ANNUAL REPORT 2017

Crédit Mutuel Nord Europe

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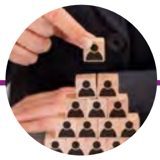

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CMNE GROUP FINANCIAL ORGANIZATIONAL CHART
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INTERVIEW WITH the Chairman and the Chief Executive Officer

Left: André Halipré, Chairman
Right: Éric Charpentier, Chief Executive Officer

How did CMNE perform in 2017 and what were the year's key events?

In an ever-changing world, our banking environment is becoming more complex every day. It has to address the exponential increase in digital usage, the proliferation of regulations, changes in customer behavior and the arrival of new players in the form of online banks, neo-banks and fintechs.

CMNE draws upon its innovative strength to carry out its transformation day by day. Its goal is to create a unique banking experience where digital tools go hand in hand with human advice. In this way, the Group seeks to reinforce its image as a modern bank while remaining true to its mutualist values and maintaining close ties to the region.

Financial strength

In 2017, the Group again posted strong results underpinned by non-recurring items. Our net banking income stands at €1.07 billion, down 5.2 % compared with the previous year, following the application of IFRS 5 to take into account the effects of the future merger of Nord Europe Assurance and Groupement des Assurances du Crédit Mutuel. Without this transaction, net banking income would be €1.267 billion and would have risen by 3.8 % compared with 2016 excluding the main non-recurring item, namely the capital gain on the sale of shares held by our Group in connection with the delisting of CIC shares.
Our consolidated net income of €253 million reflects the contribution of all the Group's entities.
With a CET1 ratio of 15.70 %, an improvement of 0.57 points compared to last year, and a still high solvency ratio of 19.85 %, the Group has confirmed its sound financial structure, allowing it to approach 2018 with a positive outlook.
In addition, the Group's regulatory capital continued to grow, reaching €3.362 billion, and net additions to/reversals from provisions for loan losses, falling from €21 million to €9 million, particularly in the Corporate segment. These results underscore the commitment and the significant efforts made by all those within the Group.

Business development

Our Group benefited from a more buoyant economic climate in 2017, despite the eroding impact of low market interest rates on margins. The local mutual bank network has expanded its business through consumer credit volumes and the sale of insurance and real estate products (AFEDIM, etc.). In Belgium, 2017 was a year of transition between two major projects for Beobank: the merger in 2016 of Beobank and Crédit Professionnel and preparing for the migration of its information system to the Group's system in October 2018. For its part, the Corporate division began the groundwork for the future integration of BCMNE into CFCMNE. This year of transition did not prevent strong sales growth, particularly in equipment leasing.
In addition to banking, the results of the other business lines attest to vibrant sales activity. The Insurance division had outstanding results in terms of premium income from unit-linked policies and the development of personal protection insurance. In Asset Management, La Française had record-breaking inflows during the year, which was marked by strong enthusiasm for REITs, the take-off of Moniwan, the first REIT digital distribution fintech, and the launch of real estate companies in our regions and as part of the Grand Paris project.

How are you dealing with changes in the banking model?

Changing customer behaviors

CMNE currently has 536 points of sale that serve 1.6 million customers in France and Belgium. In response to the reduction in footfall at branches, we have started to adapt our network to a "phygital" model, which combines visits to branches with remote connection. By bringing greater flexibility to our opening times and pooling our sales forces, we are steadily increasing our efficiency. This approach offers the best of human relationships and digital technology by encouraging an "augmented" relationship between the advisor and the customer.

Customer satisfaction

Crédit Mutuel took first place in the banking sector in the Podium de la Relation Client customer service rankings for the tenth time in 13 years, attesting to the relationship of mutual trust between Crédit Mutuel and its member-customers. We can be proud of this achievement, but we wanted to go even further, which is why we launched the SPOT project. SPOT is a large-scale initiative aimed at measuring the level of customer satisfaction across all channels and gathering feedback from customers in order to continuously improve the quality of our customer relations and service.

Transforming the businesses

Supporting the Bank's transformation means first of all supporting all of our staff in the businesses of the future and providing them with training. Nearly 88 % of our 4,440 employees attended at least one training course in 2017. To better cater to them, we opened a modern technological campus at Arras. In 2017, CMNE spent a total of 4.76 % of its payroll on continuing vocational training, an area of major importance for the Group. We also want to organize work in a way that is consistent with staff autonomy and accountability and to start discussions on new forms of work.

Wave of innovation

Our digital transformation, already well underway, continued in 2017. While also participating in community projects, we launched our own innovation initiative, "Cube by CMNE", which helps us drive innovative projects forward through business labs. This has led to the creation of apps and customer interfaces that are more user-friendly in terms of account opening (online forms, etc.), remote services (electronic signature, etc.) and product purchases (REITs). Together with our colleagues from Crédit Mutuel, we also launched Watson, the cognitive solution which gives advisors more time to focus on value-added services for customers by freeing them from repetitive tasks such as email analysis. In this way, we are enhancing our expertise in emerging technologies, while monitoring the security of data and the transparency of its use.

A committed local player

As a vehicle for mutualist values, CMNE reinforces its identity as a committed bank by actively participating in the development of the regions in operates in. Its CSR approach is consistent with its values.
Founded in 2013, CMNE's Corporate Foundation has established more than 185 partnerships in the areas of culture, training and mutual support since its launch. For example, it supported the "*Les Clowns de l'espoir*" project in the Nord region for children in hospital or "*À la bonne ferme*" in Oise to help homeless people get back into work. Cultural partnerships include the "*Musiques! Échos de l'Antiquité*" exhibition at the Louvre-Lens museum or "Street Generation(s)" in Roubaix. Finally, it provided a number of scholarships to increase access to two top universities in the regions.

And where do you see CMNE going in the future?

Acceleration of its transformation into a high-performance, responsible bank

In launching its "*Plus proches pour aller plus loin*" strategic plan in late 2015, CMNE's aim was to achieve a dynamic vision of its development, in which it is open to its environment and able to contend in a competitive banking environment. The first projects have been launched successfully.
In 2018, the Group will begin a project to update its medium-term plan, involving all of its entities, since the accelerating pace of change necessitates an in-depth review of the adjustments that need to be made to this plan, mid-way through its implementation.
The challenges that await us require the same response: to be more competitive and ever more efficient and to seize opportunities to develop a more agile, inventive and responsive banking model through digital technology.
More generally, we must continue to focus on customer relations and give priority to societal themes where we can provide tailored solutions such as real estate and housing. In this way, we will be able to combine performance and responsibility in serving our customers and regions.

2017

“Towards a new banking model that is open to digital technology and combines proximity and performance”

DIGITAL TECHNOLOGY - A VITAL INGREDIENT IN CUSTOMER SATISFACTION

IN RESPONSE TO DIGITAL DEVELOPMENTS, THE BANKING SECTOR IS PROVIDING GREATER EXPERTISE AND VALUE ADDED TO INCREASINGLY CONNECTED AND MOBILE CUSTOMERS WHO DEMAND INNOVATIVE BANKING AND FINANCIAL SERVICES.

Among the key emerging trends in banking are automated dialog and customer interaction systems also known as chatbots.

Cognitive intelligence enhances interactive digital experiences by helping implement more intuitive user interfaces, improving assisted interactions with customers, and providing more targeted advice and robot-based process automation while strengthening data security.

Customer behavior-based data, which is constantly expanding, can be used for concrete operational purposes, helped by the centralization of data and more refined customer segmentation.

It facilitates personalized communication and in doing so ensures greater customer satisfaction.

AT CMNE

Communication is enhanced through the adaptation of the cmne.fr website, the launch of the blog, the newsletter, the advice section and the project area.

More fluid customer interfaces and a large number of functions are available on the apps, including standard personal loan applications, access to *Passeport Crédit* revolving credit, auto insurance quotes or property and casualty and comprehensive homeowners insurance claims.

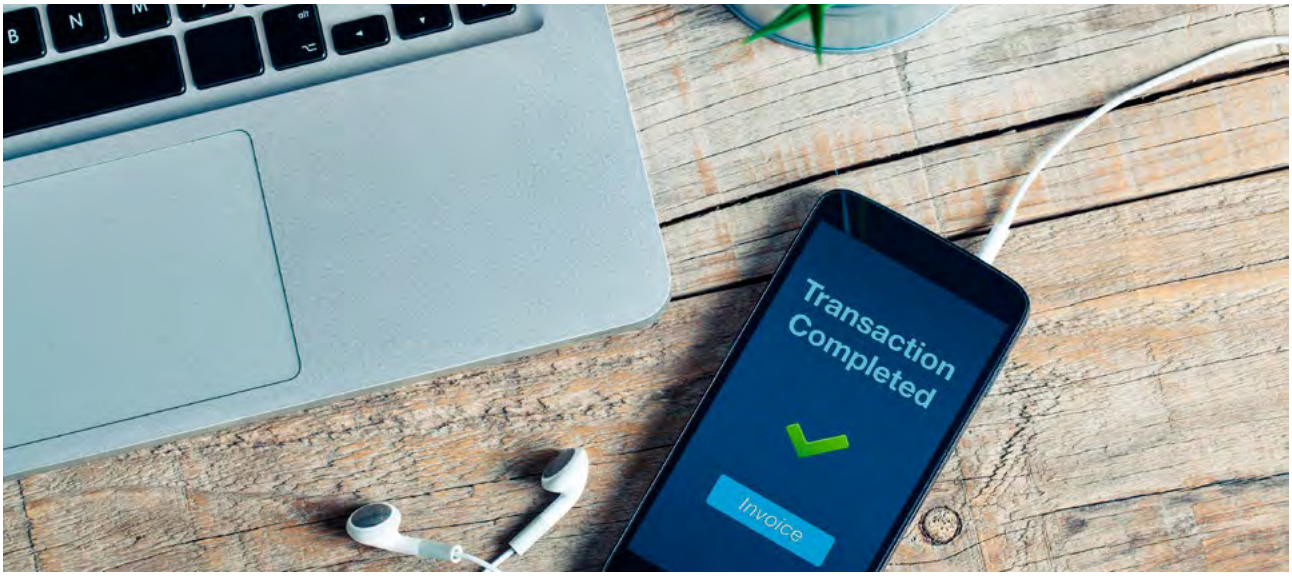
To serve customers more efficiently, CMNE relies on artificial intelligence, including the Watson e-mail analyzer, and experienced virtual assistants, which are used in areas such as savings and insurance.

To better understand our customers and anticipate their needs, customer segmentation has been refined and new applications have been developed to gain a clearer picture of their requirements.

Customer satisfaction is a priority, which is why we listen to customers by gathering and analyzing information on their level of satisfaction through the SPOT “*lumière sur la satisfaction client*” project.

THE NEXT GENERATION BRANCH - A SOLID LINK THAT PROMOTES A SPECIAL RELATIONSHIP AND EXPERT ADVICE

CUSTOMERS ARE LOOKING FOR THE BEST OF TWO WORLDS, PHYSICAL AND DIGITAL, WITH LESS FREQUENT CONTACT WITH THEIR BRANCHES AND HIGHER VALUE-ADDED. TODAY'S CUSTOMERS WANT A NEW "*À LA CARTE*" RELATIONSHIP WITH THEIR BANK. FOR EVERYDAY BANKING, CUSTOMERS PREFER TO USE THEIR SMARTPHONE OR TABLET. HOWEVER, THEY PREFER TO MAINTAIN A PHYSICAL RELATIONSHIP WITH AN ADVISOR FOR PRODUCTS AND SERVICES THAT INVOLVE A SUBSTANTIAL COMMITMENT. THE NEED FOR HUMAN CONTACT, BUT ALSO SECURITY AND TRUST, REMAIN FUNDAMENTAL.



AT CMNE

To better adapt to the level of footfall at our branches, we have adjusted our branch formats and optimized our network coverage by developing our phygital concept to include more friendly and welcoming spaces in-branch. The goal is to refocus on advice and customer relationship management by adapting the network to provide scalability in the form of meetings by appointment or periodic branch openings with mobile teams, while giving a prominent role to new technologies.

To win back customers and connect to them wherever they are, we offer "distanceless" remote banking including real-time appointment booking in the advisor's calendar, the option of online meetings with dedicated sales teams and the expansion of remote purchasing of products and services.
Our objective is to coordinate all of our distribution channels as effectively as possible in a way that is responsive to customers.

GROWING COMPETITION AND EVER-PRESENT REGULATION

BANKS FACE YET MORE CHALLENGES IN THE FUTURE (BLOCKCHAIN, NEW PAYMENT METHODS, CYBERSECURITY AND ARTIFICIAL INTELLIGENCE, ETC.), WHICH THEY WILL HAVE TO ADDRESS EITHER ALONE OR WITH FINTECHS.

AT CMNE

Regulations and the faster than ever pace of current change are constantly posing new challenges.

Adapting to increased competition and leveraging fintechs

In a world where digital usage and technological development is expanding exponentially, we need to be innovative and build relationships with these new financial players in a partnership framework. We want to develop synergies with them because we share real complementarities. In the case of NewAlpha from the La Française Group for example, we are drawing on its eco-system to invest in the most innovative entrepreneurial management companies, accelerate their development and support them in their growth.
Similarly, CMNE has launched CMNE INNOV&THIC, a private equity fund focused on innovation and environmental and social initiatives. It plans to invest €15 million in unlisted companies of this type operating in its core regions (Hauts-de-France, Marne, Ardennes and Belgium).

Pursuing opportunities offered by regulation to leverage performance

We are responding to this challenge by enhancing our regulatory watch. To achieve this, we have created a regulatory technology (“RegTech”) lab which, in association with fintechs, will help us to manage regulatory constraints innovatively and to streamline processes. We are relying on these new partners in order to build solutions in biometrics (individual identification), blockchain technology (digital identity verification) and cryptography (data security).

Supporting staff with changes in their businesses

In order to constantly increase employees’ skills, we have “reinvented” training by incorporating new digital tools into our CMNE Campus, including e-learning, social learning and new concepts that promote learning, adaptation and sharing between participants.

UK
Amsterdam
North Sea
NL
D
Bruges
Antwerp
Ghent
Hasselt
Louvain
Brussels
Wavre
LILLE
Liège
Mons
Namur
Arras
Amiens
Charleville-Mézières
Luxembourg
Arlon
Beauvais
Laon
Reims
Paris
50 kilometers
Crédit Mutuel Nord Europe branches
Beobank branches

2017 HIGHLIGHTS

In late 2017, mid-way through CMNE's strategic plan, a number of projects for the continuing transformation of the Group were launched or completed. All of these advances are helping it keep pace with ongoing and far-reaching technological, economic and regulatory changes.

THE GROUP

- **Activity:** sustained sales growth (consumer credit, distribution of property and personal insurance products, real estate, asset management, etc.);
- **Innovation:** setting up of a 10-lab innovation and production unit;
- **Organization:** streamlining of regulated structures;
- **Results:** the results reflected the contribution of all Group entities and were boosted by capital gains from the sale of CIC securities.

BANKING

FRANCE NETWORK

- **Innovation:**
  - Development of artificial intelligence (Watson),
  - Launch of the internal Innovation initiative,
  - Further development of apps.
- **Network:**
  - Scalability of branch formats and adjustment of network coverage,
  - Pooling of business lines,
  - Introduction of teleworking,
  - Launch of the “SPOT” quality initiative.
- **Activities:**
  - Strong growth in savings account inflows and consumer credit outstandings,
  - Excellent growth in real estate products (AFEDIM and REITS and unit-linked real estate inflows),
  - UL policies account for more than 50 % of inflows,
  - Hugely successful marketing of EMTNs.

BELGIUM NETWORK

- **Innovation:**
  - Success of the first commercial chatbot,
  - Exploitation of big data for business development.
- **Convergence:**
  - IT migration to the Group’s system,
  - Launch of the sole headquarters project.
- **Network:**
  - Optimization of the sales network,
  - Strengthening of the bases of the self-employed professionals market.
- **New products:**
  - Launch of three new Property and Casualty insurance options.

CORPORATE NETWORK

- **Organization:**
  - Integration of BCMNE into CFCMNE and consequences in terms of IT migration,
  - Refocusing of banking and real estate activities on CMNE’s historical regions,
  - Implementation of the new lending process.
- **Commercial activities:**
  - Diversification of the offering, particularly in wealth management and real estate,
  - Strong leasing activity.

INSURANCE

- **Commercial activities:**
  - 51 % of gross inflows in UL policies,
  - Success of personal protection.
- **Convergence:**
  - Planned merger between NEA and GACM,
  - Transfer of savings contracts distributed by ACMN-Vie and NELL to NELB.
- **Products:**
  - Extension of Discretionary Management for certain life insurance policies,
  - New personal protection product and expansion of the Homeowners and Health cover offerings.
- **Organization:**
  - Improvement in NEA’s solvency (“de-risking”, product mix),
  - Continuation of the Quality action plan.

ASSET MANAGEMENT

- **Commercial activities:**
  - Strong REITS intake,
  - Success of the Moniwan digital platform.
- **International development:**
  - Increased presence, particularly in Asia,
  - Commercial growth in Canada alongside Investeam Canada.
- **Real estate:**
  - A real estate project dedicated exclusively to the Grand Paris project.
- **Innovations:**
  - Investor interest in the Zero Carbon Equities strategy,
  - Success of the FinTech fund managed by NewAlpha.

PROFILE AND KEY FIGURES

PEOPLE

1 630 212
Customers and members
Customers of France and Belgium networks

1 483
Directors

4 438
Employees
(FTE, permanent contract)

ORGANIZATION

536
Points of sale:
France network: 281
(152 local cooperative banks, 104 offices and 25 business centers)
Belgium network: 236
(65 branches with salaried staff, 12 business centers and 159 delegated officers)
Corporate network: 19
(16 business centers and 3 offices)

660
ATMs
France: 506
Belgium: 154

BALANCE SHEET

€42.19 billion
Consolidated total

€3.362 billion
Basel III regulatory capital

ACTIVITY

€16.589 billion*
Deposit outstandings

€65.519 billion*
Savings and insurance outstandings

€15.676 billion*
Loan outstandings

1 879 000
Insurance policies

*This is an Alternative Performance Measure (APM), as defined in accordance with EMSA guidelines (ESMA/20151415) and Article 223-1 of the AMF General Regulations (Transparency and Prospectus Directives, and Market Abuse Regulation)

RESULTS

€1.070 billion
Consolidated Net Banking Income

€276 million
Gross Operating Income before net additions to/reversals from provisions for loan losses

€253 million
Consolidated net income (loss)

BASEL III SOLVENCY RATIOS

15.70 %
Common equity tier one

19.85 %
Solvency ratio

AN INTEGRATED GROUP WORKING FOR CUSTOMERS

The history of the Crédit Mutuel Nord Europe Group began more than a century ago. The first Crédit Mutuel Nord Europe local banks set up in the Nord-Pas-de-Calais region helped lay the foundations of the cooperative movement and the principles of social responsibility, solidarity between members and local roots.
Over time, CMNE has built a solid model of a European regional universal bank, adapted to the needs of its members-customers. Today, it boasts many winning assets: retail banking expertise; good geographic coverage in the north of France and Belgium; a business model that places special emphasis on customer satisfaction and innovation, and positions in all banking, insurance and asset management activities.

Crédit Mutuel Nord Europe is the third largest unit in the Crédit Mutuel Group.

ONE GROUP, THREE BUSINESSES

The Crédit Mutuel Nord Europe Group is structured around Caisse Fédérale, the Group's holding company, and three core businesses: Banking, Insurance and Asset Management.

BANKING

CNME operates a Euro-regional universal bank serving individuals, self-employed professionals, farmers, associations and companies. It offers a full line of products covering everything from day to day banking to corporate financing and wealth management. In addition, it offers a range of online services for an increasingly digitalized society. This global approach is based on a strong value-added offering.

With a catchment area of 18.5 million people in the north of France and Belgium, the CMNE networks served 1.6 million customers at end-2017 and affirmed their position as one of the best-placed networks to support customers in all of their needs.

▷ France network

As a local retail bank, the France network is the historic heart of the market, reinforced in the early 1990s by the merger of Crédit Mutuel Artois-Picardie, Nord and Champagne-Ardenne. The network currently consists of 256 points of sale located across seven departments (Aisne, Ardennes, Marne, Nord, Oise, Pas-de-Calais and Somme).

▷ Belgium network

Belgium is the Group's second biggest market.
Since May 2016, following the merger of two banks under the motto "one bank, one brand": Beobank, the unified Belgian network has 65 branches with salaried staff and 159 delegated officers. A leader on the consumer credit market in Belgium, the network offers wealth accumulation and credit solutions to individual customers, self-employed professionals, and companies.

▷ Corporate network

Since the late 1990s, CMNE has developed its organization and expanded on the regional corporate market, including the creation of BCMN, the acquisition of SDR de Normandie, the BIN/Batiroc business combination and the establishment of the Corporate division).
Banque Commerciale du Marché Nord Europe (BCMNE) is a dedicated SME bank, while Bail Actéa and Nord Europe Lease are companies specializing in equipment and real estate leasing and financial leases.
With a strong presence in corporate segments ranging from very small to medium-sized enterprises, the division offers a wide range of products and services including tailored financing and financial and wealth engineering, and is now well recognized in these areas.

INSURANCE

Formed in 2004, Nord Europe Assurances is a holding company that houses all of the Crédit Mutuel Nord Europe Group's expertise in life, personal protection, health, auto and homeowners insurance. On its various markets, NEA has adapted its offering to provide customers with a comprehensive range of products to meet their specific needs, whether this concerns retirement savings, the transmission of assets, health insurance, nursing care insurance or the protection of their assets.

The NEA Group comprises three life insurance companies (ACMN-Vie, North Europe Life Belgium and Nord Europe Life Luxembourg), a property and casualty insurance company (ACMN IARD), and a reinsurance company (CPBK-Re). They develop the insurance products alone or in partnership with the ACM subsidiaries.

ASSET MANAGEMENT

Crédit Mutuel Nord Europe's third and final business, the La Française Group, is the third-party asset management subsidiary.

La Française positions itself as a global asset manager, in terms of both business lines and commercial coverage. It provides a full range of products and services for a diversified customer base, including institutional investors, banking networks, distribution platforms, specifiers and private customers.

Formed in 1975, the Group has come a long way in 40 years and is now structured around four core businesses:

- La Française Global Asset Management: management and marketing of securities;
- La Française Global Real Estate Investment Managers: management and marketing of real estate solutions;
- La Française Global Investment Solutions: management and marketing of investment solutions;
- La Française Global Direct Financing: management and marketing of direct financing solutions for the economy.

These entities are mainly located in France, with a head office on the Boulevard Raspail in Paris. They also have offices in Luxembourg, London, Frankfurt and Hong Kong, as well as in Italy and Spain (representative offices). They develop financial products either alone or in partnership with other affiliated asset management companies, which they distribute through their own networks or those of the CMNE Group or their partners (CGPI and financial networks).

RESHAPING THE GROUP

CMNE has begun to adjust its organization in order to rationalize these operating and control processes. It aims to streamline the number of regulated structures, while maintaining services, in a framework that affords greater efficiency in serving customers and members.

The following developments initiated in 2017 should come into effect in 2018:

- Refocusing of the life insurance activities in Belgium around Nord Europe Life Belgium, which will become Beobank's sole life insurer;
- In Luxembourg, the disposal of two companies: NELL SA, the life insurance subsidiary of NEA, after the transfer of its Belgian bancassurance portfolio to NELB SA (process underway) and CPBK Ré SA, the non-life reinsurance subsidiary of NEA;
- Integration of the BCMNE Corporate division within Caisse Fédérale. On completion of this merger in June 2018, BCMNE will be transformed into dedicated branches for the corporate market and will be fully integrated into CMNE;
- Tie-up of the GACM and NEA groups through the merger of their insurance entities. This will help to simplify the business links that already exist between Crédit Mutuel Nord Europe and the Crédit Mutuel CM11 Group in the area of insurance, facilitate the integration of certain regulatory requirements and manage capital adequacy and allocation requirements more effectively.

CMNE GROUP FINANCIAL ORGANIZATIONAL CHART

152 Crédit Mutuel Nord Europe local banks

100 %

Caisse Fédérale du CMNE

99,91 % — 0,09 %

CMNE Belgium
Financial company
- Holding company -

Beobank
99.42 %
Retail banking

100 %

BCMNE
Corporate banking
- Holding company -

Bail Actéa
100 %
Equipment leasing

Nord Europe Lease
100 %
Real estate leasing

Nord Europe Partenariat
99.65 %
Venture capital

100 %

Nord Europe Assurances
Insurance
- Holding company -

ACMNE-Vie
100 %
Life insurance

Nord Europe Life Luxembourg
99.98 %
Life insurance

ACMN IARD
51 %
Property and casualty insurance

CPBK Ré
100 %
Reinsurance - Luxembourg

North Europe Life Belgium
51 %
Life and property & casualty insurance

91,93 %

La Française Group
Third-party asset management
- Holding company -

La Française Asset-Management
99.98 %
UCITS management

La Française Real Estate Managers
95.94 %
Real estate asset management

La Française Global Real Estate Investment Management
100 %
Real estate investment management

La Française AM Finance Services
100 %
Investment product distribution

La Française AM International
100 %
International distribution of UCITS and UCI

La Française Investment Solutions
56.04 %
EMTN structuring advisory & UCITS management

Next AM
100 %
Equity investments

40 %

La Française Global Investments
60 %
Investment services

Inflection Point Capital Management
100 %
Investment research

Banking
Insurance
Asset Management

Situation at 12/31/2017

GOVERNANCE

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MANAGEMENT COMMITTEE

COMPOSITION OF THE MANAGEMENT COMMITTEE

Chief Executive Officer	Éric CHARPENTIER
Chief Operating Officer - Banking	Christian NOBILI
Chairman of the Groupe La Française Executive Board - Asset Management division	Xavier LÉPINE
Chairman of the Nord Europe Assurances Executive Board – Insurance division	Sabine SCHIMEL
Deputy Chief Operating Officer - Resources Manager	Denis VANDERSCHELDEN
Central Manager - Accounting and Management Control	Florence DESMIS
Group Risk, Permanent Control and Compliance Manager	José DRUON
General Secretary	Jérôme PAVIE
Advisers to Executive Management	Christian DESBOIS and Tristan GUERLAIN

Group Inspector General	Vincent GOSSEAU

The **Group Management Committee** is chaired by the Chief Executive Officer who has extensive powers to manage the CMNE Group, within the framework of the strategy adopted by the Federal Boards of Directors.
It deals with issues relating to the Group's strategy, the setting and monitoring of operational objectives, Group risks, and its activities and results more generally.

It facilitates coordination across the business lines (Banking, Insurance, Asset Management) by seeking out synergies in the sales, technical and HR fields.
It meets twice a month and relies in particular on the work carried out by:

- The **Banking Committee** chaired by the Chief Operating Officer, which coordinates the three networks (France, Belgian and Corporate) and is made up of managers from each of the networks;
- The **Management Committees** of the Insurance and Asset Management divisions;
- The **Financial Committees** of NEA, the Caisse Fédérale and the banking subsidiaries.

Each quarter, the **Financial Committees** of the Caisse Fédérale and its banking subsidiaries analyze interest rate risk, liquidity risk and the financial margin in a process that includes financial and business projections. The Caisse Fédérale's Financial Committee decides on the level of hedging to be put in place to protect the financial margin. It also examines the Caisse Fédérale's proprietary investments on a monthly basis. It reports on the monitoring of market counterparty risk, limit compliance and the composition and evolution of the Group entities' financial portfolios. Each quarter, it reports on the monitoring of allocations of shareholders' equity to the banking and trading books, as well as the impact of stress test scenarios on shareholders' equity and profit or loss.

NEA's Finance Committee is responsible for results monitoring, the investment policy and for making the best use of resources within the Solvency 2 regulatory framework in particular. It is also involved in risk management, including counterparty, market, interest rate, equity, real estate, spread, concentration and liquidity risk. The Committee covers ACMN Vie, NELL, NELB and ACMN IARD.
In addition, two Committees meet at the Caisse Fédérale level:

- Each quarter, the **Major Risks Committee** examines risk exposures that exceed a threshold set by Executive Management, either individually or in aggregate, for each of the Group's financial units;
- The **Performance Improvement Committee** is responsible for drawing up and monitoring the budget (including annual investments) and for proposing cost efficiencies for the Caisse Fédérale and local banks as a whole.

POWERS OF THE CHIEF EXECUTIVE OFFICER AND THE CHIEF OPERATING OFFICER

In line with the Group's consistent practice of distinguishing between policy, supervisory and control responsibilities on the one hand and executive management responsibilities on the other, the functions of Chairman and Chief Executive Officer are split.

At its meeting on April 24, 2006, the Board of Directors appointed Éric Charpentier as Chief Executive Officer from June 1, 2006 and granted him full powers to act alone in the name and on behalf of Caisse Fédérale du Crédit Mutuel Nord Europe.

At its meeting on January 21, 2008, the Board of Directors appointed Christian Nobili as Chief Operating Officer from February 1, 2008, with the same powers as the Chief Executive Officer.

BOARD OF DIRECTORS

PRESENTATION OF THE BOARD OF DIRECTORS

On December 31, 2017, the composition of the Board of Directors of Fédération du Crédit Mutuel Nord Europe was as follows:

Chairman:	André HALIPRÉ [1]		
Vice-Chairmen:	Catherine LETELLIER [2]	Dominique BUR [2]	
Secretary:	Michel HEDIN [3]		
Treasurer:	Jacques VANBREMEERSCH [3]		
Directors:	Christine DEBOUBERT [3] Vania FOSSAERT [3] Catherine LAMBLIN-MESSIEN [3] Patrick LIMPENS [3]	Jocelyne MORLON [3] Olivier OGER [3] Jacques PETIT [3] Alain POISSONNIER [3]	Nathalie POLVECHE [3] Fabienne RIGAUT [3] Christine THYBAUT [3] Jacques VANBREMEERSCH [3]

Also at Caisse Fédérale du Crédit Mutuel Nord Europe: [1] Chairman - [2] Vice-Chairman - [3] Director.

APPLICATION OF THE PRINCIPLE OF BALANCED REPRESENTATION OF MEN AND WOMEN

In accordance with the provisions of the French Law of January 27, 2011 “on the balanced representation of women and men on boards of directors and supervisory boards and gender equality in the workplace", CMNE has adopted a policy of increasing the number of women on its Boards.

Two stages are proposed:
- Three years after the law is enacted, women must make up at least 20 % of the members of the bodies concerned. Boards of Directors that do not include any women when the law is enacted must appoint one within six months;
- The level of female representation on the governing bodies must be 40 % six years after the law is enacted.

As of December 31, 2017, the Board of Directors of Fédération du Crédit Mutuel Nord Europe and that of the federation was made up of eight women and eight men, making the percentage of female directors 50 %.

ORGANISATION AND PREPARATION OF THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors derives its powers from the bylaws and the general operating regulations. Where required, codes of ethics and professional conduct, particularly concerning the prevention and handling of irregularities involving elected officers, round out the operating rules that apply to the supervisory body.

The Board of Directors decides on the Group’s strategy based on proposals put to it by Executive Management and monitors the implementation of the strategy. The Board is elected by the 152 local banks, each of which has its own Board of Directors made up of members elected by the shareholders at a Shareholders’ Meeting on the basis of “one person, one vote” in accordance with the Group’s cooperative status. Some of its members also sit on the boards of the Group's holding companies: BCMNE, CMNE Belgium, Nord Europe Assurances and Groupe La Française.

A six-member Executive Board met on two occasions during the year (February 27 and May 29). It is a consultative body that examines items that are subsequently submitted to the Board of Directors.

THE BOARD OF DIRECTORS HAS DELEGATED POWERS TO FOUR SPECIALIZED COMMITTEES

The Audit Committee

Operating under the responsibility of the Board of Directors, the Audit Committee is in charge of the following:

- The establishment and maintenance by Executive Management of an effective internal control system, and the consistency of the systems used to measure, monitor and control risks on a consolidated basis;
- Monitoring of the financial reporting process, the statutory audit of the annual and consolidated financial statements by the Statutory Auditors, and the independence of the Statutory Auditors;
- The examination and approval of the parent company and consolidated financial statements.

Subjects covered at Audit Committee meetings

The issues discussed at Audit Committee meetings relate to periodic control activities and the monitoring of accounting and regulatory treatments.

Attendance and participation of members at Audit and Risk Committee meetings

Absences of members from Audit Committee meetings are rare. The Audit Committee is chaired by a person other than the Chairman of the Board of Directors.

The Risk Committee

The Risk Committee meets under the responsibility of, and as often as, the federal Board of Directors and is in charge of the following:

- Determining the “risk appetite” i.e. “the level and type of risk that the CMNE Group is able and willing to assume in its exposures and business activities, given its operational objectives and regulatory obligations”;
- The establishment and maintenance by Executive Management of an effective internal control system, and the consistency of the systems used to measure, monitor and control risks on a consolidated basis;
- The existence and use of appropriate methods to ensure regulatory compliance;
- Monitoring the capital consumption and adequacy of the various entities and business lines;
- It is also intended to address compliance issues.

Subjects covered at Risk Committee meetings

The issues discussed at Risk Committee meetings relate to the activities of the Group Risk, Permanent Control and Compliance Department.

Attendance and participation of members at Audit and Risk Committee meetings

Absences of members from Audit and Risk Committee meetings are rare. The federal Risk Committee is chaired by an independent director.

The Appointments Committee

The purpose of the Appointments Committee is to advise the Board of Directors on applications for directorships. It must also assess the balance and diversity of the skills and experience possessed both individually and collectively by the Board’s members. It must set targets for the balanced representation of men and women within the Board. At least once a year it evaluates the composition of the Board and its effectiveness in carrying out its duties. It periodically reviews the Board's policies on the selection and appointment of the effective managers. It is made up of the Chairman of the Board of Directors (who cannot be the Chairman of the Appointments Committee) and three directors. In 2017, it met on January 23.

The Remuneration Committee

Composed of a Chairman who is someone other than the Chairman of the Board of Directors and three federal directors, the Remuneration Committee meets at least once a year to advise the Board of Directors on setting the overall remuneration of the Caisse Fédérale’s corporate officers. The Committee also examines the remuneration of executive managers who are not corporate officers and defines the principles governing the remuneration of the corporate officers of the main Group companies. The Remuneration Committee operates under internal regulations. In 2017, it met on March 27.

Board of Directors’ meetings

The Board of Directors met 12 times, once a month, except in August, and twice in April. The attendance rate of 87 % reflects the strong commitment of the directors. The average length of meetings is two and a half hours.

The agendas systematically included an update on current economic conditions and the institutional context, business results and risk monitoring in the area of credit. The directors were also given a regular round-up of market trends and their impact for CMNE.

The Board examined quarterly updates of forecast management results for the fiscal year.

MAIN ITEMS ON THE AGENDA OF BOARD OF DIRECTORS' MEETINGS

January 23

- First estimates of 2016 management results;
- ECB governance and risk inspection: follow-up letter and CMNE response;
- Cash management agreement.

February 27

- 2016 annual activity report;
- Approval of the Caisse Fédérale's 2016 company financial statements and the overall financial statements;
- Approval of the 2016 consolidated financial statements;
- Work of the Statutory Auditors;
- Appointments Committee report of January 23, 2017;
- Audit Committee report of February 22, 2017;
- Risk Committee report of February 20, 2017;
- Update of the Group Risk Policy;
- Re-examination of regulated agreements entered into previously and that remained in force in 2016;
- Review of regulated agreements;
- Preparation of the Shareholders' Meetings of April 27, 2017;
- 2017 Federation budget.

March 27

- 2017 forecasts consolidated financial statements;
- Basel II reporting on risk and capital at December 31, 2016;
- Risk Committee report of March 15;
- Internal control and risk monitoring measurement report;
- Chairman's report on the work of the Board of Directors and on internal control;
- Management Report;
- Preparation of the Shareholders' Meetings of April 27, 2017;
- Examination of the organization of the Corporate division;
- Other business:
  - Merger of the "Loos et Haubourdin" and "Creil et Clermont" local banks,
  - Deliberation on "Insurance proxy " changes,
  - Adaptation of financial regulations to the new lending process.

April 24

- ICAAP report;
- CRP update;
- Pillar III reporting;
- Group risk appetite;
- Summary of the Audit Committee meeting of April 6;
- Summary of the Risk Committee meeting of April 10;
- Bond issue authorization renewal;
- Remuneration Committee report.

April 27

- Election of the Chairman of the Board of Directors, Vice-Chairmen and members of the Executive Board.

May 29

- Compliance with DCG solidarity;
- CMNE ALM reporting;
- ILAAP presentation;
- Summary of the Risk Committee meeting of May 16;
- Renewal of terms of office on CMNE boards and committee.

June 26

- Basel III reporting;
- Update of the 2020 MTP;
- Simplified tender offer for CIC shares;
- Bond issue authorization amendment;
- Summary of the Audit Committee meeting of June 1;
- Summary of the Risk Committee meeting of June 22;
- Foundation renewal.

July 28

- Approval of the consolidated financial statements at June 30, 2017;
- Work of the Statutory Auditors;
- Interim Management Report;
- Update of management forecasts at June 30, 2017 - consolidated scope;
- 2018 meeting calendar for Federal Boards.

September 25

- Update of the MTP: progress report on Insurance;
- Foncière Nord Europe;
- Update of the risk policy;
- Monitoring of Group risk policy thresholds/limits at June 30;
- Tracking of key indicators of the crisis recovery plan at June 30;
- Summary of the Risk Committee meeting of September 20.

October 23

- Update of financial regulations;
- Risk Committee report of October 12;
- Audit Committee report of October 5;
- Buyback of CCMNE shares belonging to NEA by Caisse Fédérale.

November 27

- Consolidated financial statements at September 30, 2017;
- 2017 profit and loss forecasts updated at September 30;
- ALM (interim report);
- Risk appetite;
- Risk Committee report of November 15, 2017;
- Audit Committee report of November 9, 2017.

December 11

- Review of the 2017 MTP and 2018 policy directions;
- CRP figures;
- Changes in network coverage.

All meetings met the quorum and majority requirements laid down in the bylaws on first notice.

Minutes of Board meetings are approved at the following meeting. Such approval confirms that a faithful record has been taken of the work of the meeting.

The Works Council was represented at all meetings.

DESPATCH OF WORKING DOCUMENTS

The members of the Board of Directors received all the information needed to carry out their work according to a predetermined schedule.
Digital material is sent by email. A complete paper file is issued to each director at the time of the Board meeting.

The main documents and information provided to the directors and necessary for their work are the following:
- A memo on the economy;
- A monthly activity memo;
- Summary notes on the activities of the Committees (Audit, Risk, Appointments, Remuneration);
- The company financial statements and the consolidated financial statements;
- Briefing notes on matters submitted to Board members for approval;
- Written material issued in the form of comments and PowerPoint presentations given at the meeting.

All persons attending Board of Directors meetings are bound by an obligation of confidentiality and non-disclosure with regard to the information provided or received in connection with those meetings.

TRAINING PLAN

To enable the directors to carry out their duties, CMNE has put in place a training plan, which is approved each year by the Appointments Committee. The two-hour sessions are led by members of the Management Committee and are held prior to the Board of Directors' meeting.

In 2017, seven meetings were held on the following topics:
- January 23, 2017: "ALM";
- February 27, 2017: "Understanding risk concepts in order to assess the risk policy";
- March 27, 2017: "IFRS 9"
- June 26, 2017: "CSR - challenges at implementation at CMNE";
- September 25: "Data quality issues";
- October 23, 2017: "Improving understanding of risk measurement, monitoring and management in insurance";
- December 11, 2017 "Improving understanding of risk measurement, monitoring and management in asset management".

At the end of the year, the focus was on insurance and asset management training with the aim of strengthening the group dimension.

In 2018, the chosen topics are as follows:
- Client protection: impacts of MiFID 2 – PRIIPs regulations on business activities;
- ALM (level 2);
- General Data Protection Regulation (GDPR) essentials;
- IFRS 9;
- Belgian bancassurance risk policy and management;
- GLF compliance risk monitoring and management;
- Information Systems Security (ISS) and Emergency and Business Continuity Plan (EBCP).

INFORMATION REGARDING CORPORATE OFFICERS

In accordance with Article L. 225-102-1 of the French Commercial Code, we provide a complete list on pages 23, 24 and 25 of the offices and functions held by each of the Company's corporate officers in other companies.

Fixed remuneration is set by the Board of Directors after a comparative analysis of the remuneration of senior managers in similar positions.

The payment of variable and exceptional components is conditional upon the ex-post approval of the Shareholders' Meeting.

SUMMARY OF THE REMUNERATION OF EACH EXECUTIVE CORPORATE OFFICER OF THE COMPANY

For 2016 and 2017, the amounts shown in the tables below include the remuneration paid by Caisse Fédérale du CMNE and all of the Group's subsidiaries.

Amounts in € thousands

André HALIPRÉ Chairman	2016		2017	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	250	250	250	250
Variable annual remuneration	–	–	–	–
Variable multi-annual remuneration	-	-	-	-
Exceptional remuneration	–	–	–	–
Attendance fees	–	–	–	–
In-kind benefits[1]	14	14	14	14
TOTAL	**264**	**264**	**264**	**264**

[1] Company car and accommodation

In € thousands

Éric CHARPENTIER Chief Executive Officer	2016		2017	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	528	528	530	530
Variable annual remuneration[1]	191	115	185	111
Variable multi-annual remuneration[2]	-	27	-	53
Exceptional remuneration	40	40	–	–
Attendance fees	-	–	–	-
In-kind benefits[3]	3	3	3	3
TOTAL	**762**	**712**	**718**	**697**

[1] Variable remuneration equal to 1/1000 of the Group's consolidated net free cash flow corresponding to the period (n-1), within the limit of 50 % of gross annual remuneration; pursuant to CRD IV and EU CRR1, the deferred portion is 40 %, which is paid in thirds over three years. Pursuant to Articles L 511-77 and 83 of the French Monetary and Financial Code, the effective payment of the deferred portion is subject to the following condition: if the operating income (gross operating income less net additions to/reversals from provisions for loan losses) falls by 30 % or more relative to the reference period, the payment is suspended, and if this decline continues for more than two years, the suspended payment is permanently forfeited.
[2] Amount paid for previous years: €272,000 in 2016 and €527,000 in 2017.
[3] Company car.

INFORMATION REGARDING CORPORATE OFFICER

In € thousands

Christian NOBILI Chief Operating Officer	2016		2017	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	318	318	382	382
Variable annual remuneration[1]	105	63	122	73
Variable multi-annual remuneration[2]	–	14	–	28
Exceptional remuneration	10	10	–	–
Attendance fees	–	–	–	–
In-kind benefits[3]	3	3	3	3
TOTAL	**436**	**408**	**507**	**486**

[1] Variable remuneration equal to 0.66/1000 of the Group's consolidated net free cash flow corresponding to the period (n-1), within the limit of 50 % of gross annual remuneration; pursuant to CRD IV and EU CRR1, the deferred portion is 40 %, which is paid in thirds over three years. Pursuant to Articles L 511-77 and 83 of the French Monetary and Financial Code, the effective payment of the deferred portion is subject to the following condition: if the operating income (gross operating income less net additions to/reversals from provisions for loan losses) falls by 30 % or more relative to the reference period, the payment is suspended, and if this decline continues for more than two years, the suspended payment is permanently forfeited.
[2] Amount paid for previous years: €14,218 in 2016 and €28,226 in 2017.
[3] Company car.

SUPPLEMENTARY PENSION PLANS

André HALIPRÉ Chairman	Employment contract		Supplementary pension plan		Payments or benefits due or liable to be due as a result of the termination of an appointment or change in responsibilities		Payments relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
First term of office: January 2016	x			x		x		x

Éric CHARPENTIER Chief Executive Officer	Employment contract		Supplementary pension plan[1]		Payments or benefits due or liable to be due as a result of the termination of an appointment or change in responsibilities[2]		Payments relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
June 2006	x		x		x			x

[1] Defined benefit plan (Article 39) granted in return for the relinquishment of 10 days' leave granted to senior management (under the agreement of June 30, 1999); this plan provides a supplementary pension equal to a maximum of 9 % of the gross salary received in the 12 months prior to departure - exclusive of gratuities and bonuses - provided that the recipient is 65 years old and entitled to the payment of a pension. Entitlements are funded through contributions to a collective fund set up by Caisse Fédérale du CMNE, which is exempt from social security contributions. The estimated amount of the annuity was €37,000 at December 31, 2017; it does not take into account the length of service accrued by the beneficiary and is calculated on the basis of the gross annual salary for 2017, regardless of the terms of the appointment.
[2] Payments liable to be due as a result of the termination of an appointment or change in responsibilities: apart from in cases of serious and gross misconduct, the severance payment is equal to the final two years' annual gross salary (fixed and variable portions) in addition to the components provided for in the collective agreement.

Christian NOBILI Chief Operating Officer	Employment contract		Supplementary pension plan[1]		Payments or benefits due or liable to be due as a result of the termination of an appointment or change in responsibilities[2]		Payments relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
April 2008	x		x		x			x

[1] **Caisse Fédérale CMNE:** defined benefit plan (Article 39) granted in return for the relinquishment of 10 days' leave granted to senior management (under the agreement of June 30, 1999); this plan provides a supplementary pension equal to a maximum of 9 % of the gross salary received in the 12 months prior to departure - exclusive of gratuities and bonuses - provided that the recipient is 65 years old and entitled to the payment of a pension. Entitlements are funded through contributions to a collective fund set up by Caisse Fédérale du CMNE, which is exempt from social security contributions. The estimated amount of the annuity was €37,000 at December 31, 2017; it does not take into account the length of service accrued by the beneficiary and is calculated on the basis of the gross annual salary for 2017, regardless of the terms of the appointment.
Beobank Life and Death pension agreement: defined contribution plan, based on an individual pension commitment, available to beneficiaries until the date they leave the company; the amount paid by the company in 2017 was €16,000. Plan members are entitled to the reserves created from earned premiums and profit-sharing from the date of their departure or their scheduled retirement date.

[2] Payments liable to be due as a result of the termination of an appointment or change in responsibilities: apart from in cases of serious and gross misconduct, the severance payment is equal to 150 % of the annual gross salary in addition to the components provided for in the collective agreement.

CONFLICTS OF INTERESTS

To the best of Crédit Mutuel Nord Europe's knowledge, there are no potential conflicts of interest between Board members', the Chief Executive Officer's and the Chief Operating Officer's duties to the Group, and their private interests.

LIST OF OFFICES AND FUNCTIONS AT 12/31/2017

André HALIPRÉ		
In France	Chairman of the Board of Directors	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
		CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Vitry-le-François
	Chairman of the Supervisory Board	BANQUE COMMERCIALE DU MARCHÉ NORD EUROPE (SA) Lille
		NORD EUROPE ASSURANCES (SA) Paris
		GROUPE LA FRANÇAISE (SA with Executive and Supervisory Boards) Paris
	Member of the Board of Directors	CAISSE CENTRALE DU CRÉDIT MUTUEL Paris
	Vice-Chairman of the Board of Directors	CONFÉDÉRATION NATIONALE DU CRÉDIT MUTUEL Paris
	Permanent representative	ASSURANCES CRÉDIT MUTUEL IARD (SA) Strasbourg REPRESENTATIVE OF CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Director)
		AXIOM (SAS) Azay-sur-Indre - CIRHYO (Director)
Outside France	Chairman of the Board of Directors	CMNE BELGIUM (SA) Brussels
	Vice-Chairman of the Board of Directors	BEOBANK NV/SA Brussels
Éric CHARPENTIER		
In France	Chief Executive Officer	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Chairman of the Board of Directors	ASSURANCES DU CRÉDIT MUTUEL NORD VIE (SA) Paris
	Vice-Chairman of the Supervisory Board	BANQUE COMMERCIALE DU CRÉDIT MUTUEL NORD EUROPE (SA) Lille
		NORD EUROPE ASSURANCES (SA) Paris
		GROUPE LA FRANÇAISE (SA) Paris
	Director	CONFÉDÉRATION NATIONALE DU CRÉDIT MUTUEL Paris
		CRÉDIT INDUSTRIEL ET COMMERCIAL (SA) Paris
		CAISSE CENTRALE DE CRÉDIT MUTUEL (Cooperative SA) Paris
	Permanent representative	GROUPE DES ASSURANCES DU CRÉDIT MUTUEL (SA) Strasbourg REPRESENTATIVE OF CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Member of the Supervisory Board)
		EURO INFORMATION (SAS) Strasbourg REPRESENTATIVE OF CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Member of the Management Board)
		EURATECHNOLOGIE (SA) Lille REPRESENTATIVE OF CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Director)
Outside France	Chairman of the Board of Directors	BEOBANK Belgium (SA)
	Chairman of the Management Committee and director	CRÉDIT MUTUEL NORD EUROPE BELGIUM (SA)
	Permanent representative	BANQUE DE TUNISIE REPRESENTATIVE OF BANQUE FÉDÉRATIVE DU CRÉDIT MUTUEL (Director)
Christian NOBILI		
In France	Chief Operating Officer	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Chairman of the Executive Board	BANQUE COMMERCIALE DU MARCHÉ NORD EUROPE (SA) Lille
	Chairman of the Board of Directors	NORD EUROPE LEASE (SA) Lille
		BAIL ACTÉA (SA) Lille
		NORD EUROPE PARTENARIAT (SA) Lille
	Permanent representative	ACMN Vie (SA) Paris REPRESENTATIVE OF CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Director)
		GROUPE LA FRANÇAISE (SA) Paris - REPRESENTATIVE OF CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Member of the Supervisory Board)
		NORD EUROPE ASSURANCES (SA) Paris REPRESENTATIVE OF CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Member of the Supervisory Board)
Outside France	Director and manager	CMNE BELGIUM (SA) Belgium
	Director	BEOBANK (SA) Belgium

LIST OF OFFICES AND FUNCTIONS AT 12/31/2017

Dominique BUR		
In France	Vice-Chairman of the Board of Directors	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Christine DEBOUBERT		
In France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Tourcoing République
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Vania FOSSAERT		
In France	Vice-Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Pérenchies
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Managing Partner	LES PIERRES BLEUES (SARL) Verlinghem
Michel HEDIN		
In France	Member of the Supervisory Board	GROUPE LA FRANÇAISE (SA with Executive and Supervisory Boards) Paris
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
		CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Étaples
Catherine LAMBLIN-MESSIEN		
In France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Cambrai
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Managing Partner	COFIDINE (SARL) Bouchain SCI LIBELLULE Cantaing-sur-Escaut SCI CLM Cantaing-sur-Escaut
Catherine LETELLIER		
In France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Méru
	Vice-Chairman of the Board of Directors	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Member of the Supervisory Board	NORD EUROPE ASSURANCES (SA with Executive and Supervisory Boards) Paris
Patrick LIMPENS		
In France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Saint-Quentin
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Member of the Supervisory Board	NORD EUROPE ASSURANCES (SA) Paris
	Managing Partner	SCI RÉSIDENCE Remicourt
Jocelyne MORLON		
In France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Charleville Mézières
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Olivier OGER		
In France	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Jacques PETIT		
In France	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Managing Partner	SCI FLANDRES ARTOIS (SCI) Arras
		SCI BOLDODUC (SCI) Arras
Alain POISSONNIER		
In France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Senlis
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Outside France		CRÉDIT MUTUEL NORD EUROPE BELGIUM (SA) Brussels
Nathalie POLVECHE		
In France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Avion
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Co-Managing Partner	BIOPATH (Professional limited liability company) Coquelles (62)
Fabienne RIGAUT		
In France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Le Quesnoy
	Member of the Supervisory Board	NORD EUROPE ASSURANCES (SA) Paris
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille

Christine THYBAUT		
In France	Chairman	CAISSE SOLIDAIRE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative Company)
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
		CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Hazebrouck
Jacques VANBREMEERSCH		
In France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Steenvoorde
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille

OPINION ON THE TOTAL AMOUNT OF REMUNERATION OF STAFF ENGAGED IN CONTROL FUNCTIONS AND RISK-TAKERS

OPINION ON THE TOTAL AMOUNT OF COMPENSATION, AS REQUIRED BY ARTICLE L. 511-1 OF THE FRENCH MONETARY AND FINANCIAL CODE

Order No. 2014-158 of February 20, 2014, which contains various provisions for adapting financial legislation to EU law and transposes the CRD IV directive, introduced Article L. 511-73 into the French Monetary and Financial Code which stipulates that “The Ordinary Shareholders' Meeting of credit institutions and finance companies shall be consulted annually regarding the overall amount of remuneration of any kind paid during the previous year to the persons mentioned in Article L. 511-71”. These include the accountable managers and the categories of employees, including risk-takers and persons performing a control function and any employee who, based on his or her total income, is in the same salary bracket, whose professional activities have a material impact on the risk profile of the company or Group.

The Shareholders’ Meeting is asked to approve the said total amount of remuneration, which stands at €3,533,680 for 2017 and which includes the fixed and variable remuneration paid.

COOPERATIVE REVIEW

In accordance with the provisions of Articles 25-1 to 25-5 of Law No. 47-1775 of September 10, 1947 on the constitution of cooperatives, as introduced by Article 25 of Law No. 2014-856 of July 31, 2014 relating to the social and solidarity-based economy and Decree No. 2015-706 of June 22, 2015, we ask the Shareholders’ Meeting of April 26, 2018, to appoint:

- La Fédération Nationale de Révision REVICOOP, 7 rue Biscornet - 75012 Paris, as principal cooperative auditor;
- Philippe Gondard, residing at 27 rue de Croulebarbe - 75013 Paris, as alternate cooperative auditor.

For a term of five years, i.e. until the Shareholders’ Meeting called to approve the financial statements for the year ending December 31, 2023.

REGULATED AGREEMENTS

The Statutory Auditors have been informed of the agreements referred to in Articles L. 225-38 et seq. of the French Commercial Code.

We hereby inform you that no agreements giving rise to the application of Article L. 225-86 of the French Commercial Code were entered into during the past financial year.

The Board of Directors approved the renewal of two automatically renewable agreements:
- Remuneration agreement for the counter-guarantee with Bail Actéa;
- Agreements for the provision of resources and premises entered into with FINE, NEPI, Transactimmo, SCI Centre Gare, SAS Actéa Environnement and L'Immobilière du CMN.

INFORMATION ON THE SHARE CAPITAL

SHARE CAPITAL

The share capital is held by members of the local banks, who may be individuals or legal entities, who have subscribed for at least 15 shares that are restricted and subject to the Board of Directors' approval.

Amount of subscribed capital and class of shares

At December 31, 2017, the share capital was €1.275 billion.

The capital of the local banks is made up of four types of shares and fluctuates due to the transferability of some share classes in accordance with the status of mutual companies with variable capital:
- A shares (restricted) with a par value of €1;
- B shares (transferable) with a par value of €1;
- C shares (transferable with five years' notice), with a par value of €1;
- F shares (transferable with five years' notice), with a par value of €500.

B and F shares ceased to be available to the public on June 1, 2011. C shares have replaced B shares since that date. Like F shares, C shares have a notice period of five years from the time the member requests reimbursement. Such reimbursement is also subject to the approval of the Board of Directors of the local bank.

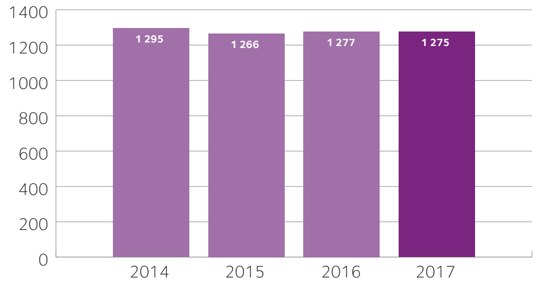
Total shares issued during 2017 amounted to €139 million (gross inflows restated for internal transfers).

Changes in capital

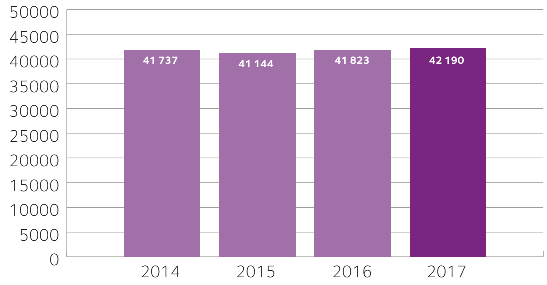
In € millions

Type of shares	2016	2017
A shares	57	52
B shares	143	118
C shares	1 037	1 070
F shares	40	35
TOTAL	**1 277**	**1 275**

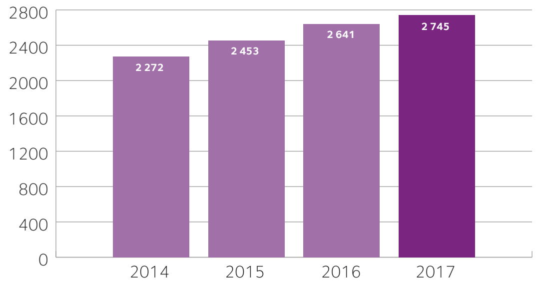
Capital (A, B, C and F shares)
(in € millions)



Total assets
(in € millions)



Shareholders' equity attributable to owners of the company (excluding profit or loss)
(in € million - carrying value of shareholders' equity)



Remuneration of company shares

A shares receive no remuneration. B, C and F shares receive an amount of remuneration set by the Shareholders' Meeting of each local bank, within the limits provided for by cooperative status and according to the guidelines laid down by the federal Board of Directors as part of the General Operating Regulations, which carry the same value as the bylaws.
In 2017, the annual return on the shares was 1 % for B shares, 1.75 % for C shares and 2.95 % for F shares, capped at the average bond yield +200 bp.

NON-EQUITY SECURITIES

The Caisse Fédérale regularly issues additional capital securities (Tier 2 and equivalent). It issued a security for €300 million in 2016. No securities were issued in 2017.

CAPITAL MANAGEMENT

The Crédit Mutuel Nord Europe Group is subject to French capital adequacy regulations that transpose European directives. The risk assessment methodologies applied are compliant with regulatory standards and with the definitions adopted by the Crédit Mutuel Group.

Crédit Mutuel Nord Europe complies with all regulatory ratios that it is subject to.

In € millions

Regulatory ratios	12/31/2017	12/31/2016
Common Equity Tier One	2 660	2 480
Additional Tier One	0	79
Tier Two	702	778
TOTAL CRR CAPITAL	**3 362**	**3 336**
Risk-weighted assets	16 938	16 385
SOLVENCY RATIO	**19.85 %**	**20.36 %**
Common Equity Tier 1 ratio	15.70 %	15.13 %
T1 ratio	15.70 %	15.62 %

NB: In May 2017, Caisse Fédérale du CMNE requested the European Central Bank's authorization to redeem the Super-Subordinated Note amounting to €150 million issued in 2004. It obtained this authorization at the end of August 2017. Because of the appreciation of the redemption price between the two dates, the proposed transaction would have led to a greater financial burden than initially estimated; as a result, CMNE has decided to forgo the authorization obtained; this waiver request requires a European Central Bank decision, taking note of the institution's application and approving it, before CMNE can re-recognize the corresponding amount in its shareholders' equity. As this formality was in progress at December 31, 2017, the Super Subordinated Note is not reflected in AT1 and T2 capital.

INFORMATION ON THE SHARE CAPITAL

Shareholders' equity

Pursuant to the provisions of CRBF Regulation No. 2000-03, networks of institutions that have a central body must comply with management ratios on a consolidated basis (market risk and credit risk, major risks, equity investments and internal control).

The consolidating entity and the prudential supervision scope of CMNE are identical to those used for the Group's consolidated financial statements.
Only the consolidation method changes, particularly for the insurance companies, which are fully consolidated for accounting purposes and consolidated using the equity method for prudential purposes.

The global capital adequacy ratio measures the capital requirement needed to cover credit, market and operating risks. Under Basel III standards, total capital is the sum of "Common Equity Tier One" i.e. company shares and reserves, additional Tier One capital, i.e. perpetual Super-Subordinated Notes, Tier Two capital, i.e. Redeemable Subordinated Notes less regulatory deductions (some investments in non-consolidated or equity-accounted financial institutions).

CMNE calculates the global capital adequacy ratio on the basis of the consolidated financial statements prepared in accordance with IFRS, applying the prudential consolidation scope. The carrying value of shareholders' equity is restated to take into account the effect of prudential filters whose purpose is to reduce the volatility of shareholders' equity brought about by the international standards, notably the introduction of fair value.

CMNE also complies with the reporting requirements arising from the EU Financial Conglomerates Directive. This requires, among other things, additional monitoring of coverage by consolidated shareholders' equity of the combined capital adequacy requirements of banking activities and solvency margin requirements of insurance companies. This monitoring also has an impact on the measurement of other financial ratios, as the positive difference arising from consolidation using the equity method of the consolidated insurance companies is eliminated from Tier One capital.

Capital management

As part of the management of its shareholders' equity, the Group ensures that its level of solvency is compatible with maintaining its financial strength and that shareholders' equity is appropriately allocated to the various business lines to ensure that the Group is able to withstand stress scenarios.

As part of the planning process implemented by the Confédération Nationale du Crédit Mutuel, CMNE has an Internal Capital Adequacy Assessment Process (ICAAP) to measure the adequacy of capital ratios in relation to regulatory requirements and the Group's objectives in connection with its risk appetite (credit, market, interest rate, operating, reputational and insurance risks).

The quality of CMNE's consolidated balance sheet contributes to the Crédit Mutuel Group long-term rating of "A with a stable outlook" and short-term rating of "A-1" issued by the Standard & Poor's agency on February 2, 2018.

ACTIVITY REPORT

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FRENCH NETWORK

2 451
Employees

281
Points of sale

1 000 000
Customers and shareholder-members

ACTIVITIES

Long-term growth in the regional economy has resumed, and once again the regional business climate improved significantly in 2017. The unemployment rate remained very high in our regions and stood at 10.8 % in the fourth quarter.

The Hauts-de-France region is one of the most dynamic; it has a rich local economy and is home to a variety of industries. With GDP of €153 billion, it is the fourth-largest exporting region.

A CONSTANTLY CHANGING BUSINESS

Despite a 16.5 % decrease in the number of accounts opened in 2017 compared with 2016, the business continued to grow with CMNE gaining 45,422 customers in 2017. This was an improvement over 2016, when it acquired 43,504 new customers.
The trend was seen across all markets: individuals, up 4.3 %; business customers, up 6.6 %; farmers, up 10.3 %; and associations and works councils, up 5.1 %.

One in two new customers in 2017 was under the age of 26 (49.1 % of new individual customers).
Overall, those under the age of 26 represented 24.9 % of individual customers.

CONTINUOUS ADAPTATION OF THE NETWORK

The network evolved in 2017 to facilitate closer relationships and adapt to new consumer behaviors: opening by appointment, teams at the ready at two points of sale, pooling of customer contact centers, adaptation of the point-of-sale network, etc.

An online sales team was also established to serve customers who are increasingly mobile, connected and pressed for time. The new team works daily to seize all opportunities that arise in the various channels (web forms, incoming calls, targeted marketing and other) in a proactive outgoing call approach.

The use of digital channels has also increased significantly (blogs, direct marketing, media campaigns and content marketing, as well as complaint handling via the social networks, etc.), along with data management, to generate even greater synergies.

DIVERSIFYING TO BETTER MEET OUR CUSTOMERS' EXPECTATIONS

The low interest-rate environment, which has lasted a number of years, requires that we constantly diversify in order to continue to grow. The steps taken to support customers overall are yielding results: direct real estate (AFEDIM), insurance (property as well as personal), asset management and parabanking services (theft protection, budget management) are helping to grow net banking income to support the banking activities.
CMNE will innovate in 2018 in order to meet its customers' needs and, in particular, keep pace with their lifestyles. It will offer new products with the aim of facilitating access to ownership: balloon loans, "propriété à vie" (where the lessee has real rights to property under a contract), life tenancy, etc.

