This definition includes human error, fraudulent and malicious acts, failures of information systems, problems related to personnel management, commercial disputes, accidents, fires and floods. In the field of operational risks, the business of banks is divided between several fields or business lines: financial operations, market operations, retail banking, commercial banking, payments and settlements, processing of securities, asset management and brokerage. Three approaches are possible to calculate equity requirements associated with operational risk: – the basic approach: this is the simplest approach, in which the capital requirements pursuant to operational risk are equal to 15% of the average of NBI over three years; – the standard approach: The equity requirements are calculated based on NBI per business line weighted by the following coefficients: financial transactions (18%), market transactions (18%) retail banking (12%), commercial banking (15%), payments and settlements (18%), processing securities (15%), asset management (12%), brokerage (12%); – the advanced approach is based on an internal model that must be validated by the supervisory authority.

Option[1] Financial instrument which enables an investor to obtain the right, at a future date, to purchase (call) or to sell (put), a financial asset (share, bond, currency,…) at a price fixed in advance. An option is a risky product.

Options (types of) Binary options: 2 options possible at maturity (either the payment of an amount fixed in advance, or nothing); barrier options: options which may be created or canceled by the movement of the underlying asset above or below a barrier (limit value); – Asian option: generally, a contract entitling the holder to use the average price of an underlying asset as a reference while having a set strike price; – Lookback options: a purchase made based on a strike price corresponding to the minimum (maximum) price during the life of the option for a call (put).

OSTs ***Opérations sur titres*** Security trades.

OTC Over-The-counter An off-exchange market where buyers and sellers enter into transactions directly. This contrasts with an organized (on-exchange) market where transactions are carried out with the exchange. Transactions on an OTC market are often less standardized or take place within a more flexible regulatory framework. An over-the-counter market is less transparent than an organized market.

Overall non-performing loan coverage ratio Ratio between the impairments recognized as risk (S1/S2/S3) and the gross non-performing loans (See note “Loans and receivables to customers at amortized cost” of the consolidated financial statements): “Impairment of performing loans and other impairment/Gross values subject to individual impairment (gross loans and finance lease)”.

P

PACTE ***Plan d’action pour la croissance et la transformation des entreprises*** Action Plan for Business Growth and Transformation. French bill that aims to empower French businesses to grow and rethink their place in society.

PD Probability of Default Expressed as a % over a one-year horizon and calculated by the bank based on its observation of default rates over a long-term period. PD is calculated by type of borrower and type of loan.

Personal security Guarantee that pledges the personal assets of the person who has agreed to settle the debtor’s debt if the debtor defaults (*e.g.*, a security deposit).

Private equity Private equity.

Probability of Default See PD.

R

Rating Assessment by a financial rating agency (Moody's, Fitch Ratings, Standard & Poor's), the financial solvency risk of a national government or another public authority or of a given transaction: bond issue, securitization, etc. The rating has a direct impact on the cost of raising capital.

Rating agency Company that assesses the financial solvency risk of a company, bank, national government, local government (municipality *(commune)*, department *(département)*, region *(région)*) or financial transaction. The role of the rating agencies is to measure the risk of non-repayment of the debts that the borrower issues.

Recovery Rate Recovery rate.

Representative office[3] Office established by a bank in a foreign country where activity is limited to representation and information. This office may not carry out banking transactions.

Resecuritization Securitization that has underlying securitization positions, typically in order to repackage medium-risk securitization exposures as new debt securities.

Retail Retail banking.

Return on equity Net income attributable to the group as a percentage of opening shareholders' equity less dividends paid.

Risk weight Weighting of exposures that is applied to a specific exposure to determine the corresponding risk-weighted assets.

RMBS Residential Mortgage-Backed Securities.

RTT ***Réduction du temps de travail*** Reduction in working hours.

RWA Risk Weighted Assets Weighted risks = EAD x risk weight x LGD. In the standard method, the risk weight is fixed by the regulations. In the internal rating-based (IRB) method, it depends on the probability of default and expresses the unexpected losses: RWA = EAD x f(PD) x LGD 12.5 where f(PD) expresses the distribution of losses according to a normal distribution and a given confidence interval (the PD are calculated by the bank, but the loss distribution formula and the confidence interval are fixed by the regulations). It is these unexpected losses which must be covered by equity at 8%.

RW Risk Weight Weighted rate.

S

S&P Standard & Poor's.

S1/S2/S3 Status 1 – non-downgraded performing loans: provisioning on the basis of 12-month expected credit losses (resulting from default risks over the following 12 months) as from initial recognition of the financial assets, provided that the credit risk has not increased significantly since initial recognition; S2-Status 2 – downgraded performing loans: provisioning on the basis of the lifetime expected credit losses (resulting from default risks over the entire remaining life of the instrument) if the credit risk has increased significantly since initial recognition; and S3 – Status 3 – non-performing loans: category comprising the financial assets for which there is objective evidence of impairment related to an event that has occurred since the loan was granted; this category is equivalent to the scope of individually impaired loans under IAS 39.