USING DIGITAL TO SERVE CUSTOMERS AND EMPLOYEES

CMNE continues to contribute actively to the "Priorité Clients Sociétaires 2018" ("Priority on customers-members 2018") program, which develops projects to accelerate the digital transformation at the Crédit Mutuel Group level and seeks to maximize customer satisfaction. In July 2017, Harris Interactive awarded its Label of Excellence to the cmne.fr website.

IBM's Watson artificial intelligence has been deployed to the branches: the email analyzer and virtual assistants now support the sales teams.
The full potential of the innovation drive was realized in 2017: Six labs (dynamic groups of employees with different areas of expertise who work on a range of problems using the agile method and a creative approach in order to propose prototypes) were held with more than 60 participants, and eight prototypes were developed; one-time workshops were also held on a variety of topics. CMNE is also participating in the Crédit Mutuel CM11 Group's "Innovons ensemble" ("innovating together") initiative.

In 2017, use of the mobile app outpaced that of the website and became our primary channel for communicating with our customers. As such, major projects were completed: consumer loan disbursement, auto insurance quote with just three photos, recurring fund transfers, and electronic filing of auto or home claims directly via the app.

NEW BUSINESS

SAVINGS: A STRONG PERFORMANCE

The French network performed well in 2017, with positive inflows in all segments despite their different dynamics. Savings outstandings increased by 4 % overall.

Savings accounts: growth was driven by current accounts and regulated savings accounts

Net inflows into savings accounts stood at €414 million (up 28.6 %), for a 4.6 % increase in savings to €11,106 million. These results were driven mainly by higher net inflows into current accounts (up 29 %) and regulated savings accounts (livrets bleus and LDDs, with inflows of €30 million and €8.6 million, respectively, versus outflows in 2016).

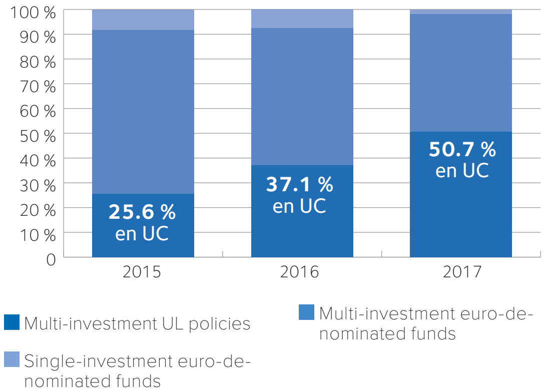
Financial savings: volumes continued to increase despite lower inflows

Savings in 2017 reached €2,903 million, up 4.6 % despite net outflows (-€24.7 million). New savings were adversely affected by the maturity of a bond and by low levels of performance by other securities (FIPs (local investment funds), FCPIs (innovation funds), GFVs (vineyard investment vehicles), equities). SCPI inflows remained robust at €45.2 million (a €3 million increase).

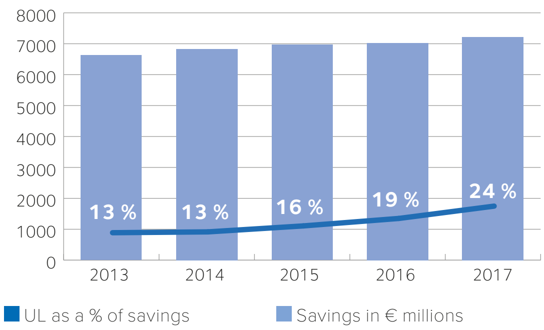
Insurance-based savings: inflows shifted toward unit-linked (UL) policies in a challenging environment

Savings outstandings continued to increase and reached €7.2 billion (up 2.8 %), even though net inflows were down 8.1 % to €62 million (change in calculation method). Using the same method, net inflows would have been €147 million.

Breakdown of inflows by type of vehicle



Un taux d'UC qui représente près d'1/4 des encours



LOANS: HOME LOANS CONTINUE TO DRIVE THE BUSINESS

Rates continued to trend down in 2017, keeping margins on loans — and on home loans in particular — under pressure. That being the case, the French banking network continued to diversify by increasing its presence on the business/farmer and consumer credit market.

Consequently, although total new lending and outstandings (€9.3 billion) remained stable versus 2016, consumer credit and loans to businesses/farmers increased by 11.5 %.

In **consumer credit**, cumulative new lending stood at €771 million in 2017 (up 11.5 %). Outstanding loans therefore rose by 15.6 % versus 2016 to €1,205 million.

In **home loans**, a market where rates remain low, CMNE continued to pursue a prudent policy in terms of margin and risk control. At €1,154 million in 2017, this activity remained the primary contributor to new business even with a 10.1 % decline relative to 2016.

In **loans to businesses and farmers**, cumulative new lending stood at €394 million (up 11.5 %). Outstanding loans were €1,667 million, up 0.9 % year over year.

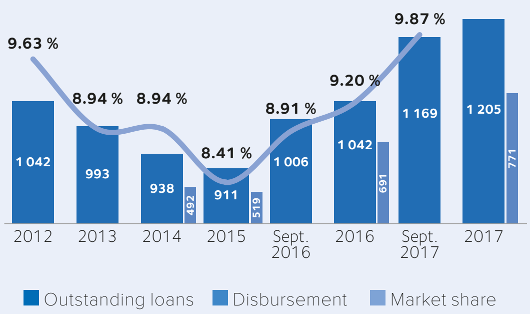
FOCUS ON CONSUMER CREDIT

Consumer credit was a priority for the French network in 2017. In the low interest-rate environment we have been experiencing for a number of years, consumer credit is a profitable engine for growth.

As such, a comprehensive promotional program was implemented over the course of the year:

- Marketing targets provided to advisors every month;
- Promotional rate campaigns for various products throughout the year;
- Launch of online loan applications (website + mobile) on September 27, 2017;
- Loan approvals received directly via cell phone;
- Launch of the leasing with purchase option/long-term lease solutions in April 2017, backed by a campaign in September 2017.

In € millions



Results were particulary satisfactory, with substantial increases in new lending and outstanding loans.

SERVICES: A REWARDING DIVERSIFICATION

In a changing competitive landscape severely affected by digital and by the negative impact of low interest rates, CMNE has actively diversified its offer in recent years. This strategy aims to meet customers' current and emerging needs while increasing the share of commissions in net banking income.

As a long-standing bankinsurance player, CMNE supports its customers by offering a comprehensive range of financial and insurance-related services. At the end of December 2017, commission income was €200.3 million (including fees and commissions related to account transactions), up 2.7 % from 2016.

FOCUS ON PROPERTY AND PERSONAL INSURANCE

The 2017 portfolio grew by 3.6 % versus 2016
It comprised 363,889 "major" policies with more than 96,850 auto and home policies taken out at end-December 2017.

The personal insurance portfolio grew by 4.2 % between 2017 and 2016
It comprised 395,870 policies, i.e., a 14.3 % increase in sales and a 58,254 increase in policies.

FOCUS ON PERSONAL PROTECTION

- With more than 15,000 "Accident Insurance" sales in 2017 (up 63 %), the number of policies increased by 16.3 % relative to 2016;
- With more than 21,630 "FamiliSécurité" sales in 2017 (up 24 %), the number of policies increased by 8 % relative to 2016.

Total commissions received for the distribution of property and casualty insurance products reached €23.9 million in 2017 (up 1.2 %), of which €4.2 million for personal protection (up 5 %).

FOCUS ON AFEDIM

Since 2011, the year that AFEDIM (the direct real estate marketing program) was launched, CMNE has been the leader within the Crédit Mutuel Group.
It maintained its lead in 2017:
- 126 primary residence sales;
- 871 sales in 2017, up 17 % versus 2016, and 463 Zen invest mandates.

FOCUS ON PROVOL

In an ongoing effort to better support our customers and diversify our revenue streams, CMNE has focused closely on promoting PROVOL since 2016. This is an alarm and remote surveillance solution that builds customer loyalty by providing a value-added service.

At December 31, 2017, new contract numbers were encouraging:
- Number of new contracts up 38 %;
- Total number of contracts up 24 %.

Number of contracts

	2016	2017
Cumulative new contracts since 1/1	6 196	8 527
Change in total number of contracts	15 413	19 047

RESULTS

IFRS consolidated financial statements (in € thousands)

Income statement	12/31/2017	12/31/2016	Change
NET BANKING INCOME	**566 118**	**451 379**	**114 739**
of which net interest margin	*152 447*	*183 528*	*(31 081)*
of which commissions	*200 720*	*195 167*	*5 553*
General operating expenses	(324 641)	(325 882)	1 241
GROSS OPERATING INCOME	**241 477**	**125 497**	**115 980**
Net additions to/reversals from provisions for loan losses	(5 263)	(10 536)	5 273
OPERATING INCOME	**236 214**	**114 961**	**121 253**
Gains (losses) on other assets	467	26 230	(25 763)
NET INCOME BEFORE TAX	**236 681**	**141 191**	**95 490**
Corporate income tax	(45 938)	(31 969)	(13 969)
TOTAL NET INCOME (LOSS)	**190 743**	**109 222**	**81 521**
Non-controlling interests	166	(247)	413
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**190 577**	**109 469**	**81 108**

Net banking income increased due to the realization of capital gains on the sale of portfolio securities and the stake in CIC (generating a capital gain of €95 million); these transactions offset the decline in loan yields while the cost of savings accounts remained high, as it is primarily indexed to regulated rates.

The trend in commission income (mainly account fees and insurance commissions) was positive.

General operating expenses fell by €1.2 million, with employee expenses representing 65 %. The decline was mainly due to taxes and duties, which included a non-recurring charge in 2016 related to the sale of the Raspail building.

Net additions to/reversals from provisions for loan losses remained under control and, in 2017, included the reversal of provisions for securities that were fully redeemed (+€4.7 million).

In 2016, the sale of the Raspail real estate complex generated a capital gain of €26 million, which was taxed at the standard rate under ordinary French law.

The corporate income tax expense in 2017 included, in particular, the €3.8 million payment for the corporate income tax surcharge, and the discounting effect on deferred tax to take into account the gradual decrease in the corporate tax rate in accordance with the budget act.

CORPORATE NETWORK

163
Employees

19
Local offices

14 000
Customers

ACTIVITIES

In 2017, the Corporate division began the structural work necessary for the future integration of BCMNE into CFCMNE in 2018. The banking and real-estate activities were refocused on CMNE's core regions to further support economic development in the Hauts-de-France region and the Ardennes and Marne departments.

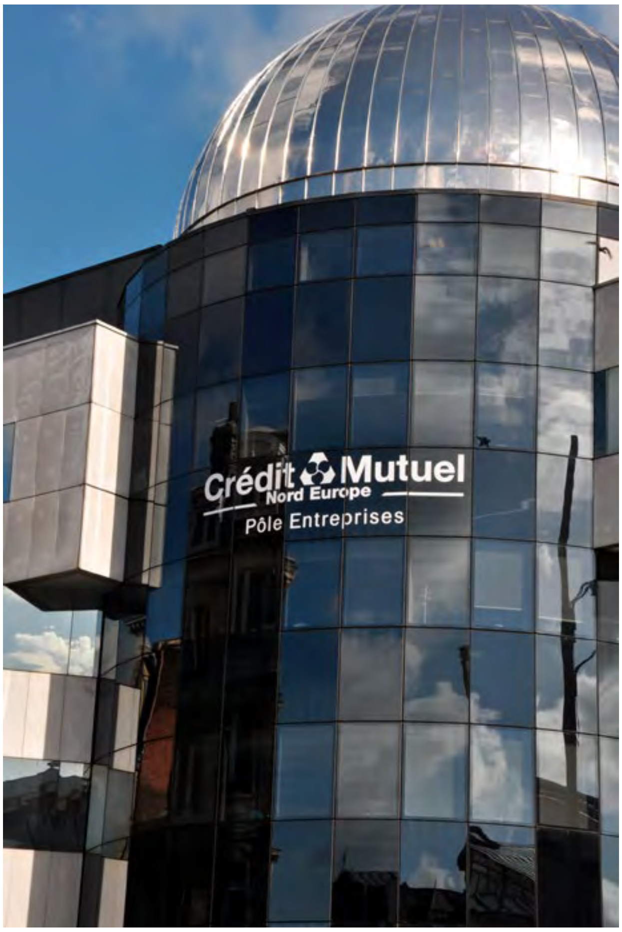
Sales momentum accelerated even in a transition year thanks to the diversification of products and services and the results achieved in equipment leasing in particular. In 2017, Bail Actéa had its best year for new equipment leases since its creation while preserving its commercial margins.

Highlights of the year were mainly the reorganization of the division, including the merger of BCMNE with Caisse Fédérale du CMNE, with the leasing companies now reporting directly to CFCMNE (the MENES project), and the implementation and harmonization of new credit processes.

In this same spirit of streamlining, Bail Actéa is finalizing the migration of its IT systems to the EI group environment after integrating the new version of its Ekip management software in November 2017.

NEW BUSINESS

New lending in 2017 in the Corporate division reached €507 million, down 27.8 % year over year due to the geographic and strategic realignment.



FOCUS ON BAIL-ACTÉA: CONTINUED GROWTH IN A CHALLENGING ENVIRONMENT

Despite the very competitive environment and persistently low interest rates, the equipment leasing subsidiary met its sales targets and reported total new leases of €422 million, up 2.4 % relative to 2016. Outstandings rose by 3.4 % year over year to reach €984 million at end-2017.

FOCUS ON NORD EUROPE LEASE: STRATEGIC CHOICES IN 2017

With €9 million in new leasing and €378 million in outstandings at the end of 2017, the sluggish real estate leasing market and the strategic and geographic realignment carried out in 2017 significantly depressed Nord Europe Lease's activity. End-of-period financial outstandings net of subsidies and lessee advances totaled €378 million (of which €6 million in pre-financing).

FOCUS ON BCMNE: SALES DYNAMICS SUPPORT DIVERSIFICATION AND CUSTOMER SATISFACTION

Medium- and long-term financing

- New lending stood at €76 million versus €248 million in 2016 due to the network reorganization;
- Average performing loans in 2017 totaled €605 million, down 11 % compared with end-2016.

Operating cycle financing

Short-term loans stood at €163 million in 2017 (versus €177 million in 2016), with the decline concentrated in treasury loans to intermediate-sized enterprises, in line with the new geographic breakdown of the activities. Factoring outstandings increased by 9 % to €40 million.

Financial engineering

BCMNE's Financial and Wealth Engineering division assisted more than 50 customers.

International activity

BCMNE's international activity continued to grow in 2017, primarily in documentary credits: €29.7 million in new documentary credits and documentary remittances and commissions up 25 %.

Electronic payments

Customers adopted more than 200 electronic payment solutions in 2017.

Documents via internet

More than 300 contracts were entered into in 2017, a record for the Corporate division.

Theft protection

The Provol "Corporate" offers are tailored to each SME or intermediate-sized enterprise. At end-2017, 16 contracts had been signed.

Vehicle fleet insurance

To diversify the offer in order to better support its customers, an auto insurance offer was launched in September 2017.

RESULTS

IFRS consolidated financial statements (in € thousands)

Income statement	12/31/2017	12/31/2016	Change
NET BANKING INCOME	**54 698**	**56 364**	**(1 666)**
of which net interest margin	*42 894*	*44 126*	*(1 232)*
of which commissions	*4 788*	*6601*	*(1 813)*
General operating expenses	(28 471)	(30 085)	1 614
GROSS OPERATING INCOME	**26 227**	**26 279**	**(52)**
Net additions to/reversals from provisions for loan losses	142	(5 134)	5 276
OPERATING INCOME	**26 369**	**21 145**	**5 224**
Gains (losses) on other assets	15	22	(7)
NET INCOME BEFORE TAX	**26 384**	**21 167**	**5 217**
Corporate income tax	(9 791)	(7 384)	(2 407)
TOTAL NET INCOME (LOSS)	**16 593**	**13 783**	**2 810**
Non-controlling interests	5	1	4
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**16 588**	**13 782**	**2 806**

The financial margin, down 2.8 %, was affected by the erosion in outstanding loans related to the strategic and geographic realignment and the persistent low interest-rate environment.
The decline in general operating expenses and in net additions to/reversals from provisions for loan losses at the three entities lifted net income attributable to owners of the company by 20.4 % to €16.6 million.

BELGIAN NETWORK

1 026
Employees

236
Points of sale

622 000
Customers

ACTIVITIES

In 2017, Beobank found itself in a transitional period between two major projects: the successful merger in 2016 and preparations for the migration to a new information system planned for 2018 (the Eole project).

Beobank seeks to provide its customers with the most comprehensive offering, whether for individuals or the self-employed and corporates. More generally, Beobank aims to be the primary bank for its customers and to support them at all stages of their life, by offering banking and non-banking products and services, as well as insurance.

In 2017, Beobank built up the foundations of certain business lines with the ongoing development of its PRO and Patrimoine approaches and launched new products with its property and casualty insurance offer. This enabled it to diversify its revenues and shift the banking business toward a bankinsurance model.

In conjunction with its business development ambitions, Beobank focused its efforts in 2017 on the “Eole” project to migrate its information system to Euro-Information’s platform. Many Beobank teams are involved in this project to ensure it is completed and that the migration planned for the second half of 2018 is successful.

The new single headquarters project, which aims to bring all employees under one roof by 2020, was also launched in 2017. It is designed to reflect Beobank’s image and ambitions in Belgium, promote and facilitate interactions between colleagues, improve efficiency and cut costs related to the two headquarters currently in use.
The new headquarters will also reduce the activity's environmental footprint as they will be located in a passive building certified BREEAM Excellent.

NEW BUSINESS

The Belgian activity remained under control throughout the year: the level of customer satisfaction was maintained, new business increased, risks were effectively managed and its financial results enabled it to absorb the costs of the Eole project.

In terms of credit risk in 2017, the portfolios — whether consumer credit, mortgage or business loan portfolios — reported low net additions to/reversals from provisions for loan losses.

A number of campaigns were launched over the course of the year to ensure that Beobank maintained its strong brand image on the Belgian market and to fulfill the promise of the “Vous êtes bien entouré” (we’ll take care of you) slogan (including a highly effective auto loan campaign that enabled Beobank to make its mark with a record rate of 0.89 %). This translated into 85 % brand awareness in December 2017, supplemented by consumer perception of a young, dynamic and modern bank. This is borne out by a customer satisfaction rate of 81 %, according to a GFK study.

Beobank’s PRO business focused on strengthening its bases in advance of the rollout of the customer acquisition phase in 2018.

The product range was expanded at the end of October with the launch, in collaboration with Partners Assurances, of three new property and casualty insurance options. Reaching this milestone helped Beobank shift from a banking business to a bankinsurance model and diversify its sources of net banking income while increasing its commission income.

SAVINGS: STRATEGIC CHOICES IN A CHALLENGING ENVIRONMENT

Savings accounts: a portfolio refocusing strategy

At the end of 2017, savings account outstandings stood at €5,162 million, down by a slight 1.7 %. Net outflows were €88 million, with the decline in savings accounts partially offset by current accounts, where outstandings reached €644 million (up 13 %).

Insurance-based savings: priority placed on unit-linked policies in a challenging environment

Outstandings of euro-denominated life insurance policies, with capital guaranteed and/or a guaranteed rate of return, declined while multi-investment vehicle life insurance policies, in line with the strategy, rose by a sharp 57 % for outstandings of €104 million. Total outstandings fell by 4.6 % in 2017 to €1,756 million.

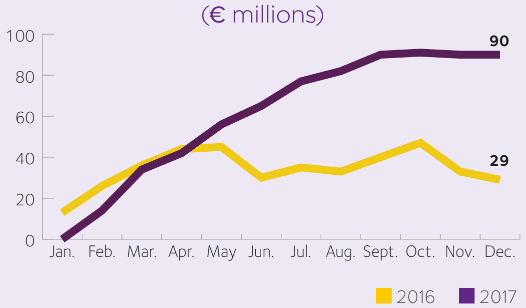
Financial savings: tremendous growth in 2017

The efforts by the sales network combined with dedicated marketing campaigns led to tremendous growth in new savings in 2017: cumulative net inflows in financial savings stood at €90 million for outstandings of €1,622 million, i.e., respective growth of 210 % and 7.1 % year over year.

FOCUS ON FINANCIAL SAVINGS

Cumulative financial savings inflows

(€ millions)



Significant and continuous resources were dedicated to achieving the substantial 62 % growth in financial savings at end-2017:

- Multichannel marketing campaign (digital, print, radio);
- Creation of the wealth unit at the end of 2016, which supports customers with more than €100,000 in assets;
- Creation of “investment conferences”: in an ongoing effort to build closer relationships and heighten its brand awareness, Beobank invites its customers to attend events where speakers discuss current economic news, the markets and finance.

LOANS: A STRONG CONSUMER CREDIT FOUNDATION AND PRUDENT DIVERSIFICATION

As is the case in France, the Belgian market is suffering from the low interest-rate environment, in particular in the mortgage segment. Beobank was nevertheless able to increase total new lending by 2 % relative to 2016.

In **consumer credit**, cumulative new lending stood at €953 million in 2017, up 6.7 % year over year.

In **mortgages**, cumulative new lending stood at €385 million in 2017, down by slight 2.5 % year over year. However, outstandings rose by 10.5 % to €1.7 billion.

In **business loans**, cumulative new lending came to €76 million in 2017, a sharp 20.7 % decrease year over year.
Due to the new organization of the Business Pro unit, priority was given to strengthening this business line, through hiring and by developing the teams' skills. 2018 will be the year it conquers the market.

FOCUS ON MORTGAGES

Mortgages were a priority for Beobank in 2017, in keeping with its customer acquisition strategy and its aim to become its customers' primary bank.

New lending was down slightly from the previous year. Beobank focused on controlling its risks and protecting its margins, and was able to keep its margin stable throughout the year.

SERVICES: FROM BANKER TO BANKINSURER

In keeping with new customer behaviors, Beobank is making fully equipped coworking spaces available to its Pro customers (Wi-Fi, parking, cafeteria, conference room, etc.). The Pro Centers hosted conferences for business owner customers on a variety of topics, such as corporate financing, business transfers and the use of social networks to grow their business.
These spaces are accessible in Ghent, Kortrijk, Antwerp, Brussels and Bruges; additional openings are planned for 2018.

Beobank has transformed its model to become a bankinsurer: a brand-new range of property and casualty insurance products has been launched since October 2017. This range, created entirely by NEA, another CMNE Group subsidiary, offers comprehensive solutions for customers while strengthening the synergies between Group entities.
In three months, cumulative new property and casualty insurance business totaled more than 1,600 policies, split mainly between auto, home and family.

In personal insurance, Beobank's portfolio grew by 48 % to 1,976 policies.

The number of cards held steady (up 1 %), for a total of 33,982 new cards issued in 2017. Credit card outstandings reached €364 million, up by 4 % compared with 2016.

RESULTS

IFRS consolidated financial statements (in € thousands)

Income statement	12/31/2017	12/31/2016	Change
NET BANKING INCOME	**287 799**	**304 997**	**(17 198)**
of which net interest margin	*225 009*	*247 274*	*(22 265)*
of which commissions	*49 392*	*36 557*	*12 835*
General operating expenses	-274 270	-256 035	(18 235)
GROSS OPERATING INCOME	**13 529**	**48 962**	**(35 433)**
Net additions to/reversals from provisions for loan losses	-2 959	-4 300	1 341
OPERATING INCOME	**10 570**	**44 662**	**(34 092)**
Gains (losses) on other assets	1 374	119	1 255
NET INCOME BEFORE TAX	**11 944**	**44 781**	**(32 837)**
Corporate income tax	-7 802	-11 785	3 983
TOTAL NET INCOME (LOSS)	**4 142**	**32 996**	**(28 854)**
Non-controlling interests	36	-40	76
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**4 106**	**33 036**	**(28 930)**

Net banking income decreased, mainly due to the fall in financial margin, in a low interest-rate environment that was detrimental to loan yields. Commission income increased, reflecting the effective marketing of financial savings and the receipt of a profit-share from NELB. The other components of net banking income benefited from the realization of capital gains on the securities portfolio.

General operating expenses totaled €274 million, up strongly due to the planned IT migration (Eole project). This expense is borne in full in 2017 and 2018, the main years in which the work will be performed. An expense of €38 million was therefore recorded in 2017.
Net additions to/reversals from provisions for loan losses, consisting solely of customer risk, remained well under control.

Beobank's contribution therefore remained positive with net income of €4 million in 2017.

BANKINSURANCE DIVISION

CONSOLIDATED FINANCIAL STATEMENTS

The Bankinsurance division comprises the retail banks and the banks for SMEs-SMIs and intermediate-sized enterprises in France and Belgium, as well as the equipment and real-estate leasing companies.
These consist mainly of Caisse Fédérale, the local cooperative bank network, BCMNE, Bail Actéa and Nord Europe Lease in France and Beobank in Belgium.
They also include the cost-sharing groups and companies, primarily in real estate.
The division's contribution to the consolidated financial statements of the CMNE Group is reflected in the figures below.

IFRS consolidated financial statements (in € thousands)

Assets	12/31/2017	12/31/2016	Change	
Financial assets at fair value through profit or loss	332 933	414 486	(81 553)	(19.68 %)
Hedging derivative instruments	26 315	33 026	(6 711)	(20.32 %)
Available-for-sale financial assets	5 149 288	4 463 942	685 346	15.35 %
Loans and receivables due from credit institutions	3 728 950	3 974 921	(245 971)	(6.19 %)
Loans and receivables due from customers	16 391 064	16 309 746	81 318	0.50 %
Remeasurement adjustment on interest-rate risk hedged investments	22 236	49 813	(27 577)	(55.36 %)
Held-to-maturity financial assets	77 089	208 382	(131 293)	(63.01 %)
Accruals and other assets	486 413	435 890	50 523	11.59 %
Investments in associates	-	-	-	-
Property, equipment and intangible assets	211 889	237 683	(25 794)	(10.85 %)
Goodwill	2 343	2 343	-	-
TOTAL	**26 428 520**	**26 130 232**	**298 288**	**1.14 %**

Liabilities	12/31/2017	12/31/2016	Change	
Financial liabilities at fair value through profit or loss	275 316	277 117	(1 801)	(0.65 %)
Hedging derivative instruments	83 840	126 488	(42 648)	(33.72 %)
Due to credit institutions	1 648 585	1 427 450	221 135	15.49 %
Due to customers	16 810 257	16 343 647	466 610	2.85 %
Debt securities	3 113 189	3 619 971	(506 782)	(14.00 %)
Remeasurement adjustment on interest-rate risk hedged investments	2 320	2 542	(222)	(8.73 %)
Accruals and other liabilities	810 559	732 925	77 634	10.59 %
Provisions	143 858	157 868	(14 010)	(8.87 %)
Subordinated debt	827 458	831 647	(4 189)	(0.50 %)
Non-controlling interests	(1 259)	(1 484)	225	(15.16 %)
Shareholders' equity, excluding net income, attributable to owners of the company	2 522 291	2 469 445	52 846	2.14 %
Net income for the year attributable to owners of the company	192 106	142 616	49 490	34.70 %
TOTAL	**26 428 520**	**26 130 232**	**298 288**	**1.14 %**

Income statement	12/31/2017	12/31/2016	Change	
NET BANKING INCOME	**886 639**	**795 525**	**91 114**	**11.45 %**
of which net interest margin	*420 350*	*458 465*	*(38 115)*	*(8.31 %)*
of which commissions	*254 900*	*238 325*	*16 575*	*6.95 %*
General operating expenses	(624 571)	(608 458)	(16 113)	2.65 %
GROSS OPERATING INCOME	**262 068**	**187 067**	**75 001**	**40.09 %**
Net additions to/reversals from provisions for loan losses	(8 080)	(19 970)	11 890	(59.54 %)
OPERATING INCOME	**253 988**	**167 097**	**86 891**	**52.00 %**
Share of net income of associates	-	-	-	-
Gains (losses) on other assets	1 856	26 371	(24 515)	(92.96 %)
NET INCOME BEFORE TAX	**255 844**	**193 468**	**62 376**	**32.24 %**
Corporate income tax	(63 531)	(51 138)	(12 393)	24.23 %
Post-tax gain/(loss) on discontinued operations	-	-	-	-
TOTAL NET INCOME (LOSS)	**192 313**	**142 330**	**49 983**	**35.12 %**
Non-controlling interests	207	(286)	493	(172.38 %)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**192 106**	**142 616**	**49 490**	**34.70 %**

INSURANCE

INSURANCE

208
Employees

2,341 million policies, of which 1.9 million major policies

ACTIVITIES

Due to the ongoing decline in returns on euro-denominated funds and in light of concerns associated with regulatory changes, the life insurance market faltered once again in 2017. Gross premium income was down slightly but net premium income was positive due to premium income on unit-linked policies, driven by favorable financial markets (28 % of net premium income in 2017).

The performance by the property and casualty insurance activity, which is growing, was affected by tougher competition.

The past year was characterized by strong growth in the global economy, moderate inflation and the ample liquidity injected by central banks. The equity markets ended 2017 on a very positive note and the new regulations are starting to have an impact (Hamon Law, MiFID in Belgium and PRIIPs in France, etc.).

The changes occurring in banking and insurance have been swift and far-reaching.

In this environment, NEA continued to pursue the objectives of its 2020 medium-term plan:

- Unit-linked strategy;
- Business development focused on personal protection;
- Quality approach that optimizes the processes with distributors: more than 70 % of the CMNE network believes that the quality of ACMN VIE's service improved between 2016 and 2017;
- Participation in the CMNE Group's "Priorité Client Sociétaire (PCS) 2018" (priority on customers-members 2018) project, with an emphasis on digitalization to offer customers an all-mobile experience: electronic claims filing, auto insurance quote with just three photos, electronic signature, etc. NEA also collaborated on the development of the Watson virtual assistant;
- Strengthened solvency: continued de-risking of assets through the ongoing development of the product mix (shift toward unit-linked policies and rebalancing of the activity toward property insurance and personal protection).

▶ NEA GACM COMBINATION

To strengthen the existing ties between Crédit Mutuel Nord Europe and the Crédit Mutuel CM11 Group in insurance, the parties are considering a combination of NEA and GACM, which would lead to the merger of NEA into GACM, of ACMN IARD into ACM IARD and of ACMN Vie into ACM Vie.
This project would, in particular:

- Strengthen GACM's positions in France and Europe by giving it access to CMNE's distribution networks;
- Facilitate compliance with certain regulatory constraints and lead to more effective management of solvency requirements and capital allocations;
- Achieve savings by simplifying and decreasing the number of regulated entities, and by optimizing reinsurance costs and IT resources.

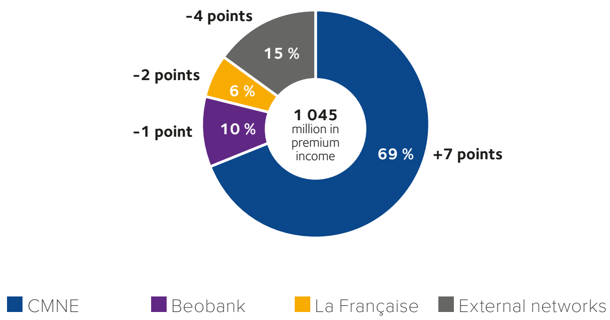
NEW BUSINESS

▶ NEA

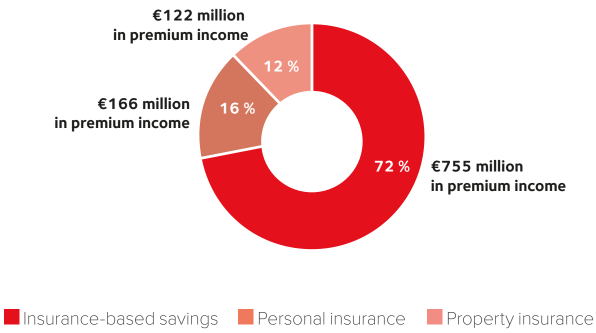
▷ Revenue

Revenue in 2017 in the Insurance division was up 3 % to €1,045 million. The breakdown by distribution network illustrates the increasing weight of Group networks (the CMNE network notably gained 7 points). Premium income benefited from the rise in insurance-based savings (up 3.3 %) while property and casualty premium income was stable at €166 million.

Breakdown of premium income by distribution network



Breakdown of 2017 premium income



▷ Policy portfolio in 2017

Number of policies: 2.341 million policies* at December 31, 2017, of which:

- 1.119 million personal protection policies (borrowers, individual personal protection, health);
- 197,673 auto insurance policies;
- 165,529 comprehensive homeowners policies;
- 396,663 insurance-based savings policies.

* excluding Eurocompte/Souplesse

▷ NEA outstandings

Total technical and mathematical reserves increased by 1 % to €12,130 million.

▷ The unit-linked strategy

In 2017, NEA continued to support the Group's distribution networks to encourage higher premium income from unit-linked policies. These investments combine enhanced security with performance potential over the medium and long term, the natural investment horizon for life insurance. Unit-linked policies accounted for nearly 51 % of gross premium income. As a result of the various EMTN campaigns, €147 million was invested in the various structured vehicles.

Discretionary management is now available for ACMN Avenir, ACMN Opale, ACMN Avenir Pro and Larea Avenir Agri life insurance policies. It provides an effective response to CMNE customers' need for diversification.

Lastly, NEA decided to continue to offer bonuses on payments when a minimum percentage is paid into unit-linked policies.

▶ ACMN VIE: PROFITABLE GROWTH

Premium income rose by 8 % to €748 million, due primarily to strong new business in the CMNE network (€560.3 million, up 19 %).

Savings made a significant contribution to this increase with premium income up 8 % to €670.5 million. Personal protection grew by 2 % to €77.5 million.

The share of Group partners (CMNE, Beobank and Groupe La Française) in premium income was 89 % versus 83 % in 2016.

Total technical provisions were €9,418 million, down 12 % following the transfer of the Beobank portfolio to NELB (€1,342 million).

Unit-linked policies now account for 24 % of savings.

The rates the company paid on its euro-denominated funds were comparable to 2016, pointing to an average decline from 1.66 % to 1.61 % due to the maturing of guaranteed rates.

▷ Net income

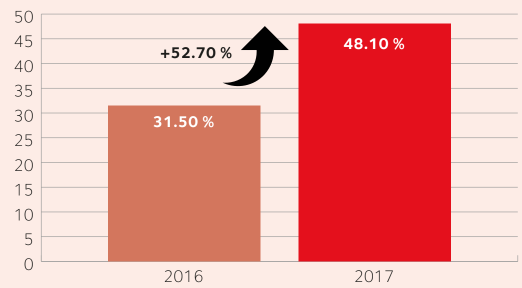
Parent company net income was €51.6 million versus €49.5 million in 2016. The increase was due to the share of personal protection and the decrease in general operating expenses.

FOCUS ON THE UNIT-LINKED STRATEGY: RESULTS IN LINE WITH EXPECTATIONS

Once again, the focus on unit-linked policies paid off in 2017:

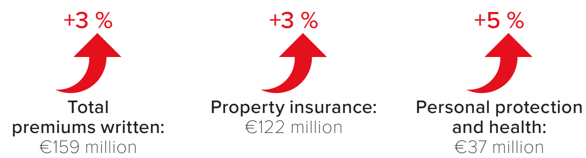
- New euro-denominated fund business fell by 18 % (€347.8 million) in favor of new unit-linked business (€322.7 million, up 66 %);
- Unit-linked outstandings rose by 26.5 % to €2,129 million.

UL as a percentage of savings premium income



▶ ACMN IARD: GROWTH ON ALL FRONTS

At end-2017, total premiums written stood at €159 million (up 3 %). Growth occurred across all segments:



▷ Net income

Despite the occurrence of large claims (bad weather and bodily injury claims), underwriting income remained strong and parent company net income was relatively stable at €16.6 million.

FOCUS ON PERSONAL PROTECTION AND HEALTH

NEA partnered with CMNE on marketing to develop a new sales and advisory approach by giving the network access to two new tools: Skillgym, to practice having conversations; and PICASO, a sales support tool that helps make sure that customers are offered the right coverage based on their needs.

The results have been impressive, with personal protection and health products representing 23 % of annual new business and a total of €37 million (up 5 %). Growth in individual personal protection came in particular from the accident insurance product (€6.5 million, up 14 %).

NELL: IMPROVEMENT IN EARNINGS DESPITE A DIFFICULT YEAR

Premium income at NELL was €78.5 million, down 26 % year over year. However, new unit-linked business rose by 14 % (€60 million) and the share of unit-linked policies rose sharply to 77 % (from 50 % in 2016).

The Myriad product, targeting Belgian brokerage firms, generated €69.1 million in new business.

Total technical provisions rose by €36 million to €915 million, of which 39 % was unit-linked.

Net income

Net income at NELL totaled €3.3 million at end-2017 versus €2.6 million in 2016.

NELB: STRONG SALES MOMENTUM

NELB generated €58 million in premium income, up 8 %. Personal protection premiums were up 10 % to €51.9 million in total. Furthermore, ACMN VIE's Beobank policy portfolio was transferred to NELB on December 31, 2017. Following this transaction, NELB's total technical provisions stood at €1,631 million.

Net income

NELB's net income was €2.2 million versus €4.6 million in 2016. The decline in net income can be attributed to the recognition of a provision for the transfer of ACMN VIE's Beobank policy portfolio to NELB.

RESULTS

IFRS consolidated financial statements (in € thousands)

Income statement	12/31/2017	12/31/2016	Change
NET BANKING INCOME	**199 402**	**187 052**	**12 350**
of which net interest margin	*(2 769)*	*(8 050)*	*5 281*
of which commissions	*/*	*/*	*/*
General operating expenses	(64 840)	(70 039)	(5 199)
GROSS OPERATING INCOME	**134 562**	**117 013**	**17 549**
Net additions to/reversals from provisions for loan losses			0
OPERATING INCOME	**134 562**	**117 013**	**17 549**
Share of net income of associates	101	(66)	167
NET INCOME BEFORE TAX	**134 663**	**116 947**	**17 716**
Corporate income tax	(54 133)	(39 330)	14 803
TOTAL NET INCOME (LOSS)	**80 530**	**77 617**	**2 913**
Non-controlling interests	9 899	8 164	1 735
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**70 631**	**69 453**	**1 178**

The Insurance division's consolidated net income attributable to owners of the company stood at €70 million (under IFRS) at December 31, 2017, representing a €1.2 million increase.
Net banking income benefited from the higher management margin, notably in the personal protection business, and from the positive change in unrealized capital gains net of deferred profit-sharing accruing to policyholders.
General operating expenses declined, in line with the decrease in the workforce and the completion of the projects carried out in prior years.
The corporate income tax expense included the €4.4 million payment for the corporate income tax surcharge.

In October 2017, the Extraordinary Shareholders' Meeting of NEA decided to carry out a €150 million capital increase in cash to enable it to:

- Make early repayments on the €46 million perpetual subordinated loan (Emprunt Subordonné à Durée Indéterminée (ESDI)) issued in June 2005 by NEA to strengthen its financial structure; NEA obtained authorization from the ACPR to repay the ESDI on December 1, 2017;
- Participate in the NELB capital increase, carried out in the context of the transfer of ACMN VIE's Beobank portfolio to NELB.

INSURANCE DIVISION

CONSOLIDATED FINANCIAL STATEMENTS

The Insurance division consists of the entities held by the Nord Europe Assurances (NEA) holding company: ACMN IARD, ACMN Vie, CPBK Re, Nord Europe Life Luxembourg, North Europe Life Belgium and SA Partners Assurances.
The division's contribution to the consolidated financial statements of the CMNE Group is reflected in the figures below.

IFRS consolidated financial statements (in € thousands)

Assets	12/31/2017	12/31/2016	Change	
Financial assets at fair value through profit or loss	12 807 305	12 570 468	236 837	1.88 %
Available-for-sale financial assets	3 383 320	3 557 114	(173 794)	(4.89 %)
Loans and receivables due from credit institutions	553 786	476 115	77 671	16.31 %
Loans and receivables due from customers	62 832	55 407	7 425	13.40 %
Held-to-maturity financial assets	-	-	-	-
Accruals and other assets	89 804	95 238	(5 434)	(5.71 %)
Investments in associates	17 594	17 745	(151)	(0.85 %)
Property, equipment and intangible assets	1 140	1 432	(292)	(20.39 %)
Goodwill	5 640	5 640	-	-
TOTAL	**16 921 421**	**16 779 159**	**142 262**	**0.85 %**

Liabilities	12/31/2017	12/31/2016	Change	
Financial liabilities at fair value through profit or loss	1	-	1	n.s.
Due to credit institutions	341 870	361 844	(19 974)	(5.52 %)
Due to customers	89 401	95 004	(5 603)	(5.90 %)
Accruals and other liabilities	1 967 908	2 218 811	(250 903)	(11.31 %)
Technical provisions on insurance policies	12 906 693	12 742 171	164 522	1.29 %
Provisions	3 926	6 780	(2 854)	(42.09 %)
Subordinated debt	307 015	353 018	(46 003)	(13.03 %)
Non-controlling interests	142 326	58 371	83 955	143.83 %
Shareholders' equity, excluding net income, attributable to owners of the company	1 091 650	873 707	217 943	24.94 %
Net income for the year attributable to owners of the company	70 631	69 453	1 178	1.70 %
TOTAL	**16 921 421**	**16 779 159**	**142 262**	**0.85 %**

Income statement	12/31/2017	12/31/2016	Change	
NET BANKING INCOME	**199 402**	**187 052**	**12 350**	**6.60 %**
of which net interest margin	*(2 769)*	*(8 050)*	*5 281*	*(65.60 %)*
of which commissions	-	-	-	-
General operating expenses	(64 840)	(70 039)	5 199	(7.42 %)
GROSS OPERATING INCOME	**134 562**	**117 013**	**17 549**	**15.00 %**
Net additions to/reversals from provisions for loan losses	-	-	-	-
OPERATING INCOME	**134 562**	**117 013**	**17 549**	**15.00 %**
Share of net income of associates	101	(66)	167	(253.03 %)
Change in value of goodwill	-	-	-	-
NET INCOME BEFORE TAX	**134 663**	**116 947**	**17 716**	**15.15 %**
Corporate income tax	(54 133)	(39 330)	(14 803)	37.64 %
Post-tax gain/(loss) on discontinued operations	-	-	-	-
TOTAL NET INCOME (LOSS)	**80 530**	**77 617**	**2 913**	**3.75 %**
Non-controlling interests	9 899	8 164	1 735	21.25 %
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**70 631**	**69 453**	**1 178**	**1.70 %**

ASSET MANAGEMENT

ASSET MANAGEMENT

590
Employees

Nearly **€66** billion in assets under management in 2017

ACTIVITIES

In 2017, La Française continued to grow organically by drawing on the expertise of its four core business lines and on the strength of its distribution platform in France and abroad. It steadily improved its performance in real estate, developed new areas of expertise and sought out international sources of growth.
Thanks to this positive activity, La Française is running ahead of schedule on its 2020 medium-term plan with respect to total consolidated net income and assets.
At end-2017, it had €66 billion in assets.

The year 2017 was characterized by a strong appetite for SCPIs (real estate investment trusts), growth in the Investment Solutions activities and assets, the ramp-up of Moniwan (the first FinTech to distribute SCPIs online), and the increase in fixed-income assets.
La Française took several specific actions, including positioning itself as a leading player in European SCPIs (LFREM), managing the FinTech fund (NewAlpha), adopting the Premia strategy in France and abroad (LFIS), and ensuring the success of the fixed maturity funds and of its expertise in absolute performance (LFAM).

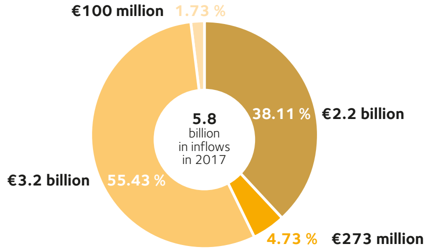
HIGHLIGHTS OF THE YEAR

- Inflows of €5.8 billion, of which 20 % abroad;
- Increased international presence, in particular in Asia;
- Strong appetite for SCPIs, which saw gross inflows of nearly €830 million;
- Success of the Moniwan digital platform, which generated €15 million in inflows into SCPIs;
- Rollout of the Premia strategy in France and abroad;
- Launch of a new 2025 fixed maturity fund after the closing of the highly successful Rendement Global 2022 fund;
- Success of the Zero Carbon equities strategy with institutional investors;
- Business development in Canada alongside Investeam Canada;
- Integration of the IPCM research center into La Française Group;
- Success of the FinTech fund managed by NewAlpha;
- Numerous awards won (Global Invest Forum/top “Pierre d’Or” prize in the Asset, Property, Facility Managers category/LFIS named Best Group - Hedge Fund/prize awarded to Moniwan for most innovative digital evolution project by Option Finance);
- Grand Paris, the comprehensive project to transform the Paris metro area: a landmark project in which La Française is actively involved.

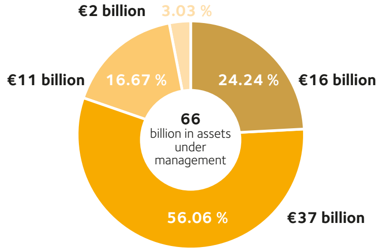
NEW BUSINESS

Inflows in 2017 were €5.8 billion, one of the highest levels ever, along with 2016, driven in particular by real estate and the Investment Solutions activity. They were positive for the Group's four core business lines and break down as follows:

Breakdown of 2017 inflows by business line



Breakdown of 2017 assets under management by business line



La Française Global Real Estate Investment Managers | La Française Global Asset Management | La Française Global Investment Solutions | La Française Global Direct Financing

At end-2017, thanks to the positive activity, La Française was running one year ahead of schedule on its 2020 medium-term plan with respect to total consolidated net income and assets. Its net income attributable to owners of the company was up 22 % to €28 million versus €23 million in 2016.

La Française Global Real Estate Investment Managers

Highlights:

- Status as key real-estate player confirmed in France with €1.6 billion in acquisitions in Europe and sustained acquisition momentum in Europe: more than 40 investments made with a high level of diversification outside of France (32 %);
- Success of SCPIs with gross inflows of nearly €830 million;
- Continued development of the institutional client base, in particular internationally, with total inflows of more than €1.5 billion;
- Development of the Foncière du Grand Paris project: La Française was awarded three notable Grand Paris sites (Le Franchissement Pleyel/Les Ardoines (Vitry-sur-Seine)/Pont de Rungis (Orly – Thiais));
- The Nord Europe property company project, which aims to offer new real estate solutions that strengthen CMNE's ties to its region and its members, based on the concept of "propriété à vie," bridging the gap between full ownership and ordinary rental;
- Launch of the first real estate investment fund, LF Cerenicimo+, consisting of homes that are managed and rented out fully furnished;
- The Moniwan digital platform generated €15 million in inflows into SCPIs.

Quantitative data:

- No. 1 SCPI management company in terms of capitalization and no. 4 in terms of net inflows;
- 2017 inflows: €2.2 billion;
- Assets under management: €16 billion, up 11 % from end-December 2016;
- 23 % of real estate assets are held by international customers.

La Française Global Asset Management

Highlights:

- Success in the bond absolute performance area of expertise, notably with the flagship LF Multistratégies Obligataires fund, which reached €800 million in assets at end-2017;
- Fixed maturity funds: closing of the LF Rendement Global 2022 fixed maturity fund, for which assets reached €670 million, and launch of the new maturity year in September, LF Rendement Global 2025 (€115 million in assets);
- Ramp-up of the Zero Carbon equities strategy with institutional investors. Launched two years ago, the fund performed very well and had €150 million in assets;
- Launch of the La Française Sustainable REITs fund in June;
- Integration of the IPCM research center into the La Française group;
- Reduction in its stake in TAGES Capital LLP from 25 % to 19 %.

Quantitative data:

- €273 million was raised in 2017 to reach €37 billion in assets under management, up 12 % compared with end-2016;
- The Fixed Income area of expertise accounted for €18.6 billion in assets at end-December 2017;
- 5 invitations to tender won in 2017 for a total of more than €700 million.

La Française Global Direct Financing

Highlights:

- First fundraising for the Emergence Actions II sub-fund launched in June 2017;
- Launch of the NewAlpha Opportunités Entrepreneur (NOE) fund, which had more than €20 million in assets at end-2017;
- Closing of the NewAlpha FinTech fund at €56 million in assets;
- NewAlpha is participating in the launch of "Swave," the first financial industry incubator dedicated exclusively to FinTechs;
- ACOFI reported inflows of €386 million, mainly in real estate financing and the industrial activities via the Prédirec immo IV & V funds (€245 million) and the Prédirec Innovation 2020 fund (€48 million).

Quantitative data:

- 2017 inflows: €24 million;
- Assets: €2 billion, up 12 % from end-2016 (La Française share).

La Française Global Investment Solutions

Highlights:

The expertise in the Premia absolute performance approach is now well established, with €1.9 billion in AUM for this strategy, of which 70 % international assets:

- Credit division: emphasis on LFIS's expertise in Credit absolute performance; the funds performed in line with expectations. SIF assets stabilized at €230 million and UCITS funds, where assets under management reached €140 million, proved dynamic;
- Finalization of initiatives to start development in the USA in 2018;
- Creation of a new entity, "Union Générale des Placements," with the aim of developing the structured products business;
- Launch of two new funds: Premia Access and Factor Investing.

Quantitative data:

- 45 % growth in LFGIS's total assets to €11 billion;
- 70 % growth in assets in alternative investments;
- 21 % of inflows in 2017 were generated abroad.

ASSET MANAGEMENT

RESULTS

IFRS consolidated financial statements (in € thousands)

Income statement	12/31/2017	12/31/2016	Change
NET BANKING INCOME	**229 135**	**184 791**	**44 344**
of which net interest margin	*1 390*	*2 094*	*(704)*
of which commissions	*(2 566)*	*(4 549)*	*1 983*
General operating expenses	(166 527)	(145 356)	21 171
GROSS OPERATING INCOME	**62 608**	**39 435**	**23 173**
Net additions to/reversals from provisions for loan losses	(449)	28	(477)
OPERATING INCOME	**62 159**	**39 463**	**22 696**
Share of net income of associates	1 680	1 035	645
Gains (losses) on other assets	(151)	7 131	(7 282)
Change in value of goodwill	81	0	81
NET INCOME BEFORE TAX	**63 769**	**47 629**	**16 140**
Corporate income tax	(21 798)	(16 602)	5 196
TOTAL NET INCOME (LOSS)	**41 971**	**31 027**	**10 944**
Non-controlling interests	13 239	6 824	6 415
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**28 732**	**24 203**	**4 529**

The significant growth in revenue in 2017 can be attributed primarily to:

- Growth in management fees, in line with the increase in assets under management, particularly in the real estate and LFIS business lines;
- Performance fees received, at nearly €33 million, an increase of more than €20 million.

General operating expenses increased in line with the performance fees received and their impacts on variable remuneration, the increase in the workforce, and the cost of developing new projects.

In 2016, La Française Group also benefited from the capital gain generated on the sale of the Raspail building, in which it had a 20 % stake.

ASSET MANAGEMENT DIVISION

CONSOLIDATED FINANCIAL STATEMENTS

The third-party management division is housed within the La Française Group holding company, which mainly holds La Française AM, La Française Real Estate Managers, La Française AM Finance Services, La Française Investment Solutions, La Française Global Investments, La Française Inflection Point, FCT LFP Créances Immobilières, CD Partenaires, Holding Cholet Dupont, NExT AM, LFAM Ibéria, Siparex Proximité Innovation and LF Real Estate Partners, as well as foreign interests: in the United Kingdom: La Française Global REIM, Inflection Point Capital Management, LF Real Estate Partners International, Tages and Alger Management; in the United States: La Française Forum Securities Limited; and in Hong Kong: JKC Capital Management.
The division's contribution to the consolidated financial statements of the CMNE Group is reflected in the following figures.

IFRS consolidated financial statements (in € thousands)

Assets	12/31/2017	12/31/2016	Change	
Financial assets at fair value through profit or loss	295 654	221 885	73 769	33.25 %
Hedging derivative instruments	-	-	-	-
Available-for-sale financial assets	63 678	89 966	(26 288)	(29.22 %)
Loans and receivables due from credit institutions	97 245	55 367	41 878	75.64 %
Loans and receivables due from customers	128 058	172 682	(44 624)	(25.84 %)
Held-to-maturity financial assets	-	-	-	-
Accruals and other assets	245 415	226 786	18 629	8.21 %
Investments in associates	21 506	27 352	(5 846)	(21.37 %)
Property, equipment and intangible assets	31 598	26 339	5 259	19.97 %
Goodwill	174 793	175 149	(356)	(0.20 %)
TOTAL	**1 057 947**	**995 526**	**62 421**	**6.27 %**

Liabilities	12/31/2017	12/31/2016	Change	
Financial liabilities at fair value through profit or loss	152 644	148 124	4 520	3.05 %
Due to credit institutions	171 809	138 369	33 440	24.17 %
Due to customers	-	-	-	-
Debt securities	124 794	165 618	(40 824)	(24.65 %)
Accruals and other liabilities	305 031	246 225	58 806	23.88 %
Provisions	1 451	2 029	(578)	(28.49 %)
Non-controlling interests	29 547	20 929	8 618	41.18 %
Shareholders' equity, excluding net income, attributable to owners of the company	243 939	250 029	(6 090)	(2.44 %)
Net income for the year attributable to owners of the company	28 732	24 203	4 529	18.71 %
TOTAL	**1 057 947**	**995 526**	**62 421**	**6.27 %**

Income statement	12/31/2017	12/31/2016	Change	
NET BANKING INCOME	**229 135**	**184 791**	**44 344**	**24.00 %**
of which net interest margin	*1 390*	*2 094*	*(704)*	*(33.62 %)*
of which commissions	*(2 566)*	*(4 549)*	*1 983*	*(43.59 %)*
General operating expenses	(166 527)	(145 356)	(21 171)	14.56 %
GROSS OPERATING INCOME	**62 608**	**39 435**	**23 173**	**58.76 %**
Net additions to/reversals from provisions for loan losses	(449)	28	(477)	n.s.
OPERATING INCOME	**62 159**	**39 463**	**22 696**	**57.51 %**
Share of net income of associates	1 680	1 035	645	62.32 %
Gains (losses) on other assets	(151)	7 131	(7 282)	(102.12 %)
Change in value of goodwill	81	-	81	n.s.
NET INCOME BEFORE TAX	**63 769**	**47 629**	**16 140**	**33.89 %**
Corporate income tax	(21 798)	(16 602)	(5 196)	31.30 %
Post-tax gain/(loss) on discontinued operations	-	-	-	-
TOTAL NET INCOME (LOSS)	**41 971**	**31 027**	**10 944**	**35.27 %**
Non-controlling interests	13 239	6 824	6 415	94.01 %
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**28 732**	**24 203**	**4 529**	**18.71 %**

SERVICES AND OTHER ACTIVITIES DIVISION

CONSOLIDATED FINANCIAL STATEMENTS

This division comprises all the activities that do not fit into the Group's strategic business lines: NEPI (on a consolidated basis including the non-operating real estate activities), Euro Information, Financière Nord Europe, Sicorfé Maintenance, Transactimmo and Actéa Environnement.

IFRS consolidated financial statements (in € thousands)

Assets	12/31/2017	12/31/2016	Change	
Available-for-sale financial assets	19 995	31 968	(11 973)	(37.45 %)
Loans and receivables due from credit institutions	8 836	5 597	3 239	57.87 %
Loans and receivables due from customers	–	–	–	–
Accruals and other assets	1 603	4 709	(3 106)	(65.96 %)
Investments in associates	124 039	115 884	8 155	7.04 %
Property, equipment and intangible assets	18 251	18 734	(483)	(2.58 %)
Goodwill	724	724	–	–
TOTAL	**173 448**	**177 616**	**(4 168)**	**(2.35 %)**

Liabilities	12/31/2017	12/31/2016	Change	
Financial liabilities at fair value through profit or loss	–	–	–	–
Hedging derivative instruments	–	–	–	–
Due to credit institutions	7 578	20 175	(12 597)	(62.44 %)
Due to customers	–	–	–	–
Accruals and other liabilities	803	1 057	(254)	(24.03 %)
Provisions	1 932	111	1 821	n.s.
Subordinated debt	–	–	–	–
Non-controlling interests	–	–	–	–
Shareholders' equity, excluding net income, attributable to owners of the company	151 959	143 635	8 324	5.80 %
Net income for the year attributable to owners of the company	11 176	12 638	(1 462)	(11.57 %)
TOTAL	**173 448**	**177 616**	**(4 168)**	**(2.35 %)**

Income statement	12/31/2017	12/31/2016	Change	
NET BANKING INCOME	**4 889**	**6 527**	**(1 638)**	**(25.10 %)**
General operating expenses	(1 503)	(1 634)	131	(8.02 %)
GROSS OPERATING INCOME	**3 386**	**4 893**	**(1 507)**	**(30.80 %)**
Net additions to/reversals from provisions for loan losses	(1 857)	(935)	(922)	98.61 %
OPERATING INCOME	**1 529**	**3 958**	**(2 429)**	**(61.37 %)**
Share of net income of associates	10 026	9 416	610	6.48 %
Gains (losses) on other assets	–	–	–	–
NET INCOME BEFORE TAX	**11 555**	**13 374**	**(1 819)**	**(13.60 %)**
Corporate income tax	(379)	(736)	357	(48.51 %)
TOTAL NET INCOME (LOSS)	**11 176**	**12 638**	**(1 462)**	**(11.57 %)**
Non-controlling interests	–	–	–	–
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**11 176**	**12 638**	**(1 462)**	**(11.57 %)**

TRENDS AND OUTLOOK FOR 2018

Economic conditions

GLOBAL ECONOMIC activity continues to strengthen in 2018. After an estimated 3.7 % increase in world output in 2017, the acceleration in growth is becoming more widespread with significant upward revisions in Europe and Asia. Global growth in 2018 and 2019 is forecast at 3.9 %, due to stronger growth dynamics and the impacts expected to be unleashed by changes to US tax policy. However, downside risks exist in the medium term, including a slackening of potential growth, an exit from unconventional monetary policies, and new protectionist measures.

THE EUROPEAN CENTRAL BANK raised its growth and inflation forecasts for the eurozone. It nevertheless believes it would be premature to exit its accommodative policy and end its quantitative easing (QE).

IN FRANCE, with 1.9 % growth forecast in 2018, the French economy is primed for takeoff. However, it seems that 2 % is as high as the French economy is likely to go. A number of obstacles are holding the French economy back, including the job market. Nevertheless, the pick-up in French household consumption offers a number of opportunities for French companies, which have further reason for optimism thanks to the recovery in exports and the acceleration in investment.

Opportunities

To meet these many challenges, banks have no choice but to adapt their offers and their networks and to seize certain opportunities:

- The rise of digital;
- Big Data;
- Blockchain.

Regulation

Banks remain under regulatory pressure:

- New market rules (MiFID II);
- Entry into force of the European framework on means of payment (PSD 2);
- Entry into force of the new European data regulation (GDPR). While it strengthens protection regarding the use of customer data, it further encourages competition by requiring that banks share customer data.

Environment

In 2018, conditions are likely to be difficult for French banks in light of the increasingly demanding environment and behavioral and societal changes:

- Tougher competition;
- Growth in communication technologies;
- An increasingly demanding environment;
- Financing of the economy by non-banking players.

TRENDS AND OUTLOOK FOR 2018

« By putting the customer relationship first, the CMNE of 2018 will combine performance with responsibility »

THE 2016-2020 MEDIUM-TERM PLAN

Against this backdrop, CMNE's priorities are to continue to innovate, to emphasize its omni-channel and cross-functional model for building close customer relationships, and to expand its range of products and services through a more digital approach in order to better meet its customers' needs and expectations. The aim is to provide the best possible service to its customers and members.

CMNE seeks to leverage individual expertise in order to build a strong 2018 collectively in a fast-changing world. In the coming year we will need to plant our "phygital" roots, the key to winning customers in today's banking industry. In this environment, we have to be an active player who never sleeps.

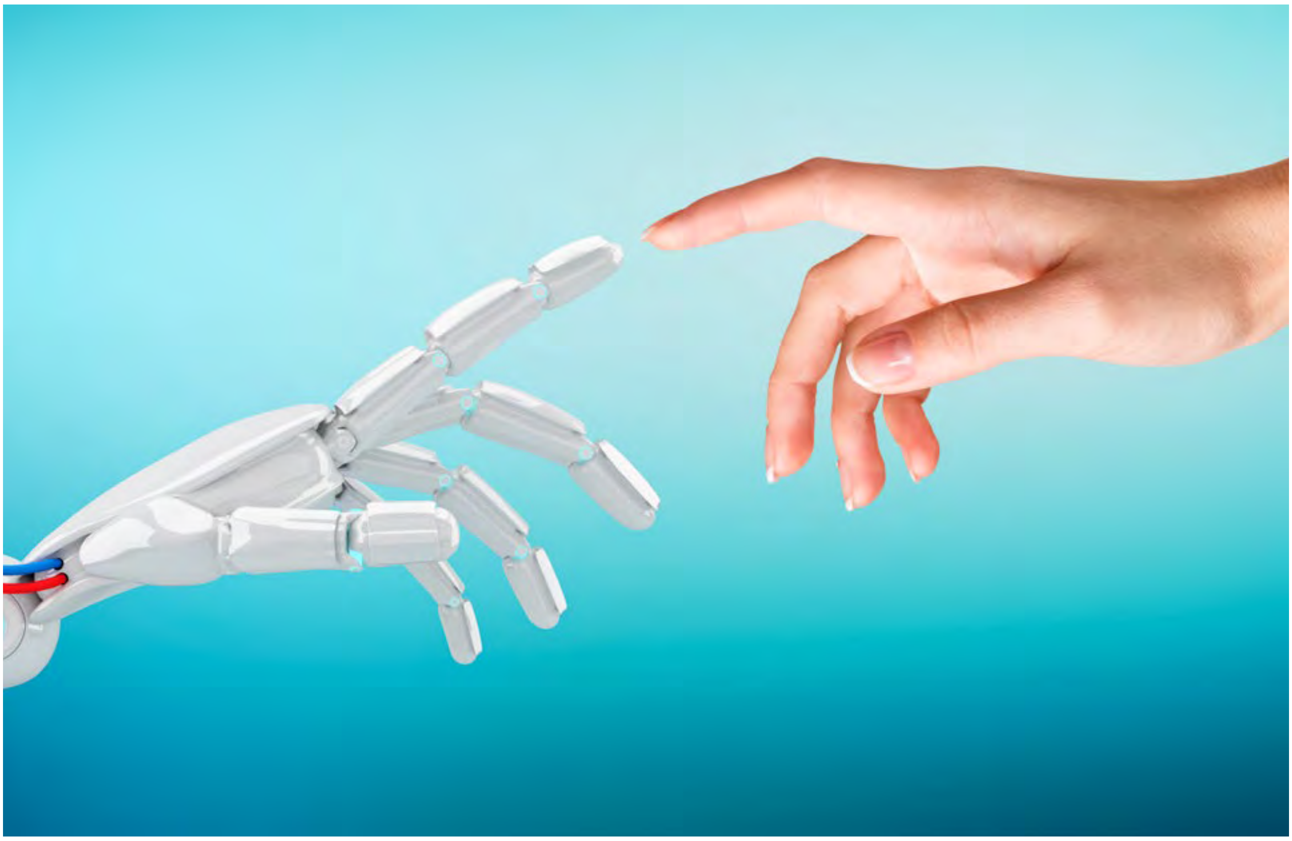
We seek to build closer relationships:

- Because the "phygital" model, where digital merges with the physical network, is in our DNA;
- Because cross-functionality and the internal synergies between CMNE's business lines are the key to our plans;
- Because the spirit of integration and belonging builds and reinforces a common CMNE Group culture.

And to go even further:

- Because it is a signal of commitment, performance and risk-taking to meet new challenges by creating value;
- Because our mutualist model allows us to plan more securely for the long term.

Our ability to innovate, our managerial support and our intra-group synergies will help us meet society's expectations in 2018. As such, CMNE is updating its 2016-2020 medium-term plan.



GENERAL GROUP FINANCIAL INFORMATION

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ALTERNATIVE PERFORMANCE INDICATORS
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CONSOLIDATED DATA

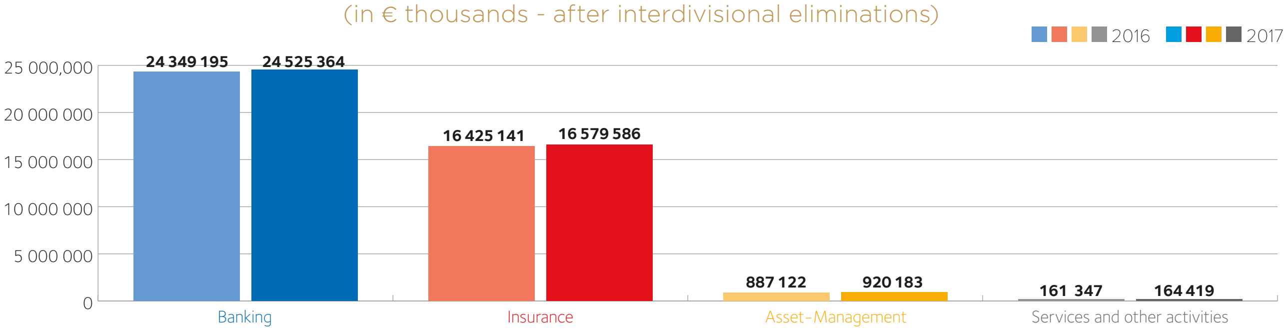
After interdivisional eliminations (in € thousands)

Contribution	Net banking income		Gross operating income		Consolidated net income		Statement of financial position	
Division	2016	2017	2016	2017	2016	2017	2016	2017
Bankinsurance	746 844	829 443	144 421	210 878	99 640	143 900	24 349 195	24 525 364
Insurance	192 507	5 209*	117 322	-69	69 611	70 105	16 425 141	16 579 586
Asset management	183 231	230 298	37 041	61 636	22 654	28 107	887 122	920 183
Services and other activities	6 527	4 889	4 893	3 386	12 638	11 176	161 347	164 419
TOTAL	**1 129 109**	**1 069 839**	**303 677**	**275 831**	**204 543**	**253 288**	**41 822 805**	**42 189 552**

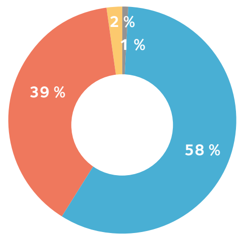
In the fourth quarter of 2017, CMNE and CM11 began discussions on a plan to merge their insurance entities. As this transaction is very likely to take place, IFRS 5 was applied to the insurance entities, which were treated as "activities held for sale" on both the statement of financial position and the income statement.

Contribution to total assets

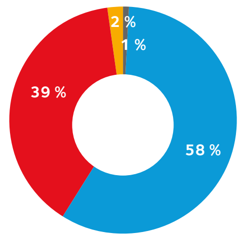
(in € thousands - after interdivisional eliminations)



December 2016 consolidated statement of financial position

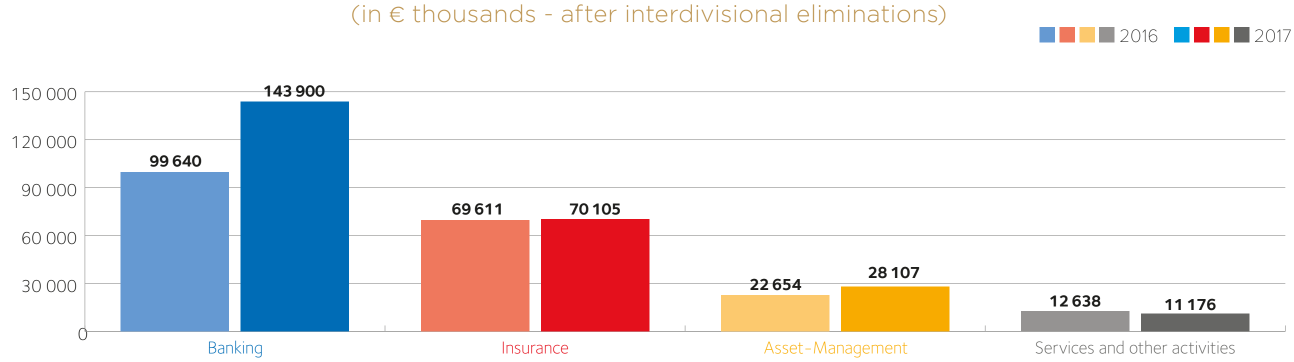


December 2017 consolidated statement of financial position

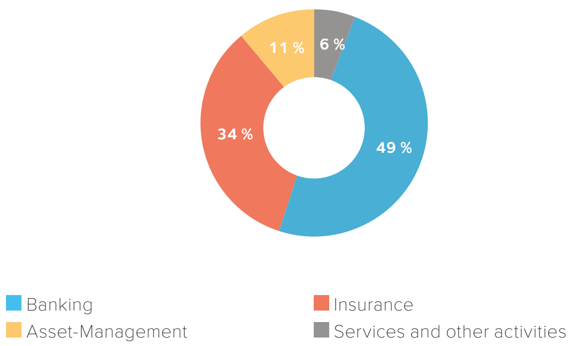


Contribution to net income

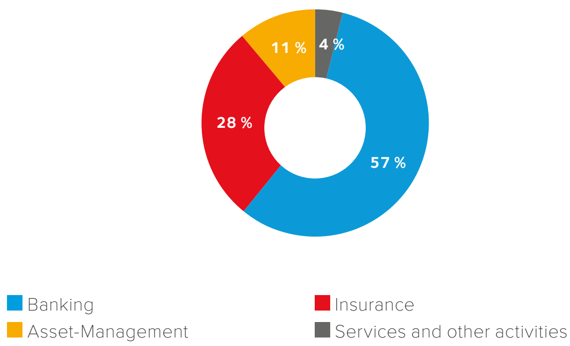
(in € thousands - after interdivisional eliminations)



December 2016 consolidated results



December 2017 consolidated results



Country	Net banking income	Number of employees	Net income
Belgium	261 604	1 081	4 890
Spain	562	2	180
USA	1 124	8	-1 310
France	790 602	3 501	245 673
Luxembourg	6 781	41	1 428
UK	9 166	21	1 673
Hong Kong	0	0	754

This information is required under Order no. 2014-158 of February 20, 2014, which amended Article L511-45 of the French Monetary and Financial Code and transposed CRD IV.

RATE OF RETURN ON ASSETS

Pursuant to Decree no. 2014-1315 of November 3, 2014 which introduced Article R. 511-16-1, credit institutions and financing companies must publish in their annual report the return on their assets, calculated by dividing net income by total assets.

At December 31, 2017, this rate was 0.66 %.

CONSOLIDATION SCOPE

PRESENTATION OF THE CMNE GROUP | GOVERNANCE | ACTIVITY REPORT | RISK MANAGEMENT | SOCIAL & ENVIRONMENTAL RESPONSIBILITY | FINANCIAL REPORT | LEGAL AND ADMINISTRATIVE INFORMATION

CONSOLIDATION SCOPE

Consolidation scope	Country	Reporting date	Percent		Contribution to net income (€ thousands)	Method of consolidation[1]	Reporting date	Percent		Contribution to net income (€ thousands)	Method of consolidation[1]
			control	interest				control	interest		
1. Financial companies											
1.1 Credit institutions											
• Caisses de Crédit Mutuel + Caisse Fédérale du CMNE + Fédération du CMNE	France	12/16	100	100	54 340	Parent company	12/17	100	100	118 709	Parent company
• BCMNE (consolidated basis) - 4 Place Richebé - 59000 Lille	France	12/16	100	100	13 779	FC	12/17	100	100	16 585	FC
• CMNE Belgium (consolidated basis) - Boulevard de Waterloo, 16 - 1000 Bruxelles	Belgium	12/16	100	100	32 960	FC	12/17	100	100	3 275	FC
1.2 Financial institutions other than 1.1											
• FCP Richebé Gestion - 128 Boulevard Raspail - 75006 Paris	France	12/16	100	100	-2 300	FC	12/17	100	100	2 060	FC
• CMNE Home Loans FCT - 4 Place Richebé - 59000 Lille	France	12/16	100	100	0	FC	12/17	100	100	0	FC
1.3 Other financial companies											
2. Non-financial companies											
2.1 Insurance companies											
• Nord Europe Assurances (consolidated basis) - 9 Boulevard Gouvion-St-Cyr - 75017 Paris	France	12/16	100	100	69 610	FC	12/17	100	100	70 105	FC
2.2 Services											
• Actéa Environnement - 5/7 Rue Frédéric Degeorge - 62000 Arras	France	12/16	100	100	1 016	FC	12/17	100	100	-18	FC
• Euro-Information - 34 Rue du Wacken - 67000 Strasbourg	France	12/16	10.15	10.15	9 297	EM	12/17	10.15	10.15	10 026	EM
• Financière Nord Europe - 4 Place Richebé - 59000 Lille	France	12/16	100	100	160	FC	12/17	100	100	-382	FC
• GIE CMN Prestations - 4 Place Richebé - 59000 Lille	France	12/16	100	100	0	FC	12/17	100	100	0	FC
• L'Immobilière du CMN (consolidated basis) - 4 Place Richebé - 59000 Lille	France	12/16	100	100	1 849	FC	12/17	100	100	2 607	FC
• Sicorfé Maintenance - Rue Bourgelat - 62223 Saint-Laurent-Blangy	France	12/16	34.00	34.00	120	EM	12/17	0	0	0	NC
• Sté Foncière et Immobilière Nord Europe - 4 Place Richebé - 59000 Lille	France	12/16	0	0	0	NC	12/17	100	100	0	FC
• THEIA Viager - 455 Promenade des Anglais - 06299 Nice	France	12/16	80.00	80.00	-988	FC	12/17	80.00	80.00	664	FC
• Transactimmo - 1 Rue Arnould de Vuez - 59000 Lille	France	12/16	100	100	-33	FC	12/17	100	100	-101	FC
2.3 Industry											
2.4 Non-financial holding companies											
• Groupe La Française (consolidated basis) - 128 Boulevard Raspail - 75006 Paris	France	12/16	97.84	97.83	22 654	FC	12/17	97.05	97.05	28 107	FC
• Nord Europe Participations et Investissements (consolidated basis) - 4 Place Richebé - 59000 Lille	France	12/16	100	100	2 079	FC	12/17	100	100	1 651	FC
TOTAL					**204 543**					**253 288**	

Banque Commerciale du Marché Nord Europe - 4 Place Richebé - 59000 Lille

Consolidation scope used as the basis for the items included in the publishable consolidation	Country	Reporting date	Percent		Contribution to net income (€ thousands)	Method of consolidation[1]	Reporting date	Percent		Contribution to net income (€ thousands)	Method of consolidation[1]
			control	interest				control	interest		
Banque Commerciale du Marché Nord Europe	France	12/16	100	100	4 569	FC	12/17	100	100	5 655	FC
• Bail Actéa - 19 Avenue le Corbusier - 59800 Lille	France	12/16	100	100	6 715	FC	12/17	100	100	5 927	FC
• Nord Europe Lease - 19 Avenue le Corbusier - 59800 Lille	France	12/16	100	100	2 350	FC	12/17	100	100	3 483	FC
• Nord Europe Partenariat - 2 Rue Andréï Sakharov - B.P. 148 - 76135 Mont-Saint-Aignan	France	12/16	99.65	99.65	145	FC	12/17	99.65	99.65	1 520	FC
TOTAL					**13 779**					**16 585**	

[1] Method of consolidation: EM: Equity method; FC: Full consolidation

CMNE Belgium - Boulevard de Waterloo, 16 - 1000 BRUXELLES

Consolidation scope used as the basis for the items included in the publishable consolidation	Country	Reporting date	Percent		Contribution to net income (€ thousands)	Method of consolidation[1]	Reporting date	Percent		Contribution to net income (€ thousands)	Method of consolidation[1]
			control	interest				control	interest		
CMNE Belgium	Belgium	12/16	100	100	-663	FC	12/17	100	100	-165	FC
• BKCP Immo IT SCRL - Boulevard de Waterloo, 16 - 1000 Bruxelles	Belgium	12/16	95.96	95.96	-957	FC	12/17	96.01	96.01	866	FC
• Beobank Belgium - Boulevard Général Jacques, 263G - 1050 Bruxelles	Belgium	12/16	100	100	28 531	FC	12/17	100	100	1 310	FC
• BKCP Securities SA - Avenue Louise 390 - 1050 Bruxelles	Belgium	12/16	100	100	-23	FC	12/17	0	0	0	NC
• Immo W16 - Boulevard de Waterloo, 16 - 1000 Bruxelles	Belgium	12/16	100	100	744	FC	12/17	100	100	946	FC
• Mobilease - Boulevard de Waterloo, 16 - 1000 Bruxelles	Belgium	12/16	100	100	-11	FC	12/17	0	0	0	NC
• OBK SCRL - Graaf Van Vlaanderenplein, 19 - 9000 Gand	Belgium	12/16	100	99.99	5 339	FC	12/17	100	99.99	318	FC
TOTAL					**32 960**					**3 275**	

Nord Europe Participations et Investissements - 4 Place Richebé - 59000 LILLE

Consolidation scope used as the basis for the items included in the publishable consolidation	Country	Reporting date	Percent		Contribution to net income (€ thousands)	Method of consolidation[1]	Reporting date	Percent		Contribution to net income (€ thousands)	Method of consolidation[1]
			control	interest				control	interest		
Nord Europe Participations et Investissements	France	12/16	100	100	-712	FC	12/17	100	100	-576	FC
• SCI Centre Gare	France	12/16	100	100	2 761	FC	12/17	100	100	2 252	FC
• Fininmad (Marchand de biens)	France	12/16	100	100	30	FC	12/17	100	100	-25	FC
TOTAL					**2 079**					**1 651**	

Immobilière du CMN - 4 Place Richebé - 59000 LILLE

Consolidation scope used as the basis for the items included in the publishable consolidation	Country	Reporting date	Percent		Method of consolidation[1]	Reporting date	Percent		Method of consolidation[1]
			control	interest			control	interest	
• SCI CMN	France	12/16	100	100	FC	12/17	100	100	FC
• SCI CMN 1	France	12/16	100	100	FC	12/17	100	100	FC
• SCI CMN 2	France	12/16	100	100	FC	12/17	100	100	FC
• SCI CMN 3	France	12/16	100	100	FC	12/17	100	100	FC
• SCI CMN Location	France	12/16	100	100	FC	12/17	100	100	FC
• SCI RICHEBÉ INKERMAN	France	12/16	100	100	FC	12/17	100	100	FC

Nord Europe Assurances - 9 Boulevard Gouvion-St-Cyr - 75017 PARIS

Consolidation scope used as the basis for the items included in the publishable consolidation	Country	Reporting date	Percent		Contribution to net income (€ thousands)	Method of consolidation[1]	Reporting date	Percent		Contribution to net income (€ thousands)	Method of consolidation[1]
			control	interest				control	interest		
Nord Europe Assurances	France	12/16	100	100	-3 364	FC	12/17	100	100	-3 973	FC
• ACMN IARD - 4 Place Richebé - 59000 Lille	France	12/16	51.00	51.00	7 368	FC	12/17	51.00	51.00	8 789	FC
• ACMN-Vie - 9 Boulevard Gouvion-St- Cyr - 75017 Paris	France	12/16	100	100	59 103	FC	12/17	100	100	62 564	FC
• Courtage Crédit Mutuel Nord Europe - 4 Place Richebé - 59000 Lille	France	12/16	100	100	111	FC	12/17	0	0	-71	NC
• CP-BK Reinsurance SA - Avenue de la Gare, 65 - 1611 Luxembourg	Luxembourg	12/16	100	100	1 038	FC	12/17	100	100	-2 155	FC
• Nord Europe Life LUXEMBOURG - Rue Charles Martel 62 - 2134 Luxembourg	Luxembourg	12/16	100	100	2 419	FC	12/17	100	100	3 286	FC
• Nord Europe Retraite - 4 Place Richebé - 59000 Lille	France	12/16	100	100	68	FC	12/17	100	100	48	FC
• North Europe Life Belgium - 11 Boulevard de la Plaine - 1050 Bruxelles	Belgium	12/16	51	51	2 933	FC	12/17	51.00	51.00	1 514	FC
• SA Partners Assurances - Avenue Gustave Demey, 66 - 1160 Auderghem	Belgium	12/16	49	49	-66	EM	12/17	49.00	49.00	101	EM
• SPV Jarna - 9B Boulevard Prince Henri - 1724 Luxembourg	Luxembourg	12/16	100	97.83	0	FC	12/17	100	97.05	2	FC
TOTAL					**69 610**					**70 105**	

[1] Method of consolidation: EM: Equity method; FC: Full consolidation

Groupe La Française - 128 Boulevard Raspail - 75006 PARIS

Consolidation scope used as the basis for the items included in the publishable consolidation	Country	Reporting date	Percent		Contribution to net income (€ thousands)	Method of consolidation[1]	Reporting date	Percent		Contribution to net income (€ thousands)	Method of consolidation[1]
			control	interest				control	interest		
Groupe La Française	France	12/16	97.84	97.83	-4 702	IG	12/17	97.05	97.05	-13 085	IG
• 2A - 5 Boulevard de la Madeleine - 75008 Paris	France	12/16	20.00	19.57	-130	MEE	12/17	20.00	19.41	-132	MEE
• Alger Management Ltd - 50 Broadway - London	UK	12/16	50.00	48.91	123	MEE	12/17	50.00	48.52	-191	MEE
• CD Partenaires - 16 Place de la Madeleine - 75008 Paris	France	12/16	74.87	73.24	73	IG	12/17	74.87	72.66	52	IG
• FCT LFP Créances Immobilières - 128 Boulevard Raspail - 75006 Paris	France	12/16	58.37	58.37	25	IG	12/17	58.37	58.37	0	IG
• SNC Groupe La Française - 128 Boulevard Raspail - 75006 Paris	France	12/16	99.90	97.73	-10	IG	12/17	0	0	0	NC
• Groupe Cholet-Dupont - 16 Place de la Madeleine - 75008 Paris	France	12/16	33.73	33.00	1 627	MEE	12/17	33.73	32.73	1 142	MEE
• Inflection Point Capital Management Ltd - 125 Old Broad Street - London	UK	12/16	49.00	51.17	-1 731	MEE	12/17	100	97.05	-1 348	IG
• JKC Capital Management Ltd - 34-37 Connaught Road Central - Hong Kong SAR	Hong Kong	12/16	50.00	48.91	-172	MEE	12/17	50.00	48.52	754	MEE
• La Française AM - 128 Boulevard Raspail - 75006 Paris	France	12/16	100	97.83	6 562	IG	12/17	100	97.05	8 759	IG
• La Française AM Finance Services - 128 Boulevard Raspail - 75006 Paris	France	12/16	100	97.83	1 627	IG	12/17	100	97.05	2 838	IG
• La Française AM GP - 128 Boulevard Raspail - 75006 Paris	France	12/16	0	0	599	IG	12/17	0	0	0	NC
• La Française AM Iberia - C/ Joaquin Costa 26 - 28002 Madrid	Spain	12/16	66.00	64.57	103	IG	12/17	66.00	64.05	180	IG
• La Française AM International - 4A Rue Henri Schnadt - 2530 Luxembourg	Luxembourg	12/16	100	97.83	-166	IG	12/17	100	97.05	295	IG
• La Française Forum Securities Limited - 1700 E Putnam Ave, Old Greenwich, CT 06870 - 1366, Deleware - USA	USA	12/16	80	78.26	-996	IG	12/17	100	97.05	-1 310	IG
• La Française Global Investments - 128 Boulevard Raspail - 75006 Paris	France	12/16	100	98.70	-1 596	IG	12/17	100	98.23	-1 509	IG
• La Française Global Real Estate Investment Management Limited - 12 Berkeley Street - London	UK	12/16	100	97.83	32	IG	12/17	100	97.05	1 091	IG
• La Française Inflection Point - 128 Boulevard Raspail - 75006 Paris	France	12/16	51.00	74.97	438	IG	12/17	100.00	97.05	644	IG
• La Française Investment Solutions - 128 Boulevard Raspail - 75006 Paris	France	12/16	56.04	46.54	4 116	IG	12/17	56.04	46.17	9 007	IG
• La Française Real Estate Managers - 128 Boulevard Raspail - 75006 Paris	France	12/16	95.96	93.87	9 838	IG	12/17	95.96	93.12	10 646	IG
• La Française Real Estate Partners - 128 Boulevard Raspail - 75006 Paris	France	12/16	65.00	61.02	1 524	IG	12/17	60.00	55.87	852	IG
• LFF Real Estate Partners Limited - 16 Berkeley Street - London	UK	12/16	85.00	79.79	917	IG	12/17	100	93.12	1 193	IG
• LFP Multi Alpha - 128 Boulevard Raspail - 75006 Paris	France	12/16	0	0	0	NC	12/17	100	97.05	-1 418	IG
• New Alpha Asset-Management - 128 Boulevard Raspail - 75006 Paris	France	12/16	100	97.83	2 013	IG	12/17	85	82.49	2 097	IG
• NEXT Advisor - 128 Boulevard Raspail - 75006 Paris	France	12/16	0	0	208	IG	12/17	0	0	0	NC
• Nouvelles EXpertises et Talents AM - 128 Boulevard Raspail - 75006 Paris	France	12/16	100	97.83	1 439	IG	12/17	100	97.05	6 137	IG
• Siparex Proximité Innovation - 128 Boulevard Raspail - 75006 Paris	France	12/16	26.50	25.93	319	MEE	12/17	26.50	25.72	287	MEE
• Tages Capital LLP - 39 St James' Street - London	UK	12/16	40.00	39.13	867	MEE	12/17	25.00	24.26	928	MEE
• UFG PM - 128 Boulevard Raspail - 75006 Paris	France	12/16	100	93.87	-293	IG	12/17	0	0	-13	NC
• Union Générale des Placements - 128 Boulevard Raspail - 75006 Paris	France	12/16	0	0	0	NC	12/17	63.33	29.24	211	IG
TOTAL					**22 654**					**28 107**	

[1] Method of consolidation: EM: Equity method; FC: Full consolidation

Country	Net banking income	Profit/loss before tax	Current tax	Deferred tax	Other taxes[2]	Number of employees	Government subsidies
Belgium	261 604	21 255	-10 174	1 952	-33 002	1 081	-
Spain	562	402	-97	0	-24	2	-
USA	1 125	-1 250	-4	0	-96	8	-
France	790 602	424 566	-55 760	-19 319	-134 439	3 501	-
Hong Kong	0	777	0	0	0	0	-
Luxembourg	6 781	695	11	-1	-686	41	-
United Kingdom	9 166	2 319	-233	0	-344	21	-
TOTAL	**1 069 840**	**448 764**	**-66 257**	**-17 368**	**-168 591**	**4 654**	**0**

[2] Social security contributions, pension expenses, payroll taxes, competitiveness and employment tax credit, and other taxes and duties.

FINANCE AND ACCOUNTING CONTROL PROCEDURES

GUIDELINES

- Chart of accounts, regulatory provisions and procedure manuals;
- General rules of operation;
- Financial rules;
- Group financial management agreement.

THE CHIEF ACCOUNTING AND MANAGEMENT CONTROL OFFICER OVERSEES THREE DEPARTMENTS

The Accounting and Tax Department which:

- Collaborates on implementing the general accounting system process and its procedures and verifies that they are applied;
- Organizes and monitors the accounting for the financial institutions and companies that the Department oversees;
- Organizes the work specific to the year-end closings and the preparation of interim reports;
- Manages taxation the CMNE Group;
- Develops and implements the resources needed to improve the security of the accounting records and the controls over the Group's financial statements;
- Proposes the necessary adjustments or new rules to be included in the financial rules or in specific contracts governing the relationships between the Group's various companies;
- Maintains relationships with the internal control and external oversight bodies.

The Group Consolidation and Reporting Department which:

- Organizes, coordinates among the various stakeholders, and performs the work specific to the preparation of the consolidated financial statements and to the prudential reporting that the Group must produce;
- Responds to the requirements, tests and exercises conducted by the ECB to prevent crises, in conjunction with the other divisions and departments of the Group and the Confédération Nationale;
- Defines and updates the consolidation procedures used by the Group, in keeping with those defined by the Confédération Nationale;
- Concerning regulatory obligations, analyses, monitors and comments on various ratios and implements new rules in conjunction with the relevant functions;
- Collaborates on implementing the general accounting system process and its procedures, in keeping with the regulatory requirements;
- Maintains relationships with the internal control and external oversight bodies;
- Develops the periodic analysis of prudential ratios, comments on changes in these ratios, and runs forward-looking simulations for the Finance Committee to optimize these constraints;
- Measures and analyzes the financial impacts and risks of strategic companies on consolidated net income.

The Management Control and Forecasting Department which:

- Regularly makes available to Executive Management the projected financial results of the French Bankinsurance division of the CMNE Group;
- Makes available to various levels of the CMNE Group's organization all budgetary monitoring items and all performance and risk analysis items to enable them to assist in improving the Group's financial results, and mainly to the various technical committees (for finance, development, performance improvement, and IT resources requests);
- Designs all forward-looking financial quantifications incorporated into the planning approaches, monitors them, and prepares progress reports for the relevant departments;
- Quantifies the consolidated forecasts and prudential ratios, as part of the stress test, STE and ICAAP exercises, in conjunction with the other Group divisions and departments and the Confédération Nationale;
- Proposes adjustments to the financial rules or related contracts in light of structural developments at the CMNE Group, updates the rules governing relationships between Group companies;
- Develops and checks the analysis of profitability by product, market, customer, etc.;
- Designs the dashboards at every level of CMNE and prepares the operational performance specifications, in conjunction with the operational managers; makes them available to CMNE Group players in a timely manner; and ensures they are maintained;
- Is responsible for all management programs and for providing specific training to the Group's various bodies;
- Maintains relationships with the internal control and external oversight bodies.

Reporting directly to the chief accounting and management control officer, the “Data Administration” function:

- Verifies the quality and consistency of the data that are uploaded into the warehouse, mainly through the “data qualification” module developed at the Confédération Nationale level, in accordance with the Basel II regulations;
- Proposes corrective measures, in collaboration with the relevant functions;
- Communicates on the validated data to improve the monitoring tools and ensure their consistency;
- Prepares and leads meetings of the Customer Record Quality Committee to ensure coordination between the various business line functions of Caisse Fédérale du CMNE, in order to keep members of the Monitoring Committee informed of the quality assigned to the data and the actions taken;
- Collaborates on the work and participates in the meetings of the Database Committees of the Corporate division and of the Group’s Belgian entities;
- Participates in and collaborates with the working groups established at the confederal and interfederal levels with the aim of implementing and organizing controls of all the functions and the viability of the tools put in place.

The financial and accounting control system

At the first level, the accounting department has the resources to ensure the quality of the data produced or transmitted for all of its work. At the second level, the permanent control department implements monitoring of the quality of the first-level controls and conducts additional controls.

ALTERNATIVE PERFORMANCE INDICATORS

In € millions

	Name	Sources	2017	2016
	ACTIVITY & OUTSTANDINGS			
1	New lending	Group key figures. Total new lending (disbursements)	4 239	4 411
2	Customer loans		15 676	15 692
3	Customer deposits; bank deposits	Consolidated financial statements	16 718	16 378
4	Loan-to-deposit ratio		96.5 %	98.7 %
5	Savings accounts	Group key figures. Savings - total bank deposits	16 589	16 221
6	Financial and insurance-based savings	Group key figures Savings - insurance-based and financial - securities (excluding shares)	65 519	59 017
7	*o/w insurance-based savings*	*Group key figures. Savings - insurance-based and financial - securities (excluding units) (Insurance column)*	*12 130*	*11 986*
8	Total savings		82 108	75 238
	RISKS			
9	Ratio of non-performing loans		5.64 %	5.75 %
10	Collective provisions		-24	-23
11	Overall non-performing loan coverage ratio		63.6 %	65.3 %
12	Individual net additions to/reversals from provisions for loan losses	Consolidated financial statements (net additions to/reversals from provisions for loan losses - changes in BAL412 coll. prov.)	-7.8	-22.6
13	Total net additions to/reversals from provisions for loan losses		-9.1	-21.0
14	Net additions to/reversals from provisions for loan losses in relation to customer loan outstandings (expressed as a % or in basis points)		-0.09 %	-0.12 %
	PROFITABILITY			
15	Interest margin; Net interest revenue; Net interest income		420	454
16	Operating expenses; General expenses Management expenses		-358	-375
17	Cost/income ratio	Consolidated financial statements	-74.22 %	-73.10 %

RISK MANAGEMENT

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RISK MANAGEMENT STRUCTURE

RISK MANAGEMENT - CONTROL - AUDIT

Internal control is structured on three levels. The first-level operational control is carried out by the operational staff, or may be integrated into the information systems' automated checks and processes. The second level is organized around central structures dealing with risk management, permanent control and information system security, the compliance and anti-money laundering and terrorist financing function, as well as dedicated units within each of the CMNE Group's businesses. Centrally, actions are coordinated by the Permanent Control and Compliance Committee, the Basel Committee and the Operational Risks Committee, which are chaired by the Group Chief Risk Officer.

▶ RISK MANAGEMENT

The Risk Department's responsibilities include verifying that the level of risks incurred is compatible with the business and risk appetite strategy set by the supervisory body and the limits set by Executive Management. It provides the supervisory body and the Risk Committee with all the information they need to carry out their duties, prepares summary reports to inform the Risk Committee and effective managers about consolidated risk monitoring, and provides the supervisory authorities with all the regulatory reports on risks.

In 2017, various measures were implemented, which gave Executive Management and the supervisory body a clearer understanding of consolidated risk measurement and monitoring. These included the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Own Risk and Solvency Assessment (ORSA).

The CMNE Group has:

- Ramped up the training program for federal directors;
- Prepared the CMNE Group's risk appetite statement;
- Improved the cross-functional view of the risks within the Group;
- Identified the risk factors to which the portfolios are exposed and implemented appropriate measurement tools;
- Carried out prospective risk analysis;
- Analyzed the risks associated with the CMNE Group's new products, funds or counterparties.

Consolidated risk management framework

Cornerstones of the framework:

Capital adequacy (ICAAP)

- **Prospective risk analysis:**

Quality of credit risks:	Sector/unit concentration	Sovereign risk
Market risk	Interest rate risk	Insurance (ORSA)
Operational risk	Reputational risk	

- **Determining economic capital requirements by assessing internal stress tests**
- **Projecting capital adequacy in relation to requirements** => in terms of outstandings and ratios, **based on the Medium-Term Plan (MTP)**

ORSA

Identification of major risks = Risk profile
Adequacy of the standard formula profile
Definition of company risk appetite
Prospective solvency assessment - measurement of resistance to stress tests

Liquidity adequacy (ILAAP)

- Measuring and monitoring liquidity

Balance sheet ratios	Short-term liquidity
Increased refinancing costs	Transformation

- Internal stress tests **to verify liquidity adequacy**
- Measuring liquidity adequacy under normal and stress conditions

Consolidated risk monitoring		
Limits and warning thresholds	Crisis Recovery Plan (CRP)	Liquidity adequacy (ILAAP)
• **Group risk management policy:** Managing the following risks: credit, market, interest rate, liquidity, insurance, operational and non-banking; • **Key indicators** (Crisis Recovery Plan); • **Warning procedure** for significant incidents:	Annual exercise at CMNE Group level	• Presented to the RISK Committee; • Risk reporting, analysis of equity and of credit risk, and monitoring of risks related to capital markets activities, operational risks, major risks and insurance risk; • Stress tests on credit, interest rate, market and liquidity risk: **ICAAP, ILAAP and STE (Short-Term Exercise):** quantified and presented to the Risk Committee; • **Solvency (Reverse Stress Test)**: at which level of deterioration will all excess capital be consumed?

Levels validated by CNCM's Board of Directors	Levels validated by the CMNE Group	Procedure if levels are exceeded: CNCM's Executive Management is informed and, where relevant, decisions are taken by the effective managers

• Topics covered:

Profitability	Risk quality	Solvency	Liquidity

COMPLIANCE CONTROL

The **Compliance Control Department** reports to the Group Risk Department and organizes the system's management in accordance with its three main responsibilities:

- Ensuring that procedures, products and services are developed in accordance with the legislation and regulations. The department is therefore required, in conjunction with the legal department, to monitor and circulate information on regulatory developments, to implement and circulate compliance standards and procedures and to ensure that the compliance or specific business line applications comply with the regulations;
- The company's image: this requires it to draw up and update the mapping of compliance risk and, in connection with this, to assess and control reputational risk, to train, inform, and provide advice to staff on compliance matters, and to detect and correct any shortcomings;
- Lastly, protecting customers' interests, by approving and controlling new products, services or activities, and by drawing up and monitoring a conflict of interest mapping, and ensuring all staff comply with the code of ethics, the upkeep of which is the department's responsibility, by controlling the handling of customers' complaints.

As far as permanent control is concerned, Compliance Control is responsible for the Bankinsurance France scope but it also ensures permanent control is implemented throughout the CMNE Group's subsidiaries through ongoing supervision of the actions of these entities and by verifying the quality of the controls carried out by each CMNE Group company. In particular, the degree to which subsidiaries' new products are supervised was increased during 2017.

Compliance control as it applies to the Bankinsurance France division

Employee training - this takes various forms:

- All employees to which the compliance awareness modules apply are enrolled in an e-learning training module. Nearly 80 % of the employees concerned have already completed the module;
- Young employees, on completion of their initial training program, undertake a session covering compliance culture and ethical rules. This session also covers the whistleblowing policy and related procedures.
- Employees taking up a position subject to the General Regulation issued by the French Financial Markets Authority (Autorité des Marchés Financiers - AMF): the level of their knowledge is verified and they then follow a training program leading to a certified qualification. More generally, all employees affected by implementation of the MiFID II regulation have been enrolled in an e-learning training program consisting of five modules, the aim of which is to give them an understanding of the main regulatory developments in the area and of the new tools that will be rolled out, notably the new questionnaire to be used to obtain from customers information about them that is useful and necessary for determining their investor profile;
- The legal and compliance departments jointly monitor legal information and forward relevant information to the business lines for inclusion in internal procedures. Information gained as a result of this monitoring is also used to keep employees informed of developments in this area. Such information is circulated to the entities concerned but it also published regularly on the company's intranet and therefore made available to all employees.

▷ Assessing and controlling reputational risk

Reputational risk is analyzed and monitored by means of a number of mechanisms:

- The procedure for approving and controlling new products, services or activities;
- Monitoring regulatory developments: by controls making it possible to verify that developments and new regulations have been taken into account in the company's procedures;
- Centralizing shortcomings, including the monitoring of customer complaints;
- Updating the main compliance risk mappings;
- The conflict of interest management policy, the risk mapping and the prevention mechanisms applied;
- Monitoring transactions for the purposes of the procedures relating to personal transactions carried out by sensitive employees, detecting suspected market abuse transactions and managing watch lists or blacklists.

▷ Other compliance risks (banking and financial ethics)

Procedures have been drawn up governing employees' personal transactions in financial instruments and the detection of suspected market abuse transactions. These procedures are subject to permanent controls.

▷ Procedures enabling breaches, infringements and shortcomings to be reported

The "whistleblowing policy" is included in the code of ethics published on the company's intranet. This procedure specifies the instructions given to an employee faced with a shortcoming or a doubt and indicates to whom he or she can refer the matter.

▷ Centralizing and implementing remedial and monitoring measures

The procedure for "centralizing shortcomings" enables shortcomings identified within the company to be reported. Throughout the Group's entities, shortcomings are reported by means of the operational risk reporting channels. The Group Operational Risks Committee to which all entities report is responsible for reviewing claims and incidents, and for controlling and implementing remediation plans. The Operational Risks Committee's analyses and findings are reported to the Federal Risks Committee and then to the CMNE Federal Board of Directors. In addition, the Permanent Control and Compliance Committee is responsible for the efficiency of the operational processes and a process for following up corrective actions plans is set up during its meetings. The Group Chief Risk Officer is informed without delay of all material shortcomings and of the decisions and actions implemented to remedy them.

▶ MONEY LAUNDERING RISK

▷ Risk classification (AML-CTF)

A risk classification is drawn up for the CMNE Group's various activities and is updated to include changes in the regulations. The impacts of the Fourth Anti-Money Laundering Directive have been analyzed from an operational standpoint. The CMNE Group has lists of sensitive countries, persons subject to international sanctions, and asset freezes, which are regularly updated. It also has embargo questionnaires and specific customer codes.

In the case of the Banking France, Asset Management and Insurance divisions, the risk approach excludes light risk (Art R561-15(1)), except in the case of the leasing and property and casualty insurance activities. The first level of risk is therefore normal risk (Articles L561-5 and L561-6).

Normal risk requires the customer relationship manager to apply the due diligence obligations relating to the customer's identity and address and the nature and purpose of the business relationship. Risk is deemed to be high if the customer is in one of the categories specified as high risk by the legislation and regulations (Politically Exposed Persons - PEPs, a product or transaction of significant value, a transaction that is complex or does not appear to have any economic justification or lawful purpose, a customer or customer’s legal representative who is not physically present for identification purposes, a product or transaction favoring anonymity, or a transaction or customer with a link to a red list country) or an internal category (AML-CTF risk) or if the customer’s name is on the terrorist list. In such cases, the new business relationship or transaction must be approved by management, or even by Executive Management in the case of PEPs, without prejudice to the other due diligence procedures that will apply, which will depend on the circumstances of the case concerned. Each CMNE Group entity has its own risk mappings.

▷ Improving the system at CMNE Group level

The work carried out by the 2020 Medium-Term Plan Working Group on AML-CTF is now complete and enabled a framework CMNE Group procedure to be drawn up. The procedure was approved in early 2018. It enabled consistent AML-CTF practices to be implemented within all Group entities, improved the manner in which supervision by the central AML-CTF function is structured and supplemented the existing monthly monitoring, as regards the following topics in particular:

- Files with enhanced due diligence procedures, PEPs, terrorist topics and embargo/asset freezing topics;
- Employee training and information;
- Procedures and updates in respect of high-risk customers;
- Qualitative and quantitative monitoring of warnings, analysis files and suspicious transaction reports.

▷ Projects in progress

The Group continued to implement continuous improvement measures concerning the AML-CTF system. These measures enabled the following to be implemented during 2017:

- The 2018 Customer Member Priority Project, which launched the development of the Know Your Customer (KYC) e-procedures;
- Projects to develop the information system, comprising the automation, via the decision support tool, of the controls performed when entering into a new business relationship, and changes to the monitoring procedures: new warning generation processes are being developed which will include more information about customers at an earlier stage.

▶ PERMANENT CONTROL - INFORMATION SYSTEM SECURITY

Reporting to the Group Risk Department, the Group Permanent Control Department is responsible for coordinating the control plans and for implementing and developing methods and tools.

All entities' control plans, including second-level permanent controls, are regularly adapted in light of their activities and the risks to which they are exposed. In the case of controls performed centrally, various controls have been enhanced. The controls concerned relate mainly to loans, financial activities, payment flows and means, and the monitoring of subsidiaries.

In addition, the systems implemented within the subsidiaries (Beobank, Groupe La Française and the Insurance division) have also been adapted and improved.

As regards information system security, several projects are in progress that are helping to improve the Group's risk management and regulatory compliance procedures. The main projects include the review of the IT charters, training and raising the awareness of employees, updating the risk mappings, and the project to ensure compliance with the European personal data protection regulations.

▶ THE THIRD LEVEL: PERIODIC CONTROL

Group Audit Inspection , in accordance with the Group Periodic Control Charter, ensures the consistency, completeness and effectiveness of the internal control systems and the risk measurement, monitoring and management processes. Its responsibilities in this area cover all the CMNE Group's entities and business lines.

Its responsibilities relate mainly to:

- Periodic control of the Bankinsurance France sales network;
- Auditing CFCMNE's central departments and business lines, and the subsidiaries;
- Certifying the local banks' individual financial statements;
- Fraud and special matters.

The work carried out by Group Audit Inspection in 2017 included:

- 30 audit assignments (28 relating to local banks and two carried out on Business Advice Spaces) as well as 65 follow-up assignments;
- Six thematic and business line audits of the Bankinsurance France network;
- Certifying the individual financial statements of 154 local banks;
- 32 business line audit assignments, and monitoring the implementation of the recommendations made for all the Group's divisions.

As regards Beobank, its internal audit department, whose manager reports to CMNE's General Inspector, carried out 102 inspections of branches and delegated agents, and nine business line audit assignments.

Lastly, the fraud and special matters function analyzed more than 600 cases of external fraud and 268 cases of rude behavior by the French network's customers.

RISKS

▶ CREDIT RISK

Loan origination is governed by procedures and standards specific to each of the entities in the CMNE Group's Banking division. These procedures and standards are themselves tailored to the CMNE Group's risk appetite and risk policy.

The fundamental principle on which the loan origination procedures are based is Beobank's score for consumer loans or the internal rating (Crédit Mutuel Group's Internal Rating System) for the French Banking Network and Corporate divisions. The tiered pricing system for loans and the system for delegating authority are tailored based on this internal rating.

In the case of the French Banking Network, an application for a loan (a consumer, home or business loan) must receive a favorable technical opinion (concerning compliance with the rules and conditions laid down by the Federation and the perception of the risks associated with the application) from the employee concerned within the limits granted by the Chief Executive Officer.

The six delegation levels for technical opinions given (based on the employee's level of expertise) are amounts set for customers based on the internal pivot rating. Their weighting is increased or decreased depending on the rating. The classification of a loan as non-performing removes it totally from the sales department's sphere of authority.

Applications whose individual amount exceeds €1.25 million or which would result in a counterparty's total outstanding loans exceeding that amount must be the subject of a decision by the effective managers.

In the Corporate Banking network, the overall limit for a counterparty or group of counterparties is €30 million.

Caisse Fédérale de Crédit Mutuel Nord Europe assists the Corporate network by counter-guaranteeing outstandings due from a counterparty or group of counterparties that exceed the €30 million limit.

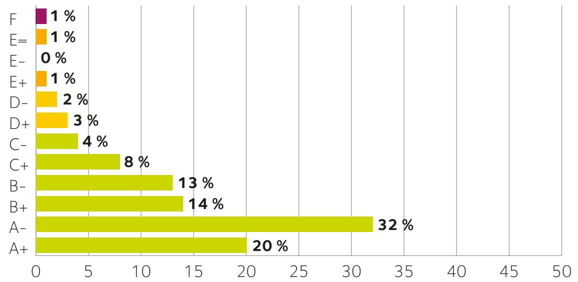
In 2017, a system of personal loan approval powers was introduced at BCMNE. Beyond these delegation levels, the Corporate network's Credit Committees initiate a process that involves the CMNE Group's Credit Department and the effective managers. The Corporate network's Credit Committees review and decide on whether to grant loan applications referred by delegation of authority scopes governed by the credit rules of the network's various entities. Their scopes cover the entire Corporate network and their composition varies depending on the application amounts. These Committees become involved in cases where weighted outstandings exceed €1.5 million.

In Belgium, at Beobank, loans in excess of €750,000 are granted by the Business and Mortgage Loans Department. The Management Committee is required to decide on loans in excess of €1.25 million.

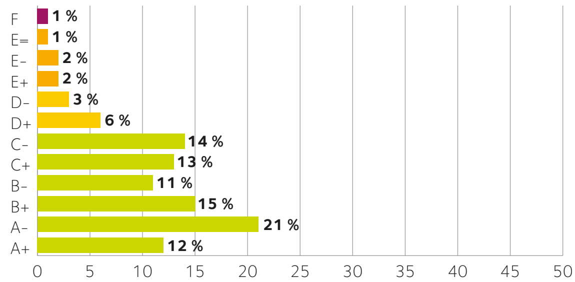
For the French banking scope (French network and Corporate network), which accounts for approximately 69 % of the CMNE Group's outstanding customer loans, the breakdown of outstanding loans by rating category and by rating algorithm is as follows:

- The best customers, represented by ratings equal to or above C-, total 89 % of outstandings (between 85 % and 91 %, depending on the loan agreement concerned);
- 8 % of outstandings have a rating of between D+ and E+: these ratings represent performing loans with a fairly high risk profile (between 6 % and 11 %, depending on the loan agreement concerned);
- Outstanding loans that are classified as non-performing (E-), irrecoverable non-performing (E=) and in litigation (F) account for 3 % of total outstanding loans.

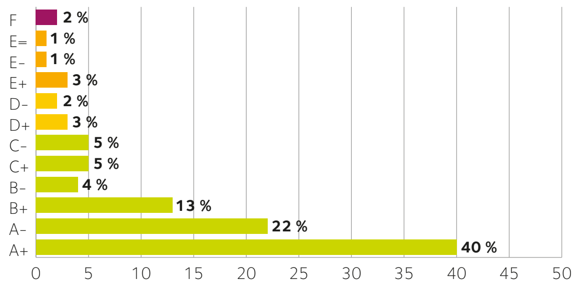
Individuals
(€7,959 million)



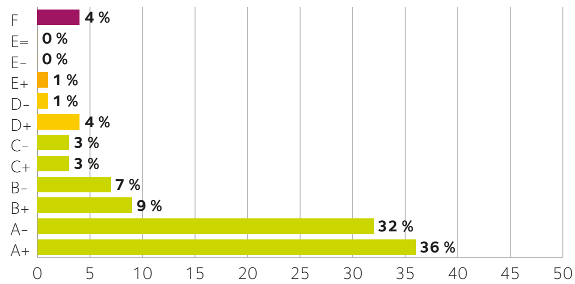
Corporates and other legal entities
(€2,964 million)



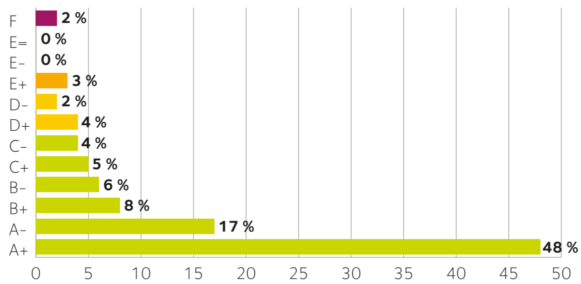
Farmers
(€873 million)



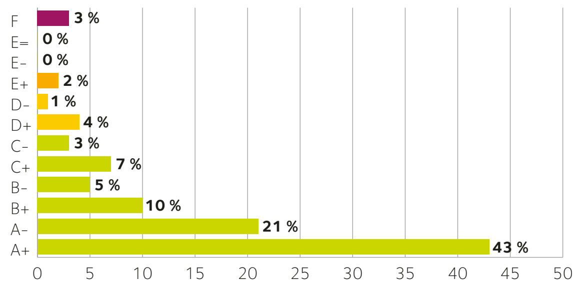
Associations and non-profit organizations
(€33 million)



Sole traders
(€603 million)

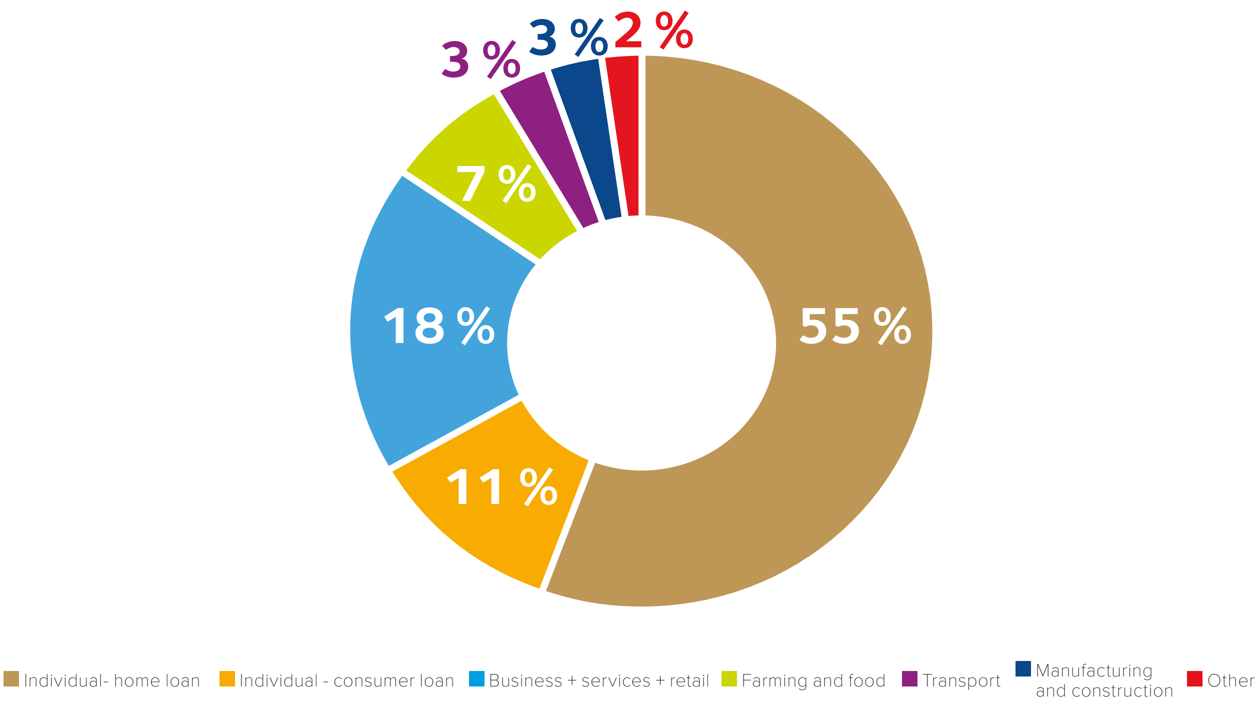


Real estate trusts and others
(€824 million)



The breakdown of outstandings remained relatively stable.

The overall breakdown of credit risk by business sector for the same scope was as follows:



Risk quality in € thousands	12/31/2017	12/31/2016
Gross loans subject to individual impairment	943 090	965 397
Individual impairment	-576 560	-607 650
Collective impairment of loans	-23 682	-22 984
Coverage ratio	63.6 %	65.3 %
Coverage ratio (individual impairment only)	61.1 %	62.9 %

In € thousands

Exposure	12/31/2017	12/31/2016	Change	
Loans and receivables				
Credit institutions	3 066 696	3 219 890	-153 194	-5 %
Customers	16 726 618	16 801 505	-74 887	0 %
Gross exposure	**19 793 314**	**20 021 395**	**-228 081**	**-1 %**
Impairment provisions	**-600 242**	**-630 634**	**30 392**	**-5 %**
Credit institutions	0	0	0	0 %
Customers	-600 242	-630 634	30 392	-5 %
NET EXPOSURE	**19 193 072**	**19 390 761**	**-197 689**	**-1 %**
Financing commitments given				
Credit institutions	48 746	51 996	-3 250	-6 %
Customers	2 403 883	2 334 967	68 916	3 %
Guarantee commitments given				
Credit institutions	61 380	46 130	15 250	33 %
Customers	153 943	421 225	-267 282	-63 %
Provision for risks on commitments given	**-2 752**	**-4 477**	**1 725**	**-39 %**
NET EXPOSURE	**2 665 200**	**2 849 841**	**-184 641**	**-6 %**
Debt securities[1]				
Government securities[2]	869 995	1 940 501	-1 070 506	-55 %
Bonds[2]	2 487 249	7 558 950	-5 071 701	-67 %
Derivatives	195 586	198 190	-2 604	-1 %
Repurchase agreements and securities lending	356 602	351 312	5 290	2 %
Gross exposure	**3 909 432**	**10 048 953**	**-6 139 521**	**-61 %**
Provisions for impairment of securities	**-864**	**-5 896**	**5 032**	**-85 %**
NET EXPOSURE	**3 908 568**	**10 043 057**	**-6 134 489**	**-61 %**

[1] Excluding securities classified as "Loans and receivables".
[2] Impact of IFRS 5: reclassification of insurance contribution as non-current assets held for sale: see page 198 "Highlights of the financial report".

In € thousands

Payment arrears	12/31/2017					Carrying amount of impaired assets	Total assets subject to payment arrears and impaired assets	Guarantees and other credit enhancements received relating to impaired assets
	≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 1 year	> 1 year	Total			
Equity instruments						23 694	23 694	0
Debt instruments	0	0	0	0	0	117	117	0
Governments	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial sector	0	0	0	0	0	117	117	0
Non-financial companies*	0	0	0	0	0	0	0	0
Individuals*					0		0	
Loans and advances	579 883	19 572	18 094	4 000	621 549	366 530	988 079	135 384
Governments	9 950	2 531	2 316	0	14 797	115	14 912	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial sector	4 757	0	0	0	4 757	326	5 083	163
Non-financial companies*	134 677	10 758	9 177	356	154 968	130 446	285 414	57 383
Individuals*	430 499	6 283	6 601	3 644	447 027	235 643	682 670	77 838
TOTAL	**579 883**	**19 572**	**18 094**	**4 000**	**621 549**	**390 341**	**1 011 890**	**135 384**

* Sole traders were reclassified as non-financial companies in 2017.

Payment arrears comprise the entire principal amount outstanding.
Details of the net additions to/ reversals of provisions for loan losses for each division are provided in the section on Structured Activities by business line (pages 30 to 54).

MARKET RISK

Market risk is the risk of loss or a negative change in the income statement or equity resulting from an adverse change in market parameters such as interest rates, equity markets, exchange rates or different credit spreads. This concerns all transactions in the trading book and banking book.

Organization

Centralization of market transactions

Management of the CMNE Group's refinancing and investments is centralized within the Caisse Fédérale for the purposes of transactions carried out by both the French entities and the Belgian entities. The back office functions for these transactions are also centralized in Lille.

Basic principles

Sound, prudent management: every activity is the subject of a specific, detailed framework enabling the risks inherent to the activity concerned to be controlled. Decision-makers, operators and analysts work jointly in compliance with the standards and obligations imposed by external authorities or internal bodies.
Compliance with the law on separation and regulation of banking activities, by monitoring the indicators of Law no. 2013-672 of July 26, 2013 on the separation and regulation of banking activities.

Nature of the transactions

Two types of transactions are implemented by the Refinancing Department and Group Treasury:

- On the one hand, the CMNE Group's medium- and long-term refinancing transactions and, more generally, asset-liability management transactions designed to manage the net interest margin based on financial information concerning interest rate risk and liquidity risk analyzed by the Finance Committees of each CMNE Group entity;
- On the other hand, proprietary trading carried out by Caisse Fédérale and Beobank.

These transactions fall into two groups:

- Arbitrage transactions structured to generate only a marginal interest rate risk while generating profits by taking counterparty risk and liquidity risk. This type of transaction comes under the direct responsibility of Group Treasury, for which it receives an allocation of equity, an overall limit on outstandings and an indication as to the type of transactions authorized. Only Caisse Fédérale is involved in this type of transaction.
- Investments in dedicated UCITS, managed by La Française and its affiliates, in real estate products such as non-trading real estate companies (SCPI) and real estate funds (OPCI), equities, bonds and negotiable debt securities, whether structured or plain vanilla, are always made in accordance with the market trading policy and are subject to approval by the Finance Committees of the entities concerned. All transactions are therefore planned or approved in a collegial manner.

Structural management transactions on the balance sheet, as well as proprietary trading, come under the tight control of Caisse Fédérale du CMNE's Finance Committee and are the subject of individual reports that are then merged to measure liquidity risk.

Types of risks

Credit risk

A credit risk is the amount of loss a credit institution may incur in the context of transactions that it conducts with a counterparty, if the counterparty defaults.
The credit quality of counterparties is assessed mainly by means of the Crédit Mutuel Group's internal rating and the external ratings attributed by the major rating agencies.
Any counterparty that fails to comply with the rules set must be subject to approval by the appropriate delegated agents or by the members of the entity's Finance Committee.

Interest rate risk

Interest rate risk relates to the impact of changes in interest rates on the net income and/or the values of financial assets and liabilities.
Interest rate risk is managed by a specific structure organized around ALM, the quarterly ALM Management Committee and a monthly progress report presented to the Finance Committee.

Equity risk

Equity risk corresponds to the impact of changes in the financial markets on the value of financial assets and, in particular, listed financial assets.
Since CMNE is a prudent, long-term investor, it does not trade on the equity markets or hold trading positions in equities. Equity risk is not therefore material to CMNE. Only certain assets, i.e. those correlated to stock market indexes, expose CMNE to a possible risk in respect of future changes in stock market prices.

Currency risk

Currency risk results from changes in exchange rates of currencies relative to other currencies and their impact on net income and/or the valuation of financial assets and liabilities. Currency risk relates mainly to foreign currency accounts managed to deal with customer transactions.
Since there is only a small list of currencies in which the Group trades, daily monitoring of the positions and clearly-established limits mean that the impact of changes in the prices of foreign currencies against the euro is low.

Liquidity risk

Liquidity risk is an entity's inability to meet its current liabilities or to convert certain assets that have become illiquid into liquid assets.

Operational risk

Operational risk is defined as the risk of loss or gain resulting from the inadequacy or failure of an entity's processes, personnel or internal systems, or from external events.
It includes, in particular:

- Risks associated with events whose occurrence is unlikely but whose impact would be significant, risks of internal and external fraud and model risks.
- Legal risk: the risk of litigation with a counterparty resulting from any inaccuracy, omission or deficiency likely to be attributable to the entity in respect of its operations.

It excludes strategic risks and reputational risks.

An operational risk function within the Risk Department is responsible for identifying and monitoring all operational risks at CMNE Group level.

Settlement/delivery risk

Settlement/delivery risk occurs when two assets are simultaneously exchanged. It occurs when it is not possible for the settlement of a transaction (e.g. the transfer of ownership of a security, payments for said transfer, the simultaneous exchange of securities, etc.) to take place within the scheduled time frame.

A monthly monitoring report is presented to the Finance Committee detailing the unresolved matters and problems concerning settlement and delivery that may require operational risk reports to be submitted. A consolidated quarterly report details the events affecting the CMNE Group's banking entities.

▷ Dynamic and proactive risk management

- The Risk Department is responsible for managing stress tests based on confederal models and specific internal developments. Backward-looking stress tests based on the analysis of past crisis periods and hypothetical stress situations determined by business line experts are reviewed at least once a year. These stress tests take into account the various risk factors, foreign currencies, geographical areas, ratings, etc. A property stress test based on past experience has also been put in place.
- Monitoring loan parameters: keeping track of changes in external ratings and recent developments concerning the main counterparties in the portfolio;
- Close links with the Confederation's national units keep CMNE well informed and enable it to benefit from the CM Group's business line expertise. This relates both to sector-specific movements and to an assessment of the most significant of its banking, insurance and large account counterparties;
- Procedures for circulating risk warnings and developments throughout the CMNE Group;
- Due to its close links with the various Risk managers in the Group, CMNE circulates warnings and recent developments likely to have an impact on its market trading;
- "Group" initiatives and cross-functional information that improve consistency within the Group as regards market approaches and take into account the expertise of CMNE Group's various specialists and Risk managers.
- Stress tests specific to the CMNE Group's risk profiles based on the specific features of the markets measure the CMNE group's absorption;
- A comprehensive inventory, updated on a monthly basis, of leveraged and insurance UCIs whose leverage is not affected by the refinancing arrangements between CFCMNE and the management companies.

▷ Decision-making and consultation bodies

Various decision-making committees have been set up to ensure that decisions are taken involving the various CMNE Group players.

A New Products Committee has been established to enable CMNE's players to receive the same quality and clarity of information about all new investments. These players contribute their business line expertise, enabling all risk-related issues (whether relating to financial, legal, operational, reputational or any other type of risk) to be resolved at an early stage.

▷ Consolidated risk monitoring

The overall assessment of the positions of the various portfolios makes it possible to aggregate the various risks and benefit from consolidated positions in respect of the various CMNE Group entities.

▷ Risk measurement using a tried-and-tested valuation process

The middle office is responsible for the valuations used. The financial risk function carries out the necessary checks and makes counter-valuations so as to secure the data reported.

As a result, the valuations used within the CMNE Group are validated based on input from specialists. Where relevant, another valuation can be conducted outside the Group.

▷ Spotlight on counterparty risk

On the recommendation of the Risk Department, counterparty limits are agreed by Caisse Fédérale du CMNE's Finance Committee. The limits are based on the internal rating given to the various categories of major counterparties defined by Confédération Nationale du Crédit Mutuel and approved in accordance with the Basel provisions.

The Risk Department's centralization of the CMNE Group's risks in turn led to the centralized management of counterparty risk throughout the Crédit Mutuel Group.

This dynamic system is supervised and monitored on an ongoing basis. Internal ratings are reviewed at least once a month and compared to the external ratings set by the major rating agencies. This enables those responsible for risk monitoring to receive warnings of significant changes in ratings.

The ceiling for individual risks is set by reference to the equity of each entity, i.e. Caisse Fédérale, Beobank and Nord Europe Assurances, but also by reference to the CMNE Group's consolidated equity.

In this way, while remaining within the national reference framework for banking limits imposed by Confédération Nationale du Crédit Mutuel, each division has rules that are consistent with the changes in its outstandings and equity.

The above measures therefore provide information concerning each entity and an overview of the CMNE Group as a whole.

The global limits are therefore as follows:

- **Sovereign risk:** 100 % of each division's equity. Sovereign risk is weighted on the basis of the external ratings set by the major rating agencies. Sovereign risk affects only a limited number of high-quality sovereign counterparties, most of which are based in Europe. The list of authorized countries is presented to and approved by the Finance Committee. Counterparties considered to be sovereign are authorized and have a specific limit validated by the Finance Committee. They are consolidated with the benchmark sovereign counterparty, where relevant;
- **Banking and financial counterparty risk:** for each counterparty, a maximum authorization is calculated based on the National Benchmark, the status defined, the internal rating used to establish a decreasing scale of limits, and on the equity and refinancing caps. Studies of counterparties produced by the national study unit are used to adopt a position and to provide clear information before entering into a new business relationship. The limits are calculated and restricted by the most stringent of the following three caps:
  - CMNE's equity cap, calculated taking into account the regulations on major risks that set the maximum outstandings for a counterparty at 25 % of consolidated equity, i.e. €510 million, to which a decreasing scale is then applied, based on the internal rating,
  - The counterparty's refinancing cap, as included in the most recent counterparty financial information national framework,
  - The equity cap specific to the counterparty, as included in the most recent counterparty financial information national framework.
- **Corporate risk:** 5 % of consolidated equity, as regards both the risks taken by the Corporate division in connection with its day-to-day activities and the risks taken in connection with its capital market activities. Corporate exposures are also based on the Crédit Mutuel Group's Large Accounts internal ratings benchmark. Limits at maturity are in place that are proportionate and tailored to the internal ratings. Specific budgets can also be put in place to meet specific investment requirements. No new business relationship may be entered into without the approval of an internal rating. These limits apply in the case of risks rated A+ (Crédit Mutuel internal rating) and are then scaled down in terms of amount and maturity based on the counterparties' ratings.