SA (Standard) Standard approach of measuring credit risks as defined by the European regulations.

Samurai format/Samurai program Legal program for issuing JPY denominated bonds. An issuer may use this type of program if it meets various requirements of the Japanese supervisory authorities. After the issuer sends various elements, the supervisory authorities give their authorization, depending upon the characteristics specified, to an institution to use the program to issue in yen on Japanese territory.

SCPI ***Société civile de placement immobilier*** Real estate investment company.

Secondary market Market on which securities that have already been issued are traded, also known as the stock exchange.

Securitization Financial technique which consists of transferring to investors financial assets such as debt (for example, unpaid invoices or outstanding loans), by transforming this debt, through an *ad hoc* company known as a Special Purpose Vehicle, into financial securities issued on the capital markets.

Security interest in real property Guarantee that pledges specific property on which the creditor may collect payment if the debtor defaults. (*e.g.*, pledge on movable property or mortgage on real estate property).

Senior (security) Security benefiting from specific guarantees and priority repayment.

SEPA Single Euro Payment Area European framework following the changeover to euro coins and banknotes. SEPA offers a single set of means of payment in euros shared by all European countries. Thanks to these new European means of payment, consumers, companies, retailers and governments can make payments under the same conditions throughout the European area, as easily as in their own country.

Settlement-delivery[3] In the market, the settlement-delivery system organizes and secures the delivery of securities purchased (on which the transfer of ownership depends), habitually against payment, in accordance with the order given.

Settlement risk Risk that develops between the placement of an order, the timeline for settlement and the final receipt of the funds.

SFH ***Société de financement de l'habitat*** Housing finance company. Created by the law on banking and financial regulation promulgated on October 22, 2010, housing finance companies are credit institutions approved in the capacity of financial companies by the ACPR. SFH are subsidiaries of generalist banks and their exclusive objective is to grant or finance housing loans. To obtain financing, SFHs issue covered bonds called "Obligations de Financement à l'Habitat", OH, which are either backed by mortgages or guaranteed.

Share Represents a fraction of a company's capital. It is a title of ownership that grants a number of rights, including the right to share in the earnings generated by the company (dividends), attend shareholders' meetings and vote at such meetings. A share may be listed on the stock exchange but this is not always the case.

Short selling Technique used by investors who believe that the price of a marketable security will fall. They sell the security even though they do not yet own it, with the expectation that they will buy it later at a lower price to make a profit.

Small cap Small market capitalization.

SMEs Small and medium-sized enterprises.

Solvency risk Risk of not having sufficient capital to meet potential losses on loans, securities, etc. This risk may result from other risks.

Sponsor (in the context of securitization)[1] The sponsor is an institution, separate from the originator, which establishes and manages a program of asset backed commercial paper (ABCP) or any other operation, or securitization structure within which it purchases the exposures of third parties.

SPPI test Solely Payment of Principal and Interest The SPPI test makes it possible to classify financial instruments differently depending on whether or not the cash flows are made up solely of payments of principal and interest.

Spread The difference between the yield on the bond and the yield on a risk-free bond with the same maturity; the benchmark for the latter can be either the government bond rate or the swap rate.

SREP Supervisory Review And Evaluation Process The objective of the SREP is to ensure that entities have implemented adequate provisions, strategies, procedures and mechanisms and that they have sufficient capital and liquidity to ensure sound and prudent management of the risks they may face, in particular those identified by stress tests and systemic risks

SSM Single Supervisory Mechanism defined by Council Regulation EU 127-6 TFEU conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions. It is composed of the ECB and the competent national authorities of the participating member states: mandatorily those of the euro zone. For the others, it involves close cooperation on a voluntary basis. The single supervision is exercised in two ways under the responsibility of the ECB: – direct supervision by the ECB of "significant" institutions with the help of competent national authorities – supervision by the competent national authorities of "less significant" institutions under the control and within the context defined by the ECB.

The ECB and the Single Supervisory Mechanism exercise, in the euro zone, the prudential monitoring missions specified by the legislative texts of the EU relative to the ability to do business and the prudential monitoring of credit institutions.

Stressed Value at Risk (SVaR) It adjusts for the VaR procyclicality by applying scenarios that have been calibrated to a period of stress, and not just to the continuous 12-month historical observation period, to portfolio positions at a given calculation date.