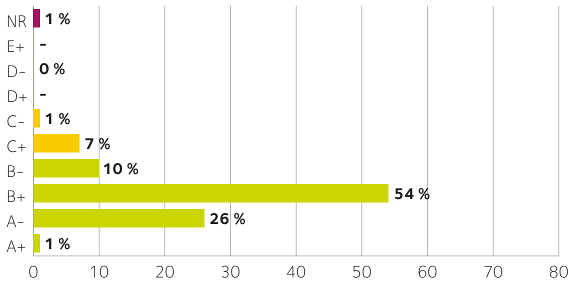
As regards corporate risk in respect of capital market activities, the Federal Board of Directors has approved the rules, taking into account the issuer's rating, the volume of bond debt issued, the issuers' business sectors and the insurance company's outstandings. For most corporate counterparties, this results in the individual risk being restricted to €50 million. On an exceptional basis and for insurance company investments, the individual risk may rise to €235 million for a very limited number of companies that receive public support.

The concentration of outstandings is monitored with a view to ensuring that the Group's Risk Department is managed effectively.

The following charts provide a breakdown of the counterparty risk for the CMNE Group as a whole, covering both the banks and the insurance companies:

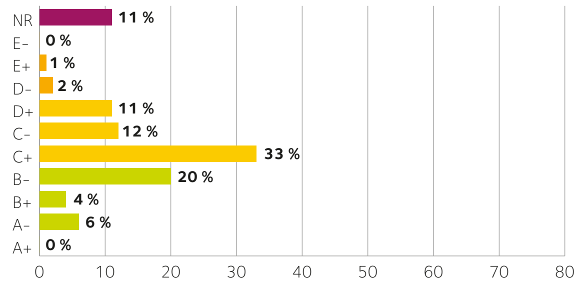
Financial institutions (61 %)

(€5,678 million)



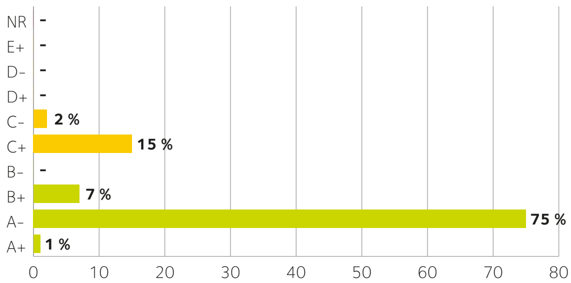
Corporates and insurance companies (13 %)

(€1,220 million)



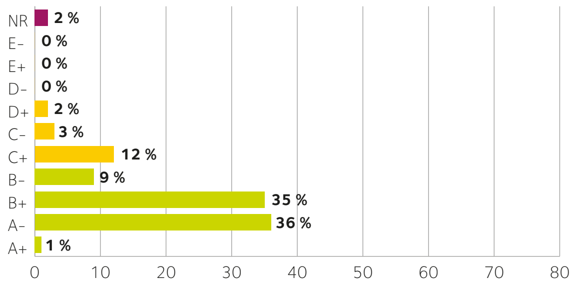
Sovereigns (26 %)

(€2,433 million)



Total outstandings

(€9,331 million)



All transactions carried out by the Refinancing Department and Group Treasury for the purposes of its proprietary management, or entrusted to Groupe La Française for the purposes of dedicated management, are carried out within the framework defined by the Finance Committee and are the subject of monthly reports to said Committee, which includes five of the seven members of the Management Committee. Twice a year, a presentation is made to the Board of Directors covering all financial risks to which Caisse Fédérale is exposed.

In addition, during 2017, the allocation of equity to capital market activities remained at the 2016 levels of €250 million for the banking book and €50 million for the trading book.

Proprietary activities can be broken down into two components: on the one hand, arbitrage on European (eurozone) money market securities and on bonds issued by corporates, conducted exclusively by Caisse Fédérale du CMNE, and, on the other hand, medium- or long-term investments in dedicated and open-ended UCITS, mutual funds, direct investments in equities, bonds and negotiable debt securities, whether structured or not. These medium- and long-term investments are held by both Caisse Fédérale and Beobank. The €6 million residual CDO portfolio held by Caisse Fédérale was redeemed in full in 2017.

Based on assumptions common to the entire Crédit Mutuel Group, CMNE measures the stress test impact each quarter. Measurements were therefore made of five stress events from the past (1994 rate hike, 1997 Asia crisis, 1987 Black Monday, September 11, 2001 and the sub-prime crisis) and five hypothetical stress tests relating to three types of risk: Equity, Credit and Interest Rate, i.e., respectively, a 22 % fall in European equities and a fall in property based on an historical VaR, widening of spreads depending on the assets concerned, and an upward and downward change in Euro rates of 65 bps. Based on calculations in late-2017, the most punitive in terms of the income statement are September 11, Black Monday and the fall in equities with a negative impact varying between €8 and €14 million; the most punitive in terms of equity are the increase in credit spreads, Black Monday and the property stress test, with a negative impact varying between €20 and €37 million.

Arbitrage

Arbitrage transactions, which are carried out over horizons of between three months and four years, consist of buying negotiable debt securities or bonds at variable or fixed rates converted into variable rates through interest rate swaps and financed by the regular issue of Negotiable European Commercial Paper (NEU CP) with terms at the outset of between one and six months. The maximum authorized outstandings for this arbitrage portfolio, set by the Finance Committee at €1.2 billion, and its actual outstandings, were lower than in 2016 at approximately €900 million. Its consumption of equity in respect of credit risk and market risk was €28 million, which was less than the allotted limit of €50 million. It generated estimated net income of €4.6 million in 2017.

The term of the securities purchased and the fact that they are all at indexed rates provides very strong insurance against market risks, since the Net Present Value (NPV) sensitivity of this portfolio is less than 1 %. The interest rate risk is practically zero and the liquidity risk is monitored very closely as part of the overall liquidity risk management procedure.

Bond and negotiable debt security portfolio

The table below summarizes the changes in value at December 31, 2017 in the bond and negotiable debt security portfolios, marked to market for accounting purposes.

In € millions

	Portfolios valued at 12/12/31/2017			Change in value compared to 12/31/2016	
	AFS portfolio	FVTPL portfolio	Total	Shareholders' equity	Income statement
France: arbitrage	883.3		883.3	-0.69	
France: invested*	417.4	104.4	521.7	-2.56	3.34
France: HQLA	449.2		449.2	-1.1	
Beobank*: invested	678.5		678.5	-4.0	
Beobank: HQLA	368.9		368.9	-0.7	
TOTAL	**2 797.2**	**104.4**	**2 901.5**	**-9.1**	**3.3**

*Excluding FCT CMNE: €475 million in France and €25 million in Beobank.

The AFS securities hedged by fair value hedges experienced a change in their income statement value which was offset by the derivative's change in value. They are not included in the above table.

Dedicated UCITS

Caisse Fédérale du CMNE has a dedicated fund, managed on its behalf by La Française AM. This fund had total outstandings of €122.7 million at December 31, 2017.
The Richebé Gestion fund is dedicated to dynamic cash management and generated a positive return of 1.44 %. Beobank sold its interest in this fund during 2017.

Equities

Caisse Fédérale sold its CIC shares in the second half of the year at a price of €390 per share, giving total consideration of €146.4 million and a capital gain of €95.5 million. This sale was made as part of the tender offer launched by Banque Fédérative du Crédit Mutuel.

Caisse Fédérale also has an interest in La Française de l'Énergie. This company's share price was €18, and therefore Caisse Fédérale's interest in it was valued at €2.1 million at December 31, 2017.
During 2017, the holding was reduced by 65,973 shares.

Excluding the LFDE shares and CMNE's share of the equities held in dedicated UCITS (trading book), the equity risk measured at market value was €24 million at December 31, 2017. It consisted of the equity component of the UCITS representing the proprietary investments held by Caisse Fédérale and Beobank (banking book).

Collateralized Debt Obligation (CDO) portfolios

Caisse Fédérale's entire CDO portfolio had matured at December 31, 2017. None of the €4.7 million provision had been used and it was written back in full.

Other investments

CMNE's other proprietary investments, which are in collective vehicles (fixed income and alternative management products, FCP investment funds or interests in SCPI and OPCI), represented a total of €633.4 million at market value, including €280.2 million in respect of a money market fund. CMNE also held a €104 million portfolio of structured securities. This portfolio had unrealized capital gains totaling €4 million. No speculative currency transactions were carried out.

▷ Liquidity risk

Liquidity risk is dealt with on page 141 of the section covering Pillar III.

▷ Interest rate risk

Interest rate risk is dealt with on page 139 of the section covering Pillar III.

▷ Operational risk

Operational risk is dealt with on page 140 of the section covering Pillar III.

▶ COMPLIANCE RISK

▷ Definition

The decree of November 3, 2014 on internal control of banking sector and investment service companies subject to ACPR supervision defines compliance risk as "the risk of judicial, administrative or disciplinary sanction, significant financial loss or reputational damage arising from non-compliance with provisions specific to banking and financial activities, whether of a legislative or regulatory nature, national or directly applicable European provisions, or whether they concern professional and ethical standards, or instructions from the effective managers taken notably pursuant to the guidelines of the supervisory body".

▷ Framework and procedures

The aim of the compliance procedures is to meet customer expectations with regard to service quality, professionalism and due diligence; to exercise greater vigilance in relation to the compliance risks to which the CMNE Group may be exposed, with consequences that may be prejudicial to its image or reputation; and to ensure that in addition to compliance with the regulations, the CMNE Group's operations and actions comply with the rules of good conduct and ethics to which it subscribes.

The Group Chief Risk Officer is the head of compliance for the CMNE Group. He is assisted by the Compliance Department, which reports to him, as well as by a Compliance Function that consists of a coordinated network of the heads of compliance for all Group entities.

Each entity's compliance procedures cover the main principles and processes summarized in the Group Compliance Charter and are based, albeit not exclusively, on the mappings of compliance risks regarding market abuse or conflicts of interest, the rules of good conduct, and the mechanisms governing professional warnings or anti-corruption measures, new product approvals, and anti-money laundering and terrorism financing.

Accordingly, each entity implements a governance system tailored to the needs of its specific activities and the manner in which it is organized. The aim of this system is to report on the Compliance activity within the entity, to review major changes to regulations, to examine any shortcomings identified, and to present new risk areas or areas that are not sufficiently covered by the systems in place, the corrective measures decided on or planned, and the reports and recommendations of the regulatory authorities on compliance.

The compliance controls are fully integrated into the control system implemented by the CMNE Group. Each entity's compliance control tasks are defined and integrated into the control plans by means of the entity's internal control tools.

▷ Réalisation/travaux

During 2017, the CMNE Group continued its efforts to execute its control plans, structure its activities and implement its projects. In addition to the central compliance function's normal main activities, which include approving new products and activities, centralizing shortcomings and monitoring regulatory developments, the function has performed a significant number of controls on various areas and activities relating to the provision of investment services, banking mobility and the granting of home loans.

The prospect of major legislation coming into force has resulted in the setting up of projects and working groups within and between the various Group entities. The legislation concerned relates to the marketing of financial instruments, as regards both the producer and the distributor (MiFID II and PRIIPs), the distribution of insurance products (IDD), personal data protection (GDPR) and anti-money laundering and terrorism financing (SAPIN 2).

Accordingly, the monitoring of the aforementioned changes and preparatory work carried out within the CMNE Group as well as the contribution to certain projects related to these changes (training modules, testing of new tools/applications, etc.) have motivated staff.

At the same time, the ramping up of the role of the central function has resulted in the compliance charter being revised, the functional links being formalized and the approval procedure for new customer products being harmonized.

As regards financial security, this has been structured around a number of key activities:

- Preparing, monitoring and implementing changes in legislation;
- Managing, monitoring and coordinating the system;
- Rolling out training and awareness-raising initiatives for employees and directors;
- Processing suspicious transaction reports and related warnings;
- Executing the control plan and the fourth AML-CTF directive defined by the functions;
- Participating in the national AML-CTF application group together with Euro-Information and the "financial security" working party together with Confédération Nationale du Crédit Mutuel.

The Belgium division continued to be involved in establishing functional relationships with the central compliance function through its initiatives to achieve uniform systems throughout the Group and to improve the tools used for anti-money laundering and combating terrorism financing purposes. In addition to preparing for the launch of a marketing campaign for its property and casualty insurance business and the information required under the tax regulations (FATCA and CRS), the division has organized the gathering of information on beneficial owners. The IT system migration scheduled for October 2018 has resulted in a significant number of meetings being organized together with regular and ongoing collaboration with central function staff. At the same time, first and second-level controls have been carried out as well as compliance assignments concerning the registration of credit intermediaries with the FSMA and compliance with the deposit protection regulations.

Work by the Insurance Division has resulted in the drawing up of a bespoke control plan for PRIIPs. Controls have also been developed in respect of internal and external fraud.

The improvements to the Corporate division's risk monitoring and reporting have resulted in the updating of the major risks mapping, the gradual tailoring of the first-level control system and the creation of a human resources and customer service portal.

In the case of asset management, improvements have been made to the manner in which complex instruments are valued. The major risks mapping (which, in the case of the real estate division, includes the La Française Group subsidiaries) has been revised and updated. As regards the PRIIPs Regulation, the key information documents and arrangements for reporting to insurance customers have been implemented For the purposes of the MiFID II Directive, the product governance rules and arrangements for reporting to distributors have been established. The analysis of potential conflict of interest situations and the drafting of the provisions relating to due diligence have been completed.

INSURANCE RISK

The insurance business exposes the Group to **specific risks** since:

- It involves taking risks which, to be appropriately managed, must be correctly **shared (law of large numbers)**;
- Its balance sheet is characterized by the **inversion of the production cycle**;
- Its commitments typically run for **long periods**.

To fulfill its commitments to policyholders, meet its regulatory solvency requirements, achieve the required return on the capital allocated to this business, and to ensure its transactions comply with the relevant legislation and regulations, the CMNE Group has a **specific policy for insurance risk**, which is applied throughout the insurance entities in which it has a stake.
The aim of this policy is to implement a **Group-wide risk management system** which gives all those involved reasonable assurance that the risks specific to insurance are identified, fully understood, accurately measured, and managed and controlled in a **proactive and consistent manner throughout the CMNE Group's insurance and reinsurance subsidiaries**.
The NEA group has close functional **relationships with its subsidiaries as regards risk management, internal control and compliance**. A presentation is given to the NEA Risk Committee on the main work undertaken by the subsidiaries in these areas.

The aim of the risk management system is to provide **overall, consolidated information** on NEA's risk exposure.

NEA's risk management system is based on key processes and customized governance, which ensure that the business is **managed in a secure and prudent manner**.

In addition, the **CMNE Group's Permanent Control and Compliance Departments** supervise the internal control and compliance procedures implemented by the NEA group. Where deemed relevant as a result of its supervisory activities, the NEA Risk Committee will recommend the drawing up of a corrective action plan.

NEA's **key risk** management processes enable the risks specific to insurance **to be identified, measured, reported and controlled**.

DRAWING UP A MAJOR RISKS MAPPING

The major risks arising from the insurance business are identified within the NEA group's insurance companies using **a top-down approach**, based largely on **the main processes** implemented and a review of the cover offered to policyholders. The grouping of these risks into homogeneous families enables a **risk mapping to be drawn up**. The mapping should comprise, as a minimum, **technical risks, counterparty risk, financial risks and other risks**. The last category should comprise, in particular, operational risks and compliance risks.

Technical risks arise directly as a result of commitments to policyholders and the inversion of the insurance production cycle. Technical risks comprise premium risk, reserving risk, catastrophe risk, surrender risk and expense risk. **Premium risk** is defined as the risk of loss resulting from the amount of future claims to be paid exceeding the premiums received. **Reserving risk** is the risk that the provisions for outstanding claims are insufficient to settle the benefits due to policyholders. **Catastrophe risk** is the risk of loss caused by extreme or exceptional events.

In the case of personal insurance, these risks result from the cover given, notably in respect of death, longevity, disability and health. As regards non-life insurance, the specific risks identified concern compensation that might be payable in respect of the following types of insurance cover: property and casualty, third-party liability, fire, monetary loss and legal protection insurance.

Counterparty risk or default risk arises mainly as a result of outward reinsurance operations. Indeed, when reinsurance is used, the reinsurance premiums are deducted from assets and replaced by reinsurance receivables, or even pledges.

Amounts representing technical provisions and the NEA group's equity are invested in **safe, liquid and profitable assets**. By their very nature, such assets expose the Group to **financial risks**. They are defined as the risk of loss or adverse changes in the Group's financial position resulting directly or indirectly from changes affecting the level or volatility of the market value or the realization of investments. The market risks identified are as follows: **equity risk, real estate risk, interest rate risk, spread risk, concentration risk, sovereign risk, volatility risk, liquidity risk and currency risk**.

The **other specific risks** identified in respect of insurance operations are operational risk, strategic risks, emerging risks, compliance risk and reputational risk.

As regards risks related to environmental, social and governance (ESG) issues, the NEA group plays an active role in determining the CMNE Group's CSR policy.

As regards legal and regulatory developments, the NEA group's **compliance** function has undertaken to comply with the following initiatives: the **Fourth Anti-Money Laundering Directive, the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, the Insurance Mediation Directive (IMD 2) and the Sapin 2 law**.

The risk profile specific to insurance business **is defined** as the instantaneous change in net assets measured **in accordance with the Solvency II regulatory framework, with a given probability threshold**. The risks are aggregated using a **regulatory correlation matrix**.

Sovereign risks and **volatility risks** are assessed using a process identical to the one used in the technical specifications published by the EIOPA[1]. The risk profile of the insurance entities is measured and managed in accordance with the ORSA[2] process.

Spotlight on credit risk assessment metrics

The NEA group has chosen as its credit risk assessment metrics the rating used for Solvency II, i.e. the **second-best rating issued by the three rating agencies**.

Defining risk appetite

Risk appetite is defined as the level of aggregated risks that a company can accept for the purpose of continuing and expanding its business.

Assessing overall solvency needs

Overall Solvency Need (OSN) is a forward-looking approach which involves assessing capital requirements on the basis of the NEA group's specific risks, the approved risk tolerance limits and the company's commercial strategy. OSN is assessed at least once a year in the course of the work relating to the Own Risk and Solvency Assessment (ORSA). The results obtained are presented to the Supervisory Board and the Board of Directors.

Identifying risk mitigation instruments

Technical risks may be mitigated by the use of outward reinsurance. The characteristics of the **reinsurance** program are detailed in an ad hoc policy. Risks relating to non-life insurance are the subject of intra-Group partial outward reinsurance.

Financial risks can be limited by the use of **Forward Financial Instruments** (FFIs) or by adopting a **sales policy that promotes unit-linked policies**.

Operational risks may be the subject of specific hedges by means of insurance policies taken out with insurers who are not part of the CMNE Group.

1 European Insurance and Occupational Pensions Authorit
2 Own Risk and Solvency Assessment

RISKS

Determining the risk monitoring indicators

Risks are tracked using monitoring indicators, which are put forward by the business line experts and approved by NEA's Risk Committee.

As regards **technical risks**:
- Premium risk is monitored using loss ratios and combined ratios, with separate details provided for each accounting period and subscription period; monitoring is conducted gross and net of reinsurance;
- Provision risk is managed by monitoring gains and losses, broken down according to the year in which they arise;
- Catastrophe risk is managed by means of an appropriate and expedient reinsurance policy.

As regards **financial risk**s, investments are restricted by the requirement to comply with the risk appetite framework and with CMNE's policy concerning trading on the financial markets, which sets the exposure limits for each counterparty for all the insurance companies. The Finance Committee is responsible for defining the strategic allocation and the resulting limits by asset class. The quarterly monitoring of the market SCR and the coverage ratio provide useful information to aid the Finance Committee in its decision-making. In addition, liquidity risk is monitored with the help of a specific management report, the aim of which is to break down the assets into groups with similar sale horizons.

Compliance and **operational risks** are monitored mainly, but not exclusively, by means of specific mappings, procedures, specific controls, incident databases and following up remediation plans.

Drawing up a **compliance risk mapping** enables the risks to which the Group is exposed to be assessed on an overall and targeted basis. Details of the risks are provided in a compliance risk reference document or nomenclature.

Setting up contingency plans

In the event that the company's risk profile diverges from the risk appetite framework, **contingency plans** could be implemented, once the NEA Risk Committee has been consulted.

Controlling risks

Periodic control of compliance with the risk limits is carried out by the staff involved in the second and third levels of the internal control system. Progress reports thereon, suggestions for improvement and monitoring reports on the **actions plan**s implemented to address shortcomings are also presented to them.

Managing risks

Risks are managed based on an **overall, consolidated approach** to the Group's risk exposure.

A corporate risk management structure has been implemented within the **CMNE Risk Function**.

Its main responsibilities are to:
- Formalize a governance **system that complies with the Solvency II Regulation** and the CMNE Group Risk Department's expectations concerning its own prudential constraints by:
  - Drafting and implementing risk policies,
  - Tailoring the committee procedures (Audit and Risk Committees),
  - Assisting in implementing boards made up of effective managers and the heads of key functions,
  - Ensuring that the risk management policy is effective and correctly applied,
  - Contributing to ORSA work (ORSA policy, involvement at the second level through the implementation of controls, tools and management reports, ensuring consistency with the ICAAP, issuing recommendations, etc.).
- **Supervise, coordinate and harmonize** the work and methods for NEA and its insurance subsidiaries.

Solvency II reports

The NEA group is subject to the Solvency II Directive and must therefore submit the following reports:
- The **Solvency and Financial Conditions Report** (SFCR), which is a public document;
- The **Regular Supervisory Report** (RSR);
- The **Own Risk and Solvency Assessment Report** (ORSA);
- The **actuarial report**, which does not have to be submitted to the regulatory authorities on a regular basis but must be drawn up annually and made available to it.

The **SFCR and RSR** describe the organization's business, its governance system and risk profile and supplement the annual reports by providing, in particular, information on the valuation methods used and the Group's capital management.

The **ORSA report** deals mainly with the valuation of the overall solvency requirement, ongoing compliance with the regulatory requirements, and the appropriateness of the risk profile in relation to the underlying assumptions of the standard formula.

The content of the **actuarial report** covers all the work carried out by the actuarial function and the results thereof, draws attention to any shortcomings and the recommendations issued to remedy them.

MANAGING RISKS SPECIFIC TO INSURANCE

To ensure that its **business is managed in a secure and prudent manner**, customized management procedures have been implemented within the NEA group and its insurance subsidiaries. These procedures are based on written procedures defined by the Supervisory Board and Board of Directors, a board of effective managers, appropriate committee procedures, a network of key function heads and an appropriate internal control system.

The NEA group is managed by:

- a **Supervisory Boar**d, whose responsibilities include drawing up the strategic directions, supervising the Executive Board's management and appointing the group's effective managers;
- an **Executive Board** which has executive power enabling it to implement the strategy defined by the Supervisory Board. NEA's effective managers are members of the Executive Board.

To fulfill their responsibilities, the NEA group's executives draw on the recommendations and work of the Audit and Risk Committees for the purposes of risk measurement, management and supervision, and financial and periodic control. The **Risk, Audit and Finance Committees** are specialized committees of NEA's Supervisory Board.

A BODY OF WRITTEN POLICIES ON INSURANCE RISKS

The NEA group's key written policies are grouped into six homogeneous families, which are as follows:

- **Control policy**: this comprises the governance, compliance, internal control and internal audit policies;
- **Cross-functional policies**: these comprise the policies governing subcontracting, data quality, integrity and competence, remuneration, conflicts of interest, communication and information system security;
- **Technical risk policy**: this comprises underwriting risk, reserving risk and reinsurance risk;
- **Risk policy**: this comprises the risk management policy, ORSA, the emergency and business continuity plan, and operational risks;
- **Financial risk management policy**: this comprises the asset/liability management, investment risk, measurement of other assets and liabilities, and liquidity risk policies;
- **Capital management policy**.

Control policy

- Governance
- Compliance
- Internal audit
- Internal control

Cross-functional policies

- Sub-contracting
- Data quality
- Information system security
- Remuneration
- Integrity and competence
- Communication
- Conflicts of interest

MANAGING RISKS SPECIFIC TO INSURANCE

Financial risk management policy

- Investment risk
- Asset/liability management
- Liquidity risk
- Measurement of other assets and liabilities

Risk policy

- Risks
- ORSA
- Operational risks
- Emergency and Business Continuity Plan (EBCP)

Technical risk policy

- Underwriting risk
- Reserving risk
- Reinsurance risk

Capital management policy.

- Capital management

MANAGING THE ORSA WORK AND ITS USE

The **ORSA process** is drawn up and managed by the NEA Risk Department.

The processes drawn up to govern the ORSA work are based on **techniques that are appropriate and adequate** in light of the nature, scale and complexity of the risks inherent to its activities.

The methods and data used are reliable and included in the existing processes. Forecast data are thus prepared in conjunction with the **financial planning process**.
The ORSA process uses as its main input data the results and assumptions in respect of the internal processes used for strategic planning and the Pillar I calculation. In advance of the process, the company's **risk appetite** and the **scenarios common** to all NEA group entities are approved by the Supervisory Board.

NEA's Executive Board is involved in the ORSA work both in advance of and following the process, as follows:

- It approves in advance the central strategic planning assumptions, in addition to the economic scenarios provided by CMNE;
- It approves the risk scenarios associated with the business plan which are put forward by the Finance Department and then submitted to the Board of Directors for approval;
- It puts forward recommendations to the Supervisory Board as regards the risk appetite levels;
- It discusses the results of the ORSA, approves the work and submits them to the Supervisory Board before they are sent to the regulators.

The results of the ORSA are used by the company for **decision-making** purposes. Their operational integration is carried out gradually. Currently, the ORSA is used to assess the company's specific risks by drawing up a mapping with a larger scope than the standard formula and by providing a forward-looking vision of changes in the risk profile over the horizon of the business plan.

The ORSA enables **the Group to anticipate any potential lack of cover over the horizon** of the business plan and to adjust the capital management processes accordingly. The ORSA process was also used as a key indicator in the implementation of the plan to improve NEA's solvency.

The company's aim is to implement operational iterations between the strategic planning processes and the ORSA. Work was carried out to align the assumptions and tools used for these two processes so as to achieve an iterative process.

Lastly, the ORSA is used within the company as a **tool in communication and in ongoing training** on risk values.

KEY FUNCTION HEADS

In accordance with the regulations, within each NEA insurance entity and within the NEA group itself, managers are appointed **to head the following key functions**: actuarial services, risk management, compliance and internal audit.
The heads of these functions must have the **integrity and competence** required, in accordance with the provisions of the ad hoc policy. They are independent of the operational departments and report directly or indirectly to the insurance entity's Executive Management.
Once a year, the key function heads present a progress **report on their activity** to the Supervisory Board or the Board of Directors.

INFORMATION ON BASEL III PILLAR III

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RISK MANAGEMENT OBJECTIVES AND POLICIES

The institution's approach to risk management (OVA)

RISK MANAGEMENT POLICY AND PROCEDURES

The risk management policy and procedures implemented are described in Section 4 of the annual report entitled "Risk management". The CMNE Group has a reference document on the risk management policy which is submitted, at least once a year, to the Federal Risk Committee and CFCMNE's Board of Directors for their approval. It covers the risk appetite, the general principles governing this policy and their application in the divisions, as well as the principles specific to managing credit risks, financial risks and operational risks.

RISK MANAGEMENT FUNCTION'S STRUCTURE AND ORGANIZATION

▶ AT NATIONAL LEVEL

The Basel agreements relating to risk management by credit institutions have contributed to the emergence of a national "risk" function, independent from entities responsible for setting up or renewing credit lines. This is overseen by the Risk Department and by the Compliance Department of the CNCM, both of which report to Executive Management.

The Risk Department covers credit risk, interest-rate, liquidity and market risk, operational risk and permanent control. It consists of three divisions: the Risk team, the Basel team and Permanent Control.

The Risk team uses tools and methodologies (developed internally and broadly integrating the rating system) to identify the principal risks to which the Group is exposed. It manages the Group's risk function and defines and/or validates national procedures prior to their presentation to decision-making bodies.

The team working on the Basel accords adds to or updates the Basel methodologies submitted for validation within dedicated working groups, in which the regional groups participate. The team specializing in credit risk is responsible for managing and back-testing models and calculating and monitoring parameters. The team dedicated to operational risk measures proven and potential risk, monitors the impact of risk reduction measures, draws up reports and analyses the principal risks.

Permanent control encompasses the Confederation's permanent control function and the coordination of the regional groups' permanent controls of control programs.

In connection with the Crédit Mutuel Group's governance, the Risk Department reports on its work to the effective managers. Executive Management reports regularly to the Risk Committee. The latter assists the CNCM Board of Directors in examining the risks to which the Group as a whole is exposed. The Risk Committee, whose members are appointed by the Board of Directors, meets at least twice a year to assess the quality of the risks and to examine the quality of the liabilities and any breaches of limits or alert thresholds. It makes useful recommendations in this respect to the regional groups and to the CNCM Board.

▶ AT CMNE LEVEL

To affirm the cross-functional nature of risk management in the CMNE Group, the Group Risk Department reports directly to Executive Management.

The Group Chief Risk Officer:

- Is responsible for the risk management function (appointed by the ACPR);
- Reports to the Chief Executive Officer and does not carry out any commercial, financial or accounting activities;
- Reports to the effective managers and to the supervisory body, as and when required, or to the Audit Committee and the Risk Committee;
- Coordinates those involved in the risk management function at Group level;
- Ensures that the risk measurement and monitoring systems are implemented and that the risks taken are compatible with the guidelines set by the supervisory body.

The Group Risk Department encompasses the Permanent Control Department, Compliance and the Risk Department, which have both a direct operating responsibility within the Bankinsurance France division and a functional responsibility towards their correspondents in the CMNE Group subsidiaries. Within their particular areas, these departments are responsible for the implementation of the risk measurement and monitoring systems, as well as the compatibility of the risks taken with the guidelines set by the supervisory body.

The number of employees working in the internal control functions of Caisse Fédérale and its subsidiaries totaled 178, i.e. around 3.8 % of the CMNE Group's total workforce was involved in risk monitoring and control.

ON A CONSOLIDATED BASIS

The Permanent Control Department is responsible for second-level permanent controls and for information system security.

The Risk Department is responsible for implementing systems for measuring and monitoring banking and non-banking risks, verifying that the level of risk to which the Group is exposed is compatible with the business objectives set by the supervisory body and the limits set by Executive Management, drawing up summary reports to inform the Federal Risk Committee, the supervisory body and the effective managers about consolidated risk monitoring, and alerting the effective managers of any situation likely to affect risk control.

The Compliance Control Department, which reports to the Group Risk Department, is responsible for monitoring regulatory developments, anti-money laundering and terrorism financing, investment services control, compliance permanent control, and providing written advice on the compliance of new products.

Reporting to the Federal Board of Directors, the Audit Committee meets at least five times a year and has a Chairman who is not also the Chairman of the Board of Directors or a chairman of any of the other committees. It is responsible for:

- Defining, among other things, the internal audit and financial information policies;
- Monitoring the process used to draw up financial reports;
- Monitoring the internal auditors and acting as their point of contact;
- Recommending to the Federal Board of Directors for approval the appointment, remuneration and removal from office of the external auditors;
- Examining and approving the scope and frequency of audits;
- Receiving the main audit reports and ensuring that management adopts without delay the measures required to remedy any weaknesses concerning internal control;
- Monitoring the implementation of accounting principles and practices;
- Reviewing and approving the individual and consolidated financial statements.

The Risk Committee meets at least seven times a year and has an independent Chairman. It is responsible for:

- Examining all strategies concerning risk both on an aggregated basis and separately for each type of risk;
- Reviewing the risk policies at least once a year;
- Providing the Federal Board of Directors with advisory opinions concerning the risk appetite and monitoring management's implementation of the risk appetite statement;
- Monitoring the strategies for managing liquidity and equity, as well as the strategies governing all of the risks to which CMNE is exposed, such as operational, credit, market and reputational risks, to ensure that they are consistent with the risk appetite framework drawn up for them.

These two committees report to the Federal Board of Directors and are governed by specific internal regulations.

In connection with the CMNE Group's governance, the Risk Department reports on its work to the effective managers.

The CMNE Group places great importance on having a robust and efficient system for monitoring and controlling its risks. This system covers all banking and non-banking risks to which the CMNE Group entities are exposed, in accordance with the standards set by the ACPR, in particular the decree of November 3, 2014 on the internal control of banking sector companies, payment services and investment services, and the complementary surveillance of financial conglomerates.

SCOPE AND NATURE OF RISK REPORTING AND MEASUREMENT SYSTEMS

On the subjects of credit risk, interest rate risk, market risk and operational risk, the Risk Department and the Finance and Treasury Department draw up management reports to monitor and analyze changes in the CMNE risk profile. For credit risk, the risk reporting and measurement system in place leans very heavily on Basel accord tools, interfaced with the accounting system.

The operational risk control and measurement system is based on the setting up and maintenance of a national database including claims and risk mappings carried out for each business line and for each type of risk, in close collaboration with the departments concerned and the day-to-day risk management measures.

RISK HEDGING AND REDUCTION POLICIES AND POLICIES AND PROCEDURES PUT IN PLACE TO ENSURE THEY REMAIN EFFECTIVE

Details of the risk hedging and reduction policy, as well as procedures put in place to ensure they remain effective, are provided later in this document.

Their consistency at national level is ensured by limit mechanisms, procedures, management reports and control processes (permanent and periodic).

PROFIL DE RISQUE DE L'ÉTABLISSEMENT

The CMNE Group is a mutual bank, owned solely by its members, which is not included in the list of Global Systemically Important Financial Institutions (G-SIFIs). The Crédit Mutuel Group, of which the CMNE Group is a member, is included in the list of Other Systemically Important Institutions (OSSI). The CMNE Group operates in France, Belgium and Luxembourg.

Retail banking is its core business, as demonstrated by the share of customer credit risk in its total capital requirements and the predominance of the Retail portfolio in all its exposures.

The Group's strategy is one of controlled, sustainable and profitable growth. Its financial solidity is strengthened by the regular retention of earnings. Its Common Equity Tier 1 capital ratio of 15.70 % places it among the safest European banks.

The Group's risk management system is designed in accordance with its risk profile and strategy and appropriate risk management systems.

Trading on the financial markets is carried out in accordance with secure and prudent management principles and with reference to the SRAB law (law on Separation and Regulation of Banking Activities).

RISK APPETITE

The Crédit Mutuel Group's general risk appetite framework is defined and approved at Confédération Nationale du Crédit Mutuel level.
The CMNE Group, its main entities and business lines break down the framework for operational purposes, on the basis of quantitative and qualitative criteria, into policies governing risk appetite and maximum risk tolerance, including an additional prudence factor.

Risk appetite represents the quantitative level and types of risks (credit, market, liquidity, operational, profitability and solvency) that the CMNE Group is prepared to accept in accordance with its strategic objectives (Medium-Term Plan), without jeopardizing its viability and while seeking an appropriate risk/return ratio. It is applied and formalized at the level of each of the divisions (Bankinsurance France division, Bankinsurance Belgium division, Corporate division, Insurance division and Asset management division), constituting three centers of business line expertise in the context of a conglomerate around Caisse Fédérale du CMNE.

The risk appetite framework includes in a single document approved by the Federal Board of Directors:
- The risk management policies;
- The risk appetite statement;
- The procedures;
- The description of the roles and responsibilities of the governance bodies that supervise its implementation, management and control.

It is directly related to the Group's objectives and the Medium-Term Plan, and it contributes to promoting a strong financial and risk culture within the Group, such that the emergence of new risks exceeding the defined maximum risk-taking level (tolerance threshold) is rapidly identified and brought to the attention of the decision-making bodies.

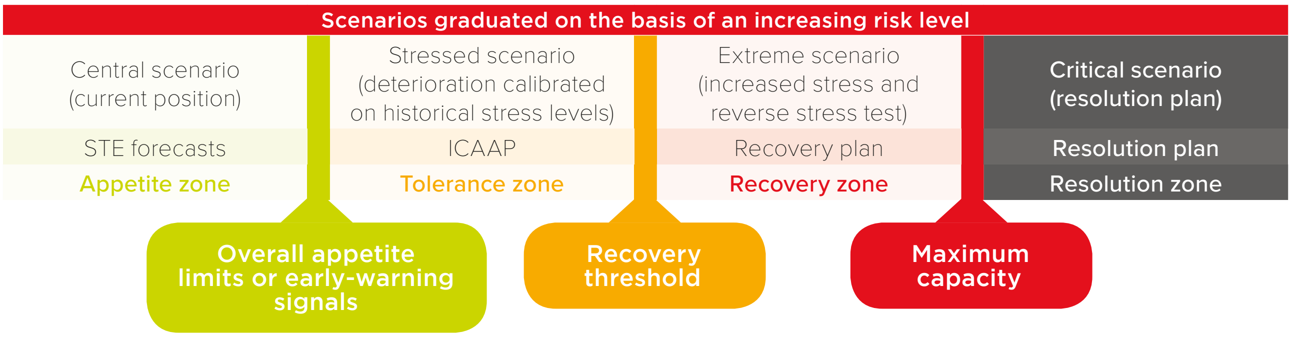
Dissemination of the risk culture (to, in particular, the business lines and the risk management, compliance and control functions) is based on the risk appetite statement:
- Shared understanding of the Group's values and its risk appetite;
- Knowledge of the consequences of the limits being breached and of non-compliance (escalation procedures).

Through its involvement in activities including attracting new deposits, financing the economy and means of payment, the CMNE Group offers a full range of financial and insurance services to individual, professional and corporate customers.

The CMNE Group has a well-controlled, long-term and profitable business model centered mainly around local banking. It is based on:
- Internal and organic growth in France by increasing its market share in respect of both deposits and loans;
- Diversifying the network's product range (notably in the insurance business line) and technological innovation with the aim of offering products that are better suited to its customers' needs;
- Rationalizing computer applications;
- Prudent and targeted international development, aimed at increasing the diversification of the retail banking product range;
- Organization around strong brands.

The CMNE Group is faithful to its cooperative model and aims to maintain and regularly strengthen its sound financial position, a source of security and sustainability.

The system is structured as follows:



This approach clearly demonstrates the leeway the supervisory bodies allow Executive Management to ensure the CMNE Group's development, whilst distinguishing between:

- The purview of day-to-day operations (green zone): within this zone, the operational limits and management objectives are set;
- From the purview of a risk zone that can be tolerated (orange zone) but which exceeds the CMNE Group's risk appetite, which must be defined in accordance with the prudence principle affirmed by the Crédit Mutuel Group's general risk appetite framework.

SCOPE OF THE REGULATORY FRAMEWORK

Pursuant to the provisions of EU regulation 575/2013 of the European Parliament and Council relating to prudential requirements applicable to credit institutions and investment firms (the so-called "CRR"), the accounting and prudential scopes consist of the same entities and only the consolidation method changes.

For the CMNE Group, the consolidation method differs for entities whose activities are not an extension of the banking or financial activity, i.e. those entities in the insurance sector and non-financial entities (securitization funds) which are consolidated using the equity method, regardless of the percentage of control. Details of the entities included in the scope are provided in Note 1 to the financial statements.

In the case of the following entities, the method used for accounting consolidation purposes (full consolidation) is different from that used for prudential consolidation purposes (equity method):

Table 1: Description of differences between the consolidation scopes (entity by entity) - (LI3) - at 12/31/2017

Company	Accounting consolidation method	Prudential consolidation method	Description of the entity
CMNE Home Loans FCT	Full consolidation	Equity method	Securitization fund
ACMN IARD	Full consolidation	Equity method	Insurance
ACMN Vie	Full consolidation	Equity method	Insurance
CP-BK	Full consolidation	Equity method	Insurance
Nord Europz Life Luxembourg	Full consolidation	Equity method	Insurance
NE Assurance	Full consolidation	Equity method	Insurance
Nord Europe Retraite	Full consolidation	Equity method	Insurance
SA Partners Assurances	Equity method	Equity method	Insurance
North Europe Life Belgium	Full consolidation	Equity method	Insurance
SPV JARNA	Full consolidation	Equity method	SPV
FCT LFP Créances immobilières	Full consolidation	Equity method	FCP investment fund

Table 2: Differences between the accounting and regulatory consolidation scopes and allocation of financial statements items to the regulatory risk categories (LI1) - at 12/31/2017

In € millions

Assets	a	b	c	d	e	f	g
	Carrying amounts as per the published financial statements	Carrying amounts in the regulatory consolidation scope	Carrying amounts of items				
			subject to the credit risk framework	subject to the counterparty risk framework	subject to the provisions relating to securitization	subject to the market risk framework	not subject to the capital adequacy requirements or subject to deduction from capital
Cash and amounts due from central banks							
Financial assets at fair value through profit or loss							
Hedging derivative instruments	26	26	-	26	-	-	-
Available-for-sale financial assets	3 860	4 376	4 366	-	-	-	10
Loans and receivables due from credit institutions	3 067	2 466	2 197	269	-	-	-
Loans and receivables due from customers	16 126	16 228	16 228	-	-	-	-
Remeasurement adjustment on interest-rate risk hedged portfolios	22	22	-	-	-	-	22
Held-to-maturity financial assets	77	77	77	-	-	-	-
Current tax assets	97	97	97	-	-	-	-
Deferred tax assets	45	45	45	-	-	-	-
Other assets	538	545	412	133	-	-	-
Non-current assets held for sale	16 059	0	0	-	-	-	-
Investments in associates	146	1 322	1 312	-	-	-	10
Investment property	48	48	48	-	-	-	-
Property and equipment	183	183	183	-	-	-	-
Intangible assets	28	28	-1	-	-	-	29
Goodwill	197	197	-	-	-	-	197
TOTAL ASSETS	**42 190**	**26 990**	**26 172**	**594**	**-**	**123**	**268**

In € millions

Liabilities and equity	a	b	c	d	e	f	g
	Carrying amounts as per the published financial statements	Carrying amounts in the regulatory consolidation scope	Carrying amounts of items				
			subject to the credit risk framework	subject to the counterparty risk framework	subject to the provisions relating to securitization	subject to the market risk framework	not subject to the capital adequacy requirements or subject to deduction from capital
Due to central banks	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	241	346	-	162	-	-	184
Hedging derivative instruments	84	84	-	84	-	-	-
Due to credit institutions	1 754	1 677	-	265	-	-	1 413
Due to customers	16 718	16 782	-	-	-	-	16 782
Debt securities	3 103	3 057	-	-	-	-	3 057
Remeasurement adjustment on interest rate risk hedged portfolios	2	2	-	-	-	-	2
Current tax liabilities	64	64	-	-	-	-	64
Deferred tax liabilities	18	18	18	-	-	-	-
Other liabilities	977	978	-	146	-	-	832
Liabilities associated with non-current assets held for sale	15 099	-	-	-	-	-	-
Technical provisions in respect of life insurance contracts	-	-	-	-	-	-	-
Provisions	147	147	-	-	-	-	147
Subordinated debt	813	808	-	-	-	-	808
Shareholders' equity	3 168	3 026	-	-	-	-	3 026
Shareholders' equity attributable to owners of the company	2 998	2 998	-	-	-	-	2 998
Share capital and premiums	1 278	1 278	-	-	-	-	1 278
Consolidated reserves attributable to owners of the company	1 384	1 384	-	-	-	-	1 384
Unrealized gains or losses attributable to owners of the company	83	83	-	-	-	-	83
Consolidated net income - Group	253	253	-	-	-	-	253
Shareholders' equity attributable to non-controlling interests	171	28	-	-	-	-	28
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**42 190**	**26 990**	**18**	**656**	**-**	**-**	**26 315**

Table 3: Main sources of differences between the regulatory amounts of the exposures and the carrying amounts in the consolidated financial statements (L12) - at 12/31/2017

In € millions

		a	b	c	d	e
			Items subject to the			
		Total	credit risk framework	counterparty risk framework	provisions relating to securitization	market risk framework
1	Carrying amount of assets in the regulatory consolidation scope (as per table LI1)	26 889	26 172	594	-	123
2	Carrying amount of liabilities in the regulatory consolidation scope (as per table LI1)	675	18	656	-	-
3	Total net assets in the regulatory consolidation scope	26 214	26 153	-62	-	123
4	Off-balance sheet commitments	3 965	3 965		-	
	Measurement adjustment on off-balance sheet commitments	-2 833	-2 833		-	
5	Measurement adjustments	277		277		
6	Adjustments resulting from different netting rules, other than those already recorded on line 2	495		494		0
7	Adjustments resulting from the recognition of provisions	175	175		-	
8	Adjustments resulting from prudential filters	-	-			
9	Other	-78	-78		-	
10	Regulatory value of exposures	28 216	27 383	710	-	123

EQUITY

EQUITY STRUCTURE

Since January 1, 2014, prudential capital has been determined in accordance with part I of EU regulation 575/2013 of the European Parliament and Council of June 26, 2013 concerning prudential requirements applicable to credit institutions and investment firms, modifying EU regulation 648/2012 (the so-called "CRR"), rounded out by technical standards (delegated and EU execution regulations of the European Commission).

Shareholders' equity now consists of the sum of:

- Tier 1 capital: comprising Common Equity Tier 1 (CET1) net of deductions and additional Tier 1 capital (AT1) net of deductions;
- Tier 2 capital net of deductions.

▶ TIER 1 CAPITAL

Common Equity Tier 1 (CET1) capital consists of share capital instruments and the associated issuance premiums, reserves (including those on items of other comprehensive income) and non-distributed earnings. Payments must be totally inflexible and the instruments must be perpetual.

Taking into account the provisions of delegated regulation (EU) 2015/850, the former B shares and F shares are no longer eligible for CET1. However, in accordance with the provisions of the CRR (Articles 484 and 486), they may be retained in respect of “grandfather” clauses, on a reducing balance basis over a period of ten years, from the amount recorded at December 31, 2012. The ceiling of the former B shares and F shares eligible for CET1 for 50 % of their outstandings at December 31, 2012 for the 2017 fiscal year has been complied with.

Additional Tier 1 (AT1) capital consists of perpetual debt instruments without any redemption incentive or obligation (in particular step-up features). AT1 instruments are subject to a loss absorption mechanism triggered when the CET1 ratio is below a minimum threshold set at 6 %. These instruments may be converted into shares or incur a reduction in their nominal value. Payments must be totally inflexible: suspension of coupon payments is at the issuer's discretion.
Article 92, paragraph 1, of the CRR sets a minimum Common Equity Tier 1 ratio of 4.5 % and a minimum Tier 1 ratio of 6 %.
The ECB (in its letter of June 4, 2017) requires CFCMNE, at the end of the supervisory review and evaluation process (SREP), to comply, on a sub-consolidated basis, with an overall equity ratio of 9.75 % and a Common Equity Tier 1 ratio (CET 1) of 6.25 %, as such ratios are defined in Regulation (EU) 575/2013.

This 6.25 % rate was renewed for the 2018 fiscal year (letter of December 19, 2017).
To the Tier 1 capital adequacy requirement must be added the 1.25 % conservation buffer, as such ratio is defined in the CRD IV regulation.

Common Equity Tier 1 is determined based on the Group's reported shareholders' equity[1], calculated on the prudential scope, after applying prudential filters and a number of regulatory adjustments.

▷ Prudential filters

In the previous regulation, unrealized capital gains were filtered out of core capital in accordance with Article 2 bis of regulation 90-02 and, based on the principle of symmetry, the exposure value for the calculation of weighted risks, in particular the exposure value to equities, did not take them into account.

The filters will be phased out gradually during the transitional phase, as follows:
- Unrealized capital gains (excluding cash flow hedges) 20 % excluded in 2017;
- 20 % of the unrealized capital gains have been excluded from Common Equity Tier 1 (and 80 % included), the denominator of the exposure at default value has been adjusted accordingly.
- Capital losses: the SGACPR decided to bring forward the timing and to incorporate them fully as of 2014.

Moreover, since October 1, 2016 and in accordance with new provisions introduced by the ECB (EU regulation no. 2016/445), unrealized capital gains and losses on sovereign securities are no longer exempt for major establishments and in 2017 are filtered up to 20 %.

Unrealized capital gains and losses are offset on a portfolio by portfolio basis.

Differences between the income of affiliates recorded on an equity basis are spread between reserves and retained earnings, on the one hand, and the interim result, on the other hand, according to the capital categories in which they originate.

In contrast, 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 (as under the CRBF regulation 90-02).

Other CET1 adjustments mainly concern:
- Forecasts of dividend payments to shareholders;
- Deduction of goodwill and other intangible assets;
- The negative difference between provisions and expected losses, as well as expected losses on equities;
- Value adjustments due to prudential valuation requirements;
- Deferred tax assets depending on future earnings and not resulting from temporary differences net of the associated tax liabilities;
- Losses or gains recorded by the Group on its liabilities recorded at fair value and linked to the change in its credit quality;
- Fair value losses and gains on derivative instruments on the liability side of the Group's balance sheet and linked to the change in its credit quality;
- Direct, indirect and synthetic holdings in the CET1 instruments of financial sector entities when these exceed a threshold of 10 % of the CET1.

▷ Main features of AT1 capital instruments

In May 2017, Caisse Fédérale du CMNE requested authorization from the European Central Bank to redeem the deeply subordinated note issued in 2004 for €150 million, which it received in late August 2017. Given the increase in the redemption price between the two dates, the planned transaction would have resulted in a higher financial expense than the initial estimate. Consequently, CMNE decided to waive the benefit of the authorization obtained; for CMNE to be able to recognize the corresponding amount in its equity, this waiver request must be the subject of a decision by the European Central Bank noting the institution's request and authorizing it. Since this formality was in progress at December 31, 2017, the deeply subordinated note was not included in AT1 or T2.

▷ Tier 2 capital

Tier 2 capital consists of subordinated debt instruments with a minimum maturity of five years. Early redemption incentives are prohibited.

The amount of "eligible capital" is more limited. This notion is used to calculate thresholds for major risks and non-financial investments weighted at 1,250 %. It is the sum of:
- Tier 1 capital, and
- Tier 2 capital, capped at one-third of Tier 1 capital.

1 See Table 1: "Reconciliation of the financial balance sheet/regulatory balance sheet/shareholders' equity"

EQUITY

Table 4: Reconciliation of the financial balance sheet/regulatory balance sheet/shareholders' equity - at 12/31/2017

In € millions

		Accounting consolidation	Prudential consolidation	Variance
	Shareholders' equity	**3 166**	**3 025**	
1	Shareholders' equity attributable to owners of the company - excl. OCI	2 915	2 915	
	Share capital and premiums	1 278	1 278	-
	Consolidated reserves - attributable to owners of the company	1 384	1 384	-
	Consolidated net income - attributable to owners of the company	253	253	-
2	**Shareholders' equity attributable to non-controlling interests - excl. OCI**	**168**	**27**	
	Consolidated reserves - Non-controlling interests	145	14	131
	Consolidated net income - Non-controlling interests	23	13	10
	Unrealized gains or losses attributable to owners of the company	**83**	**83**	**-**
	of which equity instruments	*69*	*69*	-
	of which debt instruments	*43*	*43*	-
	of which cash flow hedges	*-15*	*-15*	-
	Unrealized gains or losses attributable to non-controlling interests	**2**	**-**	**2**
	Other balance sheet items			
3	Intangible assets (a)	28	28	-
	Goodwill (including goodwill included in the value of investments in associates)	199	207	-8
4	Deferred tax			
	• Assets	45	45	-
	of which deferred tax assets on tax loss carryforwards	-	-	-
	• Liabilities	18	18	-
	of which deferred tax liabilities on intangible assets (b)	-	-	-
5	Subordinated debt	813	808	5

Comments:

2, 3 and 5: the variances result from changes in consolidation method for certain entities (mainly insurance sector entities) referred to in the section on consolidation.

In € millions

		CET1	AT1	AT2
	Equity	**2 660**	**0**	**702**
1	**Capital attributable to owners of the company**	**2 883**		
	Paid-in capital and share premiums*	1 267		
	Prior retained earnings	1 384		
	Gain or loss (attributable to owners of the company)	253		
	(-) Non-qualifying share of interim or year-end profits	-21		
2	**Capital - non-controlling interests**	**6**	**0**	**0**
	Qualifying non-controlling interests*	6	0	0
	Unrealized gains or losses attributable to owners of the company	**66**		**7**
	*of which equity instruments**	*55*		*7*
	*of which debt instruments**	*15*		
	of which cash flow hedge reserves	*-15*		
	Other balance sheet items included in the capital calculation	**-295**	**-**	**695**
3	(-) Gross amount of other intangible assets including deferred tax liabilities on intangible assets (a-b)	-28		
	(-) Goodwill on intangible assets	-207		
4	(-) Deferred tax assets depending on future earnings and not resulting from temporary differences net of the associated tax liabilities	-		
5	Subordinated debt*		-	661
	Deductions and prudential filters (see following table)	-60	-	34

* Existence of transitional provisions

Comments:
The asterisks (*) indicate the existence of transitional provisions.
Differences with the prudential balance sheet and numbered 1 to 5 in the above table can be explained as follows:
1: Deduction in 2018 of interest on shares in respect of 2017;
2: Specific calculation is made for non-controlling interests under the CRR;
3: The amount of intangible assets deducted from capital includes the related deferred tax liabilities;
4: Deferred tax assets and liabilities are subject to specific treatment in accordance with the European regulations;
5: Subordinated debt included in capital differs from the accounting consolidation due to items considered non-qualifying by the CRR, and to the calculation of a regulatory reduction over the last five years for fixed-term debt.

		CET1	AT1	AT2
	Deductions and prudential filters	**-60**	**-**	**34**
	(-) Securitization positions that may be weighted at 1 250 %	-		
	(-) Instruments of relevant entities where the institution does not have a significant investment	-	-	-
	(-) Instruments of relevant entities where the institution has a significant investment	-	-	-
	Excess deductions in relation to the equity level	-	-	-
	Under the internal ratings-based approach, negative difference between provisions and expected losses	-73		
	Under the internal ratings-based approach, positive difference between provisions and expected losses			21
	Credit risk adjustments (standardized approach)			12
	Prudential filter: cash flow hedge reserves	15		
	Prudential filter: value adjustments due to requirements for prudent valuation	-2		
	Prudential filter: fair value gains and losses arising from own credit risk related to derivative liabilities	-		
	Other	-		1

EQUITY

Table 5: Qualitative information on equity instruments - at 12/31/2017

Main features of CET1 capital instruments

		A shares	C shares	B shares	F shares
1	Issuer	Crédit Mutuel Nord Europe			
2	Unique identifier	Shares: 969500MOQLCWGNJR5B72			
3	(e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	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				
4	• Transitional CRR rules	Common equity tier 1 capital			
5	• Post-transitional CRR rules	Common equity tier 1 capital		Ineligible	
6	• Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Solo and (sub-)consolidated			
7	• Instrument type (to be specified by each jurisdiction)	Shares - list published by the EBA (Article 26, paragraph 3 of the CRR)			
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	52.09	1 058.43	118.05	35.49
9	Par value of instrument	52.09	1 058.43	118.05	35.49
9a	Issue price	52.09	1 058.43	118.05	35.49
9b	Redemption price	52.09	1 058.43	118.05	35.49
10	Accounting classification	Shareholders' equity			
11	Original date of issuance	Variable			
12	Perpetual or dated	Perpetual			
13	• Original maturity date	N/A			
14	Issuer call subject to prior supervisory approval	No			
15	Optional call date, contingent call dates and redemption amount	N/A			
16	• Subsequent call dates, if applicable	N/A			
	Coupons/dividends				
17	Fixed or floating dividend/coupon (or N/A)	N/A	Floating	Floating	Floating
18	Coupon rate and any related index	N/A			
19	Existence of a dividend stopper	No			
20a	• Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary			
20b	• Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary			
21	• Existence of step up or other incentive to redeem	No			
22	• Cumulative or non-cumulative	No			
23	Convertible or non-convertible	Non-convertible			
24	• If convertible, conversion trigger	N/A			
25	• If convertible, fully or partially	N/A			
26	• If convertible, conversion rate	N/A			
27	• If convertible, mandatory or optional conversion	N/A			
28	• If convertible, instrument type convertible into	N/A			
29	• If convertible, issuer of instrument it converts into	N/A			
30	Write-down features	Yes			
31	• 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 French prudential supervision and resolution authority (*Autorité de contrôle prudentiel et de résolution* - ACPR) pursuant to its powers under Article L. 613-31-16 of the French Monetary and Financial Code			
32	• If write-down, full or partial	Full or partial write-down			
33	• If write-down, permanent or temporary	Permanent			
34	• If temporary write-down, description of write-up mechanism	N/A			
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks lower than all other claims			
36	Non-compliant features (yes/no)	No		Yes	
37	If yes, specify non-compliant features	N/A		With preference dividends	


RISK ?

EQUITY

Main features of capital instruments (T2)

	Main features of capital instruments (T2)																
1	Issuer	Caisse Fédérale du Crédit Mutuel Nord Europe															
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	FR0011828235	FR0011927037	FR0012033926	FR0012046860	FR0012112605	FR0012187078	FR0012187086	FR0012303246	FR0011781061	FR0012304442	FR0012618320	FR0012632495	FR0012616894	FR0012767267	FR0013073764	FR0013201431
3	Governing law of the instrument	L. 211-1 et seq. of the French Monetary and Financial Code															
	Regulatory treatment																
4	• Transitional CRR rules	Tier 2 capital															
5	• Post-transitional CRR rules	Tier 2 capital															
6	• Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated															
7	• Instrument type (to be specified by each jurisdiction)	Subordinated instrument (Article 63 of the CRR)															
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	5	7	12.1	2	3	5	3.5	4	120	55	22	3	40	30	50	300
9	Par value of instrument	5	7	12.1	2	3	5	3.5	4	120	55	22	3	40	30	50	300
9a	Issue price	5	7	12.1	2	3	5	3.5	4	118.512	55	22	3	40	30	40	295.791
9b	Redemption price	5	7	12.1	2	3	5	3.5	4	120	55	22	3	40	30	50	300
10	Accounting classification	Liabilities - amortized cost															
11	Original date of issuance	10/04/2014	03/06/2014	06/08/2014	29/07/2014	03/09/2014	15/10/2014	15/10/2014	28/11/2014	10/03/2014	22/12/2014	02/04/2015	02/04/2015	27/04/2015	01/06/2015	23/12/2015	12/09/2016
12	Perpetual or dated	Dated															
13	• Original maturity date	10/04/2024	03/06/2024	06/08/2024	29/07/2024	03/09/2024	15/10/2024	15/10/2024	28/11/2024	27/06/2026	22/12/2026	02/04/2025	02/04/2025	27/04/2027	02/06/2025	23/12/2030	12/09/2026
14	Issuer call subject to prior supervisory approval	Yes															
15	• Optional call date, contingent call dates and redemption amount	At any time if there is a capital, withholding tax or gross-up event. The issuer may repurchase the subordinated bonds once five years have elapsed since their issue.															
16	• Subsequent call dates, if applicable	N/A															
	Coupons/dividends	N/A															
17	Fixed or floating dividend/coupon	Fixed to floating	Fixed to floating	Fixed to floating	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Fixed to floating	Fixed to floating	Fixed	Fixed to floating	Fixed to floating	Fixed
18	Coupon rate and any related index	4 % then Min 4.5 %; Max 3 %; 10-year CMS	3.15 % then Min 6 %; Max 3.15 %; 10-year CMS	3.10 % then Min 5 %; Max 3.10 %; 10-year CMS	130 %* 10-year CMS	3.10 % then Min 5 %; Max 3.10 %; 10-year CMS	3 % then Min 4.5 %; Max 3 %; 10-year CMS	3 % then Min 4.5 %; Max 3 %; 10-year CMS	2.6 % then Min 4 %; Max 2.6 %; 10-year CMS	4.25 %	3.40 %	1.9 % then Min 3.75 %; Max 1.9 %; 10-year CMS	1.9 % then Min 3.75 %; Max 1.8 %; 10-year CMS	2.75 %	1.35 % then Min 3.10 %; Max 1.35 %; 10-year CMS	4 % then 6-month Euribor + 1.78 %	2.125 %
19	Existence of a dividend stopper	No															
20a	• Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A															
20b	• Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A															
21	• Existence of step up or other incentive to redeem	No															
22	• Cumulative or non-cumulative	N/A															
23	Convertible or non-convertible	Non-convertible															
24	• If convertible, conversion trigger	N/A															
25	• If convertible, fully or partially	N/A															
26	• If convertible, conversion rate	N/A															
27	• If convertible, mandatory or optional conversion	N/A															
28	• If convertible, instrument type convertible into	N/A															
29	• If convertible, issuer of instrument it converts into	N/A															
30	Write-down features	No															
31	• If write-down, write-down trigger	N/A															
32	• If write-down, full or partial	N/A															
33	• If write-down, permanent or temporary	N/A															
34	• If temporary write-down, description of write-up mechanism	N/A															
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Redeemable after repayment of preferred and unsecured creditors.															
36	Non-compliant features	No															
37	If yes, specify non-compliant features	N/A															

N/A: not applicable

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Table 6: Detailed capital disclosure - at 12/31/2017

In € thousands

		Amount at disclosure date	Regulation (EU) No. 575/2013 article reference	Amounts subject to pre-Regulation EU No. 575/2013 treatment or prescribed residual amount pursuant to Regulation EU No. 575/2013
	Common equity tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	1 113 272	26 (1), 27, 28, 29, list ABE 26 (3)	
	Of which: Shares	*1 110 522*	*list ABE 26 (3)*	
	Of which: Share premiums	*2 750*	*list ABE 26 (3)*	
2	Retained earnings	1 383 577	26 (1) c	
3	Accumulated other comprehensive income (and other reserves)	83 118	26 (1)	
3a	Fund for general banking risks	-	26 (1) f	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase-out from CET1	153 533	486 (2)	
5	Non-controlling interests eligible for CET1	298	84, 479, 480	5 554
5a	Independently reviewed interim profits net of any foreseeable expense or dividend	232 292	26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**2 966 091**		
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-1 608	34, 105	
8	Intangible assets (net of related tax liabilities) (negative amount)	-234 840	36 (1) b, 37, 472 (4)	
9	**Empty set in the EU**			
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences, net of related tax liabilities (net of related tax liabilities when the conditions in Article 38 (3) are met) (negative amount)	-	36 (1) c, 38, 472 (5)	-
11	Fair value reserves related to gains and losses on cash flow hedges	14 757	33 a	
12	Negative amounts resulting from the calculation of expected losses	-72 865	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	-	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)	-
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 the 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) to (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	-	36 (1) k	
20b	*of which: qualifying holdings outside the financial sector (negative amount)*	-	*36 (1) k (i), 89 to 91*	
20c	*of which: securitization positions (negative amount)*	-	*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 10 % threshold, net of related tax liabilities when the conditions in Article 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)*	-

		Amount at disclosure date	Regulation (EU) No. 575/2013 article reference	Amounts subject to pre-Regulation EU No. 575/2013 treatment or prescribed residual amount pursuant to Regulation EU No. 575/2013
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 financial 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	5 554		
26a	Regulatory adjustments relating to unrealized gains and losses pursuant to Articles 467 and 468	-17 435		
	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	*-13 641*	*468*	
	of which: filter for unrealized gain on debt instruments	*-3 794*	*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 (CET1) capital**	**-306 437**		
29	**Common Equity Tier 1 (CET1) capital**	**2 659 654**		
	Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the 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 Article 484 (3) and the related share premium accounts subject to phase-out from AT1	-	486 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including non-controlling interests not included in row 5) issued by subsidiaries and held by third parties	51	85, 86, 480	-13
35	*of which: instruments issued by subsidiaries subject to phase-out*		*486 (3)*	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**51**		
	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 inflate artificially the own funds of the institution (negative amount)	-	56 b, 58, 475 (3)	-
39	Direct, indirect and synthetic holdings 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 the 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 phase-out as prescribed in 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 Article 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 Article 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**	**51**		

EQUITY

		Amount at disclosure date	Regulation (EU) No. 575/2013 article reference	Amounts subject to pre-Regulation EU No. 575/2013 treatment or prescribed residual amount pursuant to Regulation EU No. 575/2013
45	Tier 1 capital (T1 = CET1 + AT1)	2 659 705		
	Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	660 749	62, 63	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase-out from T2	-	486 (4)	
48	Qualifying capital instruments included in consolidated T2 capital (including non-controlling interests and AT1 instruments not included in row 5) issued by subsidiaries and held by third parties	55	87,88, 480	52
49	*of which: instruments issued by subsidiaries subject to phase-out*		*486 (4)*	
50	Adjustments for credit risk	32 521	62 c and d	
51	Tier 2 (T2) capital before regulatory adjustments	693 325		
	Tier 2 (T2) capital: instruments and provisions			
52	Direct and indirect holdings by an institution of own T2 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 inflate artificially the own funds of the institution (negative amount)	-	66 b, 68, 477 (3)	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans 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)	-	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 phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)	8 604		
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 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 Article 475 of Regulation (EU) No. 575/2013	-	475, 475 (2) a, 475 (3), 475 (4) a	
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	8 604	467, 468, 481	
Addition	***of which subsidies received by leasing companies***	***1 294***	***481***	
Addition	***of which unrealized gains on equity instruments reported as additional capital***	***7 310***	***481***	
Addition	***of which restatement for holding of capital instrument***	***-***	***481***	
57	Total regulatory adjustments to Tier 2 (T2) capital	8 604		
58	Tier 2 (T2) capital	701 929		
59	Total capital (TC = T1 + T2)	3 361 634		
59a	Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out 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 profitability 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	16 937 515		

		Amount at disclosure date	Regulation (EU) No. 575/2013 article reference	Amounts subject to pre-Regulation EU No. 575/2013 treatment or prescribed residual amount pursuant to Regulation EU No. 575/2013
	Capital ratios and buffers			
61	Common Equity Tier 1 capital (as a percentage of total risk exposure amount)	15.70%	92 (2) a, 465	
62	Tier 1 capital (as a percentage of total risk exposure amount)	15.70%	92 (2) b, 465	
63	Total capital (as a percentage of total risk exposure amount)	19.85%	92 (2) c	
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount	0	CRD 128, 129, 130	
65	***of which capital conservation buffer requirement***	***1.25%***		
66	***of which countercyclical buffer requirement***	***0.00%***		
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 buffers (as a percentage of total risk exposure amount)	5.95%	CRD 128	
69	[not relevant in EU regulation]			
70	[not relevant in EU regulation]			
71	[not relevant in EU regulation]			
	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 10 % threshold and net of eligible short positions)	64 085	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 10 % threshold and net of eligible short positions)	161 219	36 (1) (i), 45, 48, 470, 472 (11)	
74	Empty set in the EU			
75	Deferred tax assets arising from temporary differences (amount below 10 % threshold, net of related tax liabilities when the conditions in Article 38 (3) are met)	21 431	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)	11 924	62	
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	53 213	62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	23 277	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	20 597	62	
	CAPITAL INSTRUMENTS SUBJECT TO PHASE-OUT ARRANGEMENTS (only applicable between January 1, 2014 and January 1, 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements	373 882	484 (3), 486 (2) and (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) and (5)	
82	Current cap on AT1 instruments subject to phase-out arrangements	-	484 (4), 486 (3) and (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484 (4), 486 (3) and (5)	
84	Current cap on T2 instruments subject to phase-out arrangements	-	484 (5), 486 (4) and (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484 (5), 486 (4) and (5)	

CAPITAL REQUIREMENTS

Table 7: Overview of the risk-weighted assets (RWA) OV1 - at 12/31/2017

In € thousands

		Risk-weighted assets		Minimum capital requirements
		T	T-1	T
1	**Credit risk (excluding counterparty risk - CCR)**	**14 586 907**	**13 675 814**	**1 166 953**
2	*of which standardized approach*	*4 174 970*	*4 330 816*	*333 998*
3	*of which foundation IRB (FIRB) approach*	*358 923*	*324 690*	*28 714*
4	*of which advanced IRB (AIRB) approach*	*3 328 105*	*2 991 912*	*266 248*
5	*of which equities under the IRB approach*	*6 724 909*	*6 028 396*	*537 993*
6	**Counterparty risk**	**348 697**	**355 602**	**27 896**
7	*of which market value*	*158 419*	*125 868*	*12 674*
8	*of which initial exposure*	-	-	-
9	*of which standardized approach applied to counterparty risk (SA – CCR)*	-	-	-
10	*of which internal model method (IMM)*	-	-	-
11	*of which risk exposure amount for contributions to the default fund of a CCP*	-	-	-
12	*of which CVA*	*190 278*	*229 735*	*15 222*
13	**Settlement risk**	-	-	-
14	**Securitization exposures in the banking book**	-	**79 551**	-
15	*of which foundation IRB (FIRB) approach*	-	*79 551*	-
16	*of which Supervisory Formula Method*	-	-	-
17	*of which internal assessment approach*	-	-	-
18	*of which standardized approach*	-	-	-
19	**Market risk**	**299 257**	**446 918**	**23 941**
20	*of which standardized approach*	*299 257*	*446 918*	*23 941*
21	*of which approaches based on the internal model method (IMM)*	-	-	-
22	**Major risks**	-	-	-
23	**Operational risk**	**1 246 029**	**1 220 573**	**99 682**
24	*of which Basic Indicator Approach*	*21 513*	*22 309*	*1 721*
25	*of which standardized approach*	*444 699*	*426 651*	*35 576*
26	*of which Advanced Measurement Approach*	*779 817*	*771 613*	*62 385*
27	**Amounts below the thresholds for deduction (subject to 250 % risk weight)**	**456 625**	**481 980**	**36 530**
28	**Floor adjustment**	-	**124 611**	-
29	**TOTAL**	**16 937 515**	**16 385 050**	**1 355 001**

PRUDENTIAL INDICATORS

SOLVENCY RATIOS

The Crédit Mutuel Nord Europe Group's solvency ratios at December 31, 2017, after the integration of income net of the estimated dividend pay-out, totaled:

Table 8: Solvency ratios

In € millions

	12/31/2017	12/31/2016
Common Equity Tier 1 (CET1) capital	2 660	2 480
Additional Tier 1 (AT1) capital	0	79
Tier 2 capital	702	778
TOTAL CAPITAL	**3 362**	**3 336**
Risk-weighted assets in respect of credit risk	15 202	14 488
Risk-weighted assets in respect of market risk	490	677
Risk-weighted assets in respect of operational risk	1 246	1 221
TOTAL RISK-WEIGHTED ASSETS	**16 938**	**16 385**
CET 1 ratio	15.70 %	15.13 %
T1 ratio	15.70 %	15.62 %
SOLVENCY RATIO	**19.85 %**	**20.36 %**

In the framework of the CRR, the total capital requirement is maintained at 8 % of risk-weighted assets (RWA).
CFCMNE complies, on a sub-consolidated basis, with the Common Equity Tier 1 ratio (CET1) of 9.75 %, as required by the ECB.

COUNTERCYCLICAL CAPITAL BUFFER

Table 9: Countercyclical buffer amount applied to the bank - at 12/31/2017

In € millions

Total risk-weighted assets	16 938
Countercyclical buffer amount applied to the bank	0.00000005
Countercyclical buffer requirements applicable to the bank	0

Table 10: Geographical breakdown of relevant credit exposures for calculating the countercyclical capital buffer at 12/31/2017

In € millions

Countries for which a capital buffer in excess of 0 % has been recognized by the financial stability authority (Haut Conseil de Stabilité Financière - HCSF)	General credit exposures		Trading portfolio exposures		Securitization exposures		Capital requirements				Capital requirement weightings	Countercyclical capital buffer rate
	Value exposed to risk for the standardized approach	Value exposed to risk for the IRBA	Sum of the long and short positions in the trading book	Value of the trading book's exposures for the internal models	Value exposed to risk for the standardized approach	Value exposed to risk for the IRBA	Of which general credit exposures	Of which trading book exposures	Of which securitization exposures	Total		
Norway	0.0132490	0	0	0	0	0	0	0	0	0	0.00000	1.50 %
Czech Republic	0.0027676	0	0	0	0	0	0	0	0	0	0.00000	0.50 %
Hong Kong	0.0041314	0	0	0	0	0	0	0	0	0	0.00000	1.25 %
Iceland	0.0010960	0	0	0	0	0	0	0	0	0	0.00000	1.25 %
Slovakia	0.0000000	0	0	0	0	0	0	0	0	0	0.00000	0.50 %
Sweden	0.0263437	0	0	0	0	0	0	0	0	0	0.00000	2.00 %
TOTAL EXPOSURES AND CAPITAL REQUIREMENTS	**5 716**	**14 498**	**0**	**0**	**0**	**0**	**1 114**	**0**	**0**	**1 114**		

In addition to the minimum CET1 capital requirement, the Crédit Mutuel Group must progressively comply, starting from January 1, 2016, with additional capital requirements, as follows:

- A conservation buffer which is mandatory for all banks: 1.25 % as at December 31, 2017 rising to 2.5 % of weighted risks (2019);
- An Other Systemically Important Institution (O-SII) buffer related to the Group's designation as an institution deemed to be at systemic risk on a national scale. This applies only at national consolidated level. Set by the Secretary General of the ACPR in the range of 0 % to 2 %, it aims to reduce the risk of bankruptcy for major institutions by increasing their capital adequacy requirements. For the Crédit Mutuel Group, its level was 0.25 % at December 31, 2017 with a target of 0.5 % (2019);
- A specific countercyclical capital buffer for each entity (capped at 1.25 % in 2017), which is not material this year for the Crédit Mutuel Group. The countercyclical buffer is designed to protect banks from excessive growth in credit (in particular a deviation from the ratio of credit to gross domestic product); it is imposed at the discretion of the designated authority of each jurisdiction, applicable to all exposures that banks have in this jurisdiction. In France, the countercyclical buffer is set by the financial stability authority (*Haut Conseil de Stabilité Financière* - HCSF). In principle, it ranges between 0 and 2.5 % (or higher in certain circumstances). On December 29, 2017, the *Haut Conseil de Stabilité Financière* set this rate at 0 % for France. It has also recognized rates of 1.25 % for Iceland, 1.5 % for Norway and 2 % for Sweden (from January 1, 2017 to December 31, 2017 the mandatory recognition of countercyclical capital buffer rates implemented in other states is capped at 1.25 %. Beyond this cap, rates require the explicit recognition of the HCSF). The countercyclical buffer specific to the Crédit Mutuel Group is calculated as the weighted average of the countercyclical buffers applied in the countries that correspond to the Group's main credit exposures.

COMPLEMENTARY SURVEILLANCE OF FINANCIAL CONGLOMERATES

CNCM is among the financial conglomerates supervised by the ACPR. Its conglomerates activity is exercised through the insurance subsidiaries of the regional groups, including NEA, a subsidiary of the CMNE Group.

This subsidiary sells a large range of life insurance, personal insurance and property and liability insurance, predominantly through the CMNE Group's banking networks.

In this regard, insurance sector entities are consolidated using the full consolidation method for accounting purposes and using the equity method for prudential consolidation purposes for the calculation of the supplementary requirement.

As an exemption to Articles 36 and 43 of the CRR and in accordance with the provisions of Article 49 of that regulation, the SGACPR has authorized the Crédit Mutuel Group not to deduct holdings in the capital instruments of insurance sector entities from its Common Equity Tier 1 and to adopt the so-called "weighted equity-accounted value" method, which consists in weighting instruments held in the Group's insurance subsidiaries on the denominator of the capital ratio.

In accordance with the decree of November 3, 2014, the CMNE Group is subject to capital adequacy supervision.

This supplementary supervision has three parts:

- The calculation of the supplementary capital adequacy requirement;
- The control of the concentration of risks by beneficiary;
- The control of the concentration of risks by sector.

The first part relating to the calculation of the supplementary capital adequacy requirement makes it possible to perform an annual check on coverage of capital requirements relating to the CMNE Group by the regulatory capital, including regulatory adjustments and transitional provisions in the CRR.

The second part relating to control of the concentration of risks by sector makes it possible to report information for the banking sector and for the insurance sector:

- Total assets held in equities;
- Total assets held in property investments; and,
- Investments and subordinated debt held in credit institutions and financial institutions.

The final part relating to control of the concentration of risks by beneficiary on a consolidated basis consists in reporting gross risks (aggregate exposure to a single beneficiary) exceeding 10 % of the consolidated shareholders' equity or €300 million. A distinction is drawn between the banking and insurance sectors for each beneficiary.

LEVERAGE RATIO

The procedures to manage the risk of excessive leverage have been validated by CNCM's Board of Directors and center on the following points:

- The leverage ratio is one of the key solvency indicators and leverage ratio monitoring is incorporated into the CNCM's and the regional groups' Risk Committee files.
- An internal limit has been set at the national level and for each Crédit Mutuel Group;
- A special procedure has been established for any breaches of the limit set by the supervisory body. This procedure involves the Executive Management of the group concerned as well as the Boards of Directors of the Group and CNCM and it applies to all Crédit Mutuel groups.

Table 11: Leverage ratio common disclosure (LRCOM) - at 12/31/2017

In € millions

		Exposures
	Balance sheet (excluding derivatives and securities financing transactions)	
1	Balance sheet items (excluding derivatives, securities financing transactions and fiduciary assets, but including collateral)	26 577
2	(Assets deducted to determine Tier 1)	-73
3	**TOTAL BALANCE SHEET EXPOSURE (EXCLUDING DERIVATIVES, SECURITIES FINANCING TRANSACTIONS AND FIDUCIARY ASSETS) - SUM OF LINES 1 AND 2**	**26 504**
	Derivatives	
4	Replacement cost associated with all derivatives (i.e. net of eligible margin calls received)	174
5	Add-on for potential future exposures associated with derivatives (market price valuation method)	264
EU-5A	**Exposures determined in accordance with the initial exposure method**	
6	**Adding back of guarantees given on derivatives deducted from assets in the balance sheet under the applicable accounting standards**	
7	(Deductions of margin calls in cash paid under derivatives transactions)	-122
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**TOTAL DERIVATIVE EXPOSURES - SUM OF LINES 4 TO 10**	**316**
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	269
14	Counterparty credit risk exposure for SFT assets	13
16	**TOTAL SECURITIES FINANCING TRANSACTION EXPOSURES - SUM OF LINES 12 TO 15A**	**282**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amounts	2 654
18	(Adjustments to credit risk equivalent amounts)	-1 392
19	**OTHER OFF-BALANCE SHEET EXPOSURES - SUM OF LINES 17 AND 18**	**1 261**
	Exempted exposures pursuant to Articles 429.7 and 429.14 of the CRR (on-balance sheet and off-balance sheet)	
EU-19a	(Exemption of intra-Group exposures (individual basis) pursuant to Article 429.7 of the CRR (on-balance sheet and off-balance sheet))	0
EU-19b	(Exemption of exposures pursuant to Article 429.14 of the CRR (on-balance sheet and off-balance sheet))	0
	Equity and total exposure	
20	Tier 1	2 660
21	**TOTAL EXPOSURES - SUM OF LINES 3, 11, 16, 19, EU-19A AND EU-19B**	**28 363**
	Leverage ratio	
22	Leverage ratio	9.4 %
	Choice of transitional arrangements and amounts of derecognized fiduciary items	
EU-23	Choice of transitional arrangements for defining capital measurement	YES

Table 12: Summary of the reconciliation of the assets as per the consolidated financial statements and the exposures for the purposes of the leverage ratio - LRSum - at 12/31/2017

In € millions

		Exposures
1	**Consolidated assets as published in the financial statements**	**42 190**
2	Adjustments on entities consolidated for accounting purposes but outside the regulatory scope	-15 200
4	Adjustments on derivatives	123
5	Adjustments on securities financing transactions (SFTs)	13
6	Adjustments on off-balance sheet items (conversion of off-balance sheet items to credit equivalents)	1 261
EU-6a	(Adjustments on intra-Group exposures excluded from the calculation of the leverage ratio, in accordance with Article 429.7 of the CRR)	-
EU-6b	(Adjustments on exposures excluded from the calculation of the leverage ratio, in accordance with Article 429.14 of the CRR) – CDC debt	-
7	Other adjustments	-24
8	**TOTAL LEVERAGE RATIO EXPOSURE**	**28 363**

Table 13: Breakdown of balance sheet exposures (except derivatives, SFTs and exempted exposures) - LRSpl - at 12/31/2017

In € millions

		Exposures
EU-1	Total balance sheet exposures*, of which:	26 454
EU-2	• Trading book exposures	175
EU-3	• Banking book exposures, of which:	26 279
EU-4	– Guaranteed bonds	15
EU-5	– Exposures treated as sovereign exposures	3 507
EU-6	– Exposures on regional governments, multilateral development banks, international organizations and public-sector entities not treated as sovereign exposures	23
EU-7	– Credit institutions	3 598
EU-8	– Exposures secured by a mortgage on immovable property	8 071
EU-9	– Retail exposures	5 940
EU-10	– Corporate exposures	1 991
EU-11	– Exposures in default	568
EU-12	– Other exposures (equities, securitizations and other assets not related to credit exposures)	2 565

* Excluding derivatives, securities financing transactions and exempted exposures.

CAPITAL ADEQUACY

Pillar 2 of the Basel accord requires banks to carry out their own assessment of their economic capital and apply stress scenarios to assess their capital requirements in the event of an economic downturn. This pillar structures the dialog between the Bank and the ACPR concerning the level of capital adequacy retained by the institution.

The work carried out by the Crédit Mutuel Nord Europe Group to bring it into compliance with Pillar 2 ties in with improvements to the credit risk measurement and monitoring system. The Crédit Mutuel Nord Europe Group analyzed its internal capital assessment framework as part of the Internal Capital Adequacy Assessment Process (ICAAP). The methods for measuring economic requirements have been further strengthened, while management and control procedures have been drawn up, also with a view to defining a framework for the risk policy.

At the same time, various stress scenarios have been drawn up to add to the process for evaluating economic capital and its forecasts within the Crédit Mutuel Nord Europe Group.

The latter is mainly conducted within the scope of credit risk, sector concentration and unit concentration risk, sovereign risk, interest rate risk, market risk, operational risk, reputational risk and risks relating to insurance activities.

The difference between the economic capital and the regulatory capital constitutes the margin making it possible to secure the Bank's level of capital. This margin depends on the Crédit Mutuel Nord Europe Group's risk profile and its degree of risk aversion.

CREDIT RISK

General qualitative information on credit risk enabling the requirements of the CRA template to be met

CRA - General qualitative information on credit risk

EXPOSURES

The Crédit Mutuel Group has focused on the advanced forms of the Basel accord, beginning with its core business, retail banking. The ACPR has authorized Crédit Mutuel to use its internal ratings system to calculate its regulatory capital adequacy 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 Banks portfolio;
- Using the advanced method, as from December 31, 2012, for the Corporate portfolio and the Banks portfolio.

The Crédit Mutuel Group obtained authorization to apply the internal method to the real estate development scope (0.08 % of total outstandings and 0.8 % of corporate outstandings). This method will be applied as from March 31, 2018.

The CMNE Group was authorized to use advanced internal methods in respect of nearly 70 % of its exposures at December 31, 2017. The foundation method is not used.

Chart 1: Share of gross exposures at 12/12/31/2016

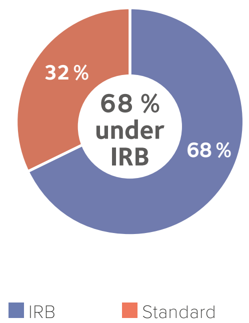
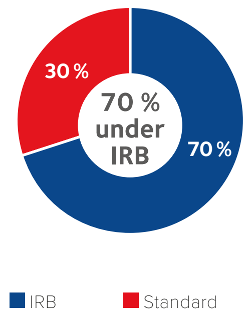


Chart 2: Share of gross exposures at 12/31/2017



Measurement on the "Credit institutions", "Corporate" and "Retail customer" scopes.

Table 14: Net exposures (gross exposures - provision)

In € millions

	12/31/2017			12/31/2016		
	IRB	Standard	TOTAL	IRB	Standard	TOTAL
Governments and central banks	0	3 508	**3 508**	0	3 449	**3 449**
Credit institutions	2 904	804	**3 708**	2 362	958	**3 320**
Corporates	2 031	595	**2 625**	2 401	471	**2 873**
Retail customers	10 999	5 356	**16 354**	10 878	5 438	**16 316**
Equities	1 986	60	**2 045**	1 815	53	**1 868**
Securitization	0	0	**0**	6	0	**6**
Other non-credit obligation assets	306	184	**490**	325	143	**468**
TOTAL - ON AND OFF-BALANCE SHEET	**18 224**	**10 506**	**28 730**	**17 787**	**10 512**	**28 299**
Derivatives	424	14	**438**	125	314	**439**
Repurchase agreements	272	0	**272**	271	0	**271**
GRAND TOTAL	**18 920**	**10 520**	**29 440**	**18 184**	**10 826**	**29 009**

Net exposures rose by €430 million in one year as a result of:

- The increase in outstandings in the Equities category, due mainly to the increase in NEA's capital;
- The increase in the Credit Institutions category, following investments in money market funds invested principally in banking assets;
- The decrease in exposures in the Corporate category.

Table 15: Total and average net amount of exposures (CRB-B) - at 12/31/2017

In € millions

		Net exposures at end of period	Average net exposures over the year
1	Governments and central banks	-	-
2	Credit institutions	2 904	2 712
3	Corporates	2 031	2 322
4	• *of which: specialized financing*	*-*	*-*
5	• *of which: SMEs*	*1 011*	*1 027*
6	Retail customers	10 999	10 882
7	• Exposures secured by a mortgage on immovable property	6 229	6 203
8	– SMEs	592	585
9	– Non-SMEs	5 637	5 619
10	• Revolving	1 139	1 126
11	• Other - retail customers	3 631	3 552
12	– SMEs	1 645	1 636
13	– Non-SMEs	1 986	1 916
14	Equities	1 986	1 876
14a	Other assets	306	321
15	**Total IRB approach**	**18 224**	**18 112**
16	Governments and central banks	1 551	1 411
17	Regional governments or local authorities	161	132
18	Public sector (public bodies excluding central governments)	1 818	1 837
19	Multilateral development banks	-	-
20	International organizations	-	-
21	Credit institutions	781	817
22	Corporates	445	696
23	• *of which: SMEs*	*288*	*298*
24	Retail customers	3 312	3 164
25	• *of which: SMEs*	*297*	*343*
26	Exposures secured by a mortgage on immovable property	1 926	1 843
27	• *of which: SMEs*	*310*	*294*
28	Exposures in default	262	278
29	Exposures associated with particularly high risk	4	3
30	Covered bonds	-	-
31	Exposures to institutions and corporates with a short-term credit assessment	-	-
32	Exposures in the form of units or shares in collective investment undertakings (CIUs)	49	43
33	Exposures to equities	11	11
34	Other assets	184	151
35	**Total standardized approach**	**10 506**	**10 387**
36	**TOTAL**	**28 730**	**28 499**

Historically, CMNE has focused on developing a customer base of private individuals. The composition of its portfolio well reflects this fundamental principle with retail customers representing 57 % at December 31, 2017 (this percentage has remained stable since December 31, 2016). 49 % of retail customer outstanding loans are secured by a mortgage, which is evidence that CMNE is applying a risk reduction policy on origination. The Belgian subsidiary Beobank accounts for the majority of the outstandings under the standardized approach.

GEOGRAPHICAL BREAKDOWN OF EXPOSURES

The Crédit Mutuel Nord Europe Group is primarily a French and European player, in line with its geographic location. The geographic breakdown of gross exposures at December 31, 2017 reflects this as 95 % of its commitments were in France and Belgium, and 99 % were in Europe.

The geographical area is understood to mean the area in which the borrower is resident. As regards its commercial activities, CMNE favors the financing of domestic assets, even if the borrower is resident in another country.

Table 16: Geographical breakdown of exposures (CRB-C) - at 12/31/2017

In € millions

		Europe	France	Germany	Belgium	Spain	Luxembourg	Nether-lands	Switzerland	UK	Other	Rest of the world	USA	Canada	Other	Total
1	Governments and central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
2	Credit institutions	2 715	1 998	23	101	0	88	77	71	207	150	189	180	0	9	**2 904**
3	Corporates	2 028	1 969	0	42	0	7	10	0	0	0	3	3	0	0	**2 031**
4	Retail customers	10 990	10 953	1	28	1	2	0	1	2	1	9	1	0	8	**10 999**
5	Equities	1 982	1 981	0	1	0	0	0	0	0	0	3	3	0	0	**1 986**
5a	Other assets	306	306	0	0	0	0	0	0	0	0	0	0	0	0	**306**
6	**TOTAL IRB APPROACH**	**18 021**	**17 207**	**24**	**171**	**1**	**98**	**87**	**72**	**209**	**151**	**204**	**186**	**0**	**17**	**18 224**
7	Governments and central banks	1 474	904	0	549	17	0	0	0	0	4	77	0	77	0	**1 551**
8	Regional governments or local authorities	161	49	0	112	0	0	0	0	0	0	0	0	0	0	**161**
9	Public sector (public bodies excluding central governments)	1 818	1 818	0	0	0	0	0	0	0	0	0	0	0	0	**1 818**
10	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
11	International organizations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
12	Credit institutions	761	298	40	44	0	0	139	0	144	95	21	21	0	0	**781**
13	Corporates	445	293	0	150	0	0	0	0	0	1	0	0	0	0	**445**
14	Retail customers	3 311	6	1	3 294	1	8	0	0	0	1	1	0	0	1	**3 312**
15	Exposures secured by a mortgage on immovable property	1 922	120	1	1 792	0	5	2	0	1	0	4	0	0	4	**1 926**
16	Exposures in default	262	20	0	240	0	1	0	0	0	0	0	0	0	0	**262**
17	Exposures associated with particularly high risk	4	4	0	0	0	0	0	0	0	0	0	0	0	0	**4**
18	Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
19	Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
20	Exposures in the form of units or shares in collective investment undertakings (CIUs)	49	23	0	26	0	0	0	0	0	0	0	0	0	0	**49**
21	Exposures to equities	11	11	0	0	0	0	0	0	0	0	0	0	0	0	**11**
22	Other assets	183	31	0	126	0	5	0	0	21	0	1	1	0	0	**184**
23	**TOTAL STANDARDIZED APPROACH**	**10 401**	**3 578**	**42**	**6 335**	**19**	**19**	**142**	**0**	**167**	**101**	**104**	**22**	**77**	**5**	**10 506**
24	**TOTAL**	**28 422**	**20 786**	**66**	**6 506**	**19**	**117**	**229**	**72**	**376**	**252**	**308**	**208**	**78**	**22**	**28 730**

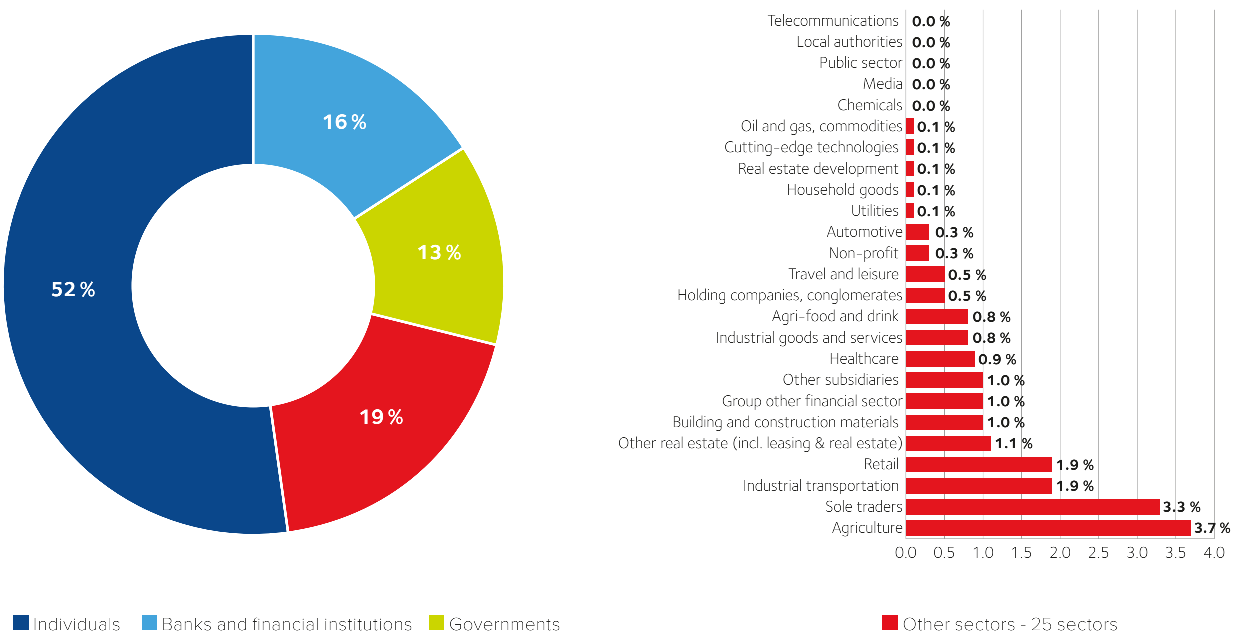
CREDIT RISK

EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPE

The CMNE Group has historically had good sector diversity in its exposures. This high degree of variety enables the Group to reduce the concentration risk which could exist if it had significant exposure to one particular sector. Three sectors represent more than 80 % of the Group's exposures: individuals (52 %), banks and financial institutions (16 %) and governments (13 %). 25 other business sectors represent in total 19 % of outstandings, but none alone represents more than 5 % of outstandings.

The sector breakdown reflects loans to governments and central banks, banks and financial institutions, corporates and retail customers.

Chart 3: Concentration of exposures by industry or counterparty type (CRB-D) -12/31/2017



The CMNE Group's business is geared mainly towards retail customers.

MATURITY OF EXPOSURES

Table 17: Maturity of exposures - at 12/31/2017

In € millions

	≤ 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	No fixed maturity	Total
BILAN								
A - Governments and central banks	412	43	143	0	50	1 575	1 284	**3 507**
B - Credit institutions	126	159	423	322	508	426	1 666	**3 629**
C - Corporates	234	127	169	157	331	559	771	**2 347**
D - Retail customers	354	235	908	1 058	2 366	4 399	4 739	**14 058**
ON-BALANCE SHEET SUB-TOTAL	**1 126**	**563**	**1 643**	**1 537**	**3 255**	**6 959**	**8 460**	**23 541**
E - Equities							2 045	**2 045**
F - Securitization positions								**0**
G - Other assets							490	**490**
H - Supplementary derogation category								**0**
ON-BALANCE SHEET TOTAL	**1 126**	**563**	**1 643**	**1 537**	**3 255**	**6 959**	**10 995**	**26 077**
OFF-BALANCE SHEET								
A - Governments and central banks	0	0	0	0	0	0	0	**0**
B - Credit institutions	0	0	0	0	0	0	79	**79**
C - Corporates	35	0	65	17	24	14	123	**278**
D - Retail customers	752	58	61	146	29	311	938	**2 296**
OFF-BALANCE SHEET SUB-TOTAL	**787**	**58**	**126**	**164**	**54**	**325**	**1 140**	**2 654**
E - Equities								**0**
F - Securitization positions								**0**
G - Other assets								**0**
H - Supplementary derogation category								**0**
OFF-BALANCE SHEET TOTAL	**787**	**58**	**126**	**164**	**54**	**325**	**1 140**	**2 654**
TOTAL	**1 912**	**621**	**1 769**	**1 701**	**3 308**	**7 284**	**12 135**	**28 730**

Table CRB-E, drawn up in accordance with the standards recommended by the Basel Committee, is circulated at confederal level, in Confédération Nationale de Crédit Mutuel's Pillar 3 document.

CREDIT QUALITY OF ASSETS

CRB-A – ADDITIONAL DISCLOSURE RELATED TO THE CREDIT QUALITY OF ASSETS

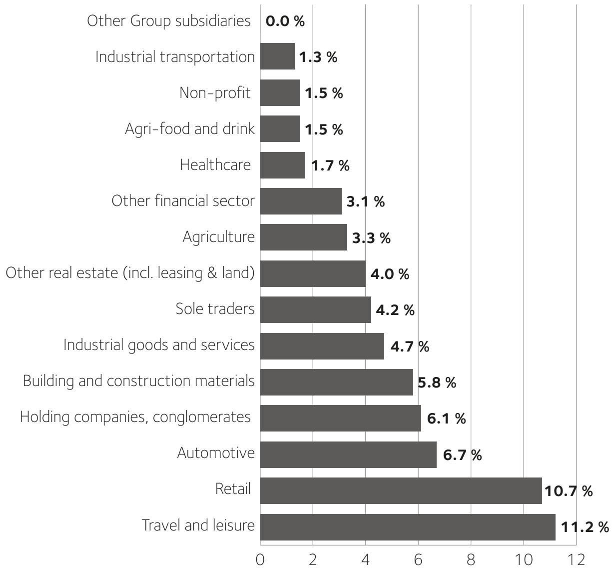
Table 18: Credit quality of exposures by exposure class and instrument (CR1-A) - at 12/31/2017

In € millions

		b	a		c	d	g
		Gross exposures		Provisions (on non-performing loans and IAS 39)	Specific provisions	Collective provisions	Net exposures
		Performing exposures	Non-Performing exposures				(a+b-c-d)
1	Governments and central banks			0	0		
2	Credit institutions	2 904	0	0	0		
3	Corporates	2 001	54	24	21		
4	*of which: specialized financing*	*0*	*0*	*0*	*0*		
5	*of which: SMEs*	*998*	*25*	*12*	*12*		
6	Retail customers	10 882	268	151	142		
7	Exposures secured by a mortgage on immovable property	6 147	127	45	45		
8	SMEs	581	18	7	7		
9	– Non-SMEs	5 566	109	38	38		
10	Revolving	1 135	13	9	9		
11	Other - retail customers	3 600	129	97	88		
12	SMEs	1 628	48	31	31		
13	– Non-SMEs	1 972	80	66	57		
14	Equities	1 987	0	1	1		
14a	Other assets	306	0	0	0		
15	**TOTAL IRB APPROACH**	**18 079**	**322**	**177**	**165**	**12**	**18 224**
16	Governments and central banks	1 551	0	0	0		
17	Regional governments or local authorities	161	0	0	0		
18	Public sector (public bodies excluding central governments)	1 818	0	0	0		
19	Multilateral development banks	0	0	0	0		
20	International organizations	0	0	0	0		
21	Credit institutions	782	0	0	0		
22	Corporates	445	0	0	0		
23	*of which: SMEs*	*288*	*0*	*0*	*0*		
24	Retail customers	3 320	0	8	8		
25	*of which: SMEs*	*298*	*0*	*1*	*1*		
26	Exposures secured by a mortgage on immovable property	1 931	0	4	4		
27	*of which: SMEs*	*311*	*0*	*1*	*1*		
28	Exposures in default	0	676	413	413		
29	Exposures associated with particularly high risk	4	0	0	0		
30	Covered bonds	0	0	0	0		
31	Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0		
32	Exposures in the form of units or shares in collective invest-ment undertakings (CIUs)	49	0	0	0		
33	Exposures to equities	11	0	0	0		
34	Other assets	184	0	0	0		
35	**TOTAL STANDARDIZED APPROACH**	**10 256**	**676**	**426**	**426**	**0**	**10 506**
36	**TOTAL**	**28 335**	**998**	**603**	**591**	**12**	**28 730**
	Of which: On-balance sheet exposures	*25 695*	*983*	*602*	*590*		
	Of which: Off-balance sheet exposures	*2 640*	*15*	*1*	*1*		

Non-performing exposures represent 3.4 % of the Group's total exposures. A 60 % provision has been recognized in respect of them.

Chart 4: Credit quality of exposures by industry or counterparty type (CR1-B) - at 12/31/2017



The default rate corresponds to the ratio, within a business sector, of outstandings in default to the sector's total outstandings. The table includes only material sectors, i.e. those with outstandings in excess of €50 million.

Table 19: Credit quality of exposures by geography (CR1-A) - at 12/31/2017

In € millions

		b	a		c	d	g
		Gross exposures		Provisions (on non-performing loans and IAS 39)	Specific provisions	Collective provisions	Net exposure
		Performing exposures	Non-performing exposures				(a+b-c-d)
1	Europe	28 028	997	602	591		
2	• France	20 620	345	179	168		
3	• Germany	66	0	0	0		
4	• Belgium	6 278	649	421	421		
5	• Spain	19	1	0	0		
6	• Luxembourg	116	1	1	1		
7	• Netherlands	229	0	0	0		
8	• Switzerland	72	0	0	0		
9	• UK	376	0	0	0		
10	• Other	252	0	0	0		
11	Rest of the world	307	1	1	1		
12	United States	208	0	0	0		
13	Canada	78	0	0	0		
14	Other	21	1	0	0		
15	**TOTAL**	**28 335**	**998**	**603**	**591**	**12**	**28 730**

The exposures in default are limited to CMNE's two commercial markets, i.e. France and Belgium.

Table 20: Aging of past-due exposures (CR1-D) - at 12/31/2017

In € millions

		a	b	c		d	e	f
		Gross carrying value						
		Performing loans			Non-performing loans			
		No past due amounts or past due ≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	Payment unlikely but no past due amounts or past due for ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans	18 943	81	74	169	47	55	673
2	Debt securities	3 537	-	-	1	-	-	-
3	**TOTAL**	**22 480**	**81**	**74**	**170**	**47**	**55**	**673**

Table 21: Non-performing and forborne exposures (CR1-E) - at 12/31/2017

In € millions

		a	b	c	d	e	f	g
		Gross carrying values of performing and non-performing exposures						
					Of which non-performing loans			
			Of which performing but past due >30 days and ≤ 90 days	Of which performing forborne loans		Of which loans in de-fault	Of which loans downgraded for accounting purposes	Of which forborne loans
010	Debt securities	3 538			1	1	1	-
020	Loans and advances	20 042	155	33	943	943	943	59
030	**OFF-BALANCE SHEET**	**3 965**		**-**	**14**	**14**		**-**

In € millions

		h	i	j	k	l	m
		Accumulated impairment provisions and negative fair value adjustment due to credit risk				Collateral and guarantees received	
		Of which performing loans		Of which non-performing loans		Of which non-performing loans	Of which forborne loans
			Of which for-borne loans		Of which for-borne loans		
010	Debt securities	-	-	1	-	-	-
020	Loans and advances	24	-	577	57	135	37
030	**OFF-BALANCE SHEET**	**-**	**-**	**3**	**-**	**5**	**-**

Throughout the CMNE Group as a whole, outstanding amounts totaling €59 million in respect of non-performing loans have been restructured (forborne).

RECONCILIATION OF CREDIT RISK ADJUSTMENTS

Table 22: Changes in the stock of general and specific credit risk adjustments (CR2-A) - at 12/31/2017

In € millions

		a	b
		Accumulated specific credit risk adjustments	Accumulated general credit risk adjustments
1	Opening balance	-613	-23
2	Increase for the period	-109	-6
3	Decrease for the period	101	4
4	Decreases due to the derecognition of assets	20	-
5	Transfers between credit risk adjustments	2	-0
6	Exchange rate differences	-	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-	-
8	Other	22	1
9	Closing balance	-577	-24
10	Recoveries on assets previously written off	2	-
11	Amounts written off	-24	-

STANDARDIZED APPROACH

Qualitative information on credit institutions' use of external credit ratings under the standardized approach to credit risk required for the CRD template.

CRD - Qualitative disclosure requirements on institutions' use of external credit ratings under the standardized approach for credit risk.

The exposures dealt with under the standardized approach are set out in the following table.
The Crédit Mutuel Group uses assessments by rating agencies to measure the sovereign risk on exposures relating to governments and central banks. Since September 2017, the CMNE Group has relied mainly on the estimates provided by *Banque de France* for the Corporate exposures.
The cross-reference table used to link the credit quality steps to the external ratings taken into consideration is that defined in the regulations.

Table 23: Breakdown of exposures under the standardized approach (CR5) - at 12/31/2017

This table provides details of the exposures in default (after the CCF has been applied to the off-balance sheet amount).

In € millions

	Exposure classes	Risk weight				
		0 %	2 %	4 %	10 %	20 %
1	Governments and central banks	1 509	0	0	0	0
2	Regional governments or local authorities	112	0	0	0	49
3	Public sector (public bodies excluding central governments)	1 817	0	0	0	1
4	Multilateral development banks	0	0	0	0	0
5	International organizations	0	0	0	0	0
6	Credit institutions	82	0	0	0	243
7	Corporates	0	0	0	0	4
8	Retail customers	0	0	0	0	0
9	Exposures secured by a mortgage on immovable property	0	0	0	0	0
10	Exposures in default	0	0	0	0	0
11	Exposures associated with particularly high risk	0	0	0	0	0
12	Covered bonds	0	0	0	0	0
13	Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0
14	Exposures in the form of units or shares in collective investment under-takings (CIUs)	0	0	0	0	0
15	Exposures to equities	0	0	0	0	0
16	Other assets	0	0	0	3	1
17	**TOTAL**	**3 520**	**0**	**0**	**3**	**298**

	Risk weight (contd)											Total	Of which not rated
	35 %	50 %	70 %	75 %	100 %	150 %	250 %	370 %	1 250 %	Autres	Déduites		
1	0	21	0	0	0	0	21	0	0	0	0	1 551	0
2	0	0	0	0	0	0	0	0	0	0	0	161	0
3	0	0	0	0	0	0	0	0	0	0	0	1 818	0
4	0	0	0	0	0	0	0	0	0	0	0	0	0
5	0	0	0	0	0	0	0	0	0	0	0	0	0
6	0	463	0	0	0	0	0	0	0	0	0	788	0
7	0	10	0	0	416	0	0	0	0	0	0	430	0
8	0	0	0	2 861	0	0	0	0	0	0	0	2 861	0
9	1 404	5	0	441	59	0	0	0	0	0	0	1 909	0
10	0	0	0	0	157	105	0	0	0	0	0	261	0
11	0	0	0	0	0	4	0	0	0	0	0	4	0
12	0	0	0	0	0	0	0	0	0	0	0	0	0
13	0	0	0	0	0	0	0	0	0	0	0	0	0
14	0	0	0	0	49	0	0	0	0	0	0	49	0
15	0	0	0	0	11	0	0	0	0	0	0	11	0
16	0	0	0	0	160	0	0	0	0	20	0	184	0
17	**1 404**	**499**	**0**	**3 302**	**851**	**109**	**21**	**0**	**0**	**20**	**0**	**10 028**	**0**

The totals include outstandings weighted at 250 %, which correspond to the outstanding deferred tax assets.

Exposure to governments and central banks is weighted almost exclusively at 0 %. The capital requirements associated with this portfolio reflect a limited sovereign risk for the Crédit Mutuel Groups with good-quality counterparties.

INTERNAL RATING SYSTEMS

Qualitative information on the internal rating (IRB) models enabling the requirements of the CRA template to be met.

CRE – Qualitative disclosure requirements related to IRB models

RATING PROCEDURES AND PARAMETERS

ating 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.

Rating methodologies are defined under the responsibility of the Confédération Nationale du Crédit Mutuel for all portfolios. However, the regional entities are directly involved in developing and approving working group projects on specific issues, as well as in work on data quality and application acceptance testing. 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 rating system for the Crédit Mutuel Group's counterparties is used across the entire Group.

Probability of default (PD) is the likelihood that a counterparty of the bank will default within a one-year period. Crédit Mutuel Group counterparties eligible for internal approaches are rated by a single system based on:

- Statistical algorithms or "mass ratings", based on one or more models, factoring in a selection of variables which are representative and predictive of risk:
- Rating grids developed by experts.

These models are used to ensure proper risk assessment and rating. The scale of values reflects risk progressivity and is divided into 11 positions, including nine non-default positions (A+, A-, B+, B-, C+, C-, D+, D-, 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 allocated a rating. Based on this rating as well as other characteristics, performing borrowers are grouped into homogeneous risk classes, prior to the process of measuring the regulatory parameter, PD (probability of default). The grouping analyses are carried out 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 noted on the exposures belonging to this class, based on a record of more than ten years of observations. Prudence margins are taken into account so as to factor in 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 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 Crédit Mutuel Group and approved for the bank, corporate and retail customer 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. Prudence margins are taken into account so as to factor in the uncertainty of estimates and the downturn 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) corresponds to 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 line currently undrawn.

In the case of the corporate and retail customer portfolios, the Crédit Mutuel Group calculates the conversion factors (CCF) in accordance with an internal method approved for financing commitments. In the case of guarantee commitments and the bank exposure class, 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 for calculating weighted risks are national and applied for all Group entities.

Model mapping

Modeled parameter	Exposure category	Portfolios	Number of models	Methodology
PD	Credit institutions	Financial institutions	2 models: Banks and covered bonds	Expert-type models based on grids comprising qualitative and quantitative variables
	Corporates	Large corporates (revenue > €500 million)	6 models according to the type of counterparty and sec-tor	Expert-type models based on grids comprising qualitative and quantitative variables
		"Mass" corporates (revenue < €500 million)	3 models	Quantitative-type models with expert qualitative grids
		Acquisition finance, large corporates	1 model	Expert-type models based on grids comprising qualitative and quantitative variables
		Corporate acquisition financing	1 model	Quantitative-type models combined with expert qualitative grids
		Specialized financing	SF - assets: 6 models according to the type of as-set, SF - projects: 4 models according to the sec-tor, SF: real estate: 1 model	Expert-type models based on grids comprising qualitative and quantitative variables
		Other Corporates	2 models: Real estate companies and insurance companies	Expert-type models based on grids comprising qualitative and quantitative variables
	Retail	Individuals	6 models according to the type of loan (mortgage loan, overdraft, etc.)	Quantitative-type models
		Corporate bodies	4 models according to the type of customer	Quantitative-type models
		Sole traders	3 models according to the type of profession (retailers, artisans, etc.)	Quantitative-type models
		Agriculture	6 models according to the type of account and the type of activity (cyclical or not)	Quantitative-type models
		Non-profit	1 model	Quantitative-type models
		Real estate trusts	1 model	Quantitative-type models
LGD	Credit institutions	Financial institutions	1 model	Expert-type model depending on the counterparty and the contract, based on quantitative and qualitative information
	Corporates	Large corporates, Acquisition finance, Real estate companies and Insurance companies	1 model, with sector parameters	Expert-type model depending on the counterparty and the contract, based on quantitative and qualitative information
		"Mass" corporates	1 model applied to 8 segments according to the type of loan and the nature of the collateral	Quantitative-type models based on internal collection flows
	Retail		1 model applied to 10 segments according to the type of loan and the nature of the collateral	Quantitative-type models based on internal collection flows
CCF	Corporates	"Mass" corporates	1 model applied to 4 segments according to the type of loan	Quantitative model, CCFs calibrated using internal data
	Retail		1 model applied to 8 segments according to the type of loan	Quantitative model, CCFs calibrated using internal data

Table 24: IRB approach - Credit risk exposures by exposure class and PD range - (CR6) at 12/31/2017

In € millions

		a	b	c	d	e	g	h	i	j	k	l
	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Average LGD	Average maturity	Risk Weighted As-sets (RWA)	RWA density	Expected Loss (EL)	Value adjustments and provisions
CREDIT INSTITUTIONS												
	0.00 to < 0.15	2 417	78	84.5	2 484	0.1	40.1	912.5	470	20 %	0.4	
	0.15 to < 0.25	387	0	0.0	387	0.2	41.9	912.5	241	60 %	0.4	
	0.25 to < 0.50	20	0	0.0	20	0.4	40.0	912.5	16	80 %	0.0	
	0.50 to < 0.75	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	
	0.75 to < 2.50	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	
	2.50 to < 10.00	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	
	10.00 to < 100.00	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	
	100.00 (default)	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	
	SUB-TOTAL	**2 825**	**78**	**84.5**	**2 891**	**0.1**	**40.3**	**912.5**	**728**	**30 %**	**0.9**	**0.0**
CORPORATES												
	0.00 to < 0.15	329	20	73.4	344	0.1	60.6	912.5	95	30 %	0.1	
	0.15 to < 0.25	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	
	0.25 to < 0.50	290	23	57.6	303	0.3	35.2	912.5	137	50 %	0.4	
	0.50 to < 0.75	239	30	37.8	250	0.6	27.6	912.5	104	40 %	0.4	
	0.75 to < 2.50	658	115	46.0	711	1.4	35.9	912.5	558	80 %	3.6	
	2.50 to < 10.00	207	29	46.1	220	4.8	31.9	912.5	218	100 %	3.4	
	10.00 to < 100.00	56	4	38.6	58	18.3	29.4	912.5	80	140 %	3.1	
	100.00 (default)	43	11	63.7	50	100.0	50.1	912.5	43	90 %	21.3	
	SUB-TOTAL	**1 822**	**233**	**49.2**	**1 936**	**4.3**	**38.8**	**912.5**	**1 235**	**60 %**	**32.2**	**23.9**
• OF WHICH: SMES												
	0.00 to < 0.15	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	
	0.15 to < 0.25	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	
	0.25 to < 0.50	122	12	38.4	127	0.3	24.6	912.5	33	30 %	0.1	
	0.50 to < 0.75	173	20	31.0	179	0.6	28.1	912.5	71	40 %	0.3	
	0.75 to < 2.50	440	53	43.7	463	1.5	32.4	912.5	322	70 %	2.3	
	2.50 to < 10.00	128	15	33.7	133	5.0	34.1	912.5	134	100 %	2.3	
	10.00 to < 100.00	31	4	36.1	32	20.5	27.1	912.5	36	110 %	1.7	
	100.00 (default)	23	2	91.3	25	100.0	61.9	912.5	16	60 %	14.0	
	SUB-TOTAL	**917**	**106**	**39.9**	**959**	**4.8**	**31.3**	**912.5**	**613**	**60 %**	**20.8**	**12.3**

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CREDIT RISK

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		a	b	c	d	e	g	h	i	j	k	l
	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Average LGD	Average maturity	Risk Weighted As-sets (RWA)	RWA density	Expected Loss (EL)	Value adjustments and provisions
RETAIL CUSTOMERS												
	0.00 to <0.15	3 441	602	32.0	3 634	0.1	16.1	0.0	98	0 %	0.4	0.0
	0.15 to <0.25	1 237	191	33.7	1 301	0.2	16.7	0.0	75	10 %	0.4	0.0
	0.25 to <0.50	1 892	248	37.1	1 984	0.4	17.8	0.0	198	10 %	1.4	0.0
	0.50 to <0.75	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	0.0
	0.75 to <2.50	1 645	227	37.8	1 731	1.3	19.1	0.0	357	20 %	4.5	0.0
	2.50 to <10.00	990	120	41.7	1 040	5.6	19.9	0.0	383	40 %	11.9	0.0
	10.00 to <100.00	271	17	43.5	277	20.7	19.3	0.0	190	70 %	11.0	9.8
	100.00 (default)	266	3	63.9	267	100.0	46.5	0.0	65	20 %	119.0	141.6
	SUB-TOTAL	**9 742**	**1 408**	**35.1**	**10 235**	**4.1**	**18.3**	**0.0**	**1 366**	**10 %**	**148.5**	**151.5**
• OF WHICH: EXPOSURES SECURED BY A MORTGAGE ON IMMOVABLE PROPERTY												
	0.00 to <0.15	2 624	96	42.1	2 665	0.1	13.6	0.0	64	0 %	0.2	0.0
	0.15 to <0.25	884	20	42.1	892	0.2	13.8	0.0	46	10 %	0.2	0.0
	0.25 to <0.50	1 125	21	42.5	1 134	0.4	15.0	0.0	106	10 %	0.6	0.0
	0.50 to <0.75	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	0.0
	0.75 to <2.50	790	14	42.5	796	1.2	14.7	0.0	161	20 %	1.4	0.0
	2.50 to <10.00	409	10	42.5	414	4.7	14.8	0.0	192	50 %	2.9	0.0
	10.00 to <100.00	152	1	43.1	152	20.3	15.7	0.0	126	80 %	4.8	0.0
	100.00 (default)	127	0	43.3	127	100.0	36.6	0.0	37	30 %	43.4	44.9
	SUB-TOTAL	**6 110**	**163**	**42.2**	**6 179**	**3.1**	**14.7**	**0.0**	**732**	**10 %**	**53.6**	**44.9**
• OF WHICH: SMES												
	0.00 to <0.15	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	0.0
	0.15 to <0.25	58	2	42.1	59	0.2	14.1	0.0	2	0 %	0.0	0.0
	0.25 to <0.50	247	6	43.4	250	0.4	17.4	0.0	22	10 %	0.2	0.0
	0.50 to <0.75	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	0.0
	0.75 to <2.50	132	2	43.7	133	1.3	17.8	0.0	28	20 %	0.3	0.0
	2.50 to <10.00	85	2	43.8	86	4.8	17.7	0.0	38	40 %	0.7	0.0
	10.00 to <100.00	46	0	44.6	46	19.5	18.2	0.0	35	80 %	1.6	0.0
	100.00 (default)	18	0	33.9	18	100.0	42.6	0.0	5	30 %	7.2	7.2
	SUB-TOTAL	**586**	**13**	**43.3**	**592**	**5.7**	**18.0**	**0.0**	**131**	**20 %**	**10.1**	**7.3**
• OF WHICH: NON-SMES												
	0.00 to <0.15	2 624	96	42.1	2 665	0.1	13.6	0.0	64	0 %	0.2	0.0
	0.15 to <0.25	826	18	42.1	833	0.2	13.8	0.0	44	10 %	0.2	0.0
	0.25 to <0.50	877	16	42.2	884	0.4	14.4	0.0	84	10 %	0.5	0.0
	0.50 to <0.75	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	0.0
	0.75 to <2.50	658	11	42.3	663	1.2	14.1	0.0	133	20 %	1.1	0.0
	2.50 to <10.00	324	8	42.2	328	4.7	14.1	0.0	153	50 %	2.2	0.0
	10.00 to <100.00	106	1	42.5	106	20.6	14.6	0.0	91	90 %	3.2	0.0
	100.00 (default)	109	0	42.7	109	100.0	35.6	0.0	32	30 %	36.2	37.6
	SUB-TOTAL	**5 524**	**150**	**42.1**	**5 587**	**2.9**	**14.3**	**0.0**	**602**	**10 %**	**43.6**	**37.6**

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		a	b	c	d	e	g	h	i	j	k	l
	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Average LGD	Average maturity	Risk Weighted As-sets (RWA)	RWA density	Expected Loss (EL)	Value adjustments and provisions
• OF WHICH: REVOLVING												
	0.00 to <0.15	121	367	20.1	195	0.1	33.0	0.0	3	0 %	0.0	0.0
	0.15 to <0.25	63	109	20.1	85	0.2	33.0	0.0	3	0 %	0.1	0.0
	0.25 to <0.50	80	108	20.1	102	0.5	33.0	0.0	7	10 %	0.1	0.0
	0.50 to <0.75	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	0.0
	0.75 to <2.50	99	92	20.1	117	1.5	33.0	0.0	21	20 %	0.6	0.0
	2.50 to <10.00	47	30	20.1	53	5.7	33.0	0.0	24	50 %	1.0	0.0
	10.00 to <100.00	15	5	20.1	16	19.7	33.0	0.0	15	90 %	1.1	0.0
	100.00 (default)	13	0	20.1	13	100.0	54.2	0.0	3	20 %	6.6	9.1
	SUB-TOTAL	**438**	**711**	**20.1**	**580**	**3.7**	**33.5**	**0.0**	**76**	**10 %**	**9.5**	**9.1**
• OF WHICH: OTHER - RETAIL CUSTOMERS												
	0.00 to <0.15	696	139	56.6	774	0.1	20.1	0.0	31	0 %	0.1	0.0
	0.15 to <0.25	290	62	54.8	324	0.2	20.3	0.0	25	10 %	0.1	0.0
	0.25 to <0.50	687	119	51.7	749	0.4	19.8	0.0	85	10 %	0.6	0.0
	0.50 to <0.75	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	0.0
	0.75 to <2.50	756	122	50.5	818	1.4	21.5	0.0	174	20 %	2.5	0.0
	2.50 to <10.00	534	79	49.8	573	6.2	22.4	0.0	167	30 %	8.0	0.0
	10.00 to <100.00	104	11	53.5	109	21.4	22.3	0.0	48	40 %	5.2	9.8
	100.00 (default)	126	2	71.5	128	100.0	55.5	0.0	26	20 %	68.9	87.7
	SUB-TOTAL	**3 194**	**534**	**52.9**	**3 475**	**5.8**	**22.1**	**0.0**	**557**	**20 %**	**85.4**	**97.5**
• OF WHICH: SMES												
	0.00 to <0.15	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	0.0
	0.15 to <0.25	53	13	43.5	58	0.2	19.2	0.0	3	10 %	0.0	0.0
	0.25 to <0.50	385	43	38.4	402	0.4	20.0	0.0	40	10 %	0.3	0.0
	0.50 to <0.75	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	0.0
	0.75 to <2.50	522	59	42.2	546	1.4	21.4	0.0	104	20 %	1.6	0.0
	2.50 to <10.00	440	37	46.9	457	6.3	22.6	0.0	127	30 %	6.6	0.0
	10.00 to <100.00	69	8	47.2	72	21.8	22.0	0.0	28	40 %	3.4	0.6
	100.00 (default)	47	1	74.6	48	100.0	54.9	0.0	10	20 %	25.6	30.8
	SUB-TOTAL	**1 515**	**161**	**42.9**	**1 583**	**6.4**	**22.4**	**0.0**	**312**	**20 %**	**37.5**	**31.4**
• OF WHICH: NON-SMES												
	0.00 to <0.15	696	139	56.6	774	0.1	20.1	0.0	31	0 %	0.1	0.0
	0.15 to <0.25	238	49	57.8	266	0.2	20.6	0.0	22	10 %	0.1	0.0
	0.25 to <0.50	302	76	59.1	347	0.4	19.7	0.0	45	10 %	0.3	0.0
	0.50 to <0.75	0	0	0.0	0	0.0	0.0	0.0	0	0 %	0.0	0.0
	0.75 to <2.50	235	63	58.3	272	1.4	21.6	0.0	70	30 %	0.8	0.0
	2.50 to <10.00	94	42	52.2	116	5.5	21.5	0.0	40	30 %	1.4	0.0
	10.00 to <100.00	35	3	71.6	37	20.5	22.9	0.0	20	50 %	1.7	9.2
	100.00 (default)	79	1	64.7	80	100.0	55.9	0.0	16	20 %	43.3	56.9
	SUB-TOTAL	**1 679**	**373**	**57.2**	**1 892**	**5.3**	**22.0**	**0.0**	**245**	**10 %**	**47.8**	**66.1**
	TOTAL	**14 389**	**1 719**	**39.3**	**15 062**	**3.3**	**25.1**	**912.5**	**3 328**	**20 %**	**181.6**	**175.4**

For the long term, governments and central banks will be subject to the standardized approach, specialized financing to the slotting criteria method and equities to the simple weighting method.

Exposures secured by a mortgage on immovable property account for 60 % of retail customer exposures. These exposures relate mainly to our local bank network in France and are in the form of home loans, which have an allocation policy based on a well-controlled system. In the case of retail customers, the average probability of default on performing exposures is 1.50 %. This low rate demonstrates the effect of collateral taken on loan origination and the factoring in of the borrower's quality.

BACKTESTING

The quality of the internal ratings system is monitored based on national procedures that detail the topics reviewed, the disclosure thresholds and the responsibilities of the participants. These documents are updated by the Risk Department from Crédit Mutuel's National Confederation as required in accordance with the decisions that have been approved. Reporting on the monitoring of mass rating models involves three main areas of study: stability, performance and various additional analyses. This reporting is carried out for each mass rating model on a quarterly basis and supplemented with half-year and annual controls and monitoring work, for which the levels of detail are higher (all of the elements making up each of the models are analyzed).

Regarding expert grids, the system includes a complete annual review based on performance tests (analysis of rating concentrations, transition matrices and consistency with the external rating system).

Default probabilities are monitored annually before any new estimates of the regulatory parameter. Depending on the portfolios, this is supplemented with interim monitoring on a half-yearly basis. The approach for monitoring the LGD and CCFs is annual and intended primarily to validate the values taken by these parameters for each segment. In the case of loss given default, this validation is carried out mainly by checking the robustness of the methods for calculating the prudential margins and by comparing the LGD estimators with the latest data and actual results. For the CCF, validations are carried out by comparing the estimators with the most recent CCF observed.
Since monitoring of the parameters is the subject of a national procedure, the quantitative elements relating to the backtesting of the parameters and to the change in the risk-weighted assets (RWAs) in the context of the internal ratings-based approach are presented in the confederal Pillar 3 report.

PERMANENT AND PERIODIC CONTROL

The Crédit Mutuel Group's Basel permanent control plan comprises two levels. At the national level, permanent control is involved in validating new models and significant adjustments made to existing models on the one hand, and on the other, the permanent monitoring of the internal rating system (particularly the parameters). At regional level, CNCM permanent control provides a guidance, coordination and standardization role 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.

In terms of periodic control, the Crédit Mutuel Group's audit unit carries out an annual review of the internal ratings 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 25: Risk-weighted asset (RWA) flow statement of credit risk exposures under the internal ratings-based approach (CR8)

Not published at CMNE Group level – table available at national level (see Pillar III document published by Confédération Nationale du Crédit Mutuel).

Table 26: Internal ratings-based approach - backtesting of probability of default by exposure class (CR9)

Not published at CMNE Group level – table available at national level (see Pillar III document published by Confédération Nationale du Crédit Mutuel).

Table 27: Internal ratings-based approach (specialized financing and equities) (RC10) - at 21/31/2017

In € millions

Equities under the simple risk weight approach				
Categories	Weighting	Exposure amount	Risk Weighted Assets (RWA)	Capital requirements
Private equity exposures	190 %	16	31	2
Exchange-traded equity exposures	290 %	2	5	0
Other equity exposures	370 %	1 969	7 092	567
TOTAL		**1 987**	**7 128**	**570**

The CMNE Group does not have outstanding loans in respect of specialized financing.

COUNTERPARTY RISK

Qualitative information on credit risk enabling the requirements of the CRA template to be met.

CCRA – Qualitative disclosure requirements related to CCR

Table 28: Analysis of the counterparty risk (CCR) exposure by approach (CCR1) - at 12/31/2017

In € millions

		a	b	c	d	e	f	g
		Notionals	Replacement cost/current market value	Potential future credit exposure	Effective expected positive exposure (EEPE)	Multiplier	EAD post-CRM	RWAs
1	Mark to Market		174.13	264.10			438.24	152.89
2	Original exposure							
3	Standardized approach							
4	Internal Model Method (IMM) (for derivatives and SFTs)							
5	*Of which securities financing transactions*							
6	*Of which derivatives and long settlement transactions*							
7	*Of which from contractual cross-product netting*							
8	Financial collateral simple method (for SFTs)							
9	Financial collateral general method (for SFTs)						271.51	5.53
10	VaR for SFTs							
11	**TOTAL**							**158.42**

Pursuant to Article 274 of EU Regulation no. 575/2013, the current replacement cost of all contracts with a positive value is calculated using the contracts' current market prices. Similarly, to determine the potential future credit exposure, credit institutions multiply their notional or underlying value by a percentage depending on the type of contract.