Stress-test Stress tests of earnings and capital seek to assess a company's ability to withstand various crisis scenarios and an economic downturn. Pillar II of Basel II requires that stress tests be conducted.

Structured product Product designed by a bank to fulfill the requirements of its customers, consisting of a complex combination of options and swaps based on non-quoted parameters, using various techniques of financial engineering, including securitization. Its price is often determined through mathematical measurements that model the product's performance as a function of time and various market developments.

Subordinated note Security whose repayment ranks lower in priority than other claims if the issuer defaults

Subsidiary[2] A subsidiary is a seat of operations with no legal personality, established in a member state other than the one in which its registered office is located and by which a credit institution, an investment company, a payment institution or an electronic money institution offers a banking or payment service, or pays or issues and manages electronic money through a permanent presence in that member state.

Supervisory Risk Assessment In accordance with the regulations on the single supervisory mechanism (applicable from November 4, 2014), the European Central Bank, since November 2013, has implemented the Comprehensive Assessment. This exercise includes 3 phases, which are: assessment of the risks by the regulator (Supervisory Risk Assessment), Asset Quality Review (AQR) and a stress test. The 1st phase covers the key risks in bank balance sheets, including liquidity, leverage and funding. It relies on a quantitative and qualitative analysis based on historical and forward-looking information to assess the bank's intrinsic risk profile, its position relative to its peers and its vulnerability to a number of exogenous factors. This assessment is based on the analysis of 10 main categories of risk: business and profitability risk, credit risk, market risk, operational risk, interest rate risk, internal governance, liquidity risk, capital situation, risk of concentration and risk related to financial conglomerates. For each of them, the assessment gives a score both concerning the risk incurred and the internal control mechanisms established.

Swap Contract that is equivalent to swapping only the value differential.

T

Tier 1 ratio The ratio relates Tier 1 to the total risk-weighted assets.

Tier 1 capital This consists of Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital.

Tier 2 capital Tier 2 capital consists of subordinated debt instruments with a minimum maturity of 5 years. Incentives for early redemption are prohibited.

TLTRO Targeted Long Term Refinancing Operation Targeted Long Term Refinancing Operations are part of the ECB's monetary policy. TLTRO grant long-term loans to banks to encourage them to increase their lending (for TILTRO II) up to three times the net amount of the loans granted to non-financial private agents (excluding home mortages).

TMO ***Taux moyen obligataire*** Fixed-rate bond index.

TPE ***Très petites entreprises*** Microenterprises.

Tracfin ***Traitement du renseignement et action contre les circuits financiers clandestins*** Unit for intelligence processing and action against illicit financial networks. The anti-money laundering unit of the French Ministry of Finance.

Trading[1] Buy and sell transactions on various types of assets (shares, commodities, currencies…) intended to make a profit. Trading is generally done by a trader who buys and sells financial income from the trading floor of a financial institution.

Treasury shares Shares of its own stock held by a company, under share buyback programs and otherwise. Treasury shares have no voting rights and are not included in the earnings per share calculation.

TUP ***Transmission universelle de patrimoine*** Transfer of assets and liabilities.

U

UCITS Undertakings for Collective Investment in Transferable Securities.

Underlying asset[1] Financial asset (share, bond, etc.) on which an investment is based. The change in the value of the underlying determines the change in the value of the investment.

Unit-linked policies Unit-linked life-insurance policies are policies in which savings are invested in a variety of financial vehicles. These may be: shares or units in investment companies or funds (shares in SICAVs, units in mutual funds or SCPIs, units or shares in OPCIs, etc.). Their main advantage is that they offer a wide range of investments, allowing a variety of investment strategies for investors seeking diversity and performance. Through arbitrage, policyholders can change the allocation of their investments to the different units of account based on their investor profile and objectives and on the financial markets' performance. This differs from non-unit-linked single-product policies, which offer just one investment vehicle guaranteed by the insurer but do not diversify the holder's savings.

US144A See Format US144A.

USA United States of America.

USD US dollar.

V

Value at Risk (VaR)[2] VaR is defined as the maximum potential loss following an adverse change in market prices over a specified period of time and at a given level of probability (also called the confidence level). It is an aggregate and probabilistic measure of market risk.

Value exposed to risk (EAD – Exposure At Default) See EAD.

Volatility[3] Range of variation in the price of a security, fund, market or index over a given period. This degree gives an indication of the investment risk. The higher the degree of change, the greater the likelihood that the security, fund or index will undergo significant changes in the future.

(1) Source: https://www.amf-france.org/En-plus/Lexique
(2) Source: https://acpr. banque-france.fr/glossaire-acpr and notice relative to the procedures for calculating prudential ratios within CRD4.
(3) Source: http://fbf.fr/fr/secteur-bancaire-francais/lexique

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