Table 29: CVA capital charge (CCR2) - at 12/31/2017

In € millions

		a	b
		Exposure amount	RWAs
1	**TOTAL PORTFOLIOS SUBJECT TO THE CVA ADVANCED METHOD**		
2	i) VaR component (including the 3× multiplier)		
3	ii) Stressed VaR component (including the 3× multiplier)		
4	**TOTAL PORTFOLIOS SUBJECT TO THE CVA STANDARDIZED METHOD**	**251**	**190**
EU4	**TOTAL BASED ON THE ORIGINAL EXPOSURE METHOD**	**0**	**0**
5	**TOTAL SUBJECT TO THE CVA CAPITAL CHARGE**	**251**	**190**

The CVA results mainly from the activity of LFGI, a subsidiary of Groupe La Française and of the CMNE Group.

COUNTERPARTY RISK

Table 30: Standardized approach – CCR exposures by regulatory portfolio and risk weighting (CCR3) - at 12/31/2017

In € millions

	Exposure classes	Weighting												
		0 %	2 %	4 %	10 %	20 %	50 %	70 %	75 %	100 %	150 %	Other	Total	*Of which not rated*
1	Governments and central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	*0.0*
2	Regional governments or local authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	*0.0*
3	Public sector (public bodies excluding central governments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	*0.0*
4	Multilateral development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	*0.0*
5	International organizations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	*0.0*
6	Credit institutions	0.0	0.0	0.0	0.0	13.4	0.5	0.0	0.0	0.0	0.0	0.0	**13.9**	*0.0*
7	Corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	*0.0*
8	Retail customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	*0.0*
9	Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	*0.0*
10	Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	*0.0*
11	**TOTAL**	**0.0**	**0.0**	**0.0**	**0.0**	**13.4**	**0.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**13.9**	***0.0***

Table 31: IRB approach - CCR exposures by portfolio and PD scale (CCR4) - at 12/31/2017

In € millions

		a	b	d	e	f	g
	PD scale	EAD post-CRM	Average PD	Average LGD	Average maturity	Risk Weighted Assets (RWA)	RWA density
GOVERNMENTS AND CENTRAL BANKS							
	SUB-TOTAL	**0**	**0.0**	**0.0**	**0**	**0**	**0 %**
CREDIT INSTITUTIONS							
	0.00 to < 0.15	645	0.1	26.1	896	116	20 %
	0.15 to < 0.25	32	0.2	44.9	913	22	70 %
	0.25 to < 0.50	0	0.0	0.0	0	0	0 %
	0.50 to < 0.75	0	0.0	0.0	0	0	0 %
	0.75 to < 2.50	0	0.0	0.0	0	0	0 %
	2.50 to < 10.00	0	0.0	0.0	0	0	0 %
	10.00 to < 100.00	0	0.0	0.0	0	0	0 %
	100.00 (default)	0	0.0	0.0	0	0	0 %
	TOTAL	**678**	**0.1**	**27.0**	**897**	**137**	**20 %**

CREDIT RISK MITIGATION TECHNIQUES

Qualitative information on credit risk mitigation techniques enabling the requirements of the CRC template to be met.

CRC – Qualitative disclosure requirements related to credit risk mitigation (CRM) techniques

NETTING AND COLLATERALIZATION OF REPOS AND OVER-THE-COUNTER DERIVATIVES

When a framework agreement is entered into with a counterparty, the signatory entity nets the latter's exposure. With the credit institution counterparties, and in accordance with the risk management procedures specified in the European Market and Infrastructure Regulation (EMIR), the CMNE Group submits a report on its over-the-counter contracts to a central body with responsibility for compiling and recording details of such contracts.

This central clearing obligation concerns the plain vanilla derivative contracts on interest rates denominated in Euros. Accordingly, CMNE has selected LCH Clearnet Group Ltd as its clearing house and refers to it all new contracts that meet these criteria.

Regular margin calls significantly reduce the residual net credit risk on over-the-counter derivatives and repos.

DESCRIPTION OF THE MAIN CATEGORIES OF COLLATERAL TAKEN INTO ACCOUNT BY THE INSTITUTION

The CMNE 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. The CMNE Group relies on the expertise of and work carried out within the Crédit Mutuel Group.

For retail banking customer contracts based on an advanced IRB approach, the guarantees are used as an element for segmenting the loss given default, calculated statistically on all the Group's non-performing loans and loans in litigation.

For contracts concerning the Basel "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 the 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 or 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. Operational procedures describe the features of the guarantees used, the eligibility conditions, the operating principles and the resolution of alerts triggered in the event of non-compliance. Downstream processing to calculate weighted risks taking into account risk mitigation techniques is largely automated.

The entire catalog (contracts library) of the collateral used by the CMNE Group complies with the Basel recommendations. The document database used by the CMNE Group is that of the Crédit Mutuel Group, whose legal departments have carried out an analysis of the characteristics of the guarantees and their supporting documentation.

The CMNE Group applies a risk reduction policy on origination, based on the borrower's intrinsic ability to repay the loan, which is the overriding criterion, and on the taking of appropriate guarantees.
Accordingly, at December 31, 2017, 17.95 % of the French network's home loans were covered by such a guarantee and the rate was 88 % for first mortgages or housing loan guarantees.

PROCEDURES APPLIED FOR VALUING AND MANAGING INSTRUMENTS THAT CONSTITUTE 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 Nord Europe Group is based on statistical estimation methodologies, integrated directly into the applications, using external indexes with potential discounts applied depending on the type of asset accepted as collateral. On an exceptional basis, specific procedures include expert valuations, particularly in cases where the finance provided is not local or for a real estate transaction involving a significant amount of work.

These procedures are drawn up at national level. CMNE Group entities are then responsible for operational management, monitoring valuations and calling guarantees.

Accordingly, the procedures for taking and managing guarantees are the subject of detailed documentation, which is made available to employees of the network and the federal departments concerned on the CMNE Group's intranet.

A tool enabling guarantees to be managed and monitored has been developed to assist with the process of accepting guarantees. Accordingly, within the loan instruction tools, a link has been incorporated, making it possible to access the full catalog of guarantees and input their details. In the event of doubt, a quick link with the intranet documentation is available.

The loan origination procedures in force within the CMNE Group have been determined such that the guarantees are handled at local bank level by the staff responsible for accepting them. Accordingly, straightforward guarantees remain the responsibility of the local banks. They are assisted by the federal departments and, in particular, by the loan origination function, which reports to the Loans Department and consists of two teams. One team manages traditional loans with complex guarantees while the other focuses on regulated loans for the real estate and farming markets

The guarantee management tool makes it possible to ensure that the guarantee eligibility criteria are applied by defining precise procedures covering their monitoring, renewal, expiry, valuation and warnings to detect anomalies.

THE MAIN CATEGORIES OF PROTECTION PROVIDERS

With the exception of intra-Group guarantees, the main categories of protection providers recognized are mutual guarantee companies such as Crédit Logement.

Table 32: Credit risk mitigation (CRM) techniques - overview (CR3) - at 12/31/2017

In € millions

		a	b	c	d	e
		Exposures unsecured carrying amount	Exposures secured carrying amount*	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	23 402	24	24	0	0
2	Total debt securities	2 769	0	0	0	0
3	**TOTAL EXPOSURES**	**26 171**	**24**	**24**	**0**	**0**
4	*of which in default*	*421*	*0*	*0*	*0*	*0*

* Column containing only those secured exposures subject to a credit risk mitigation technique in the regulatory sense. The low amount of secured exposures reflects the fact that, for retail banking customer contracts based on an advanced IRB approach, the guarantees are used as an element for segmenting the loss given default, and CRM techniques are not therefore used.

Under the standardized approach, the small differences between the amounts of the exposures pre and post CRM demonstrate that the impact of the collateral is not material.
The potential concentrations resulting from the CRM measures (by guarantor and by sector) are monitored as part of credit risk management and included in the quarterly management reports and, in particular, the monitoring of compliance with the limits in terms of concentration (monitored after factoring in the guarantors). No specific concentration results from the implementation of the CRM techniques.

CREDIT RISK MITIGATION TECHNIQUES

Table 33: Standardized approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4) - at 12/31/2017

In € millions

	Exposure classes	a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWAs and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted As-sets (RWA)	RWA density
1	Governments and central banks	1 551	0	1 551	0	64	0 %
2	Regional governments or local authorities	161	0	161	0	10	10 %
3	Public sector (public bodies excluding central governments)	1 818	0	1 818	0	0	0 %
4	Multilateral development banks	0	0	0	0	0	0 %
5	International organizations	0	0	0	0	0	0 %
6	Credit institutions	781	0	788	0	280	40 %
7	Corporates	401	44	399	30	392	90 %
8	Retail customers	2 447	865	2 447	414	2 095	70 %
9	Exposures secured by a mortgage on immovable property	1 901	25	1 897	13	845	40 %
10	Exposures in default	261	1	261	0	314	120 %
11	Exposures associated with particularly high risk	4	0	4	0	6	140 %
12	Covered bonds	0	0	0	0	0	0 %
13	Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0 %
14	Exposures in the form of units or shares in collective investment undertakings (CIUs)	49	0	49	0	49	100 %
15	Exposures to equities	11	0	11	0	11	100 %
16	Other assets	184	0	184	0	163	90 %
17	**TOTAL**	**9 570**	**936**	**9 570**	**458**	**4 229**	**40 %**

Table 34: Impact of netting and collateral held on exposure values (CCR5-A) - at 12/31/2017

In € millions

		a	b	c	d	e
		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposures
1	Derivatives	326	-112	438	–	438
2	Repurchase agreements	269	-258	527	255	272
3	Cross-product netting			–		–
4	**TOTAL**	**594**	**-371**	**965**	**255**	**710**

Table 35: Composition of collateral for exposures to CCR (CCR5-B) - at 12/31/2017

In € millions

Types of collateral	a	b	c	d	e	f
	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	Unsegregated	Segregated	Unsegregated		
Cash		146		133		32
Sovereign debt				23	290	269
TOTAL	**0**	**146**	**0**	**156**	**290**	**301**

EQUITY EXPOSURES IN THE NON-TRADING BOOK

Section presenting information on equity exposures in the non-trading book as required under Article 447 of the CRR.

Table 36: Equities at 12/31/2017

In € millions

	Value exposed to risk
EQUITIES	
Internal ratings-based approach	
• Private equity (190 %)	16
• Significant holdings in the financial sector (250 % weighting)	161
• Exposures to listed equities (290 %)	2
• Other equity exposures (370 %)	1 808
Standardized approach	
• *of which private equity (150 %)*	*59*
EQUITY INVESTMENTS DEDUCTED FROM CAPITAL	
TOTAL UNREALIZED GAINS AND LOSSES INCLUDED IN CAPITAL	**62**
of which unrealized capital gains included in tier 2 capital	

SECURITIZATION

Section presenting qualitative information on securitization exposures, in accordance with Article 449 of the CRR.

OBJECTIVES

In connection with its capital markets activities, the Crédit Mutuel Nord Europe Group's involvement in the securitization market concerns taking investment positions with a threefold aim: return, risk taking and diversification. 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.

Irrespective of the business context, the Crédit Mutuel Nord Europe Group is not an originator and may only marginally be considered a sponsor. It does not invest in re-securitizations.

CONTROL AND MONITORING PROCEDURES FOR CAPITAL MARKETS ACTIVITIES

Market risks in respect of the securitization positions are monitored by each regional group in respect of its own scope. These groups are responsible for implementing a control system and the associated procedures.

CREDIT RISK HEDGING POLICIES

The credit markets activities traditionally buy securities. Nevertheless, purchases of credit default swaps for hedging may be authorized and, as applicable, are governed by the capital markets procedures.

PRUDENTIAL APPROACHES AND METHODS

The entities included within the scope for approval of the credit risk internal rating approach apply the method based on the ratings. Otherwise, the standardized approach is retained.

ACCOUNTING PRINCIPLES AND METHODS

Securitization securities are recognized in the same way as other debt securities, i.e. based on their accounting classification. The accounting principles and methods are detailed in the notes to the CMNE Group's financial statements.

ASSETS ISSUED

The CMNE Group's involvement in market vehicles enables it to securitize its debts. In addition, based on a similar system, the CMNE Group established a vehicle enabling it to create ECB-eligible securities from the portfolio of home loans granted by the local banks. Such transactions enable the CMNE Group to benefit from additional liquidity as and when required. Another objective is to have securities that can be transferred to internal investors seeking secure investments. The portfolio of underlying receivables given as collateral by the local banks is composed of home loans to individuals and to real estate trusts of individuals aiming to acquire residential real estate in France and/or to renovate or improve residential real estate. These receivables all benefit from collateral (first mortgages or collateral from an entity authorized to issue collateral). As such, the procedures for taking and managing guarantees are the subject of detailed documentation, which is made available to employees of the network and the federal departments concerned on the CMNE Group's intranet.

MARKET RISK

Qualitative information on market risk enabling the requirements of the MRA template to be met.

MRA – Qualitative disclosure requirements related to market risk.

For market risk purposes, CMNE has only one fund, called Richebé Gestion.

Table 37: Market risk under the standardized approach (MR1) - at 12/31/2017

In € millions

		a	b
		RWAs	Capital requirements
	OUTRIGHT PRODUCTS[1]		
1	Interest rate risk (general and specific)	18	1
2	Equity risk (general and specific)	281	22
3	Currency risk	-	-
4	Commodity risk	-	-
	OPTIONS[2]	**-**	**-**
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario-based approach	-	-
8	Securitization (specific risk)	-	-
9	**TOTAL**	**299**	**24**

[1] Outright products: refers to positions in products that are not options.
[2] Options: Rows 5 to 7 refer to additional requirements for options (non-delta risks).

BANKING BOOK INTEREST RATE RISK

Section disclosing information on interest rate risk in the banking portfolio, in accordance with Article 448 of the CRR.

The aim of interest rate risk management is to reduce the structural risks of rates within the entities and to manage the interest margin generated by the various activities in the banking scope.
Each company within this scope has its risk analyzed by a specific finance committee on a quarterly basis. Said committee decides on the implementation of interest rate hedging, such as liquidity coverage.

The CMNE Group measures interest rate risk using two bases: the sensitivity of the Net Interest Margin (NIM) and the sensitivity of the Net Present Value (NPV) in accordance with the regulations issued by the ECB.
These measures are subject to regulatory limits (NPV) or management limits (NIM) in accordance with the recommendations of Confédération Nationale du Crédit Mutuel and the French Prudential Control and Resolution Authority.

All of the following limits apply in the same manner to all of the Group's banking subsidiaries:

- **NPV**: linear movement in the rate curve of 200 bps may not represent more than 15 % of Tier one capital. The capital retained must be consistent, in terms of scope, with the interest rate risk basis analyzed;
- **NIM**: linear movement in the rate curve of 100 bps must not induce sensitivity in excess of -6 % of net banking income taking a dynamic view at one and two years. In addition, CMNE supplements its NIM sensitivity analysis with simulations according to five scenarios defined at confederal level.

At regional level, linear movement in the rate curve of 100 bps must not induce sensitivity in excess of -5 % of net banking income taking a dynamic view for the current and following two years. This limit was supplemented by an indicator at 10 % of NIM for the scope of the entity being analyzed.
At the end of 2017, the CMNE Group complied with the above limits.

OPERATIONAL RISK

Section detailing the use of the advanced method approach (AMA) for measuring capital requirements in respect of operational risks, as required by Article 446 of the CRR. In accordance with Article 454 of the CRR, this document includes a description of the use of insurance and other risk transfer mechanisms for the purposes of mitigating this risk.

Operational risk results from the inadequacy or failure of an entity's processes, personnel or internal systems, or from external events, including events whose occurrence is unlikely but would expose the entity to significant risk. Operational risk includes the risk of internal or external fraud and legal risk but excludes strategic risk and reputational risk.

DESCRIPTION OF THE ADVANCED MEASUREMENT APPROACH (AMA)

In connection with the implementation of the advanced measurement approach (AMA) for assessing capital requirements in terms of operational risks, these risks are managed by a dedicated independent function.
Crédit Mutuel Nord Europe has an operational risk management process that is reliable and comprehensive, both in terms of the scope covered and the level of risk concerned.
The operational risk control and measurement procedure is based on the risk mapping carried out for each business line and each purpose and type of risk, liaising closely with the functional departments and the day-to-day risk management measures. These mappings serve as a standardized framework for analysis of the loss experience and result in modeling drawn from the work of experts reconciled with probability-based estimates based on different scenarios.

For modeling purposes, the Group relies mainly on the national database of internal losses. This operational risk management tool has undergone significant changes over the year. Information is included in this database in accordance with a national collection procedure which defines a uniform threshold of €1,000 above which each loss must be input and which governs reconciliations between the loss database and the accounting records.

The Group's general steering and reporting system integrates the requirements of the decree of November 3, 2014 relating to internal control. Exposure to operational risk and losses is reported on a regular basis to the executive and governing body, by means of the Risk Committees and the presentation of management reports.

The Group’s procedures relating to governance, loss data collection, and risk measurement and management systems enable it to take appropriate remedial action. These procedures are subject to regular controls.

AUTHORIZED SCOPE FOR AMA METHOD

The Crédit Mutuel Group is authorized to use its advanced measurement approach (AMA) to calculate its capital adequacy requirements in respect of operational risk. The capital adequacy calculation is based mainly on an assessment of the potential risks, which enables capital to be allocated in respect of operational risks covering both Pillar I and Pillar II. The insurance procedures implemented also enable a deduction to be made from the capital requirement.

OPERATIONAL RISK MITIGATION AND HEDGING POLICY

Operational risk mitigation techniques include:
- Preventive actions identified during the mapping process and implemented directly by operational staff. Risk mitigation has been improved notably as a result of the implementation of security procedures relating to remote banking and means of payment. This has led to reduced levels of fraud;
- Safeguard initiatives, which focus on the widespread implementation of Emergency and Business Continuity Plans (EBCP).

USE OF INSURANCE TECHNIQUES

The ACPR has 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 with effective application as from the 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,

The Crédit Mutuel Group’s insurance programs comply with the provisions of Article 323 of EU regulation 575/2013 of the European Parliament and Council of June 26, 2013 concerning the deduction of insurance under the advanced measurement approach (AMA).

As from 2017, the insurance included in the deduction process covers damage to real and personal property (multi-risk), specific banking risks and fraud, professional third-party liability and cybercrime.

In respect of operational risk, and net of insurance recoveries, the CMNE Group recognized net losses totaling €4.4 million in 2017, corresponding to gross losses of €5 million ("external fraud/means of payment" claims remaining the main source) less insurance payouts and other recoveries totaling €0.6 million. In addition, provisions at December 31, 2017 totaled €9.9 million (these were provisions for operational risks relating to the banking subsidiaries and the asset management subsidiary).

LIQUIDITY RISK

LIQUIDITY RISK MANAGEMENT

Liquidity risk is an entity's inability to meet its current liabilities or to convert certain assets that have become illiquid into liquid assets.
The CMNE Group's liquidity risk is monitored by the ALM Committee and by the Treasury Committee.
The ALM Committee defines the medium- and long-term liquidity policy and meets every quarter whereas the Treasury Committee meets each month and its responsibilities concerning liquidity cover a shorter timescale.
The ALM Committee and Treasury Committee are responsible for:

- Measuring the liquidity risk profile for the CMNE Group, CFCMNE and Beobank;
- Monitoring compliance with the various liquidity and interest rate ratios;
- Monitoring compliance with the limits defined in respect of the CMNE Group's risk appetite in terms of interest rates and liquidity;
- Proposing strategies for the issue of liabilities and their hedging.

The CMNE Group's objective is to ensure the refinancing of its activities at minimal cost by managing liquidity risk and complying with the regulatory constraints.
CMNE measures its short- and medium-term liquidity risk using the Liquidity Coverage Ratio (LCR).
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 into cash in the event of a liquidity crisis lasting up to 30 calendar days.
At the end of December 2017, the consolidated LCR was 118 %. The regulatory minimum was 80 % at December 31, 2017 and 100 % as from January 1, 2018.
Over a medium-term horizon, the Net Stable Funding Ratio (NSFR) is calculated on the basis of existing directives and regulations which have not yet been finalized by the regulator. It was 117% at December 31, 2017, thereby demonstrating that the Group has sufficient stable funding. Over the long term, CMNE measures its liquidity risk by applying the Crédit Mutuel Group's national procedures, the aim of which is to manage liquidity transformation. The general principle involves disposing of all of the assets and liabilities in accordance with the agreements used and in accordance with the interest rate risk measurement and measuring the coverage ratio of applications of fund by sources of funds of an equivalent term but with different maturities. This measurement is carried out on a statistical basis and the ratio must be greater than or equal to 95% over a horizon of between three months and five years (this ratio has been reduced to 90% as from January 1, 2018). The ratio is measured and presented each quarter and is consistently above 100%. This analysis is supplemented by a measurement of the liquidity under various scenarios combining closure of the refinancing markets and customer deposit flight.

In terms of refinancing, Caisse Fédérale du CMNE has three programs authorized by the Banque de France or the AMF for the issue of short-term marketable securities (Negotiable European Commercial Paper - NEU CP) (€4 billion), medium-term marketable securities (€1.5 billion) and bonds (€4 billion).
In 2017, Caisse Fédérale du CMNE raised medium- and long-term funding through its bond issue program.

La Caisse Fédérale du CMNE participated in the March 2017 Targeted Long-Term Refinancing Operation (TLTRO II) in the amount of €200 million, thereby increasing its TLTRO outstandings to €800 million. It also participated in the June 2016 TLTRO II (€400 million) and the end-December 2016 TLTRO II (€200 million).

LIQUIDITY RISK

Table 38: Liquidity reserves - at 12/13/2017

In € millions

	Amounts before discount	Amounts after discount
LCR buffer	1 552	1 552
of which available deposits in central banks	*594*	*594*
Eligible amount: central banks, non-LCR eligible	875	666
Other liquidity reserves (market liquidity)	658	595
TOTAL	**3 085**	**2 813**

The liquidity reserve comprises the cash held in central banks and the assets immediately available to deal with a significant liquidity outflow.
It consists of:

- Deposits with central banks;
- Securities known as High Quality Liquid Assets (HQLA);
- Securities eligible for central bank refinancing;
- Available securities that can be rapidly monetized on the market by means of a sale or a repurchase agreement.

The portfolio of securities eligible for central bank refinancing on the market is monitored on a daily basis. In the event of new investment, if the dispersion constraints are complied with, the new security will be pledged to the central bank to stock the 3G pool. The minimum threshold for the CFCMNE credit line has been set at €200 million so as to maintain a liquidity buffer for intra-day management purposes.

With a view to secure and prudent liquidity management, the HQLA securities needed to form the liquidity buffer for the Group's LCR are not pledged to the central bank.

Caisse Fédérale du CMNE maintains a stock of ECB-eligible securities totaling approximately €1.7 billion; Beobank supplements this mechanism with a stock of eligible securities totaling approximately €0.7 billion.

Table 39: Average maturity of short-term debt - at 12/31/2017

In € millions

	Year-end stock
Total amount of short-term refinancing	798
Average residual maturity in number of days	71

On the NEU CP market, CMNE obtains refinancing over periods that are generally less than six months.
Short-term issues are in line with the bank's core missions, i.e. transformation even against a backdrop of low rates with a shallow yield curve.

Table 40: Short-term refinancing on the markets - at 12/31/2017

In € millions

	Year-end stock
ST refinancing raised during 2017	1 880
Cuts in ST financing during 2017	1 817
Renewal rate of maturing refinancing (amounts raised/maturing)	103 %

As from the fourth quarter, CMNE decided to increase its short-term refinancing so as to remain active in the NEU CP market.

Table 41: MLT refinancing: expected maturing amounts by year - at 12/31/2017

In € millions

		Year-end stock	Maturities schedule											
			2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	> 2027	Total
Origin: CM Group		500	0	500	0	0	0	0	0	0	0	0	0	**500**
Outside CM Group	Senior (borrowings, bonds, MTN and EMTN)	1 662	583	379	114	219	41	56	48	41	42	37	102	**1 662**
	CRH	752	70	150	149	60	155	78	0	90	0	0	0	**752**
	LTRO/TLTRO	800	0	0	600	200	0	0	0	0	0	0	0	**800**
	Subordinated loans (deeply subor-dinated notes and subordinated notes)	812	0	0	0	0	0	0	42	55	475	40	200	**812**
TOTAL MLT WHOLESALE FUNDING		**4 525**	**652**	**1 029**	**863**	**479**	**196**	**134**	**90**	**186**	**517**	**77**	**302**	**4 525**

For the purposes of adopting a prudent approach regarding its liabilities, CMNE retains by agreement the first maturity date for its Autocall options.

Table 42: MLT issuance during 2017

In € millions

	Types of instruments		Average maturity (in years)	Maturities schedule											
				2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	> 2027	Total
2017 transactions	Senior	233	1.8	144	21	0	0	16	0	15	0	0	37	0	**233**
	TLTRO II	200	4.0				200								**200**
	Subordinated loans (deeply subordinated notes and subordinated notes)	0													**0**
	Other	0													**0**
	TOTAL	**433**		**144**	**21**	**0**	**200**	**16**	**0**	**15**	**0**	**0**	**37**	**0**	**433**

Table 43: Liquidity Coverage Ratio (LCR) (LIQ1.18)

In € millions

		Unweighted value		Weighted value	
		September 30, 2017	December 31, 2017	September 30, 2017	December 31, 2017
	Number of points used to calculate averages	12	12	12	12
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	**TOTAL HIGH QUALITY LIQUID ASSETS (HQLA)**			**1 558.04**	**1 554.60**
CASH OUTFLOWS					
2	Retail deposits (including deposits from small business customers)	15 103.53	15 189.93	897.39	901.11
3	• *of which stable deposits*	*12 650.96*	*12 730.17*	*632.55*	*636.51*
4	• *of which less stable deposits*	*2 451.57*	*2 458.94*	*263.85*	*263.78*
5	Funding not secured by non-retail counterparties	1 438.73	1 456.54	712.28	706.25
6	• *of which operational deposits*	*196.29*	*226.77*	*46.25*	*53.80*
7	• *of which non-operational deposits*	*1 043.34*	*1 049.10*	*466.95*	*471.78*
8	• *of which unsecured debt*	*199.09*	*180.67*	*199.09*	*180.67*
9	Funding secured by non-retail counterparties (including repos)			0.00	0.00
10	Additional requirements	2 451.41	2 475.95	238.18	248.54
11	• *of which outflows related to derivatives exposures and other collateral requirements*	*72.91*	*83.95*	*72.91*	*83.95*
12	• *of which outflows on collateralized debt*	*0.00*	*0.00*	*0.00*	*0.00*
13	• *of which credit and liquidity facilities*	*2 378.50*	*2 391.99*	*165.27*	*164.58*
14	Other contractual funding obligations	0.79	0.87	0.79	0.87
15	Other contingent funding obligations	10.33	8.87	0.52	0.44
16	**TOTAL CASH OUTFLOWS**			**1 849.16**	**1 857.21**
CASH INFLOWS					
17	Secured lending (including reverse repos)	0.00	0.00	0.00	0.00
18	Inflows from fully performing exposures	582.98	602.63	354.09	371.73
19	Other cash inflows	321.35	285.38	295.42	260.29
20	**TOTAL CASH INFLOWS**	**904.32**	**888.01**	**649.51**	**632.02**
EU-20c	Cash inflows subject to 75 % cap	904.32	888.01	649.51	632.02
21	Liquidity buffer			1 558.04	1 554.60
22	**TOTAL NET CASH OUTFLOWS**			**1 199.65**	**1 225.19**
23	Liquidity Coverage Ratio (%)			130 %	127 %

The CMNE Group's monthly average LCR was 127 % in 2017, which represents surplus liquidity of €300 million as compared with the regulatory requirements when fully applied. The ratio is managed when it exceeds 110 %. In 2017, the monthly average liquid assets after application of the regulatory discounts (weighted value) totaled €1.55 billion and consisted of deposits in central banks (31 % of the buffer) and sovereign and government securities (63 %).

In connection with the setting up and maintenance of the Group's liquidity buffer, the Finance Committee has approved the following investment principles:

- Compliance with the limits set by the Risk Department;
- Maximum holding of 5 % of the issue amount for public issues;
- Maximum amount of €60 million, representing less than 5 % of the total liquidity buffer to be set up (€1,300 million).

Net cash outflows at 30 days under the regulatory stress scenario totaled on average €1.2 billion in 2017.

LIQUIDITY RISK

Table 44: Maturity analysis of the prudential balance sheet - at 12/31/2017

In € thousands

Breakdown of maturities for liquidity risk								
Residual contractual maturities	≤ 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	No fixed maturity	Total
Assets								
Financial assets held for trading	0	0	0	24	50	93	123	**290**
Financial assets at fair value through profit or loss	0	0	13	10	63	61	61	**208**
Derivatives used for hedging purposes (assets)	0	0	0	7	14	5	0	**26**
Available-for-sale financial assets	50	94	607	1 015	1 050	529	950	**4 295**
Available-for-sale financial assets (analysis by security)	0	0	0	0	0	0	80	**80**
Loans and receivables (including La Française contracts)	1 083	431	1 449	1 996	4 492	8 999	0	**18 451**
Held-to-maturity investments	0	52	0	10	15	0	0	**77**
Other assets (without analysis and by holding)	249	293	2	0	0	0	1	**545**
Liabilities								
Central bank deposits	0	0	0	0	0	0	0	**0**
Financial liabilities held for trading	0	0	1	6	62	93	0	**162**
Financial liabilities at fair value through profit or loss	0	0	0	25	159	0	0	**184**
Derivatives used for hedging purposes	10	0	6	17	28	23	0	**84**
Financial liabilities carried at amortized cost	14 084	805	718	1 285	2 263	3 171	0	**22 325**

UNENCUMBERED ASSETS

INFORMATION ABOUT ENCUMBERED AND UNENCUMBERED ASSETS

Section disclosing the quantity of unencumbered assets and their main characteristics and information on the scale of the expenses relating to the assets (Article 443 of the CRR and EBA guidelines EBA/GL/2014/03).

Since December 31, 2014, and pursuant to Article 100 of the CRR, the Crédit Mutuel Group reports to the competent authorities 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 repo contracts, 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.
- Assets underlying securitization entities when these assets have not been derecognized by the entity. Assets underlying retained securities should not be considered encumbered, unless these securities are used to pledge or guarantee a transaction in some way;
- Baskets of sureties put together to issue secured bonds. These assets are recognized as encumbered assets except in certain situations where the entity holds these secured bonds (self-issued bonds).

Assets placed in financing mechanisms that are unused and can easily be withdrawn are not considered to be encumbered.

AT DECEMBER 31, 2017, THE AMOUNT AND CHARACTERISTICS OF ENCUMBERED AND UNENCUMBERED ASSETS FOR THE CMNE GEOUP BROKE DOWN AS FOLLOWS:

Table 45: Encumbered assets and unencumbered assets (model A) - at 12/31/2017

In € millions

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
		010	040	060	090
010	Assets of disclosing institution	3 363		23 417	
030	Equity instruments	0	0	1 269	1 269
040	Debt securities	1 313	1 313	2 259	2 260
050	• *of which covered bonds*	*0*	*0*	*0*	*0*
060	• *of which asset-backed securities*	*468*	*468*	*71*	*71*
070	• *of which issued by public administrations*	*23*	*23*	*644*	*630*
080	• *of which issued by financial enterprises*	*1 284*	*1 284*	*1 460*	*1 450*
090	• *of which issued by non-financial enterprises*	*0*	*0*	*106*	*116*
120	Other assets	2 053		19 894	

Median values of quarter-end data for the year under review.

UNENCUMBERED ASSETS

Table 46: Collateral received (model B) - at 12/31/2017

In € millions

		Fair value of the encumbered guarantee received or of encumbered own debt securities issued	Fair value of the guarantee received or of own debt securities issued available for pledging
		010	040
130	Collateral received by the reporting institution	115	0
140	Demand loans	0	0
150	Equity instruments	0	0
160	Debt securities	0	0
170	• *of which covered bonds*	*0*	*0*
180	• *of which asset-backed securities*	*0*	*0*
190	• *of which issued by public administrations*	*0*	*0*
200	• *of which issued by financial enterprises*	*0*	*0*
210	• *of which issued by non-financial enterprises*	*0*	*0*
220	Loans and advances other than demand loans	0	0
230	Other collateral received	115	0
240	Own debt securities issued, other than own covered bonds or asset-backed securities	0	0
241	Own covered bonds and asset backed securities not yet pledged		0
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**3 476**	

Median values of quarter-end data for the year under review.

Table 47: Carrying amount of encumbered assets/collateral received and the matching liabilities (model C) - at 12/31/2017

In € millions

		Associated liabilities, contingent liabilities or securities loaned	Assets, guarantees received and own debt securities issued other than covered bonds and securities backed by encumbered assets
		010	030
010	Carrying amount of the financial liabilities selected	2 739	3 357

Median values of quarter-end data for the year under review.

INFORMATION ON THE SCALE OF THE EXPENSES RELATING TO THE ASSETS

At December 31, 2017, the sources of asset encumbrance related mainly to TLTRO transactions with the European Central Bank guaranteed by Group assets and by loans from other financial institutions guaranteed by home loans.

APPENDICES

QUALITATIVE INFORMATION ON EQUITY INSTRUMENTS

Main characteristics of the instruments included in:

- Common Equity Tier 1 (CET1) capital;
- Additional Tier 1 (AT1) capital;
- Tier 2 capital (Tier 2).

ACRONYMS/GLOSSARY OF ABBREVIATIONS AND DEFINITIONS

CMNE Group	Crédit Mutuel Nord Europe Group
EBA	Euro Banking Association
ACPR	French Prudential Control and Resolution Authority *(Autorité de Contrôle Prudentiel et de Résolution)*
OSSI	Other Systemically Important Institutions
ALM	Asset Liability Management
AMA	Advanced Measurement Approach for operational risk
AMF	French Financial Markets Authority *(Autorité des Marchés Financiers)*
RWAs	Risk Weighted Assets
AT1	Additional Tier 1 capital
AT2 or T2	Additional Tier 2 capital
ECB	European Central Bank
OSN	Overall Solvency Need
MTN	Medium Term Note
CCF	Credit Conversion Factor: the ratio between the amount of a commitment that has not already been used - and which will be drawn and placed at risk at the moment of default - and the amount that has not already been used, calculated on the basis of the authorized limit)
CET1	Common Equity Tier 1 capital
CFCMNE	Caisse Fédérale du Crédit Mutuel Nord Europe
CNCM	Confédération Nationale du Crédit Mutuel
CRD	Capital Requirements Directive: European directive on regulatory capital
CRS	Common Reporting Standard
CSA	Credit Support Annex (legal document regulating the management of collateral between the two counterparties to a lending/borrowing transaction)
IDD	Insurance Distribution Directive
IMD	Insurance Mediation Directive
EAD	Exposure At Default (amount due by the borrower at the time of default)
EIOPA	European Insurance and Occupational Pensions Authority
EL/UL	Expected Loss/Unexpected Loss
EMIR	European Market and Infrastructure Regulation
EMTN	Euro Medium Term Notes
ESG	Environmental, Social and Governance
FATCA	Foreign Account Tax Compliance Act
FSMA	Financial Services and Markets Authority
G-SIFIs	Global Systemically Important Financial Institution
HQLA	High-Quality Liquid Assets
IARD	Property and casualty insurance (Incendie, Accidents, Risques Divers)
FC	Full Consolidation method
ICAAP	Internal Capital Adequacy Assessment Process
FFI	Forward Financial Instruments
ILAAP	Internal Liquidity Adequacy Assessment Process
PC	Proportional Consolidation method
IRBA	Internal Ratings Based Advanced: advanced internal ratings-based approach
IRBF	Internal Ratings Based Foundation: foundation internal ratings-based approach
KYC	Know Your Customer
AML-CTF	Anti-Money Laundering and Counter-Terrorism Financing
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default: rate of loss in the event of default (ratio of the loss on an exposure in the event of de-fault to the amount of the exposure at the time of default)

APPENDICES

SRAB law	Law no. 2013-672 on the Separation and Regulation of Banking Activities
EM	Equity Method (consolidation method)
MIF 2	New directive on markets in financial instruments
IMM	Internal Model Method
NIM	Net Interest Margin
NEU CP	Negotiable EUropean Commercial Paper
IRB	Internal Ratings-Based Approach
NSFR	Net Stable Funding Ratio: long-term structural liquidity ratio
NPO	Non-profit organizations
ECAI	External Credit Assessment Institution
ORSA	Own Risk and Solvency Assessment
PD	Probability of Default (probability of a counterparty's default over a one-year period)
MTP	Medium-Term Plan
PEP	Politically Exposed Person
PRIIPs	Packaged Retail and Insurance-based Investment Product
EBCP	Emergency and Business Continuity Plan (EBCP)
CCR	Counterparty Risk
GDPR	General Data Protection Regulation
CSR	Corporate Social Responsibility
RSR	Regular Supervisory Report
RW	Risk Weight
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Conditions Report
SREP	Supervisory Review and Evaluation Process
STE	Short-Term Exercise
TLTRO	Targeted Long-Term Refinancing Operation
SN	Subordinated note
DSN	Deeply Subordinated Note
NPV	Net Present Value
WEAV	Weighted Equity-Accounted Value

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Given that the Crédit Mutuel Group is a mutual group and not listed, and in view of the strength and stability of the Group's business model, the disclosures required under the eighth section of the CRR will be published only once a year. Due to its low risk appetite, the bank's statement of financial position changes very slowly and therefore this information need only be disclosed once a year.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

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The concept of Corporate Social Responsibility (CSR) is based on a mutual dependency between the company and society. There are interactions between:

- The company and its stakeholders;
- The company and the government;
- The company and the environment;
- The company and ethics;
- The company and sustainable competitive advantage.

CSR involves the way companies integrate social, environmental and economic concerns into their activities, by meeting and going beyond applicable legal requirements. Companies are examined and evaluated by rating agencies based on these criteria, just as they are evaluated for their financial performance. In France, the legal framework governing CSR includes the NRE[1] and Grenelle II[2] Acts, which expand companies' obligations and requirements to publish social and environmental data.

1 **NRE**: French New Economic Regulations Act of 2011
2 **Grenelle II**: the French Act of 2010 concerning a national commitment to the environment

INTRODUCTION

The explosive growth of digital usages, low interest rates, increasing regulation and oversight, transformation of the customer relationship – all these factors are profoundly changing the banking landscape. The 2017 economic and social environment was characterized by growing demands from consumer-citizens with respect to business transparency and environmental concerns, and increasing regulatory constraints.

Rapid changes to their business environment require banks to revise their strategic plans. They must imagine new economic models that are no longer based only on income from interest and commissions. Under pressure from the fintech sector and GAFA (Google, Amazon, Facebook, Apple), banks must invest to offer customers simpler and more seamless digital solutions. Crédit Mutuel Nord Europe (CMNE) is a local bank engaged in supporting local economic development. In this hyperconnected world, it relies on its cooperative values, lives out a culture of innovation, and encourages initiatives within the group to support the emergence of new models and finance projects in its territories.

As a cooperative and mutualist bank, every day CMNE seeks to improve the quality of its relationship and service to its customer shareholders and customers. Its values of responsibility, solidarity and social engagement are just as strategic as the quality of its services. They are what continue to guide its daily operations and goals. CMNE pursues economic performance and CSR with four priorities:

- **Governance**: maintaining a responsible and sustainable development approach, and constant dialogue with all the Group's stakeholders;
- **Employment**: promoting equal opportunity, access to training and mobility, and supporting employees in their civic engagements;
- **Environment**: seeking to modify behaviors and evaluate its practices to concretely reduce its impact on the environment;
- **Social**: being an engaged bank, supporting key players in the territories, promoting mutual assistance, solidarity and economic and social integration.

At La Française, the CMNE Group's asset management subsidiary, CSR and sustainable development are integrated into the Group's strategic development. It communicates on its commitment to responsible finance in its publication *Strategy and Sustainability*. Its major CSR actions are described there: sustainable investments in the securities and real estate markets, shareholder engagement via its policy of voting in general shareholder meetings, and its support for various initiatives such as Green Cross, Agence du Don en Nature and Fondation Palladio.

GOVERNANCE

At the national level, Crédit Mutuel's central body has adopted a series of new governance rules to strengthen its independence: board internal regulations, director's charter, Group ethics charter.

In addition, under the French Sapin II Act on transparency, anti-corruption and modernization of economic life, an advocate status was created, with a digital directory to inform citizens of the relationships between these advocates and the public authorities. This system specifies the modalities companies must use to make their relations and discussions with public authorities more transparent. Crédit Mutuel has always been transparent about working closely with professional associations (AFECEI, FBF, EACB, CoopFR, etc.) that coordinate banking establishments' and cooperatives' positions with respect to the public authorities, and has already been added to the directory of European Parliament advocates.

COOPERATIVE AND DEMOCRATIC GOVERNANCE

In these uncertain times, mutualism offers a clear, transparent and reassuring mode of operation. Regionally, once a year, Crédit Mutuel meets its customer shareholders during its Shareholders' Meetings. It is important to remind them of the fundamentals, to provide assurance of their bank's engagements and operations, which are grounded in responsibility, proximity and listening, to support them with their projects. At the 2017 meetings, they viewed a film describing the scope and expertise of the CMNE network, as well as its regional engagement at every level, via investments in sports or music, or through its foundation which supports culture, entrepreneurship and solidarity.

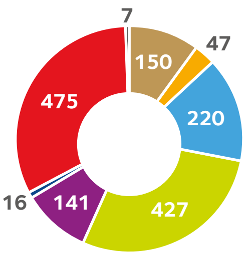
It is clear that the Shareholders' Meeting is a key moment in the lives of the local banks. It is held every year to share the financial statements of the past fiscal year, and vote on the amount of interest to be paid on share capital. Customer shareholders elect their directors (following the "one man one vote" principle, whatever the amount of capital held). This is an important time for information and direct discussion between the customer shareholders and the bank's management, and an opportunity for customer shareholders, employees and directors to meet, debate and listen to one another. In 2017, 590,564 customer shareholders elected their representatives (1,483 directors) during the Shareholders' Meetings. Customer shareholding is more relevant than ever, meeting a desire for proximity and local roots. Every year, CMNE enhances the interactive nature of the Shareholders' Meetings ("Open Door" Meetings, special events, etc.) to encourage customer shareholder participation in the democratic life of the company. Specific levels of involvement vary by location of the local bank (rural or urban, age, local community engagement), with an average rate of participation in shareholder meetings that is close to 4 %.

At La Française, a new deliberative body has been created: the prospecting committee. It is made up of individuals from the economic, industrial, financial, political and academic spheres. Work sessions are devoted to economic and financial issues, and likely changes in the areas of geostrategy, climate and technology. The interdisciplinarity ensured by the diversity of its members is further enhanced by contributions from outside speakers specialized in the topics being examined. The ultimate goal is to anchor a sustainable development strategy in a solid medium- and long-term vision.

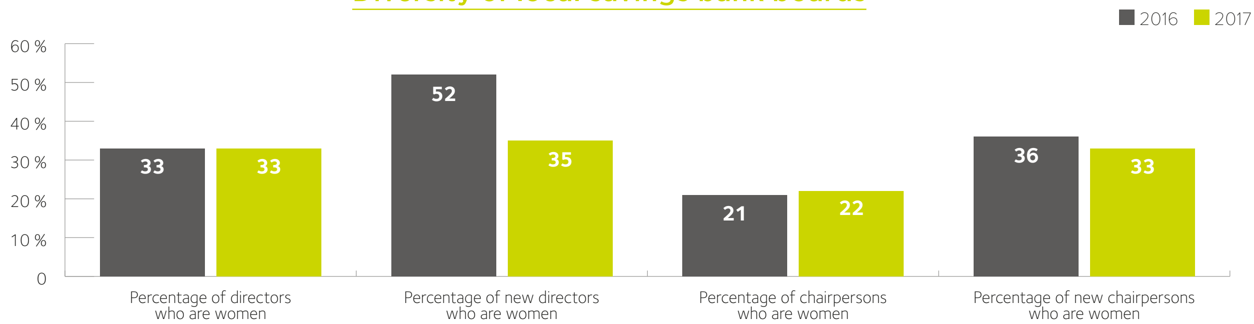
ELECTED AND TRAINED DIRECTORS

Across CMNE's seven French departments, directors volunteer their time to serve the local banks: two-thirds are employed and one-third are women. This year CMNE welcomed 60 new directors. Successfully integrating new directors at a local bank requires a serious approach. Representativeness, motivation and discretion of candidates are all aspects to be considered, to ensure that the mutualist ethic and code of conduct are respected. The same strict attention applies to renewal of terms of office, including verifying that the director continues to fulfill the obligatory criteria for fully exercising their role. For this purpose, since 2017, every director whose term is up for renewal at the next Shareholders' Meeting signs an attestation confirming that they meet the eligibility criteria.

Local bank directors elected by socio-economic category



Diversity of local savings bank boards



Training is a key resource to support directors in exercising their duties, to develop their personal skills, enrich their banking knowledge, foster discussion and create connection between elected representatives.
This program has dispensed 2,124 hours of training, focused on 18 topics falling under three themes: understanding banking and CMNE's orientations; supporting mutualism and fully exercising the role of elected director; understanding the contemporary world. Three new topics were proposed this year:
risk management by local savings banks, CMNE's "Get closer to go further" strategy, and customer satisfaction.
A conference is organized for directors every year as part of this plan. In 2017, during Sustainable Development Week, Isabelle Autissier, navigator, writer and president of World Wildlife Fund France spoke at this annual conference and debate. She discussed the major challenges to people living in harmony with their environment today.

A training program for federal directors was introduced in 2016 with a view to skills improvement. Examples from the eight sessions offered this year were courses on: insolvency, resolution and regulatory capital; data quality issues; as well as CSR issues and implementation at CMNE.
The local savings bank chairs also have the possibility of joining one of three existing institutional life committees:

- **The Shareholders' Meeting Committee**, whose purpose is to strengthen communication with customer shareholders and the involvement of employees and elected representatives in these meetings. Committee membership is of paired chairpersons and directors. They were given a preview presentation of the new communication charter for the 2018 Shareholders' Meetings at the end of 2017;
- **The Director Training Committee**, which develops the annual training plan for elected representatives;
- **The Institutional Life Committee**, which addresses aspects of the Group's institutional life. This year it was involved in creating work groups for the revision of the Chairperson's Handbook, a guide to mutualist action.

Another tool available to chairpersons is the Anim'Conseil interface created in 2010 to facilitate the work of the director-chair pairs in organizing and running their board meetings. This tool helps elected representatives fulfill their oversight role by making core data available to them. With a single application, the leadership pair can prepare for the meeting, conduct it (with a better understanding of its length) and publish the minutes. The tool was revised in 2016 for deployment to all the savings banks, and adopted throughout the organization in 2017. Now 100 % of local savings banks use it around one out of every two months.

CUSTOMER SATISFACTION AS THE ABSOLUTE PRIORITY

In a strained and increasingly competitive international economic environment, the Crédit Mutuel Group has strengthened its fundamentals, thanks in particular to the quality of the local services provided to its customer shareholders, and the quality of the work carried out by all its subsidiaries.
In developing its responses to all its customer bases in favor of regional economies, Crédit Mutuel was awarded **top ranking for the Banking sector in the Customer Relationship Podium**[1] awards for the tenth time in 13 years, a testimony to the relationship of trust between Crédit Mutuel and its customer shareholders.
Crédit Mutuel was also voted **best French banking group by World Finance magazine**. Represented by its National Confederation, Crédit Mutuel won this award for the sixth time. This bimonthly magazine has been a showcase for financial and economic news since 1994, recognized for the quality of its analyses and contributors. It has highlighted best practices in the fields of finance and business since 2007. World Finance honors Crédit Mutuel's performance, balanced growth and solidity.

CMNE values transparency in its relationship with its customer shareholders, affirming its intention of making information and practical advice available to all. "Clarity" memos and fee agreements for transactions and services are regularly published. In 2014, CMNE prioritized its key defining features by formulating five commitments: consultation, efficiency, quality, transparency & clarity, and responsibility. These concretely illustrate the services offered to its customer shareholders and the Group's values. CMNE processes customer complaints in the same spirit. It seeks to strengthen connections to its customer shareholders, improve loyalty via this process, and increase customer satisfaction.

In 2016 with a view to full quality, i.e. to service quality at the highest market standard, Nord Europe Assurance (NEA) launched a service quality survey that achieved a response rate of 62 %. Following a phase of quality diagnostics, an 18-month action plan was co-developed by NEA and CMNE based on the major transformation priorities identified.

1 Bearing-Point TNS Sofres

Three new initiatives were completed as part of this quality program in 2017: the creation of an immersion pathway for NEA employees in the CMNE and CD Partenaires network, an overhaul of the global process for assistance to the distribution networks, and streamlined processing of death, PTIA[2] full work disability and permanent disability polices.

Also with a view to **service quality improvement**, CMNE regularly asks its customers about their satisfaction. When customers give a low score or make a negative comment on a survey question, they are systematically contacted by the Customer Relations department to identify any possible improvements for its processes.

This year, 5,694 complaints were registered.
The number of those received by mail has dropped significantly (33 % in 2017 compared with 50 % in 2016), in favor of phone (26 % compared with 11 %), internet and social networks. Particular attention was given to response times: the average response time was 13 days in 2017, compared with 28 days the previous year. New hires are given awareness training on managing customer dissatisfaction.
A customer committee was created in 2017 to improve customer service quality and satisfaction. Its aim is to continuously improve service quality, ensure that the customer remains at the center of the Group's strategy, identify and prioritize customer expectations (using survey feedback, website comments, social network posts and complaints), and organize business line experts to implement and track concrete action plans.

Satisfaction surveys have been used for many years at CMNE, and indicate that the overall level of satisfaction of customer shareholders is good. However, in a society that is increasingly demanding and better informed of conditions offered by the competition, it is crucial to go even further and guarantee irreproachable service quality. This is the attitude behind the **SPOT approach**, code name for a large-scale program whose goal is to measure satisfaction and hear customer voices at the level of the local savings banks. This tool was created and installed by a startup from the Nord region known as Critizr. Whenever customers have contact with CMNE, they are asked (at most once a year) to share their level of satisfaction and comments on their experience, by email, phone or text message.
This information is collected and analyzed on a dedicated platform. Branch managers have direct access in real time to participant feedback. They systematically contact those individuals who scored the bank below average, to find a solution.

ETHICS AND FAIR TRADE PRACTICES

CMNE is open to all and committed to building personalized relationships with its customer shareholders and customers, based on listening, trust and transparency, while remaining attentive to each individual's needs and situation. The code of ethics includes behavioral, moral and ethical commitments, as well as general rules of good conduct and the specific duties of CMNE employees. The representative code of rights and responsibilities reminds directors that they represent the customer shareholders of their local savings bank, and must protect their interests. Directors are volunteers who must adhere to banking secrecy.

Given its activities and the location of its sites, CMNE does not believe that issues related to the elimination of forced labor or child labor apply to it directly. However, it is conscious of the commitments made as part of the Global Compact (which it joined in 2003), and undertakes to comply with the ILO's conventions including freedom of association and the right to collective bargaining, and eliminating discrimination in employment and professional life.

In addition to the various codes and charters applied by Group companies, an anti money laundering and terrorist financing (AML-TF) system that complies with regulatory requirements has been implemented. It is based on correspondents in each entity in France and abroad. Periodic, permanent and compliance controls are implemented to ensure that risks are covered and the consistency of the procedures implemented.

The French Sapin II Act provides for new anti-corruption measures. Companies to which this law applies are required to take measures to prevent and detect acts of corruption or influence peddling in France and abroad. The entire Crédit Mutuel Group will strengthen its anti-corruption systems in compliance with the new legislative provisions.

For this purpose, additional measures and procedures will be implemented. This system already relies on a disciplinary regime integrated into the internal rules that provides for sanctions against company employees who violate them.

Crédit Mutuel manages and ensures the security of large numbers of financial transactions, and is conscious of its responsibility as a bank. Awareness efforts have been directed towards its customer bases with this in mind. It has introduced **stronger security measures for customer transactions via the internet**. To prevent phishing attacks, CMNE has rolled out a large communication effort to inform and alert its customers (tutorials, mailings, warnings about the most common scams, etc.).
Customers who are unsure of the authenticity of a Crédit Mutuel communication are strongly encouraged to send an email to phishing@creditmutuel.fr.

When it comes to protecting customer internet data, the 1978 French data protection act profoundly modified the landscape by defining principles to follow when collecting, processing and storing personal data. Forty years later, the new European General Data Protection Regulation (GDPR) took its place, primarily to adapt to the new digital realities. This is achieved via three approaches: strengthening personal rights (in particular the right to data portability); accountability of those processing the data and their subcontractors; expanding cooperation between data protection authorities.
The new regulation takes effect in 2018, and CMNE has anticipated its requirements, in particular on the cmne.fr website. Now, as soon as users connect to the site, a privacy pop-in appears to inform them of the new regulations and ask for their consent to collect and use their browser data.
CMNE is transparent about data collection, and allows its

2 PTIA: complete and irreversible loss of autonomy (French acronym)

website users to deactivate certain types of cookies. This gives them control over the use of their personal data. Its partner Commanders Act, a data collection solution for marketing purposes that supports CMNE, obtained Privacy Seal certification for its data protection, thus becoming the first-ever data marketing platform to be declared compliant with the European GDPR.

At La Française, certain agreements have been signed internationally. Strongly engaged in SRI as early as 2009, with the launch of the market's first SRI OPCI (real estate fund), La Française placed CSR at the center of its philosophy in 2010 by signing the Principles for Responsible Investment (PRI). It is also a signatory of the CDP (former Carbon Disclosure Project) since 2013, and of the Japan Stewardship Code since February 2015. La Française has signed the Code of Transparency designed and approved by the French Asset Management Association (AFG), the French Social Investment Forum (FIR) and the European Sustainable Investment Forum (EUROSIF).
This code details a policy for consideration of environmental, social/employment and governance criteria (ESG) in managing funds in the Socially Responsible Investment (SRI) range.

In 2017 it went further, expanding the notion of fiduciary responsibility by signing the Global Statement on Investor Obligations and Duties promoted by PRI and UNEP FI. It has also joined a new coalition, the Workforce Disclosure Initiative, which seeks to create greater transparency of companies in their employment reporting, similar to what CDP has accomplished for the climate over the past ten years. This commitment echoes the work undertaken for the fund managed by La Française Emploi Durable since its launch in December 2015.

We can also note that La Française received an A rating for its PRI assessment report for stocks and real estate. La Française submits an annual report on its management company activities to PRI, which is evaluated and given a rating. La Française obtained an A for ESG strategy and governance, stocks and real estate in recognition of its innovative Advanced Investment Strategy (SAI) approach and its excellent work in integrating ESG into these two asset categories. Concerning bonds, the Obligations SAI Europe fund was the only one to be evaluated and was given an entirely satisfactory B rating. La Française also earned a B for shareholder voting and engagement.

EMPLOYMENT

The CMNE Group implements an ambitious employment model to support its development and keep its teams' engagement at the highest level. With its wage agreements, training and internal mobility policy, and formalized and engaging management of its resources, the CMNE Group has long been attentive to the strategic role of a responsible HR policy.

A LEADING EMPLOYER

CAREERS

CMNE considers the men and women in the Group to be an essential asset for its development. It offers rich and varied career prospects in Lille, Paris and Brussels with positions in every banking, insurance and asset management business. It provides long-term, stable employment (more than 95.4 % of CMNE Group employees are on a permanent contract). Looking towards the future of the banking professions supports a proactive mobility policy. This is made possible by developing competencies with a robust training program.

At La Française, employees are the source of their company's performance and success. Together they work every day to move forward innovative projects and to unite their teams. Fully 57 % of employees are voluntary shareholders. It is also worth noting that 21 different nationalities are represented in the workforce.

Group workforce structure

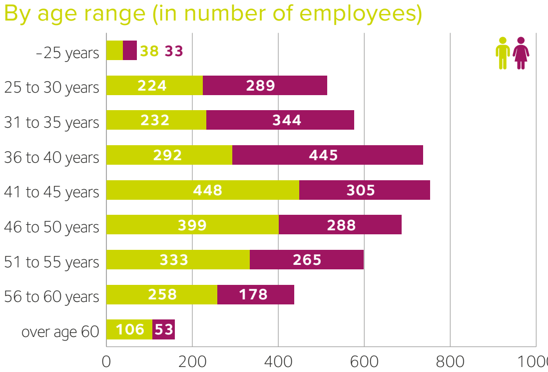
Breakdown by division

Breakdown by division	Entity	12/31/2016			12/31/2017		
		Permanent	Fixed term	Total	Permanent	Fixed term	Total
Bank Division	France (CFCMNE)	2 579	**129**	**2 708**	2 517	141	**2 658**
	Belgium (Beobank)	1 042	**12**	**1 054**	1 068	8	**1 076**
	Corporate (BCMNE, BA, NEL)	180	**6**	**186**	164	3	**167**
TOTAL BANK DIVISION		**3 801**	**147**	**3 948**	**3 749**	**152**	**3 901**
Insurance Division	Acmn Vie, NELL, NELB	225	**16**	**241**	216	5	**221**
Asset Management Division	La Française Group	524	**35**	**559**	565	55	**620**
TOTAL GROUP WORKFORCE		**4 550**	**198**	**4 748**	**4 530**	**212**	**4 742**

The Bank Division accounted for 82.3 % of the total workforce (56.1 % for the Bank France division, 22.7 % for the Belgium Division and almost 3.5 % for the Corporate division), the Asset Management Division for 13.1 %, and the Insurance Division for 4.7 %.

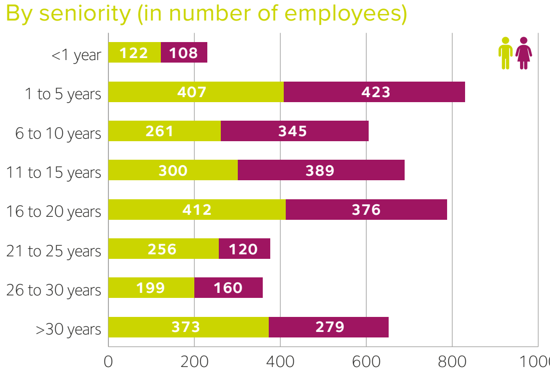
Breakdown of the Group's permanent workforce at 12/31/2017 by age range – by seniority

By age range (in number of employees)



The average age of permanent workers at end-2017 was 43.5 years.
12.9 % of permanent workers were under age 31, 29 % were 31-40 years old, 45 % were 41-55 years old, and the over-55 group accounted for 13.1 % of the total.

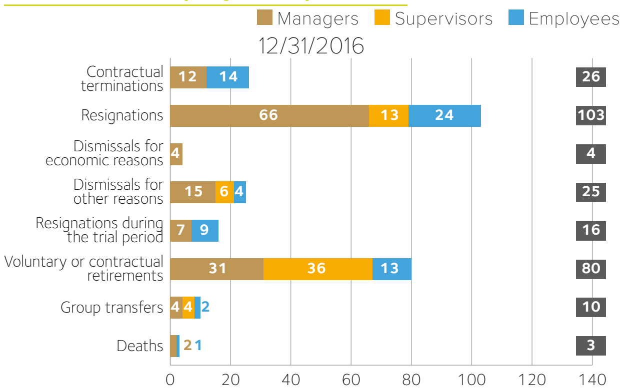
By seniority (in number of employees)

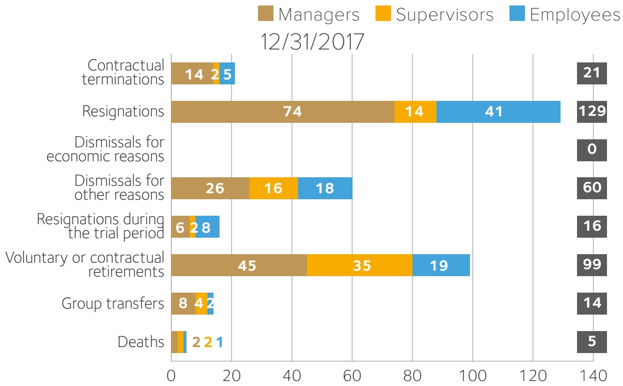


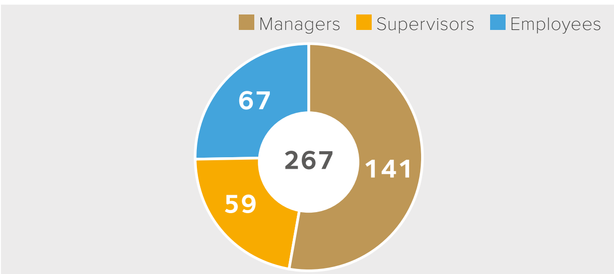
The average seniority of permanent workers at end-2017 was 13 years.

EMPLOYMENT

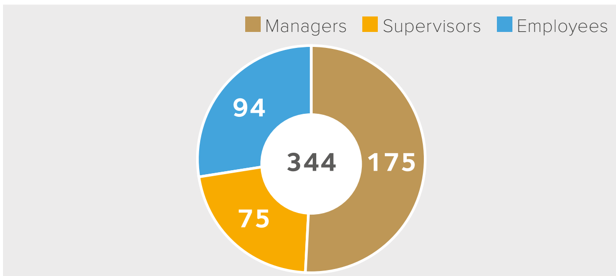
Permanent employee departures







Total number of permanent employee departures - 2016



Total number of permanent employee departures - 2017

EMPLOYEE TRUST

There is an intuitive connection, confirmed by multiple studies, between employee satisfaction and customer satisfaction.

Team members who feel happy at work are more effective. This is why the CMNE Group entities conduct internal surveys. An internal employee satisfaction survey is conducted every two years in the Bankinsurance France division. The fifth such survey took place in early 2016, with the aim of better understanding employees' perceptions of the company. Four themes were examined: performance and vision of the future; hierarchical relationships and management style; organization, resources and procedures; people policy.

The participation rate was 71 %, with 67 % positive responses (average across the entire questionnaire).

Eighty-eight percent of respondents said they were proud to work for CMNE. The next survey will take place in 2018.

At La Française, the Great Place to Work Institute was chosen to measure employee trust in management, pride in their work, and sense of camaraderie with their coworkers. In 2016, the second edition of this survey was used to measure progress and to identify improvement items. Ninety-one percent of employees responded to the questionnaire. This survey is useful for deciding on the tools needed to drive improvement, and for defining action plans. The results indicated a seven point improvement in the Trust Index compared with 2014, which positions La Française among the leading companies with more than 500 employees. The next survey will be conducted in 2019.

FOSTERING HUMAN DEVELOPMENT

TRAINING PROGRAM

In an era of technological and competitive challenges, with customer behaviors evolving rapidly, employee training is key to addressing changing job requirements and developing new skills. In 2017, the CMNE Group invested 4.76 % of payroll in continuing professional education, and 4,163 employees took at least one training course during the year, or almost 90 % (87.8 %) of all Group employees.

In a world of accelerating digital change, CMNE stands out for its innovation and creativity. Digital workshops are part of the approach to supporting understanding, access and ease of use of digital tools and new modes of communication. The training policy has supported digitization by offering digital workshops (Skype, Watson) and training dedicated to support functions (new tool for paperless HR). New approaches to collective performance management (employees in the branches no longer have individual goals) and remote management (telecommuting) are being used. CMNE also continues to expand its distance training (virtual classes, webinars, MOOC, etc.) and to organize training locally to limit travel. A new training center offers new tools for a better blend of digital and classroom-based learning, with interactive screens, adjustable furnishings and digital tools. Known as Campus CMNE, this innovative space of 350 m² is designed for employees with the aim of promoting knowledge and team connection.

At La Française, the training plan is developed from needs defined by managers based on the general training orientation memo, and taking into consideration the recommendations of the Training division, for both individual and collective training courses. The focus is on new hires when it comes to management, languages, regulations, digital skills, customer relations, etc. La Française also works with Deloitte to train its sales staff in how the digital world impacts their work.

Training

Number of employees trained during the year:

	Managers	Supervisors/Leaders	Employees	Total number of employees trained
Year	2017	2017	2017	2017
Men	1 189	584	340	2 113
Women	671	634	745	2 050
Total	1 860	1 218	1 085	4 163

The average percentage of payroll dedicated to continuing education was 4.76 % in 2017, up 0.43 points compared with 2016.

RELATIONS WITH SCHOOLS

Virtually all CMNE Group companies have developed ties with schools and universities to facilitate job insertion (meetings, partnerships, student training programs, apprenticeships, etc.) CMNE has partnerships with the various local universities (Lille, La Catho, Arras, Valenciennes, Amiens, etc.), engineering schools (ISA, La Salle Beauvais, HEI, etc.) and business schools (Lille, Reims). For the third year in a row, a class of ten CMNE managers was enrolled in the Learning Team, an innovative program to support managers' skills development and leadership that was organized in collaboration with the EDHEC Leadership and Management Skills Chair.

With its corporate foundation, CMNE supports the Sciences Po Lille PEI program to encourage young people from disadvantaged backgrounds to study at university.

It also has a partnership with higher education institutions such as the University of Lille (FFBC), for vocational study programs and continuing education. More than 67 students from vocational programs have joined the CMNE bank, with the recent introduction of increased support for students in wealth management. Two-thirds of vocational students are pursuing a masters program in various professions (banking network, federal services). They are supervised by tutors who are themselves provided with a support framework, and they follow a specific course of training.

La Française has developed links to academic institutions such as Paris Dauphine and EDHEC, in partnerships that allow it to recruit young graduates with specific profiles for the company, showcase its employer brand, and take part in business forums. In addition, La Française pays a portion of the "hors quota" (component of the French apprenticeship tax) to engineering and business schools, universities and establishments for young people in difficulty or with disabilities. There are 21 establishments receiving such funds.

LABOR RELATIONS

Labor relations at Crédit Mutuel are based on complementary bargaining levels at regional and national levels. The national agreement provides a common base applied by all the regional federations. Once these national agreements are adopted, discussion cycles may address factors specific to the regions concerned.

Following on the agreements of the various entities of the CMNE Group[3] with labor partners, action plans are tracked and their results presented to the various relevant bodies. The agreements signed in 2017 are summarized in the illustration below:

32 CMNE agreements or amendments

Bank Division
21 agreements or amendments

Insurance Division
4 agreements or amendments

Asset Management Division
7 agreements or amendments

32 CMNE agreements or amendments

Compensation and benefits
13 agreements or amendments

Health and protection
4 agreements or amendments

Generation contract/ workplace equality
3 agreements or amendments

Contract duration
2 agreements or amendments

Other
4 agreements or amendments

Job classification/ grids
4 agreements or amendments

Labor relations
2 agreements or amendments

This year a new employee representative body, was formed at CMNE, the European Works Council (EWC). Its first meeting was held in December. It was created by an agreement signed in May, and is chaired by the Chief Executive Officer. The EWC replaces the French Group Works Council, which has been dissolved, and comprises 18 members (five Belgian and 13 French), appointed for four years. This council will meet twice yearly. Its purpose is to be informed of the situation and outlook of the CMNE Group and its member companies in Europe (France and Belgium). It does not take the place of bodies that already exist in each Group company.
Rather, it enhances the quality of information and labor dialogue within the CMNE Group.

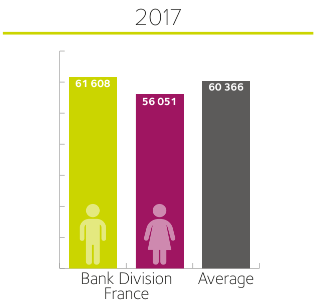
Concerning the charter on the right to disconnect, which is a feature of the French Employment, Labor Relations Modernization and Career Security Act, the company reaffirms the importance of proper professional use of digital tools, and the necessary regulation of their use to ensure respect for rest times and leave, and for employees' work-life balance. Following discussions, labor partners are invited to meet their obligation under the present charter, until bargaining on this topic begins in 2018, in particular with respect to expanding the current telecommuting pilots.

Two bargaining meetings on employment and wages are held every two years, in the presence of Management and labor unions. A wage agreement was reached this year. It provides for collective measures to sustain the wage policy, based in particular on maintaining purchasing power (increases in base salaries and seniority), recognition of collective performance (profit-sharing) and employee savings (employer contribution).

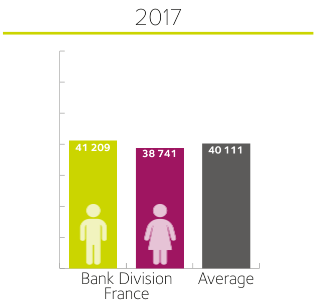
3 The list of agreements signed by Group CMNE entities is attached with the reporting tables

Individual and collective compensation

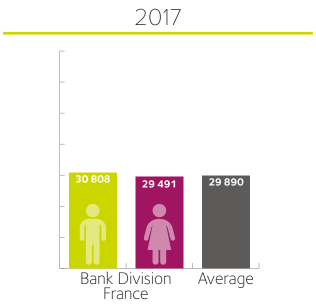
Average individual compensation (€)



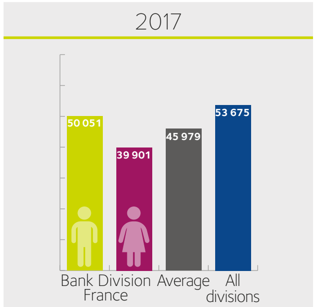
Managers



Supervisors/Leaders

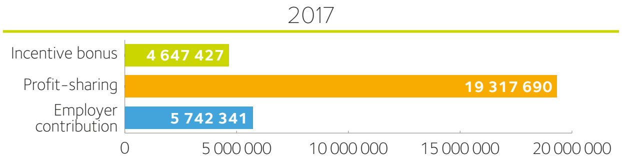


Employees

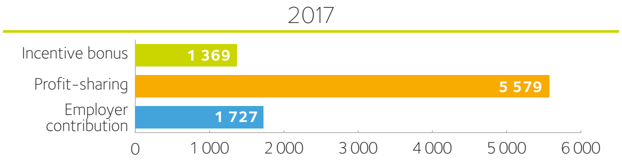


Average

Collective compensation (all divisions)



Amount in euros



Average amount in euros

HEALTH AND QUALITY OF LIFE AT WORK

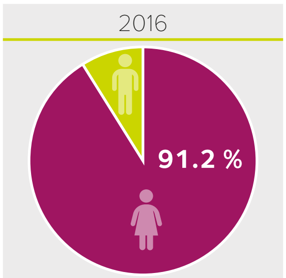
CMNE is engaged and innovative when it comes to public health prevention initiatives, with the launch of a depression prevention process in collaboration with the occupational physician and a doctor of psychiatry. This approach involves screening during medical visits using a questionnaire given to every employee before their appointment. This serves as a basis for discussion with the occupational physician, who decides whether or not there is reason to refer the employee for specific treatment. Launched as a pilot in the scope of the Lille Health Division (local savings banks within this scope and Federal Services), and presented to the health, safety and working conditions committee, this approach touched some 750 individuals during 2017. During informational meetings with all employees, participants expressed appreciation for these opportunities for discussion and information.

Beobank has applied the Belgian Royal Decree of 2016 on Reintegration of Workers with Disabilities. This decree provides for a tailored reintegration pathway, which aims to support workers with long-term disabilities towards adapted work or a different job, on a temporary or permanent basis.

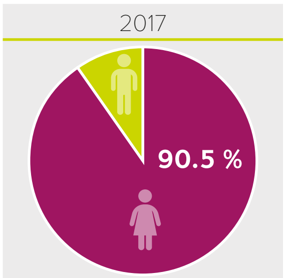
Whether they are experiencing temporary difficulties or more serious issues, every individual may need outside assistance, for personal or professional reasons. At CMNE, a social worker from the SSTRN occupational social work agency is available to staff to listen to their needs, share information on employment rights, and monitor and support employees and their families. The confidentiality of this relationship is guaranteed by law.

Work organization - part-time work

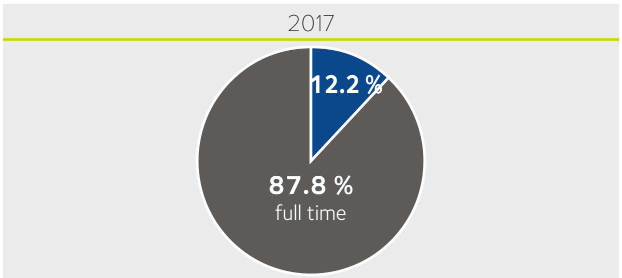
In number of employees (Group scope)	12/31/2016			12/31/2017		
	Men	Women	Total	Men	Women	Total
Managers	31	138	**169**	34	155	**189**
Supervisors/Leaders	7	184	**191**	7	188	**195**
Employees/Non managers	11	194	**205**	13	175	**188**
Fixed term	1	4	**5**	1	3	**4**
NUMBER OF PART-TIME WORKERS	**50**	**520**	**570**	**55**	**521**	**576**



570 employees



576 employees



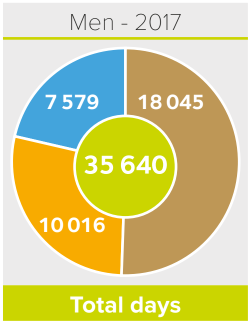
Part-time staff in the total Group workforce

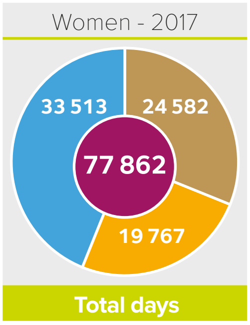
The main reasons for part-time work are personal leave and parental education leave.

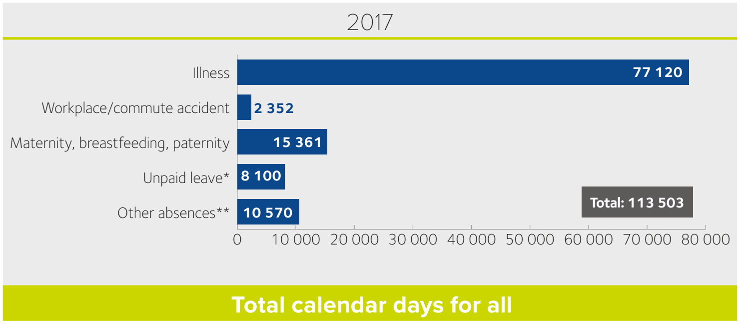
Absenteeism (in calendar days)

	2017 Group scope								
	Men				Women				Total
	Managers	Supervisors	Employees	Total	Managers	Supervisors	Employees	Total	
Illness	14 759	9 126	6 109	**29 994**	15 945	12 954	18 228	**47 127**	**77 120**
Workplace/Commute accident	81	50	0	**131**	321	914	986	**2 221**	**2 352**
Maternity/Breastfeeding/ Paternity	550	262	125	**937**	4 057	4 632	5 734	**14 423**	**15 361**
Unpaid leave*	487	114	586	**1 187**	1 466	644	4 803	**6 913**	**8 100**
Other abs.**	2 167	464	759	**3 390**	2 793	623	3 763	**7 179**	**10 570**
TOTAL DAYS	**18 045**	**10 016**	**7 579**	**35 640**	**24 582**	**19 767**	**33 513**	**77 862**	**113 503**

Managers Supervisors Employees







(*) Unpaid leave includes parental leave, sabbaticals, business creation, etc
(**) Other paid or unpaid absences: birth, marriage, sick child, move, or any other family event provided for in the Collective Bargaining Agreement.

Absenteeism breaks down as follows: illness (68.0 % of days of absence), maternity/paternity (13.5 % of days of absence), other absences (9.3 % of days of absence), unpaid leave (7.1 % of days of absence) and workplace/commute accident (2.1 % of days of absence). The group's rate of absenteeism for illness was stable in 2017 at 4.5 %.

EQUAL OPPORTUNITY

CMNE promotes diversity and equal opportunity via four key commitments: the diversity charter, the company agreement on gender equality at work, the agreement on employment of seniors, and the company agreement on the integration of people with disabilities.

GENDER EQUALITY

The agreement on gender equality at work was renewed in 2017 for a period of three years. With this commitment, CMNE reaffirms its desire to ensure gender equality in the company in hiring, career evolution, training and compensation. Among the concrete measures maintained in this agreement are the publication of all open positions both internally and externally, without distinguishing gender, and the creation of mixed teams within each work unit. It also seeks to mitigate potential childcare barriers to accessing masters-level banking and finance education, with the company committed to reimbursing 60 % of additional childcare costs. Allowing for flexibility in work times to help balance work and home life is also a goal.

CMNE ensures that meetings are planned in principle during working hours, so as to respect employees' personal and family constraints. The company will continue its efforts to increase the proportion of women in management, with the aim of reaching 28 % by the end of 2019 for CFCMNE.

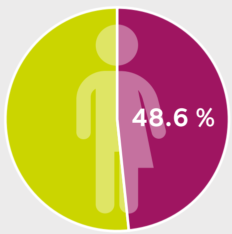
Another measure addresses effective compensation: an employee returning from maternity or adoption leave benefits from the global compensation increases that were applied during their leave, and from the average individual increases applied to their professional category (if there was no wage revision during the same period).

Promotions

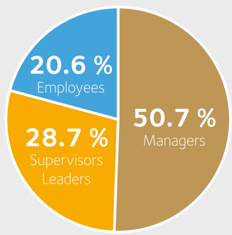
	2017	2017	2017	2017
Men	25	20	29	74
Women	43	11	33	87
Total	**68**	**31**	**62**	**161**
	Employees to Supervisors/Leaders	**Supervisors/Leaders to Managers**	**Employees to Managers**	**Number of promotions to new status**

Breakdown of permanent workforce by gender and status

	Permanent contracts at 12/31/2016			Permanent contracts at 12/31/2017			2017/2016 change
	Men	Women	Total	Men	Women	Total	
Managers	1 412	802	**2 214**	1 439	858	**2 297**	3.7 %
Supervisors or Leaders	629	672	**1 301**	613	687	**1 300**	-0.1 %
Employees	309	726	**1 035**	278	655	**933**	-9.9 %
TOTAL PERMANENT CONTRACTS	**2 350**	**2 200**	**4 550**	**2 330**	**2 200**	**4 530**	**-0.4 %**



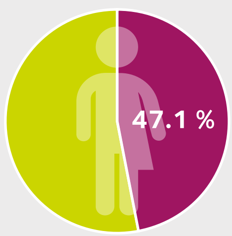
48.6 % of the permanent workforce was female in 2017



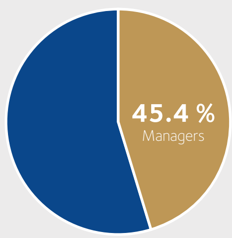
Managers made up 50.7 % of the Group's permanent workforce, supervisors/leaders 28.7 %, and employees 20.6 % in 2017

Workforce management - Permanent hires

	2016			2017		
	Men	Women	Total	Men	Women	Total
Managers	71	49	**120**	81	51	**132**
Supervisors/Leaders	14	24	**38**	16	19	**35**
Employees/Non managers	32	65	**97**	57	67	**124**
NUMBER OF PERMANENT HIRES	**117**	**138**	**255**	**154**	**137**	**291**



The rate of female hires was 47.1 % in 2017.



In 2017, 45.4 % of hires were for management positions.

INTERGENERATIONAL RELATIONS

For more than seven years, CMNE has been supporting an employment policy in favor of youth and older workers in the company. At the end of 2016, following publication of a review of the initiatives conducted from 2013 to 2016, the agreement was renewed for three years. It sets an aim of hiring 38 % to 48 % employees under the age of 27 and continuing to raise the average retirement age with a target of 62 years within three years (the current average retirement age is 61.3). These commitments are supported by the following programs: sustainable integration of young workers at CMNE; retaining senior employees; the right to training, development and knowledge and skills transmission; and organizing intergenerational cooperation.

Sustainable integration of young workers: every youth hire benefits from an integration pathway to help them understand the Group's values, organization and businesses. CMNE also continues its vocational education programs with a view to recruiting future hires.
Retaining senior employees: workers over the age of 45 participate in second-phase career interviews. Skills reviews and recognition of acquired experience are encouraged by the company, which informs, advises and tracks employees in their equivalency efforts. CMNE pays particular attention to phased retirement requests from employees.
Right to training, development and knowledge and skills transmission, and organizing intergenerational cooperation: this is achieved by assigning tutor-advisors to new employees under the age of 30, to welcome, support and assist them. Nearly half of tutor-advisors are over 45 years of age. CMNE will also rely on the younger generations to help understand and support the digital transformation and societal changes.

As part of its human relations policy, La Française organized several events for employees in November. One addressed the topic of intergenerational relations in a speed learning session. This short and dynamic format helped remove certain prejudices and assumptions, to support better relations between every generation (baby boomers, X, Y and Z).

EMPLOYMENT AND INTEGRATION OF WORKERS WITH DISABILITIES

CMNE renewed its commitment to employment and integration of people with disabilities by signing a new three-year agreement. This consolidates and reinforces actions that are already taken by the company, and ensures continued commitment to eight action areas: raising awareness of all, professional education, recruiting and career mobility, recognition of disability in the company, retention in the company, adapting working conditions to the disability and adapted jobs, improving working conditions of employees with disabilities, accessibility of premises and parking spaces.

This third agreement includes new communication measures and actions to improve the living conditions of employees with disabilities: creation of a disabilities space in the intranet containing all communications on the subject, the procedure for requesting French Employee With Disability status, and the people to contact with any questions on this topic. In addition, the value of CESU certificates for home services rose from €1,200 to €1,400, an increase of 40 % compared with the first agreement. Lastly, one paid day of leave is granted each year to parents of a child with a disability, for the administrative procedures related to the child's disability.

During Disability Employment Week, CMNE organizes various initiatives across its regions. These include participation in recruiting fairs (recruiting forums open exclusively to people with disabilities) and organizing parasports activities such as the "*Cécifoot*" soccer event for people with vision impairment. Some sixty individuals took part in this event, and were able to demonstrate that disability is not a barrier to performance.

The company ACMN Vie is among the members of the disability mission of the French Insurance Federation, to which it pays annual dues. Workstation adaptations and communication on disability were carried out in 2017.

Overcoming prejudice and facilitating administrative recognition were also key goals during disability week at La Française. The company organized massages by professionals whose disability is the source of the quality of their massages, and a theatrical performance titled *Disabled? But able to work!* produced by actors from *Théâtre à la Carte*, which addressed the issue of our relationship to disability in the broad sense with humor and sensitivity.

ENCOURAGING EMPLOYEE ENGAGEMENT

The **Innovation Cube by CMNE** program allows employees to actively participate in transformation of their company from the inside. A lab run by a coach is made up of employees who use imagination and creativity reaching beyond their traditional areas of expertise, to address issues related to the Group's major challenges: chatbots, fintechs, regtechs, etc. All those who have taken part found this to be a remarkable and rewarding experience. CMNE launched the labs in 2016, and ten were organized in 2017.

Seeking to support its employees' community engagement, CMNE offers employees who volunteer:

- The possibility of requesting congé solidaire® (solidarity leave) for contributing their skills to efforts on the ground (school support, adult education or protection of nature) as part of a partnership signed in 2010 with the NGO Planète Urgence[4]. Via its annual renewal, the partnership has been expanded over the past two years to all employees in the CMNE scope: Bankinsurance France division, Beobank, Corporate division, NEA and La Française;
- The option of supporting an organization via the company foundation, by sponsoring projects (sponsors track the project's evolution and draft the review) or by sharing skills, time and knowledge to support a community project. For example, under a partnership between the CMNE Foundation and the Étincelle network in 2013, a "The bank and me" module is run by trainers and directors from local savings banks. This training is specifically adapted to young people without employment, often socially disadvantaged and seeking vocational orientation. A certification jury awards each youth a diploma attesting to their participation in the program, which for many is their first "real" diploma. La Française also supports skills donations with the SOS Sahel organization;
- The ability to welcome and individually support a young college graduate with integration difficulties, via the Réseau Alliances "employment squad" program. CMNE has been part of this network for eight years, and almost 80 % of youth it has supported have found work;
- A chance to support high school students' entrepreneurial projects: six employees in the local savings bank network partner with *Entreprendre Pour Apprendre* for this purpose.

CMNE employees also show community engagement by donating their days off. This agreement allows employees to receive donated days off from their coworkers if their child is seriously ill. Donations can also apply towards time with spouses or life partners at the end of life. The system includes a supplemental employer contribution of 10 %. Donations are limited by law to certain days off, including paid leave, working time reduction offsets and comp time. It was applied for the first time this year, with 147.5 days collected (excluding the employer supplement) from 128 donors.

4 CMNE began offering a solidarity leave partnership with **Planète Urgence** in 2010. Missions last two weeks and take place in many different countries around the world. The employee contributes the cost of their airfare and any vaccinations, and applies their paid leave to their days away. They may request a tax deduction such that only 30 % of costs remain at their charge. CMNE pays Planète Urgence for the other mission costs (housing, food, etc.).

ENVIRONMENTAL

Our understanding of the risks related to climate change drives the action of financial players in favor of the environment. While the existence of these risks is now indisputable, much remains to be done in terms of translating them into financial decisions and defining how managers can take them into consideration. The CMNE Group has nonetheless already implemented certain provisions, in particular under the French Energy Transition Act.
Because it is a service business, CMNE has limited environmental impacts. Areas for improvement in its operations have nonetheless been identified. Many action plans have been established following greenhouse gas emissions assessments and energy audits, or when defining waste treatment processes. Additional measures are planned or under way, in particular the implementation of corporate travel plans and telecommuting.

CONSIDERATION OF CLIMATE CHANGE

Article 173 of the French Energy Transition Act requires banks to include risks related to climate change in their risk measurement and monitoring program. Therefore, and in accordance with the law, the Group's exposure is regularly tracked and presented quarterly to the Risk Committee of the Crédit Mutuel National Confederation, just as financial risks are. The overall approach used is based on Basel II data, aligned with the Group's accounting, and serves to shed light specifically on the group's exposure in sectors considered to be polluting. These sectors represent less than 0.1 % of the Group's gross exposures overall. Data from CMNE is included in this approach, as is that of every Group establishment.

Starting in 2017 for the 2016 fiscal year, in accordance with Article 173 IV of the French Energy Transition Act[5], La Française and NEA communicated on the ways in which ESG (environment, social and governance) issues are taken into account in their investment policy, and notably, under the Environment facet on the measurement of greenhouse gas emissions of assets in the portfolio.
These companies also explained the modalities of the voting rights attached to the financial instruments. CMNE has for its part already implemented certain provisions:

- Environmental concerns are considered when financing investment projects (in particular via sector policies);
- As part of the Retail Banking business, and in particular residential loans, specific products are offered in addition to the zero interest eco-loans, such as short- and long-term energy savings loans;
- The effects of climate change are integrated into operational risk analyses (accident, major natural or accidental event, major logistics failure); these may notably result in increased frequency and/or severity of flood risk (impact on operational risk mapping).

In terms of sector policies, CMNE participates in an umbrella approach by the Crédit Mutuel Group and responds to the alerts issued by the Group risk department concerning certain sectors or counterparties. It also operates a careful watch of its investments and partner counterparties. These sector policies aim to define the general principles and rules for intervention concerning financing and investments in the sectors concerned, in alignment with the CSR policy, i.e.: coal-burning plants, defense, civil nuclear energy, mining. They may be revised whenever deemed necessary by the Group.
Concerning asset management, La Française does not invest in companies involved in antipersonnel mines and cluster bombs. This list of companies is regularly updated by Sustainalytics. As part of its advanced investment strategy, La Française places particular emphasis on the criteria of governance for the companies in which it invests.

La Française has signed the Manifesto to Decarbonize Europe, which calls on the European states to immediately implement policies able to achieve greenhouse gas emissions as close to zero as possible by 2050. For La Française, tomorrow's economy must be low carbon; this is not only a constraint, but also an incredible opportunity to design and build a new approach. The consequences of climate imbalances are at the heart of the life and organization of society because they touch on our fundamental needs: water (availability), food (impacts on agriculture), housing (rising water levels, increase in extreme climate events), etc. As an investor, climate change will affect and already affects returns on investment; today it must be an integral part of any healthy risk (and opportunity) management.

In 2017, La Française continued and deepened its action on behalf of the climate. As a member of the Climate Action 100+ initiative, it is committed to working with the most polluting companies to help move them towards a genuine and appropriate climate policy. The One Planet Summit initiative launched last December brings together 225 investors representing $26,300 billion, to carry more weight with these companies and ask them the same questions, in three main areas: climate governance, measuring GHG emissions in line with the Paris Agreement's 2°C goal, and reporting

5 These relate to the French Energy Transition for Green Growth Act no. 2015-992 of August 17, 2015, which took effect on December 31, 2016, supplemented by application decree no. 2015-1850 of December 29, 2015

in accordance with the recommendations of the TCFD[6]. By signing the letter of support to the TCFD, along with 237 global companies representing more than $6,300 billion in market capitalization, it is supporting implementation of the TFCD's recommendations.
La Française also supports the Energy Efficiency Financial Institutions Group (EEFIG) for its existing work and its commitment in the third phase of its approach to financing energy efficiency.

The report published by La Française in accordance with Article 173 of the French Energy Transition Act[7] includes the manner in which its investment policy considers criteria to meet social, environmental and governance (ESG) objectives, and on measures taken to contribute to the energy and ecology transition as provided for by law. In its first report, the focus was on the La Française Group's investment philosophy, its Advanced Investment Strategy (SAI) which is applied to all asset classes and combines an ESG approach with a strategic analysis and traditional financial analysis. This combination provides a dynamic and comprehensive vision of the performance and risk factors attached to each asset. The report contains a review of the stock, corporate bond and corporate real estate portfolios managed by the Group, from the ESG perspective and the climate perspective with a focus on the flagship vehicles: Zero Carbon for stocks, Obligations Europe SAI for bonds, and Immo SR for real estate.

NEA used the opportunity offered by its initial publication[8] to describe the current state of ESG issues, and climate risks and opportunities, and to declare its creation of a strategy in these areas.
As an insurer, NEA determines the strategic allocation of an asset and entrusts its management to the La Française group. For this first fiscal year, given the degree of maturity of these topics internally and the uncertainties surrounding available methodologies, in particular for analyzing climate risks and opportunities, the decision was made to publish data on directly owned stock funds and funds of stock funds whose composition is known, corresponding to 6 % of the NEA portfolio, corporate bond loans which correspond to around 20 % of the portfolio, and a selection of four real estate vehicles representing close to 9 % of the funds invested by NEA.

A STRUCTURED ENVIRONMENTAL APPROACH

In France and around the world, the volume of waste being produced is decreasing. The same is not true of CO_2 emissions, which are rising. Achieving the COP 21 objectives defined in 2015 appears to be compromised. After three years of stagnation, CO_2 emissions are now rising (+2 %) with little hope of seeing them decrease in the future. Fifteen thousand scientists are raising the alarm and declare themselves to be seriously worried about the impact of climate change, deforestation, extinction of certain species and overpopulation. Historically, the last alert was sounded in 1992 in a letter signed by 1,700 researchers.

For CMNE, responding to current ecological challenges is another expression of its corporate social responsibility. It has therefore engaged in a structured approach to reducing its environmental footprint. CFCMNE's first greenhouse gas emissions assessment was conducted in 2012. The overall goal of reducing greenhouse gas emissions by 8.5 % has been achieved and surpassed. The second GHG emissions assessment published at the end of December 2015 highlighted three priorities for reduction efforts in significant areas of the entity's internal operations: energy (-264.35 t CO_2e, 10 % reduction), business use of vehicles (-125.50 t CO_2e, 9 % reduction), and paper consumption (-12.07 t CO_2e, 9 % reduction). The overall emission reduction goal for the next three years is 9.9 %, or -401.92 t CO_2e.

Although it has no particular vulnerability to the hazards of climate change, CFCMNE and NEA have begun to develop strong expertise in reducing energy consumption. Well aware of what is at stake, they conducted an initial energy audit in 2016.

In 2017, Beobank applied this audit to the buildings making up its headquarters. It also unveiled to all employees the location and plans for the future headquarters, which will bring together all the Beobank departments that are currently spread across two buildings in Brussels. The choice went to the largest tower of the future Quatuor Building, which benefits from a strategic location in the north of Brussels in terms of both visibility and mobility. The building meets the highest standards of quality, innovation and environmental performance, as a passive building with BREEAM Excellent certification. Construction will begin in early 2018, and the move to the new premises is planned for the first half of 2020. This new headquarters will thus reduce the company's environmental footprint.
La Française conducts an annual energy audit of its operations building with HQE certification.

Social responsibility has also been factored into its procurement policy, which is mainly based on Crédit Mutuel procurement centers such as Euro Information, SOFEDIS and CM-CIC Services. At Euro Information, which manages equipment purchases (terminals, electronic banking, ATMs, video and telephony), equipment circuits are tracked from purchase to recycling, including destruction and waste recovery.

6 TFCD: Task Force on Climate-related Financial Disclosures
7 La Française Article 173 report: https://www.la-francaise.com/fr/nous-connaitre/les-actualites/news-details/la-francaise-publie-son-premier-rapport-article-173/
8 ACMN Vie Article 173 report: https://www.acmnvie.fr/fr/document/RapportLTE2016.pdf

libre-service bancaire, vidéo et téléphonie), le circuit du matériel est suivi de l'achat jusqu'au recyclage, ainsi que la destruction et la récupération des déchets.

Crédit Mutuel's supplier process is among the ISO 9001 certified Quality processes monitored and audited by AFAQ[9]. The procedure has been drafted and published and sets forth all the various stages of starting a business relationship, contracting and managing the relationship with the supplier.
As part of this procedure, suppliers are classified into categories, the main one being "essential and sensitive suppliers," i.e. suppliers of strategic or economic importance to Euro Information or its customers.
For calls for tender and on a regular basis, the Purchasing teams ask these suppliers to transmit documents attesting to and describing their CSR approach. In 2017, only two entities in this category did not have a stated CSR approach because of their size, although they did provide information on their charitable giving and safety approaches. This procedure is applied for hardware/software purchases and for purchases of IT services from IT services suppliers. Updates are conducted regularly. A sector purchasing policy developed for the Crédit Mutuel Group was also introduced this year to make CSR practices more apparent in purchasing decisions.

Selection of external providers and suppliers by CMNE divisions and departments is guided by regulatory provisions. The system for monitoring critical outsourced services is evaluated yearly by Permanent Control. As part of the CMNE Group's CSR approach, a request for information on service providers' CSR approach is included in documentation (this information is for guidance only and does not enter into the calculation of the evaluation score).
The duty of vigilance of parent and ordering companies stipulated by French law is also integrated into this system, because consideration of suppliers' and subcontractors' social and environmental responsibility is among the company information that must be declared.

MANAGED RESOURCE CONSUMPTION

The aims of the French Energy Transition for Green Growth Act of 2015 are clear for the circular economy (reduce landfill waste by half by 2025, recycle 70 % of construction waste by 2020, among others), as is the French government's goal of recycling 100 % of plastics by 2025. Concrete implementation modalities remain to be defined, as stated in the Climate Plan published in July 2017.

To foster environmentally respectful conduct within CMNE and present the commitments by the company and its employees, a Sustainable Development portal is available to CFCMNE employees and directors on the intranet. It includes news reports and current initiatives, as well as a space on green behaviors.

Employee engagement and the combined efforts of the various businesses led to, among other things, a 3.5 % drop in overall waste volume from 2016 to 2017. Waste management is at the heart of the development of the circular economy. Sorting is the first step in the process of reducing and transforming waste. CMNE has been partnering with Elise[10], a leader in paper collection and recycling, since 2007. In 2015, Elise became CMNE's sole supplier for streamlined management of these services.
Significant changes have been made to waste management since 2015, modifying waste treatment and fostering recycling, with the introduction of separate bags for paper and NHIW[11], and cup and battery sorting. A quality tour of every site ensures that sorting is properly conducted by employees and the cleaning company (quality sheet for each site).
Monthly meetings are scheduled to track waste tonnage, and new selective collection procedures have been decided. For 2017, the ratio of NHIW to total waste weight was 33 %, a slight increase over 2016. This is due to the new headquarters project (Nouvel Espace Siège - NES) and the many staff moves which are always positive for sorting.
The introduction of cup sorting in the federal services in mid-2016 resulting in the collection of 116 kg of cups, and 803 kg in 2017.
The volume of used batteries collected has been stable for three years, at around 240 kg annually.

Because CMNE businesses operate exclusively on European territory, CMNE is not affected by limitations in water supply. Efforts have nonetheless been implemented by our entities to reduce water consumption: at Beobank, consumption is tracked monthly for headquarters and offices.

Every year La Française organizes an environmental protection awareness event for its employees. This year it partnered with GreenCross France & Territoires to arrange a private showing of the film Wonder of the Sea for its employees. Staff also had the chance to test their knowledge of the oceans and their environmental issues in a quiz.
The 120 participants received a copy of the GCFT publication Océan des clés pour agir. The film screening applied the same awareness-raising approach: immerse yourself in the fabulous undersea world of Jean-Michel Cousteau in 3D, to become a fervent advocate of saving the oceans. Following the well-received showing, executive producer Francois Mantello was available to answer the audience's many questions.

9 The latest renewal audit took place in June 2017 and led to a new certification with a change in the 2015 version of the standard
10 ELISE: *Entreprise Locale d'Initiatives au Service de l'Environnement*
11 NHIW: Non-Hazardous Industrial Waste

Measures to prevent food waste are not a direct part of CMNE's activities. However, when organizing large events (conventions, holiday evenings, etc.), the company is attentive to its catering choices. The caterer that works with CFCMNE is mindful of its carbon footprint and offsets its carbon dioxide emissions by supporting a carbon reduction project offered by CO2 Logic. It uses biodegradable dishes, and products that are not consumed are donated to a local community organization.

CMNE is also vigilant with respect to its sponsoring partnerships: for example, it was a partner to the first Le Cabaret Vert festival in 2005. This eco festival is now one of the top ten summer festivals in France, and has grown from 200 volunteers when it began to 2,000 today. There are 30 food vendors, 80 % of which sell organic or local products, and actions are taken to prevent food waste. In 2013, Le Cabaret Vert received the international Green Award (three stars out of a possible four) in recognition of its short channels and eco responsible approach.

In addition, and in accordance with the requirements defined in French decree no. 2016-288 of March 10, 2016, electrical and electronic waste is managed by EIS, a Crédit Mutuel Group subsidiary. This company installs and maintains computer equipment on behalf of Euro Information. Broker activity continues to increase and allows the destruction of equipment to be kept at a minimum.
Also in the spirit of an environmentally responsible approach, since 2013 CSR criteria relating to energy consumption are considered in purchasing decisions for new equipment models (computers, printers, photocopying machines). Euro Information continues to roll out increasingly energy efficient equipment. Around one-fifth of the total stock is renewed each year, which helps to reduce resource consumption.

STREAMLINED COMMUTES

In France, the transport sector accounts for a quarter of greenhouse gas emissions, and the average commute from home to work has lengthened by ten minutes in 12 years. Calculated on an annual basis, this represents an additional week spent commuting… on the scale of a lifetime, almost a year.

The CMNE Group is attached to the future of its regions and of the planet, and applies very concrete measures with its employees to optimize their commute. Staff have multiple tools at their disposal to organize and participate in remote meetings – Skype phone conferences, live meetings with round table options, videoconferencing, etc. – and are trained in their use.

Enterprise Mobility Plans allow public authorities to incentivize companies and their employees to optimize their commutes. At CMNE, a program called eco-mobility was launched at the end of 2016. This approach is being piloted with the employees of Lille federal services,
but is ultimately intended for all CMNE employees, with initiatives adapted to the size and location of each unit. Eco-mobility seeks to reduce greenhouse gas emissions and atmospheric pollutants by:

- Optimizing employee travel (daily commute, work-related travel, etc.);
- Reducing infrastructure and transportation congestion by promoting alternatives to personal cars: public transportation, carpooling, carsharing, bicycle, walking, etc.
- Experimenting with new work modes such as telecommuting, videoconferencing, etc.

An anonymous questionnaire was sent to 654 employees working in Lille to understand how they commute (68 % already use green transportation modes, 30 % drive their car, 1 % come by motorcycle or scooter, and 1 % carpool).

Other concrete actions include CFCMNE's participation in 2016 in an initial telecommuting pilot with 29 employees participating voluntarily, or less than 5 % of the total federal services workforce. The next step is to involve some 90 employees in telecommuting during January 2018. For one day a week chosen by the manager based on the department organization, the goal of the pilot is to assess the interest and relevance of this approach: gather questions and issues encountered by the telecommuting workers and their managers, and the solutions they find; draw up a review with lessons learned for possible deployment and prior negotiation of a collective bargaining agreement. Employees feel empowered in this project, able to make suggestions, accountable, autonomous and very motivated. Telecommuting is transforming teamwork. It is an opportunity for a new management attitude, in which trust and employee accountability take the upper hand.

SOCIAL

CMNE is a mutualist bank, with mutualism defined by the following three elements: a different mode of management, its regional attachment, and social engagement. The latter two in particular foster strong involvement in local community. These founding values mean that CMNE is concerned with what happens around it, and seeks to influence its environment where it can and according to its means, as appropriate to its role. It does not take the place of the public authorities, but takes complementary action to promote the general good. Involvement in local life is also a CSR engagement to which the bank is firmly committed. We foster social inclusion by providing access to loans, are active in the microloans arena, offer solidarity savings products to our customer shareholders, and support projects with our business foundations.

A LOCAL BANK SERVING THE REAL ECONOMY

CMNE supports the local economy. It does so with even more enthusiasm when initiatives are innovative and/or in favor of the environment. This is the purpose of CMNE INNOV&THIC, a private equity fund launched by CMNE together with the Siparex Group. With a view to regional development, CMNE plans to invest €15 million in innovative, environmentally focused unlisted companies doing business in its core regions (Hauts-de-France, Marne, Ardennes, Belgium). This fund will invest alongside a digital fund and an environmental and social impact fund managed by the Siparex Group, which is primarily located in Lille. It represents major investment for the future of the regions, in keeping with Rev3, the third industrial revolution in Hauts-de-France.

As a local bank, the various CMNE banking branches that make up its regional fabric remain diverse. It offers its products and services in 536 contact points in France and Belgium, including business and pro centers dedicated to corporate customers.

CMNE has a firm presence in city outskirts, reflecting its policy of neglecting no residential areas. In 2017, 25.2 %[12] of its locations were in rural areas (including municipalities with populations of less than 5,000), and a quarter of urban regions have a Crédit Mutuel presence.

Its local roots, powerful retail banking strategy, prudent cooperative management and financial stability have enabled in particular the growth of loans to professionals. These outstandings rose to €1.667 billion for the Bankinsurance France division (investment and operating loans). CMNE thus actively sustains the local economic fabric by contributing to local development and employment.

The bank's LDDS sustainable and solidarity development savings books registered net new deposits of €8.6 million (€23.5 million more than in 2016). These assets finance residential energy renovation loans (at least 10 %) and loans to SMEs (for at least 80 %). Caisse des Dépôts et Consignation centralizes 60 % of deposits to finance public building renovation and the energy transition. In addition, LDDS account holders may allocate a portion of their savings – interest or capital – to financing the Social and Solidarity Economy sector as soon as the application decree defining the modalities for this allocation is published.

AN OFFER OF RESPONSIBLE PRODUCTS

Whether customers want to support a non-profit organization, renovate their home or use their savings for community solidarity, all CMNE Group subsidiaries help them make the right choices for their goals of saving and investing differently. SRI also plays an increasingly important role in French collective management.
This new market landscape is very dynamic, with transparent sharing of information with investors and a desire to take ESG criteria into consideration. Investors are guided by the SRI and TEEC certifications put in place by the public authorities in 2016.
Another aim is to address the aging of the population, relative loss of income for the elderly, and high real estate prices that make it difficult to promote intergenerational solidarity.

Together with six other investors and the Caisse des Dépôts et Consignations, Suravenir and CMNE launched an institutional fund of €120 million in 2014 dedicated to managing real estate under reverse mortgages.
This fund, dubbed Certivia, proposes a response to the issue of population aging. It is managed by La Française REM. Three years later, with a portfolio of almost 250 properties, Certivia has achieved its aims and exceeded its mid-term objective. The social impact of this innovative action is significant, as demonstrated by the motivations expressed by mortgagees.
For 45 % of respondents, their reverse mortgage was sought to deal with a present or future financial difficulty, and/or to protect their spouse. Certivia proves the relevance of this innovative model, which is fully aligned with a responsible and community minded financial approach.

12 This data is produced by combining external data sources:
- French population census (INSEE) - 2014 data except for a few municipalities not counted by INSEE, for which Wikipedia data (older) was used (a very small portion of the data)
- OGRB (Infostat Marketing) data - Observations made in 2016 and published in 2017

New engagements, new issues: CFCMNE and ACMN Vie have committed €46 million to Transition Énergétique France, a professional private equity fund (FPCI[13]) dedicated to renewable energies. This fund managed by ACOFI (an affiliate of the La Française group), invests in businesses that produce photovoltaic energy, and to a lesser extent wind power, located in mainland France. The fund received TEEC green certification in 2016 and publishes a quantified environmental indicator (in tons of CO_2 saved).

As a responsible player with a long-term approach, La Française believes that sustainability is a foundation for performance and applies this principle to various areas of expertise. In the real estate sector it is a leading player in sustainable and responsible real estate.

It is a founding member of the OID (sustainable real estate observatory) and a signatory of the charter for energy efficiency in public and private sector service buildings.

La Française and Global Property Research (GPR)[14] have launched a new index for international sustainable listed real estate. Pension funds, institutional investors as a whole and the private banking customer base, aware of their responsibility in combating climate change, are more frequently seeking to integrate responsibility factors into their investment strategies. The real estate sector has a particularly high carbon footprint. This heightens the crucial importance of the new GPR IPCM LFFS Sustainable GRES Index, which defines a new standard in responsible investment in the listed real estate sector. The two La Française Group companies, Inflection Point Capital Management UK Ltd. (IPCM) and La Française Forum Securities (LFFS), will work with GPR on the design and maintenance of this new index, which will include up to 150 global sustainable companies selected for their real estate activities, their ESG performance and their market capitalization. GPR will be in charge of forming and managing the index.

For securities, through its strategic partnership with IPCM, (which took the form of La Française taking full control of IPCM in 2017), the principle of SAI[15] management is applied to various asset classes.

Beyond a simple SRI[16] analysis, this approach analyzes the adaptation of companies' strategies to major global trends and measures their adaptability and innovation capacity. In terms of financing the economy, it offers in particular investments that meet the financing needs of the energy transition.

La Française's Zero Carbon strategy is a unique solution for investing in a low carbon emissions economy that targets a carbon footprint of zero, while also surpassing a widely recognized global benchmark index (MSCI ACWI Index), with limited risk.

In a society that is still dominated by fossil fuels, La Française continues to invest in the entire economy, which also enables it to limit its risks during the transition phase. This strategy also benefits from the overall growth generated by climate opportunities, growth related to the positive alpha generation by low carbon issuers or issuers that have reduced their emissions, which La Française has highlighted via disruptive solutions and issuers that it seeks from outside the indexes. Its in-depth expertise in reducing carbon emissions and its teams' long experience give it the necessary credibility to actively talk with companies and encourage them to develop their carbon emissions reduction activities.

Almost two years ago, La Française also launched an original initiative for promoting sustainable employment: LFIP Actions France Emploi Durable. The project to create this fund is grounded in the belief that employment and financial performance are not opposed, but rather inseparable in the long term for companies, whatever their business sector. The underlying issues of rate of return, innovation and adaptation are even more urgent in a transitional time where the departure of the baby boom generation, the expansion of the service sector and the explosion of new technologies are forcing companies to rethink their operating models.

The fund invests in all business sectors, whether with a view to creating jobs (applications for new technologies, healthcare, personal services, etc.) or to addressing reduced needs in human capital. It selects the companies most able to create jobs, or at least to demonstrate their ability to maintain or adapt them, and to generate a quality of employment that supports sustainability and adaptability.

To guide this process of reflection, La Française has formed a consultation committee including academics, business executives, labor union representatives and consultants specialized in this field.

13 FPCI: *Fonds Professionnel de Capital Investissement*
14 GPR: Global Property Research, service provider to large financial institutions specialized in tailored property investment indexes
15 Stratégie Avancée d'Investissement, advanced investment strategy
16 Socially Responsible Investment

SOLIDARITY, CORPORATE GIVING AND REGIONAL DEVELOPMENT

Along with its traditional banking offer, CMNE contributes to business and job growth financed by intermediated professional microloans, via the France Active and Initiative France networks, as well as financing under the Nacre program. Overall data is provided by the major partners for the entire Crédit Mutuel Group and published in the Crédit Mutuel Group annual report.

A system that combines economic development, banking inclusion and professional and social integration, solidarity microloans were created by the French Borloo Act in 2005. That same year they were introduced in the Nord region by CMNE. For 13 years now, CMNE has contributed to their employment aspects and established a partnership with the Caisse des Dépôts et Consignations. This is where CMNE's solidarity bank was formed, which exclusively manages personal microloans supported by 157 ambassadors in the local savings banks, and 117 partnership agreements. Almost 700 applications are analyzed in the seven departments in a given year, and around 50 % are approved.

In September 2017, the French West Indies were devastated and traumatized by two hurricanes. Crédit Mutuel's national executive launched a solidarity initiative in response, in which CMNE participated to support the West Indies by creating the Solidarité Crédit Mutuel Antilles association, and a donation feature in its mobile app. Customer shareholders were able to make donations online. Simple, fast and very practical, this feature enabled more than 15,000 customer shareholders to show their solidarity by giving €2 to €15.
More than €200,000 was collected and mainly donated to Saint-Martin, in particular to support early childhood education and activity programs.

Another initiative was "A transaction for a school meal" campaign organized by Beobank and Mastercard as part of the United Nations World Food Program (WFP[17]). For one week, Beobank donated €0.20 to WFP for every card purchase made, for a total of 162,532 school meals provided to children in need. These meals are crucial to keeping children in developing countries in school. The initiative was extended by Mastercard, which donated a school meal to a child for every contactless transaction made using a Mastercard.
Another example is Beobank's day of giving, as demonstrated by the generosity of the branch and central directors who came together for a day of team giving in what has become an annual tradition. This year they worked on renovating the Jules Lejeune boarding school. This institution is home to 36 troubled youth between 12 and 18 years of age, and provides them with support and assistance for reintegration in their community.

The Crédit Mutuel Nord Europe Foundation[18] created in 2013 was born of CMNE's wish to organize the cultural and solidarity actions it has always conducted.
It intervenes across the entire region with actions that remain true to the values it embodies. Every year it supports around sixty meaningful projects. Its mission comprises three priority areas: culture and education; combating exclusions; and entrepreneurial spirit. The Foundation's flagship actions in 2017 were:

- Primary sponsorship of the "*Musiques ! Échos de l'antiquité*" exhibit at Louvre-Lens. The Foundation organized guided tours for employees and a special event for their children;
- Primary sponsorship of the "*Street générations, 40 ans d'art urbain*" exhibit, which allowed the Foundation to open up its cultural action to a new genre.

The CMNE Foundation participated in AgeingFit, the major Silver Economy healthcare innovation initiative, and granted awards to six winners in its 2017 "Innovate for Autonomy" call for projects. Involving connected objects, home automation, the revolution in personal services, and more, the selected projects produce genuine disruptions or structural changes for their beneficiaries, people with disabilities or experiencing loss of autonomy, at any stage of life. The CMNE Foundation wished to highlight and accelerate the development of the best innovations in the Made in Hauts-de-France community network, and allocated grants totaling €200,000. First prize went to the Le Phare organization with its connected bracelet that helps seniors continue to live at home, and to Clubster Santé & CHU Lille for their connected healthcare pathway for vulnerable people.

Understanding and treating nervous system diseases and injuries is a major global challenge for the 21st century. Today, medicine provides relief... Tomorrow, it must prevent, heal and repair.
This is the mission of the Brain and Spine Institute (ICM), which brings together patients, physicians and researchers at La Pitié-Salpêtrière Hospital in Paris. CMNE and La Française support medical research via a solidarity fund, the Pierval Santé healthcare SCPI: CMNE donates 0.50 % of the annual funds collected by Pierval Santé to ICM, and La Française donates 0.20 % of this same amount.
The €35,000 check presented to ICM is for donations from the CMNE network's fund inflows in 2016.
Pierval Santé's capital resources nearly tripled in just one year, to almost €150 million, with more than 3,600 members. This growth illustrates the relevance of Pierval Santé's strategy and investors' genuine desire to diversify their savings into the healthcare real estate sector.

17 WFP is the largest global agency in the fight against hunger, providing food aid in emergency situations and working with communities to improve nutrition and support resiliency. Every year WFP helps some 80 million people in 80 different countries
18 The CMNE foundation's annual report is available on its website at http://fondation.cmne.fr

Throughout France, the Crédit Mutuel Foundation's literacy efforts bring reading and writing to thousands of school children with the "Lire la Ville" program. Dozens of classrooms receive support from the foundation every year within CMNE's territory. Children in these schools, which have French "priority education" classification, have the opportunity to get out of the classroom and do a creative project involving reading, writing, theater, etc.
Among the projects supported this year was the Galoupiot contemporary youth theater award[19], an initiative in the Aisne département launched in 2015.

This reading prize involves reading and studying three contemporary youth plays in class, and then coming together in an outside cultural space to present excerpts to other classes, discuss the readings and vote for an author. It is an educational and cultural initiative that has shown amazing growth, with 150 students in six classrooms participating in 2015, and 1,200 students in 48 classrooms a year later. The scope of the action required in a rural area attracted the Crédit Mutuel Foundation, which decided to support this initiative.

DIALOGUE WITH STAKEHOLDERS

Crédit Mutuel listens to its customer shareholders and customers as well as to its many other stakeholders, including its regulators, the professional organizations it belongs to, and its control agencies, both internal and external, mandatory and voluntary.

Internal stakeholders
Customer shareholders/directors
Regional federations
Employees
Executives & management
Subsidiaries and joint companies

Business stakeholders
Customers
Suppliers
Subcontractors
Business partners
Competitors

Industry stakeholders
Market relations
Public authorities
Supervisors/regulators
Rating agencies

Social stakeholders
Cooperative institutions
Associations/NGOs
Media
Civil society/Parliament

Additional stakeholders may come into play beyond this list, based on the strategies and partnerships of each of the Group's entities. The group has begun inventorying these different stakeholders in order to better map them out.

19 In 2017, the winning play was Les vilains petits by Catherine Verlaguet from the publisher Théâtrales Jeunesse

Preparing, drafting and illustrating this report requires the contribution and commitment of many employees of the Crédit Mutuel Nord Europe Group every year. This is true teamwork, where everyone contributes within their business area and at their own level to improving the impact of our activities on the world around us.

METHODOLOGY NOTE

The Crédit Mutuel Group sees corporate social responsibility (CSR) as a means of strengthening its identity and highlighting its cooperative status. Aware of the challenges facing society, it took early action to produce CSR indicators to enable it to identify and report on the behavior and contribution to society of Group entities. Every cooperative entity or subsidiary defines its own strategic CSR orientations based on its history, location and partners.

The measurement and reporting methodology covers all Group banking and insurance entities. It is regularly updated and expanded by a CSR working group set up at national level, which brings together all the regional federations and the Group's main subsidiaries. This working group meets at least six times each year, enabling entities to exchange information about internal initiatives and good practices for implementing corporate social responsibility at company level. Discussions with stakeholders and other cooperative banks have also helped in defining a shared foundation of indicators.

The chosen methodology is the result of a collective effort and defines the rules for collecting, calculating and consolidating indicators, including the scope of application and the controls to be performed. It is for contributors from CMNE and its subsidiaries that participate in reporting, and may call on experts from various business areas. The methodology defines the audit trail for internal and external verifications, and constitutes a common framework for collecting information within CMNE on an annual basis. The data collected comprises more than 260 regularly reviewed items that enable the Group to put together the 42 indicators required under Article 225 of the French Grenelle II Act, as well as numerous additional indicators relating to the Group's cooperative activities and democratic governance.

Within CMNE, around 50 reporting persons are involved in CSR, particularly with respect to initiatives implemented in the various business lines, but also for reporting activity. It is hard to accurately quantify the resources dedicated to CSR, which is a cross-company responsibility and can involve many employees on a part-time or temporary basis. Mobilizing different levels of contribution within CMNE was simplified by deploying reporting tools, organizing specific meetings with the occasional participation of the independent auditors, and creating a dedicated "Sustainable Development" intranet portal for employees and directors. Representing our 994,015 customer shareholders who are the prime focus of CMNE's commitments, our 1,483 directors are also the main spokespeople for society and its needs. From this rich foundation, CMNE works to develop the vitality, diversity and active involvement of its member base.

The information published reflects CMNE's commitment to improving knowledge and transparency. Qualitative indicators describe or illustrate the actions and commitments of all CMNE entities and testify to its constant commitment to corporate social responsibility. The quantitative indicators indicate changes in data over time. Starting in 2012, several indicators have been audited and checked by the independent third party so as to certify their presence and their compliance with regulatory requirements. Thirty quantitative and around ten qualitative indicators are subject to publication review, a data audit (on-site or remote) based on analytical reviews, substantiation tests on a sampling basis, comparison with sector performance ratios, interviews and a report testifying to the existence of the information and expressing an opinion on its sincerity, issued by the auditors designated as an independent third party, in this case Mazars.

MAIN DATA COLLECTION RULES

Data collection for 2017 was announced in the autumn so as to mobilize all the business lines concerned and organize reporting and consistency checks. A launch meeting was held with a representative from Mazars, who presented the conclusions of the 2016 report, methods for reliable 2017 non financial reporting, and a summary of upcoming regulatory changes. Data collection is broken down into collection of quantitative and qualitative data.
As in the previous fiscal year, the data collected focused in particular on the provisions of Article 173 of the French Energy Transition for Green Growth Act with respect to the insurance and asset management subsidiaries, consideration of requirements to prevent food waste, and reporting on the circular economy.

The CSR indicators ultimately selected are based on the various existing reporting standards and guidelines, notably:
- Article 225 of the French Grenelle II Act;
- The provisions of the French Energy Transition for Green Growth Act;
- Completion of greenhouse gas assessments (French Decree 2011-829 of July 11, 2011);
- ILO recommendation 193 relating to cooperatives;
- OECD guidelines;
- The Global Reporting Initiative (version 4);
- Regular exchanges with stakeholders (shareholders' meetings, NGOs, non financial rating agencies, etc.);
- Collective guidelines for CSR practices drawn up by the European Association of Cooperative Banks (EACB) and other cooperative sectors.

Specific attention is given to the 2014 European directive on publication of non financial information, its transposition into French law and impacts on French business reporting requirements with respect to human rights, child labor and subcontracting, which the Crédit Mutuel Group's reporting is beginning to address.

The nature of CMNE's businesses means that it is not affected by requirements related to land use, the preservation of biodiversity or noise pollution.

The indicators are based on the commitments made by the group at national and/or federal level:

- The principles of the International Cooperative Alliance (ICA);
- The CoopFR cooperative identity charter adopted in 2010[1];
- The Global Compact (member since April 2003);
- The Principles for Responsible Investment (PRI);
- The transparency code of the French Financial Management Association – Social Investment Forum (AFG-FIR);
- The CDP (former Carbon Disclosure Project) since 2013;
- The Global Statement on Investor Obligations and Duties by UNEP FI, PRI and Generation Foundation in 2016;
- The Statement on ESG in Credit Ratings by PRI in 2016;
- The World Forum for a Responsible Economy's responsible company manifesto;
- CIES (Comité Intersyndical de l'Epargne Salariale) certification;
- Novethic Socially Responsible Investment (SRI) certification;
- Finansol solidarity products certification;
- The sustainable real estate observatory.

1 Coop Fr is the representative body for French cooperative movements. It sets forth the ICA's seven fundamental values: democracy, solidarity, responsibility, sustainability, transparency, proximity and service

METHODOLOGY NOTE

Governance indicators

Some of the indicators and comments relate to governance. Crédit Mutuel's cooperative model is based on member involvement and democracy. This cooperative model is also what roots Crédit Mutuel in its regions, with decentralized group governance that respects the autonomy of its members and subsidiarity between the various cooperative entities.

Social indicators

The data relating to microloans consists of the data provided by the Group’s main partners, i.e. Adie and France Active, and the data provided by Initiative France, which consists of the global figures for Crédit Mutuel (to which the national progression factor can be applied at regional level). Overall figures for the past fiscal year are published in the Crédit Mutuel Group's annual report.

Employment indicators

The workforce data relates to the salaried employees on the payroll at December 31, excluding trainees, temporary workers and external service providers. The total number of days of absence refers to leave that is not contractual, i.e. for illness and accidents. Absences that are not included are paid leave or days off under collective agreements (compensatory time, seniority, marriage, etc.). Lastly, the percentage of payroll spent on training does not include Fongecif subsidies or student training.

Environmental indicators

Figures for water and energy consumption in France and Belgium are based on invoices in the accounts, direct meter readings, supplier data, and on occasion estimates. Paper consumption for internal use is primarily based on data from the purchasing centers. Measurement of paper consumption for external use includes data transmitted by the Crédit Mutuel Group's IT and payment systems entities, and by external suppliers in particular for the publication of communication documents.
Given the nature of CMNE’s activities, its impact in terms of noise, ground pollution and other forms of pollution at its operating sites is not significant, nor does it have any significant impact on biodiversity. These aspects have been reintegrated into its overall CSR approach, although not included in this report. CMNE has not recognized any provisions in its accounts in respect of environmental risk.

The scope applied overall includes all CMNE Group businesses (banking, insurance, asset management), or 100 % of the workforce in the ten employer entities of the consolidated reporting scope: CFCMNE, Beobank, BCMNE, Bail Actéa, Nord Europe Lease, ACMN Vie, North Europe Life Belgium, Nord Europe Life Luxembourg, La Française AM, LFI LUX (formerly La Française AM Private Bank and AM International).

Area	Measurement indicator	Coverage ratio	Exclusions from scope
Governance	Number of customer shareholders	100 %	No exclusions: all core cooperative activities are covered
Employment Social Environmental	Number of employees (individuals)	100 %	Entire CMNE Group

The Confederation's Inspector General conducted a project to ensure the reliability of the national CSR reporting program in 2016, which resulted in investigations in the CMNE Group as well.
The conclusions of this project were presented to the CMNE Group management committee. Recommendations that resulted from this audit led to the creation in 2017 of working groups for the defined improvement measures.

REPORTING TABLES

2017 CSR REPORT: GOVERNANCE

Benchmarks CSR indicators	Indicators	CMNE 2017	CMNE 2016
SUBSIDIARIES – OUTSIDE OF CORE COOPERATIVE BUSINESS			
Board members			
GOUV01	Number of directors, executive board members and/or supervisory board members	46	55
Age pyramid			
GOUV09-03	Number of members < 40/49 years old	6	5
GOUV09-04	Number of members < 50/59 years old	17	26
GOUV09-05	Number of members > 60 years old	23	24
COOPERATIVES			
GOUV03	Number of local savings banks	152	154
CUSTOMER SHAREHOLDERS			
GOUV61	Number of customers of local savings banks[1]	994 015	1 003 578
GOUV62	*of which, adults and legal entities (customers who are not minors)*	*862 595*	*865 429*
GOUV63	Number of customer shareholders (year N)	588 259	590 564
GOUV64	Growth of customer shareholder base over the year	-0.4 %	-0.3 %
LOCAL SAVINGS BANKS SHAREHOLDERS' MEETINGS			
GOUV63bis	Number of customer shareholders summoned (year N-1)	590 564	592 404
GOUV68	Number of customer shareholders present or represented	22 500	23 815
GOUV70	% participation in shareholders' meetings	3.81 %	4.02 %
DIRECTORS			
GOUV04	Number of directors – **Local savings banks**	1 483	1 525
GOUV05	*of which, number of directors - **Federation***	*16*	*15*
Federal boards			
GOUV13	Attendance rate at board meetings	87 %	81 %
Representativeness: diversity and parity - local savings banks			
GOUV36	Number of directors by age range	See text	See text
GOUV46	Number of directors by socio-economic category	See text	See text
GOUV33	% of directors who are women	33.38 %	32.59 %
Representativeness: diversity and parity - Federation			
GOUV16	Number of new directors who are women	3	2
Renewal – local savings banks			
GOUV27	Renewal rate of directors	4.04 %	4.90 %
GOUV14	Number of new directors	60	75
GOUV15	*o/w women*	*21*	*39*
GOUV34	% of new directors who are women	35 %	52 %
GOUV35	% of new chairpersons who are women	33 %	36 %
Training – local savings banks			
GOUV56	Total hours of training	2 124	2 132
GOUV55	Number of directors having taken at least one training course during the year	666	nd
Training – Federation			
GOUV55F	Number of directors or corporate officers who took at least one training course	16	15
GOUV56F	Total hours of training	172	300
	% participation in training	79 %	74 %

[1] to which should be added the 622,000 customers of the Beobank banking network and customers of the Corporate division 14 197, or 1 630 212 customers.

Indicators	Indicators are highlighted if they have been verified by the independent auditor

2017 CSR REPORT: EMPLOYMENT INFORMATION

Benchmarks CSR indicators	Indicators	CMNE 2017	CMNE 2016
EMPLOYMENT[1]			
Workforce			
SOC01	Total FTE workforce	4 611	4 620
SOC01_bis	Total workforce in number of individuals, permanent and fixed term contracts	4 742	4 748
SOC02	*of which, France*	*3 555*	*3 621*
SOC05	*of which, non-managerial staff[1]*	*2 039*	*2 116*
SOC07	*of which, women*	*2 326*	*2 313*
SOC12	% of employees on permanent contracts	95.4 %	95.7 %
Recruiting and departures			
SOC13	Total number of new hires	945	908
SOC15	*of which, women*	*511*	*529*
SOC16	*of which, permanent contracts*	*291*	*255*
SOC19	Number of employees under permanent contracts who left the organization	344	267
SOC20	*of which, dismissals*	*60*	*29*
SOC22	Are their workforce reduction and employment protection plans?	no	no
ORGANIZATION, WORKING HOURS AND ABSENTEEISM			
Organization of working hours (permanent employees - number of individuals)[1]			
SOC29	Number of full-time employees	3 198	3 263
SOC30	Number of part-time employees	357	358
SOC31	% of full-time employees	90 %	90 %
Absenteeism and reasons[1]			
SOC38	Total number of days of absence (in working days)	49 260	50 924
SOC39	*of which, for illness*	*35 897*	*34 891*
SOC40	*of which, for workplace accidents*	*1 350*	*1 145*
SOC43	Number of declared work-related illnesses	1	0
Health and safety conditions[1]			
SOC44	Number of lost-time workplace accidents reported	14	22
Training and professional integration			
SOC46	Payroll invested in training	12 531 439 €	10 974 437 €
SOC47	% of payroll costs dedicated to training	4.76 %	4.33 %
SOC48	Number of employees who took at least one training course	4 163	4 492
SOC49	% of employees who received training	87.80 %	94.60 %
SOC50	Total number of hours spent on employee training[1]	109 614	88 350
EQUALITY OF OPPORTUNITY			
Workplace gender equality[1]			
SOC60	% of managerial staff who are women	34.80 %	33.50 %
SOC63	% of women promoted to management positions	33.30 %	42.20 %
Employment and integration of workers with disabilities[1]			
SOC68	Number of disabled workers	108	106
SOC71	% of employees who are disabled	3.00 %	2.90 %
LABOR RELATIONS			
Promotion of and compliance with the provisions of the International Labor Organization's fundamental conventions[1]			
SOC67	Number of convictions for the crime of obstructing the functioning of employee representative institutions	0	0
SOC78	Number of meetings with employee representative institutions (works councils, health, safety and working conditions committees, employee representatives, union representatives, etc.)	139	170
SOC79	Number of consultations of employee representatives (works councils, health, safety and working conditions committees, employee representatives)	220	171
Compensation and its progression			
SOC73	Gross payroll	263 357 093 €	253 518 640 €
SOC107	Total gross annual compensation for permanent contracts	257 106 373 €	247 876 054 €
SOC108	Total gross annual compensation for non-managerial employees on permanent contracts	82 308 658 €	86 006 007 €
SOC109	Total gross annual compensation for managerial employees on permanent contracts	174 797 715 €	161 870 048 €
Social security contributions			
SOC80	Total amount of social security contributions paid	122 423 098 €	119 612 600 €
Industrial relations and summary of collective bargaining agreements			
SOC83	What agreements were signed during the year? Specify the date of signature and purpose of the agreements.	See text	See text

[1] Données périmètre France

2017 CSR REPORT: SOCIAL INFORMATION

Benchmarks CSR indicators	Indicators	CMNE 2017	CMNE 2016
TERRITORIAL, ECONOMIC AND SOCIAL IMPACT			
Territorial impact			
SOT01A	Number of Crédit Mutuel points of sale (including temporary points of sale)	281	281
	Number of business centers	19	19
SOT01B	Other points of sale (Belgium bankinsurance network)	236	243
SOT07	% of points of sale in rural areas	25 %	25 %
SOT08	% of urban free trade zones covered by points of sale	24 %	24 %
Associations			
SOT40	Number of non-profit customers (associations, labor unions, works councils, etc.)	31 435	31 254
SOT40A	Number of non-profits in the Belgium bankinsurance network	873	403
Patronage and sponsorship			
SOT52	Total budget dedicated to patronage and sponsorship	6 945 637.99 €	5 632 689.90 €
MICROLOANS			
Personal microloans with accompaniment			
SOT10	Number of microloans granted during the year	371	417
SOT13	Amount of microloans financed during the year	729 162 €	795 391 €
SOT11	Average amount of microloans financed	1 965 €	1 907 €
Intermediated business microloans[1]			
SOCIALLY RESPONSIBLE AND SOLIDARITY SAVINGS			
SRI and ESG[2]			
SOT28 BASE	Assets under management by the management company (€ millions)	66 148	59 949
SOT28	SRI loan outstandings (€ millions)	2 358	1 618
SRI and voting policy			
SOT29	Rate of approval of resolutions	74 %	78 %
SOT29-R	Number of resolutions proposed	5 950	0
SOT29-RA	Number of resolutions approved	4 395	4 680
SOT30	Number of shareholders' meetings in which the management company took part	392	451
Solidarity savings			
SOT33	Assets in interest-paid-to-charity savings accounts (LEA), excluding capitalized interest	2 035 248 €	1 738 025 €
Employee solidarity savings			
SOT37	Assets under management (euros) in employee solidarity savings plans	11 857 492 €	11 172 841 €
FINANCING OF ENVIRONMENTAL PROJECTS			
Zero interest eco-loans			
SOT63	Number of zero interest eco-loans granted	129	130
SOT64	Average amount of zero interest loans granted	18 284 €	16 422 €
SOT65	Total amount of zero interest eco-loans	2 358 695 €	2 134 841 €
Loans for renewable energy and energy efficiency			
SOT69	Number of projects financed (businesses and farmers)	8	3
QUALITY OF SERVICE			
Mediation[3]			
SOT75	Number of eligible applications	63	52
SOT77	Number of decisions in favor of customers and applied systematically	9	10

REPORTING TABLES

Benchmarks CSR indicators	Indicators	CMNE 2017	CMNE 2016
ECONOMIC IMPACT INDICATORS AVAILABLE IN THE MANAGEMENT REPORT			
SOT83	Outstanding customer loans	14 717 253 000 €	14 762 093 000 €
SOT84	Housing loans	8 048 757 000 €	8 085 270 000 €
SOT85	Consumer credit	3 027 153 000 €	2 803 744 000 €
SOT86	Equipment loans (microenterprises)	2 085 709 000 €	2 148 710 000 €

[1] Overall data is provided by the major partners for the entire Crédit Mutuel Group and published in the Crédit Mutuel Group annual report.
[2] SRI outstandings = ESG outstandings.
[3] On January 1, 2016, consumer mediation took effect on transposition of the European directive on alternative dispute resolution for consumer disputes (Consumer ADR directive). This has led to extensive changes in the application of mediation at CM. The mediator has enhanced resources, a dedicated team and their own website, supporting in particular online submission of dispute resolution requests. However, mediation is now only accessed once internal forms of recourse have been exhausted.

2017 CSR REPORT: ENVIRONMENTAL INFORMATION

Benchmarks CSR indicators	Indicators	CMNE 2017	CMNE 2016
RESOURCE CONSUMPTION			
Water (cubic meters)			
ENV04	Water consumption	35 591	42 845
Energy (kWh)			
ENV06	Total electricity consumption[1]	20 693 751.77	21 926 528.09
ENV07	Total natural gas consumption	8 399 588.19	10 223 556.76
ENV08	Total heating oil consumption	457 448.17	522 341.53
ENV05_1	Consumption from urban steam distribution systems	530 000.00	654 000.00
ENV05	Total energy consumption	30 080 788.13	33 326 426.38
Raw materials: paper (metric tons)			
ENV10	Internal paper consumption	233.47	243.21
ENV11	External paper consumption	546.89	546.51
ENV09	Paper consumption (internal and external use)	780.36	789.72
MEASURES TO REDUCE ENVIRONMENTAL IMPACT AND GREENHOUSE GAS EMISSIONS			
Initiatives in favor of emissions reduction			
ENV32	Number of videoconferences[2]	9 064	2 620
ENV33	Total duration of videoconferences (in hundredths of hours)	15 265	NA
ENV37	Business commute program completed or planned	See text	-
ENV501	Number of greenhouse gas assessments conducted	See text	-
ENV551	Number of energy audits conducted	See text	-
Waste prevention and management			
ENV39	What measures have been taken to reduce the consumption of resources, paper, waste, etc.? Specify goals and results, where applicable.	See text	See text
Training/awareness initiatives			
ENV43	Actions taken to inform and train employees about environmental protection	See text	See text
ENV44	Human resources dedicated to CSR	3.00	1.94
Sanctions			
ENV48	Amount of indemnities paid during the financial year as a result of a legal decision in the environmental arena (€)	0	-

[1] Adjustment of the 2016 data
[2] We note a significant increase in these figures due to:
- growth of videoconferencing equipment,
- generalized deployment of the latest version of Skype,
- improved videoconferencing instructions,
- new features such as the virtual classroom.

COMPANY AGREEMENTS OR AMENDMENTS SIGNED IN 2017

BANK DIVISION

Ten agreements or amendments signed for CFCMNE:

- **2/7/17:** 2017 wage agreement
- **3/1/17:** Supplemental pension plan amendment of March 1, 2017
- **4/10/17:** Agreement on workplace gender equality at CMNE
- **5/4/17:** Employee savings plan amendment of May 4, 2017
- **5/11/17:** Agreement on the creation of a European works council in the CMNE Group
- **9/26/17:** Amendment to the C/C - section 6: Compensation Classification
- **9/26/17:** Agreement for transposition between the previous and new classification
- **10/19/17:** Amendment to the healthcare cost contract
- **11/15/17:** Amendment to the trial period duration
- **11/15/17:** Amendment to the notice period duration

Four agreements or amendments signed for Beobank:

- **10/19/17:** Company agreement on the renewal of the union delegation
- **10/19/17:** Company agreement under the industry collective bargaining agreement of September 26, 2017 (purchasing power)
- **10/27/17:** Collective bargaining agreement concerning at-risk groups for 2017-2018
- **10/31/17:** Signature of an employment plan for older workers

Three agreements signed for BCMNE:

- **11/22/17:** Amendment to the BCMNE Protection and Healthcare agreement
- **11/22/17:** Company agreement on the transposition between the previous and new classification
- **11/22/17:** Amendment to the CMNE agreement - section 6: Compensation Classification

Two agreements or amendments signed for Bail Actéa:

- **3/23/17:** Amendment to the supplemental pension plan concerning employer contribution
- **11/22/17:** Company agreement on the Healthcare Cost Program

Two agreements signed for NEL:

- **3/23/17:** Amendment to the company agreement on employee savings plans
- **11/22/17:** Company agreement on the Healthcare Cost Program

INSURANCE DIVISION

Four agreements or amendments signed for ACMN Vie:

- **5/30/17:** Gender equality agreement of May 30, 2017
- **6/22/17:** Profit-sharing criteria amendment of June 22, 2017
- **11/21/17:** Agreement on payment of compensation over 13 months of November 21, 2017
- **11/21/17:** Agreement on the integration of a goal-based bonus into base compensation of November 21, 2017

No agreement or amendment signed for NELL or NELB

ASSET MANAGEMENT DIVISION

Seven agreements or amendments for La Française AM:

- **2/15/17:** Memorandum of Understanding for mandatory annual bargaining sessions signed on February 15, 2017
- **4/28/17:** Amendment no.1 to the memorandum of understanding concerning the formation of UES for integration of LFGI into UES
- **5/2/17:** Amendment no. 5 Exceptional leave for family events agreement of May 2, 2017
- **5/2/17:** Amendment no.1 to the agreement on employee incentive bonuses for integration of LFGI into UES
- **5/2/17:** Amendment no.1 to the La Française Group agreement on employee incentive bonuses of June 30, 2016 for integration of LFGI into UES
- **5/2/17:** Amendment no.14 to the Group savings plan agreement of June 29, 2017 for integration of LFGI[1] into UES
- **5/2/17:** Collective bargaining agreement substitution agreement of May 2, 2017

No agreement or amendment signed for La Française AM Private Bank or AM International.

1 LGFI: La Française Global Investment

GROUPE CRÉDIT MUTUEL NORD EUROPE

Variable capital limited liability credit cooperative
Registered office: 4 place Richebé 59000 Lille, France
Trade & Companies Registry: Lille B 320 342 264

INDEPENDENT THIRD PARTY'S REPORT ON THE CONSOLIDATED EMPLOYMENT, ENVIRONMENTAL AND SOCIAL INFORMATION CONTAINED IN THE MANAGEMENT REPORT

YEAR ENDED DECEMBER 31, 2017

To the customer shareholders,
In our capacity as an independent third party, a member of the Mazars network, statutory auditor to the Crédit Mutuel Nord Europe Group, and accredited by COFRAC Inspection under number 3-1058 (definition available on the www.cofrac.fr website), we present to you our report on the employment, environmental and social information for the year ended December 31, 2017 presented in the management report (hereinafter the "CSR Information") pursuant to Article L. 225-102-1 of the French Commercial Code.

BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for preparing a management report including the CSR Information required under Article R. 225-105-1 of the French Commercial Code in accordance with the guidelines adhered to by the company (hereinafter the "Guidelines") of which a summary is presented in the management report and available on request from the Communication Department.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory requirements, the Code of Ethics of our profession (*Code de déontologie*) and Article L.822 -11-3 of the French Commercial Code. Moreover, we have developed a quality control system that includes documented policies and procedures to ensure compliance with ethical rules and legal and regulatory provisions.

INDEPENDENT THIRD PARTY'S RESPONSIBILITY

It is our role, on the basis of our work:

- To certify that the required CSR Information is presented in the management report or, if not presented, that an explanation is provided in accordance with Article R.225-105, paragraph 3, of the French Commercial Code (CSR Information Presentation Certification);
- To provide limited assurance on whether the CSR Information taken as a whole is presented fairly, in all material respects, in accordance with the Guidelines (reasoned opinion of limited assurance for CSR Information).

It is not our role to determine compliance with other possible legal provisions, in particular those of the French Sapin II Act no. 2016-1691 of December 9, 2016 (anti-corruption).

Our assignment was performed by a team of four people in February and March 2018 over a period of around three weeks.

We performed the tasks described below in accordance with the French ruling of May 13, 2013 defining the modalities by which the independent third party shall conduct its assignment, as well as the professional doctrine of the French national statutory auditors organization concerning these assignments and, with respect to the reasoned opinion of sincerity, with the ISAE 3000 international standard[1].

1 ISAE 3000 - Assurance engagements other than audits or reviews of historical information

I - CSR INFORMATION PRESENTATION CERTIFICATION

We examined, through interviews with the managers of the departments concerned, the policies with regard to sustainable development, according to the social and environmental impact of the company's activity and its social commitments, and, if appropriate, the actions or programs arising therefrom.

We compared the CSR Information included in the management report with the list in Article R.225-105-1 of the French Commercial Code.

If certain consolidated information was omitted, we verified that explanations were provided in accordance with the provisions of paragraph three of Article R.225-105-1 of the French Commercial Code.

We checked that the CSR Information covered the consolidated scope, namely the company and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the companies it controls within the meaning of Article L. 233-3 of said code.

On the basis of this work, we certify that the required CSR Information is included in the management report.

II - REASONED OPINION ON THE SINCERITY OF CSR INFORMATION

NATURE AND SCOPE OF OUR WORK

We conducted around 15 interviews with the persons responsible for preparing CSR Information in the departments in charge of data collection processes and, where appropriate, the persons responsible for internal control and risk management procedures, in order to:

- Assess the appropriateness of the Guidelines as regards their relevance, completeness, neutrality, clarity and reliability, taking into consideration, where applicable, best practices in the sector;
- Verify that the Group had set up a process for the collection, compilation, processing and control of the CSR Information to ensure its completeness and consistency, and we examined the internal control and risk management procedures relating to the preparation of the CSR Information.

We determined the nature and scope of our tests and control processes based on the type and importance of the CSR Information with respect to the company's characteristics, the social and environmental impacts of its business activities, its sustainable development strategy, and industry best practices.

Concerning the CSR Information that we deemed to be the most important[2]:

- At the level of the Communication, Legal, Human Resources, Markets, General Management, Real Estate and General Services Departments, and the La Française Group, we examined documentary sources and interviewed staff to verify the qualitative information (organization, policies, actions) and performed analytical processes on quantitative data and, based on sampling, verified the calculations and the consolidation of this information and checked its consistency with the information provided in the management report;
- At the level of a representative sample of entities that we selected[3] on the basis of their business activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures were properly applied, and carried out spot tests, on the basis of samples, to verify calculations performed and reconcile the data with supporting documents. The sample selected represents 56 % of the workforce, considered to be a characteristic figure for the employment facet, and between 55 % and 58 % of the environmental data considered to be characteristic figures for the environmental facet.

2 **Employment data:** workforce in number of individuals and its breakdown (men/women, permanent/fixed term, managers/non managers, France/abroad); Percentage of managers who are women; Number of permanent employees who left the organization, including terminations; Total number of days of absence in working days; Amount of payroll invested in training; Number of employees who took at least one training course; Total number of hours allocated to employee training; Total gross annual compensation (in €) for permanent employees: non managerial and managerial permanent contracts.
Environmental data: total energy consumption; Overall paper consumption (internal and external).
Social data: assets managed by the management company; SRI assets (€); Employee solidarity savings assets (€); Number of customer non-profits; Overall budget dedicated to corporate patronage and sponsorship (€).
Governance data: number of new directors - local savings banks; Number of new directors - women - local savings banks; Total number of training hours dispensed to local savings bank directors.

3 Caisse Fédérale du Crédit Mutuel Nord Europe

INDEPENDENT THIRD PARTY'S REPORT

For the other consolidated CSR Information, we assessed its consistency with our knowledge of the company.

Lastly, we assessed the appropriateness of the explanations given in the case of total or partial absence of some information.

We consider that the sampling methods used and the size of the samples chosen, using our professional judgment, enable us to issue a limited assurance; another form of assurance would have required more extensive verifications. Due to the use of sampling techniques and other inherent limitations in the functioning of any information or internal control system, the risk that a material misstatement in the CSR Information was not detected cannot be completely eliminated.

CONCLUSION

Based on our work, nothing has come to our attention that causes us to believe that the information, taken as a whole, is not fairly presented in accordance with the Guidelines.

Issued in Paris La Défense, April 11, 2018

Independent third party

MAZARS SAS

Michel BARBET-MASSIN	**Nicolas DE LUZE**	**Edwige REY**
Partner	*Partner*	*CSR and Sustainable Development Partner*

MAZARS SAS
61 rue Henri Regnault
92 075 Paris – La Défense Cedex

Simplified corporation
Capital of €37,000 - RCS NANTERRE 377 505 565

CROSS-REFERENCE TABLE CSR (ART. 225 - GRENELLE II)

Subject to the provisions of the third paragraph of Article R. 225-105, the Board of Directors or Executive Board of the company meeting the conditions set out in the first paragraph of Article R. 225-104 shall disclose, pursuant to the provisions of the fifth paragraph of Article L. 225-102-1, the following information in its report:

1° Employment data	Indicators
a) Employment	
Total workforce and breakdown by gender, age and geographic area	SOC01 to SOC12 - See text
Hires and dismissals	SOC13 to SOC22
Compensation and compensation trends	SOC73 - SOC107 to 109 See text
b) Organization of work	
Organization of working hours	SOC29 to SOC31
Absenteeism	SOC38 to SOC43
c) Labor relations	
Organization of relations with employees, in particular staff information and consultation procedures and procedures for negotiating with employee representatives	SOC67 - SOC78 - SOC79
Review of collective bargaining agreements	SOC83
d) Health and safety	
Health and safety conditions at work (stress, health, well-being)	SOC38 to SOC44
Review of agreements with unions and staff representatives regarding health and safety at work	See text
Workplace accidents, in particular their frequency and severity	SOC40 to SOC44
e) Training (skills development)	
Training policies implemented	SOC46 to SOC50
Total hours of training	SOC50
f) Equal treatment	
Measures to promote gender equality	SOC60 - SOC63
Measures to promote equal employment and integration of people with disabilities	SOC68 - SOC71
Anti-discrimination policy	See text
g) Promotion of and compliance with the provisions of the fundamental conventions of the International Labor Organization concerning	
Freedom of association and the right to collective bargaining	SOC67 - SOC78 - SOC79
Elimination of discrimination in respect of employment and occupation	SOC60 - SOC63
Elimination of forced or compulsory labor	See text
Effective abolition of child labor	See text
2° Environmental data	**Indicators**
a) General environmental policy	
Organization adopted by the company so as to take into account environmental issues and, where necessary, environmental assessments or certification procedures implemented by the company	See text
Employee training and information on environmental protection	ENV43 - ENV44
Resources devoted to the prevention of environmental risks and pollution	ENV32 ENV33 ENV37 See text
Amount of provisions and guarantees for environmental risks, provided such information is not of a nature that could cause serious prejudice to the company in an ongoing dispute	ENV48 - No provision
b) Pollution	
Measures for preventing, reducing or remedying discharges into the air, water or soil with a serious impact on the environment	Immaterial
Measures to take into account noise pollution and any other form of pollution specific to an activity	Immaterial

TABLE DE CONCORDANCE RSE (ART. 225 - GRENELLE II)

c) Circular economy	
Waste prevention and management	
Prevention, recycling, reuse and other waste recovery and elimination measures	ENV39 - See text
Actions to combat food waste	See text
Sustainable use of resources	
Water consumption and supply by reference to local constraints	ENV04
Consumption of raw materials and measures taken to improve their efficient use	ENV09 to ENV11 Immaterial
Consumption of energy, measures taken to improve energy efficiency and use of renewable energy	ENV05 to ENV08 ENV501 ENV551
Land usage	Immaterial
d) Climate change	
Significant areas of greenhouse gas emissions generated due to the company's activity, in particular through the use of the products and services it produces	See text
Adaptation to the consequences of climate change	See text
e) Measures taken to preserve or develop biodiversity	
Measures taken to preserve or develop biodiversity	Immaterial
3° Information on social commitments in favor of sustainable development	**Indicators**
a) Territorial, economic and social impact of the company's activity	
In terms of employment and regional development	Série SOC - SOT01A SOT1B SOT07 SOT08 - SOT10 to SOT13 - SOT83 to SOT86
On local or neighboring populations	SOT28 and following, SOT63 and following
b) Relations with persons or organizations affected by the company's activities	
Conditions of dialog with these persons or organizations	GOUV70 - SOT40
Partnership and patronage initiatives	SOT52
c) Subcontracting and suppliers	
Inclusion of social and environmental issues in procurement policy	See text
Extent to which subcontracting is used and the importance given to the social and environmental responsibility of suppliers and subcontractors	See text
d) Fair business practices	
Measures taken to prevent corruption	See text
Measures taken in favor of consumer health and safety	See text
e) Other measures taken to promote human rights	

Eco-calculator

This report has been printed on FSC® Cocoon Silk mixed paper (40 %)/Recycled (60 %) using plant-based inks, in 400 copies.

By using this paper rather than standard unrecycled coated paper, our environmental impact was reduced by:

311
kg of materials sent to landfill

36
kg of CO_2

359
km traveled
in an average European car

13 079
liters of water

727
kWh of energy

505
kg of wood

Sources: The carbon footprint evaluation was conducted by Labelia Conseil in accordance with Bilan Carbone® methodology. Calculations are the result of a comparison between the recycled paper utilized and virgin fiber paper according to the latest data available from European BREF (for virgin fiber paper). The results obtained are derived from technical data and are subject to modification.

FINANCIAL REPORT

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BALANCE SHEET

BALANCE SHEET: ASSETS AT 12/31/2017

In € thousands

	Note	12/31/2017	12/31/2016	Change	
Cash and amounts due from central banks - Assets	**1**	**832 387**	**971 641**	**(139 254)**	**(14.33) %**
Financial assets at fair value through profit or loss	**2, 4, 6**	**839 144**	**12 953 647**	**(12 114 503)**	**(93.52) %**
• Government securities and similar instruments - Trading		–	–	–	–
• Government securities and similar instruments - FVO		352 118	346 624	5 494	1.59 %
• Bonds and other fixed-income securities - Trading		–	–	–	–
• Bonds and other fixed-income securities - FVO		104 360	2 974 930	(2 870 570)	(96.49) %
• Equities and other variable-income securities - Trading		122 661	198 395	(75 734)	(38.17) %
• Equities and other variable-income securities - FVO		90 734	9 268 109	(9 177 375)	(99.02) %
• Loans and receivables due from credit institutions - FVO		–	425	(425)	(100.00) %
• Loans and receivables due from customers - FVO		–	–	–	–
• Derivative instruments and other financial assets - Trading		169 271	165 164	4 107	2.49 %
Hedging derivative instruments - Assets	**3, 4, 6**	**26 315**	**33 026**	**(6 711)**	**(20.32) %**
Available-for-sale financial assets	**5, 6, 10**	**3 859 673**	**6 856 172**	**(2 996 499)**	**(43.71) %**
• Government securities and similar instruments - AFS		502 834	1 579 451	(1 076 617)	(68.16) %
• Bonds and other fixed-income securities - AFS		2 319 979	4 384 168	(2 064 189)	(47.08) %
• Equities, participating interests and other variable-income securities - AFS		944 718	669 733	274 985	41.06 %
• Investments in non-consolidated companies and other LT investments - AFS		36 178	49 585	(13 407)	(27.04) %
• Investments in subsidiaries and associates - AFS		55 964	173 235	(117 271)	(67.69) %
Loans and receivables due from credit institutions	**1**	**3 066 696**	**3 219 890**	**(153 194)**	**(4.76) %**
• Loans due from credit institutions		3 066 696	3 219 890	(153 194)	(4.76) %
• Bonds and other fixed-income securities not listed on an active market - credit institutions		–	–	–	–
Loans and receivables due from customers	**8 & 10**	**16 126 376**	**16 170 871**	**(44 495)**	**(0.28) %**
• Loans due from customers		14 717 253	14 762 093	(44 840)	(0.30) %
• Bonds and other fixed-income securities not listed on an active market - CL		–	–	–	–
• Finance leases as lessor - finance leases		1 089 299	1 111 089	(21 790)	(1.96) %
• Finance leases as lessor - operating leases		319 824	297 689	22 135	7.44 %
Remeasurement adjustment on interest-rate risk hedged investments	**3**	**22 236**	**49 813**	**(27 577)**	**(55.36) %**
Held-to-maturity financial assets	**9 & 10**	**77 089**	**208 382**	**(131 293)**	**(63.01) %**
• Government securities and similar instruments - HTM		15 043	14 426	617	4.28 %
• Bonds and other fixed-income securities - HTM		62 046	193 956	(131 910)	(68.01) %
Current tax assets	**13**	**97 030**	**67 409**	**29 621**	**43.94 %**
Deferred tax assets	**13**	**44 885**	**66 936**	**(22 051)**	**(32.94) %**
Accruals and other assets	**14**	**537 519**	**578 838**	**(41 319)**	**(7.14) %**
• Other assets		398 506	445 811	(47 305)	(10.61) %
• Accruals – Assets		139 013	100 569	38 444	38.23 %
• Other insurance assets		–	32 458	(32 458)	(100.00) %
Non-current assets held for sale	**14**	**16 058 679**	**139**	**16 058 540**	**n.s.**
Deferred profit sharing	**19**	**-**	**-**	**-**	**-**
Investments in associates	**15**	**145 545**	**160 980**	**(15 435)**	**(9.59) %**
Investment property	**16**	**47 697**	**48 513**	**(816)**	**(1.68) %**
Property, equipment and finance leases as lessee	**17**	**182 964**	**199 313**	**(16 349)**	**(8.20) %**
• Property, equipment		182 964	199 313	(16 349)	(8.20) %
• Finance leases – lessee		–	–	–	–
Intangible assets	**17**	**28 042**	**33 964**	**(5 922)**	**(17.44) %**
Goodwill	**18**	**197 275**	**203 271**	**(5 996)**	**(2.95) %**
TOTAL ASSETS		**42 189 552**	**41 822 805**	**366 747**	**0.88 %**

BALANCE SHEET: LIABILITIES AT 12/31/2017

In € thousands

	Note	12/31/2017	12/31/2016	Change	
Central banks - Liabilities	1	-	-	-	-
Financial liabilities at fair value through profit or loss	2, 4, 6	240 972	234 825	6 147	2.62 %
• Due to credit institutions - FVO		–	–	–	–
• Due to customers - FVO		–	–	–	–
• Debt securities - FVO		110 724	116 345	(5 621)	(4.83) %
• Subordinated debt - FVO		–	–	–	–
• Derivative instruments and other financial liabilities - Trading		130 248	118 480	11 768	9.93 %
Hedging derivative instruments - Liabilities	3, 4, 6	83 840	126 488	(42 648)	(33.72) %
Due to credit institutions	1	1 754 486	1 523 622	230 864	15.15 %
Due to customers	8	16 717 813	16 377 857	339 956	2.08 %
• Customer credit accounts - ESRB - Demand		9 538 650	9 579 589	(40 939)	(0.43) %
• Customer credit accounts - ESRB - Term		2 267 580	2 093 112	174 468	8.34 %
• Customer credit accounts - Other - Demand		4 605 221	4 300 327	304 894	7.09 %
• Customer credit accounts - Other - Term		306 362	404 829	(98 467)	(24.32) %
Debt securities	12	3 102 947	3 611 130	(508 183)	(14.07) %
• Debt securities - Certificates		40 007	58 412	(18 405)	(31.51) %
• Debt securities - Interbank instruments & money market securities		1 745 217	2 013 551	(268 334)	(13.33) %
• Debt securities - Bonds		1 265 519	1 469 873	(204 354)	(13.90) %
• Debt securities - Other		52 204	69 294	(17 090)	(24.66) %
Remeasurement adjustment on interest-rate risk hedged portfolios	3	2 320	2 542	(222)	(8.73) %
Current tax liabilities	13	63 869	52 780	11 089	21.01 %
Deferred tax liabilities	13	18 320	61 055	(42 735)	(69.99) %
Accruals and other liabilities	14	976 935	3 042 056	(2 065 121)	(67.89) %
• Other liabilities		752 045	2 809 314	(2 057 269)	(73.23) %
• Accruals - Liabilities		224 890	232 742	(7 852)	(3.37) %
• Other insurance liabilities		–	–	–	–
Liabilities associated with assets held for sale	14	15 099 491	-	15 099 491	n.s.
Technical reserves concerning insurance contracts	19	-	12 732 293	(12 732 293)	(100.00) %
Provisions	20	147 241	166 788	(19 547)	(11.72) %
Subordinated debt	21	812 845	967 903	(155 058)	(16.02) %
Shareholders' equity		3 168 473	2 923 466	245 007	8.38 %
Shareholders' equity attributable to owners of the company	22	2 997 814	2 845 593	152 221	5.35 %
• Subscribed capital		1 275 080	1 276 771	(1 691)	(0.13) %
• Issue premiums		2 750	2 750	–	–
• Consolidated reserves - Group		1 383 578	1 209 260	174 318	14.42 %
• Net income - Group		253 288	204 543	48 745	23.83 %
• Unrealized gains or losses - Group		83 118	152 269	(69 151)	(45.41) %
Shareholders' equity attributable to non-controlling interests		170 659	77 873	92 786	119.15 %
• Consolidated reserves - Non-controlling interests		144 979	60 405	84 574	140.01 %
• Consolidated net income - Non-controlling interests		23 335	14 682	8 653	58.94 %
• Unrealized gains or losses - Non-controlling interests		2 345	2 786	(441)	(15.83) %
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**42 189 552**	**41 822 805**	**366 747**	**0.88 %**

INCOME STATEMENT

INCOME STATEMENT AT 12/31/2017

In € thousands

	Note	12/31/2017	12/31/2016	Change	
Interest and similar income	24	1 029 957	1 086 640	(56 683)	(5.22) %
• Int. and similar income - Op. with credit institutions		24 567	31 739	(7 172)	(22.60) %
• Int. and similar income - Op. with customers		536 179	586 717	(50 538)	(8.61) %
• Int. and similar income - AFS financial assets		28 183	40 389	(12 206)	(30.22) %
• Int. and similar income - HTM financial assets		2 250	5 865	(3 615)	(61.64) %
• Income on leasing and similar transactions		321 105	315 055	6 050	1.92 %
• Income on LS transactions		102 131	101 816	315	0.31 %
• Hedging derivative instruments - Income		15 542	5 059	10 483	207.21 %
Interest and similar expenses	24	(609 464)	(632 519)	23 055	(3.64) %
• Int. and similar expenses - Op. with credit institutions		(6 296)	(13 732)	7 436	(54.15) %
• Int. and similar expenses - Op. with customers		(109 212)	(124 990)	15 778	(12.62) %
• Int. and similar expenses - Debt securities		(61 046)	(64 605)	3 559	(5.51) %
• Int. and similar expenses - Subordinated debt		(2 014)	(8 916)	6 902	(77.41) %
• Expenses on leasing and similar transactions		(292 062)	(284 226)	(7 836)	2.76 %
• Expenses on LS transactions		(96 658)	(96 319)	(339)	0.35 %
• Hedging derivative instruments - Expenses		(42 176)	(39 731)	(2 445)	6.15 %
Fee and commission income	25	196 574	190 668	5 906	3.10 %
Fee and commission expense	25	(51 650)	(52 102)	452	(0.87) %
Net gain (loss) on investments at fair value through profit or loss	26	25 211	47 702	(22 491)	(47.15) %
• Net gain (loss) on trading securities		495	(704)	1 199	(170.31) %
• Net gain (loss) on foreign exchange transactions		933	1 291	(358)	(27.73) %
• Net gain (loss) on derivative instruments held for trading		24 220	40 546	(16 326)	(40.27) %
• Net gain (loss) - Ineffective portion of hedging derivatives		115	1 995	(1 880)	(94.24) %
• Net gain (loss) on financial assets FVO		6 420	(563)	6 983	n.s.
• Net gain (loss) on financial liabilities FVO		3 398	(2 283)	5 681	(248.84) %
• Int. and similar income - Financial assets FVO		4 858	11 620	(6 762)	(58.19) %
• Int. and similar expenses - Financial liabilities FVO		(15 228)	(4 200)	(11 028)	262.57 %
Net gain (loss) on available-for-sale financial assets	27	143 416	43 340	100 076	230.91 %
• Income from variable-income securities		15 510	25 947	(10 437)	(40.22) %
• Bonds and other fixed-income securities (of which EP)		2 168	15 206	(13 038)	(85.74) %
• Equities, participating interests and other variable-income securities		22 887	2 852	20 035	702.49 %
• Investments, other LT investments, PEL		102 851	(558)	103 409	n.s.
• Other gains and losses / financial assets		–	(107)	107	(100.00) %
Income from other activities	28	394 623	1 705 029	(1 310 406)	(76.86) %
Expenses on other activities	28	(58 828)	(1 259 649)	1 200 821	(95.33) %
NET BANKING INCOME (IFRS)		**1 069 839**	**1 129 109**	**(59 270)**	**(5.25) %**
General expenses (IFRS)	29	(794 008)	(825 432)	31 424	(3.81) %
• Payroll costs		(436 216)	(450 075)	13 859	(3.08) %
• General operating expenses		(320 518)	(335 817)	15 299	(4.56) %
• Depreciation, amortization and impairment of non-current operating assets		(37 274)	(39 540)	2 266	(5.73) %
GROSS OPERATING INCOME (IFRS)		**275 831**	**303 677**	**(27 846)**	**(9.17) %**
Net additions to/reversals from provisions for loan losses	30	(9 150)	(20 992)	11 842	(56.41) %
OPERATING INCOME (IFRS)		**266 681**	**282 685**	**(16 004)**	**(5.66) %**
Share of profit or loss of associates	15	11 707	10 385	1 322	12.73 %
Net gains (losses) on other assets	31	1 705	33 503	(31 798)	(94.91) %
• Net value after adjustment of property and equipment and intangible assets		1 843	236	1 607	680.93 %
• Net income on consolidated entities (disposal, etc.)		(138)	33 267	(33 405)	(100.41) %
Change in value of goodwill	32	81	-	81	n.s.
NET INCOME BEFORE TAX (IFRS)		**280 174**	**326 573**	**(46 399)**	**(14.21) %**
Corporate income tax	33	(83 624)	(107 348)	23 724	(22.10) %
Gains/losses after corp. tax on disc. operations	14	80 073	-	80 073	n.s.
TOTAL NET INCOME (IFRS)		**276 623**	**219 225**	**57 398**	**26.18 %**
Consolidated net income - Non-controlling interests		23 335	14 682	8 653	58.94 %
NET INCOME		**253 288**	**204 543**	**48 745**	**23.83 %**

NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUITY AT 12/31/2017

In € thousands

	Note	12/31/2017	12/31/2016	Change	
NET INCOME		**276 623**	**219 225**	**57 398**	**26.18 %**
Translation adjustments		(1 024)	(3 094)	2 070	(66.90) %
Remeasurement of available-for-sale financial assets		(77 222)	(7 527)	(69 695)	925.93 %
Remeasurement of hedging derivative instruments		2 956	2 775	181	6.52 %
Share of unrealized or deferred gains and losses of equity-accounted entities		(187)	2 977	(3 164)	(106.28) %
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	**34, 35**	**(75 477)**	**(4 869)**	**(70 608)**	**N.S.**
Remeasurement of non-current assets		-	-	-	-
Actuarial gains and losses on defined benefit plans		5 892	(11 761)	17 653	(150.10) %
Share of unrealized or deferred gains and losses of equity-accounted entities		(7)	(8)	1	(12.50) %
TOTAL NON-RECYCLABLE GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	**34, 35**	**5 885**	**(11 769)**	**17 654**	**(150.00) %**
NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUITY		**207 031**	**202 587**	**4 444**	**2.19 %**
attributable to owners of the company		*184 137*	*186 316*	*(2 179)*	*(1.17) %*
attributable to non-controlling interests		*22 894*	*16 271*	*6 623*	*40.70 %*

NET CASH FLOWS AT 12/31/2017

In € millions

	IFRS 12/31/2016	IFRS 12/31/2017
Net income (loss)	219	277
Corporate income tax	107	84
Income before corporate income tax	326	361
+/- Net depreciation/amortization expense on property, equipment and intangible assets	39	39
- Impairment of goodwill and other non-current assets	-2	0
+/- Net additions to/reversals from provisions and impairment losses	10	310
+/- Share of net income/loss of associates	-10	-12
+/- Net loss/gain from investing activities	2	-105
+/- Income/expense from financing activities	0	0
+/- Other movements	-165	-194
= Total non-monetary items included in income before tax and other adjustments	-126	38
+/- Cash flows relating to interbank transactions (a)	-58	241
+/- Cash flows relating to customer transactions (b)	139	442
+/- Cash flows relating to other transactions affecting financial assets and liabilities (c)	-638	-1 130
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	627	-233
- Corporate income tax paid	-134	-68
= Net decrease/increase in assets and liabilities from operating activities	-64	-748
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**136**	**-349**
+/- Cash flows relating to financial assets and investments in non-consolidated companies (d)	243	299
+/- Cash flows relating to investment property (e)	-8	0
+/- Cash flows relating to property, equipment and intangible assets (f)	107	-12
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**342**	**287**
+/- Cash flows relating to transactions with shareholders (g)	-10	-21
+/- Other cash flows relating to financing activities (h)	404	-209
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**394**	**-230**
IMPACT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (D)	0	0
Net increase (decrease) in cash and cash equivalents (A + B + C + D)	872	-293
Net cash flows from (used in) operating activities (A)	136	-349
Net cash flows from (used in) investing activities (B)	342	286
Net cash flows from (used in) financing activities (C)	394	-230
Impact of movements in exchange rates on cash and cash equivalents (D)	0	0
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**424**	**1 296**
Cash and balances with central banks (assets and liabilities)	287	971
Demand loans and deposits with credit institutions (assets and liabilities)	137	325
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1 296**	**1 003**
Cash and balances with central banks (assets and liabilities)	971	832
Demand loans and deposits with credit institutions (assets and liabilities)	325	171
CHANGE IN CASH AND CASH EQUIVALENTS	**872**	**-293**

In € millions

	IFRS 12/31/2016	IFRS 12/31/2017
(a) Cash flows relating to transactions with credit institutions break down as follows:		
+/- Cash inflow and outflows on receivables due from credit institutions (excluding items included under Cash)	737	34
+/- Cash inflows and outflows on amounts due to credit institutions, excluding accrued interest	-795	207
(b) Cash flows relating to transactions with customers break down as follows:		
+/- Cash inflows and outflows on receivables due from customers, excluding accrued interest	-285	7
+/- Cash inflows and outflows on amounts due to customers, excluding accrued interest	424	435
(c) Cash flows relating to other transactions affecting financial assets and liabilities break down as follows:		
+/- Cash inflows and outflows on financial assets recognized at fair value through profit or loss	-647	-183
+/- Cash inflows and outflows on financial liabilities recognized at fair value through profit or loss	-7	-4
- Cash outflows on acquisitions of available-for-sale fixed-income financial assets	0	-637
+ Cash inflows on sales of available-for-sale fixed-income financial assets	277	0
+/- Cash inflows and outflows on hedging derivative instruments	0	0
+/- Cash inflows and outflows on debt securities	-261	-306
(d) Cash flows relating to financial assets and investments break down as follows:		
- Cash outflows on acquisitions of subsidiaries, net of cash acquired	0	0
+ Cash inflows on sales of subsidiaries, net of cash disposed of	0	0
- Cash outflows on acquisitions of shares in equity accounted companies	-10	-1
+ Cash inflows on sales of shares in equity accounted companies	15	1
+ Cash inflows from dividends received	0	0
- Cash outflows on acquisitions of held-to-maturity financial assets	-1 530	-1 200
+ Cash inflows on sales of held-to-maturity financial assets	1 701	1 335
- Cash outflows on acquisitions of available-for-sale variable-income financial assets	-2	-2
+ Cash inflows on sales of available-for-sale variable-income financial assets	69	166
+/- Other cash flows relating to investment transactions	0	0
+ Cash inflows from interest received, excluding accrued interest not yet due	0	0
(e) Cash flows relating to investment property break down as follows:		
- Cash outflows on acquisitions of investment property	-9	-3
+ Cash inflows on sales of investment property	1	3
(f) Cash flows relating to property, equipment and intangible assets break down as follows:		
- Cash outflows on acquisitions of property, equipment and intangible assets	-22	-19
+ Cash inflows on sales of property, equipment and intangible assets	129	7
(g) Cash flows relating to transactions with shareholders break down as follows:		
+ Cash inflows on the issuance of capital instruments	11	-2
+ Cash inflows on the sale of capital instruments	0	0
- Cash outflows relating to dividends paid	-21	-19
- Cash outflows relating to other payments	0	0
(h) Other net cash flows relating to financing activities break down as follows:		
+ Cash inflows from debt issuance and debt securities	528	291
- Cash outflows relating to debt repayments and debt securities	-424	-500
+ Cash inflows from the issuance of subordinated debt	300	0
- Cash outflows relating to subordinated debt repayments	0	0

Note: Variations in technical provisions relating to life insurance contracts are neutralized in the restatement of net provisions and are included under cash inflows/outflows on acquisitions of financial assets.

CHANGES IN SHAREHOLDERS' EQUITY

In € thousands

	- Subscribed capital and associated reserves		Consolidated reserves	Unrealized or deferred gains and losses (net of CIT)							
						Changes in value of financial instruments					
	Capital	Capital reserves (1)	Consolidated reserves	Relating to translation adjustments	Relating to remeasurement	Change in fair value of available-for-sale financial assets	Change in fair value of hedging derivative instruments	Net income attributable to owners of the company	Shareholders' equity attributable to owners of the company	Shareholders' equity attributable to non-controlling interests	Total consolidated shareholders' equity
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2015	**1 266 263**	**2 750**	**1 013 975**	**1 859**	**-6 096**	**195 221**	**-20 488**	**211 591**	**2 665 075**	**53 428**	**2 718 503**
Change in capital	10 508		-162						10 346		10 346
Elimination of treasury shares									-		-
Issuance of preference shares									-		-
Equity component of hybrid instruments									-		-
Equity component of share-based payment plans									-		-
Appropriation of 2015 earnings			191 049					-191 049	-		-
Distribution in 2016 in respect of fiscal year 2015								-20 542	-20 542		-20 542
SUB-TOTAL: MOVEMENTS ARISING FROM SHAREHOLDER RELATIONS	**10 508**	**-**	**190 887**	**-**	**-**	**-**	**-**	**-211 591**	**-10 196**	**-**	**-10 196**
Changes in gains and losses recognized directly in equity (2) (3)				-3 105	-11 760	-9 537	2 775		-21 627	1 589	-20 038
Net income at December 31, 2016								204 543	204 543	14 682	219 225
SUB-TOTAL	**-**	**-**	**-**	**-3 105**	**-11 760**	**-9 537**	**2 775**	**204 543**	**182 916**	**16 271**	**199 187**
Impact of acquisitions and disposals on non-controlling interests			-4 247			419			-3 828	-4 725	-8 553
Change in accounting methods									-		-
Share of changes in equity of equity accounted associates and joint ventures			10 455		-8	2 989			13 436		13 436
Changes in currency translation rates			-						-	-	-
Other movements			-1 810		-		-		-1 810	12 899	11 089
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2016	**1 276 771**	**2 750**	**1 209 260**	**-1 246**	**-17 864**	**189 092**	**-17 713**	**204 543**	**2 845 593**	**77 873**	**2 923 466**
Change in capital	-1 691		-262						-1 953		-1 953
Elimination of treasury shares									-		-
Issuance of preference shares									-		-
Equity component of hybrid instruments									-		-
Equity component of share-based payment plans									-		-
Appropriation of 2016 earnings			184 858					-184 858	-		-
Distribution in 2017 in respect of fiscal year 2016								-19 685	-19 685		-19 685
SUB-TOTAL: MOVEMENTS ARISING FROM SHAREHOLDER RELATIONS	**-1 691**	**-**	**184 596**	**-**	**-**	**-**	**-**	**-204 543**	**-21 638**	**-**	**-21 638**
Changes in gains and losses recognized directly in equity (2) (3)				-981	5 892	-76 809	2 956		-68 942	-441	-69 383
Net income at Sunday, December 31, 2017								253 288	253 288	23 335	276 623
SUB-TOTAL	**-**	**-**	**-**	**-981**	**5 892**	**-76 809**	**2 956**	**253 288**	**184 346**	**22 894**	**207 240**
Impact of acquisitions and disposals on non-controlling interests			-6 932			-15			-6 947	69 892	62 945
Change in accounting methods			-						-		-
Share of changes in equity of equity accounted associates and joint ventures			-1 734		-8	-186			-1 928		-1 928
Changes in currency translation rates			-						-	-	-
Other movements			-1 612		-	-	-		-1 612	-	-1 612
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2017	**1 275 080**	**2 750**	**1 383 578**	**-2 227**	**-11 980**	**112 082**	**-14 757**	**253 288**	**2 997 814**	**170 659**	**3 168 473**

The other changes in consolidated reserves correspond to the difference between the theoretical calculation of dividends and the actual amounts received (difference due to changes in scope and IFRS treatment of put options held by non-controlling interests).

(1) Includes in particular issue premiums and legal reserve relating to the parent company, the equity component of hybrid instruments relating to the parent company and share-based payment plans relating to the parent company.

(2) Includes in particular changes in fair value of derivative financial instruments used to hedge cash flows and net foreign currency investments, changes in fair value of available-for-sale assets, and changes in value of actuarial gains/losses relating to the provision for retirement commitments.

(3) Transfer to the income statement of changes in fair value of hedging derivative instruments, available-for-sale financial assets during sale or impairment, and the remeasurement of non-current assets when sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared in accordance with IFRS, as adopted by the European Union)

This note is divided into six sections:

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GENERAL INFORMATION

Crédit Mutuel is a cooperative bank governed by the French Act of 10 September 1947. It belongs exclusively to its members, who are allotted A shares under the "one person, one vote" principle, notably in the context of appointing directors.

The three levels of this decentralized organization (local, regional and national) operate according to the principle of subsidiarity: the local bank works as closely as possible with its members providing all of the main services required of a bank branch, while the other levels oversee the tasks that the local bank cannot perform on its own.

The Group's consolidated capital structure is determined by the individual entities that comprise a community of members linked financially and through values of solidarity and shared governance.

The consolidating entity of the Crédit Mutuel Nord Europe Group comprises all of the local banks, the Caisse Fédérale du Crédit Mutuel Nord Europe and the Fédération du Crédit Mutuel Nord Europe.

The Fédération du Crédit Mutuel Nord Europe is affiliated with the Confédération Nationale du Crédit Mutuel. The local banks of Crédit Mutuel Nord Europe are entirely owned by their members. The Fondation du Crédit Mutuel Nord Europe is also integrated into the consolidating entity

CMNE's activity, which extends across northern France, Belgium and Luxembourg, involves the creation, management and distribution of banking products, life and property and casualty insurance, and marketable and real estate securities.

The financial statements are presented using the format proposed in Recommendation 2013-04 of the French accounting standards authority relative to IFRS financial statements. They are consistent with IFRS (International Financial Reporting Standards) as adopted by the European Union.

In accordance with IFRS 7-B6, information on risk management is provided in the Group's management report.

USE OF ESTIMATES

The preparation of the Group's financial statements requires the use by the management of the business lines and functions of assumptions and estimates that have a material impact on income and expenses and on the valuation of assets and liabilities in the statement of financial position and notes to the financial statements This requires that management uses its judgment and available information at the time of preparation of the financial statements in order to arrive at the necessary estimates. The actual results of the operations for which management has used estimates may prove to be significantly different from those estimates, notably due to different market conditions, and may have a material impact on the financial statements.

This includes in particular:

- Impairment charges recognized to cover the credit risks inherent in banking intermediation activities;
- The calculation of the market value of unlisted financial instruments classified under assets or liabilities as "available for sale" or "financial instruments designated at market value through profit or loss", and more generally the calculation of the market value of financial instruments for which this information must be provided in the notes to the financial statements;
- Impairment charges in respect of variable-income financial assets classified as "available for sale";
- Impairment tests performed on intangible fixed assets;
- The relevance of the qualification of certain hedges using derivative financial instruments and the measurement of the efficiency of hedging strategies;
- Estimates of the residual value of assets that are the subject of finance leases or operating leases and more generally depreciated assets after deduction of their estimated residual value;
- The calculation of provisions to cover the risk of losses and expenses.

SIGNIFICANT EVENTS IN FISCAL YEAR 2017

- During the fourth quarter, CMNE and CM11 began discussions on a project to merge their insurance entities. Given that it is highly likely this operation will go ahead, IFRS 5 was applied and the companies' were presented as activities held for sale;
- Caisse Fédérale du CMNE tendered its shares in CIC to the simplified takeover offer initiated by the majority shareholder during the third quarter.

CONSOLIDATION METHODS AND PRINCIPLES, SCOPE

PRINCIPLES OF INCLUSION IN THE CONSOLIDATION SCOPE

The general principles for the inclusion of an entity in the consolidation scope are defined in IFRS 10, IFRS 11 and IAS28R.

The consolidation scope comprises:

- Exclusively controlled entities: exclusive control is considered to be exercised when the Group holds power over the entity, is exposed or is entitled to variable returns because of its links with the entity, and can exercise its power over the entity to influence its returns.
- Entities under joint control: joint control is exercised by virtue of a contractual agreement providing for joint control of an entity, which exists only if the decisions concerning the entity's key activities require unanimous agreement of the parties sharing the control. Two or more parties exercising joint control constitute a partnership, which is either a joint operation or a joint venture:
  - A joint operation is a partnership where the parties that exercise joint control have rights to the assets and obligations for the liabilities of the entity: the assets, liabilities, revenues and expenses are recognized in proportion to the interest held in the entity;
  - A joint venture is a partnership where the parties that exercise joint control have rights to the entity's net assets: joint ventures are recognized using the equity method.
- Entities over which the Group exercises significant influence: these are the entities that are not controlled by the consolidating entity, but in which the Group has the power to participate in determining their financial and operating policies.

CONSOLIDATION METHODS

The consolidation method varies depending on whether the consolidating entity exercises exclusive control, joint control or significant influence over the entity.

The consolidation method may be, depending on the type of control:

- Full consolidation: this method involves substituting for the value of the shares each of the assets and liabilities of each subsidiary and recognizing the interests of non-controlling shareholders in shareholders' equity and in the income statement. This method is applicable to all entities under exclusive control, including those that do not share the same accounting structures, whether or not the business of the consolidated party is an extension of the business of the consolidating party. Non-controlling interests correspond to interests that do not provide control as defined in IFRS 10, and include instruments representing current ownership interests that entitle the owner to a prorata share of the net assets of the entity in the event of liquidation, and other equity instruments issued by the subsidiary and not held by the Group. UCITS and REIT, notably those representing unit-linked contracts of insurance entities, are recognized at fair value through profit or loss. The amounts corresponding to non-controlling interests are stated under “other liabilities”;
- Equity method of consolidation: this involves substituting for the value of the shares the Group's interest in the equity and in the earnings of the relevant entities. It applies to all entities under joint control, qualified as joint ventures or for all entities over which the Group exercises significant influence.

CONSOLIDATION SCOPE

Details of the consolidation scope of the CMNE Group as at December 31, 2017 are provided in the following tables, which show the contribution by each entity to the Group's results.

Consolidation scope	Country	Closing date	Percent		Contribution to results (thousands of Euros)	Consolidation method[1]	Closing date	Percent		Contribution to results (thousands of Euros)	Consolidation method[1]
			Control	Interest				Control	Interest		
1. Financial companies											
1.1 Credit institutions											
• Caisses de Crédit Mutuel + Caisse Fédérale du CMNE + Fédération du CMNE	France	12/16	100	100	54 340	Parent	12/17	100	100	118 709	Parent
• BCMNE (consolidated basis) - 4 Place Richebé - 59000 Lille	France	12/16	100	100	13 779	FC	12/17	100	100	16 585	FC
• CMNE Belgium (consolidated basis) - Boulevard de Waterloo, 16 - 1000 Brussels	Belgium	12/16	100	100	32 960	FC	12/17	100	100	3 275	FC
1.2 Financial institutions other than those in 1.1											
• FCP Richebé Gestion - 128 Boulevard Raspail - 75006 Paris	France	12/16	100	100	-2 300	FC	12/17	100	100	2 060	FC
• CMNE Home Loans FCT - 4 Place Richebé - 59000 Lille	France	12/16	100	100	0	FC	12/17	100	100	0	FC
1.3 Other financial companies											
2. Non-financial companies											
2.1 Insurance companies											
• Nord Europe Assurances (consolidated basis) - 9 Boulevard Gouvion-St-Cyr - 75017 Paris	France	12/16	100	100	69 610	FC	12/17	100	100	70 105	FC
2.2 Service companies											
• Actéa Environnement - 5/7 Rue Frédéric Degeorge - 62000 Arras	France	12/16	100	100	1 016	FC	12/17	100	100	-18	FC
• Euro-Information - 34 Rue du Wacken - 67000 Strasbourg	France	12/16	10.15	10.15	9 297	EM	12/17	10.15	10.15	10 026	EM
• Financière Nord Europe - 4 Place Richebé - 59000 Lille	France	12/16	100	100	160	FC	12/17	100	100	-382	FC
• GIE CMN Prestations - 4 Place Richebé - 59000 Lille	France	12/16	100	100	0	FC	12/17	100	100	0	FC
• L'Immobilière du CMN (consolidated basis) - 4 Place Richebé - 59000 Lille	France	12/16	100	100	1 849	FC	12/17	100	100	2 607	FC
• Sicorfé Maintenance - Rue Bourgelat - 62223 Saint-Laurent-Blangy	France	12/16	34.00	34.00	120	EM	12/17	0	0	0	NC
• Sté Foncière et Immobilière Nord Europe - 4 Place Richebé - 59000 Lille	France	12/16	0	0	0	NC	12/17	100	100	0	FC
• THEIA Viager - 455 Promenade des Anglais - 06299 Nice	France	12/16	80.00	80.00	-988	FC	12/17	80.00	80.00	664	FC
• Transactimmo - 1 Rue Arnould de Vuez - 59000 Lille	France	12/16	100	100	-33	FC	12/17	100	100	-101	FC
2.3 Industrial companies											
2.4 Non-financial holding companies											
• Groupe La Française (consolidated basis) - 128 Boulevard Raspail - 75006 Paris	France	12/16	97.84	97.83	22 654	FC	12/17	97.05	97.05	28 107	FC
• Nord Europe Participations et Investissements (consolidated basis) - 4 Place Richebé - 59000 Lille	France	12/16	100	100	2 079	FC	12/17	100	100	1 651	FC
TOTAL					**204 543**					**253 288**	

Banque Commerciale du Marché Nord Europe - 4 Place Richebé - 59000 Lille

Consolidation scope used for consolidation reporting purposes	Country	Closing date	Percent		Contribution to results (thousands of Euros)	Consolidation method[1]	Closing date	Percent		Contribution to results (thousands of Euros)	Consolidation method[1]
			Control	Interest				Control	Interest		
Banque Commerciale du Marché Nord Europe	France	12/16	100	100	4 569	FC	12/17	100	100	5 655	FC
• Bail Actéa - 19 Avenue le Corbusier - 59800 Lille	France	12/16	100	100	6 715	FC	12/17	100	100	5 927	FC
• Nord Europe Lease - 19 Avenue le Corbusier - 59800 Lille	France	12/16	100	100	2 350	FC	12/17	100	100	3 483	FC
• Nord Europe Partenariat - 2 Rue Andréï Sakharov - B.P. 148 - 76135 Mont-Saint-Aignan	France	12/16	99.65	99.65	145	FC	12/17	99.65	99.65	1 520	FC
TOTAL					**13 779**					**16 585**	

[1] Consolidation method: EM: Equity method; FC: Full Consolidation

CONSOLIDATION METHODS AND PRINCIPLES, SCOPE

PRESENTATION OF THE CMNE GROUP | GOVERNANCE | ACTIVITY REPORT | RISK MANAGEMENT | SOCIAL & ENVIRONMENTAL RESPONSIBILITY | FINANCIAL REPORT | LEGAL AND ADMINISTRATIVE INFORMATION

CMNE Belgium - Boulevard de Waterloo, 16 - 1000 Brussels

Consolidation scope used for consolidation reporting purposes	Country	Closing date	Percent		Contribution to results (thousands of Euros)	Consolidation method[1]	Closing date	Percent		Contribution to results (thousands of Euros)	Consolidation method[1]
			Control	Interest				Control	Interest		
CMNE Belgium	Belgium	12/16	100	100	-663	FC	12/17	100	100	-165	FC
• BKCP Immo IT SCRL - Boulevard de Waterloo, 16 - 1000 Brussels	Belgium	12/16	95.96	95.96	-957	FC	12/17	96.01	96.01	866	FC
• Beobank Belgium - Boulevard Général Jacques, 263G - 1050 Brussels	Belgium	12/16	100	100	28 531	FC	12/17	100	100	1 310	FC
• BKCP Securities SA - Avenue Louise 390 - 1050 Brussels	Belgium	12/16	100	100	-23	FC	12/17	0	0	0	NC
• Immo W16 - Boulevard de Waterloo, 16 - 1000 Brussels	Belgium	12/16	100	100	744	FC	12/17	100	100	946	FC
• Mobilease - Boulevard de Waterloo, 16 - 1000 Brussels	Belgium	12/16	100	100	-11	FC	12/17	0	0	0	NC
• OBK SCRL - Graaf Van Vlaanderenplein, 19 - 9000 Gand	Belgium	12/16	100	99.99	5 339	FC	12/17	100	99.99	318	FC
TOTAL					**32 960**					**3 275**	

Nord Europe Participations et Investissements - 4 Place Richebé - 59000 LILLE

Consolidation scope used for consolidation reporting purposes	Country	Closing date	Percent		Contribution to results (thousands of Euros)	Consolidation method[1]	Closing date	Percent		Contribution to results (thousands of Euros)	Consolidation method[1]
			Control	Interest				Control	Interest		
Nord Europe Participations et Investissements	France	12/16	100	100	-712	FC	12/17	100	100	-576	FC
• SCI Centre Gare	France	12/16	100	100	2 761	FC	12/17	100	100	2 252	FC
• Fininmad (Marchand de biens)	France	12/16	100	100	30	FC	12/17	100	100	-25	FC
TOTAL					**2 079**					**1 651**	

Immobilière du CMN - 4 Place Richebé 59000 LILLE

Consolidation scope used for consolidation reporting purposes	Country	Closing date	Percent		Consolidation method[1]	Closing date	Percent		Consolidation method[1]
			Control	Interest			Control	Interest	
• SCI CMN	France	12/16	100	100	FC	12/17	100	100	FC
• SCI CMN 1	France	12/16	100	100	FC	12/17	100	100	FC
• SCI CMN 2	France	12/16	100	100	FC	12/17	100	100	FC
• SCI CMN 3	France	12/16	100	100	FC	12/17	100	100	FC
• SCI CMN Location	France	12/16	100	100	FC	12/17	100	100	FC
• SCI RICHEBÉ INKERMAN	France	12/16	100	100	FC	12/17	100	100	FC

Nord Europe Assurances - 9 Boulevard Gouvion-St-Cyr - 75017 PARIS

Consolidation scope used for consolidation reporting purposes	Country	Closing date	Percent		Contribution to results (thousands of Euros)	Consolidation method[1]	Closing date	Percent		Contribution to results (thousands of Euros)	Consolidation method[1]
			Control	Interest				Control	Interest		
Nord Europe Assurances	France	12/16	100	100	-3 364	FC	12/17	100	100	-3 973	FC
• ACMN IARD - 4 Place Richebé - 59000 Lille	France	12/16	51.00	51.00	7 368	FC	12/17	51.00	51.00	8 789	FC
• ACMN-Vie - 9 Boulevard Gouvion-St- Cyr - 75017 Paris	France	12/16	100	100	59 103	FC	12/17	100	100	62 564	FC
• Courtage Crédit Mutuel Nord Europe - 4 Place Richebé - 59000 Lille	France	12/16	100	100	111	FC	12/17	0	0	-71	NC
• CP-BK Reinsurance SA - Avenue de la Gare, 65 - 1611 Luxembourg	Luxembourg	12/16	100	100	1 038	FC	12/17	100	100	-2 155	FC
• Nord Europe Life LUXEMBOURG - Rue Charles Martel 62 - 2134 Luxembourg	Luxembourg	12/16	100	100	2 419	FC	12/17	100	100	3 286	FC
• Nord Europe Retraite - 4 Place Richebé - 59000 Lille	France	12/16	100	100	68	FC	12/17	100	100	48	FC
• North Europe Life Belgium - 11 Boulevard de la Plaine - 1050 Brussels	Belgium	12/16	51	51	2 933	FC	12/17	51.00	51.00	1 514	FC
• SA Partners Assurances - Avenue Gustave Demey, 66 - 1160 Auderghem	Belgium	12/16	49	49	-66	EM	12/17	49.00	49.00	101	EM
• SPV Jarna - 9B Boulevard Prince Henri - 1724 Luxembourg	Luxembourg	12/16	100	97.83	0	FC	12/17	100	97.05	2	FC
TOTAL					**69 610**					**70 105**	

[1] Consolidation method: EM: Equity method; FC: Full Consolidation

CONSOLIDATION METHODS AND PRINCIPLES, SCOPE

Groupe La Française - 128 Boulevard Raspail - 75006 PARIS

Consolidation scope used for consolidation reporting purposes	Country	Closing date	Percent		Contribution to results (thousands of Euros)	Consolidation method[1]	Closing date	Percent		Contribution to results (thousands of Euros)	Consolidation method[1]
			Control	Interest				Control	Interest		
Groupe La Française	France	12/16	97.84	97.83	-4 702	FC	12/17	97.05	97.05	-13 085	FC
• 2A - 5 Boulevard de la Madeleine - 75008 Paris	France	12/16	20.00	19.57	-130	EM	12/17	20.00	19.41	-132	EM
• Alger Management Ltd - 50 Broadway - London	UK	12/16	50.00	48.91	123	EM	12/17	50.00	48.52	-191	EM
• CD Partenaires - 16 Place de la Madeleine - 75008 Paris	France	12/16	74.87	73.24	73	FC	12/17	74.87	72.66	52	FC
• FCT LFP Créances Immobilières - 128 Boulevard Raspail - 75006 Paris	France	12/16	58.37	58.37	25	FC	12/17	58.37	58.37	0	FC
• SNC Groupe La Française - 128 Boulevard Raspail - 75006 Paris	France	12/16	99.90	97.73	-10	FC	12/17	0	0	0	NC
• Groupe Cholet-Dupont - 16 Place de la Madeleine - 75008 Paris	France	12/16	33.73	33.00	1 627	EM	12/17	33.73	32.73	1 142	EM
• Inflection Point Capital Management Ltd - 125 Old Broad Street - London	UK	12/16	49.00	51.17	-1 731	EM	12/17	100	97.05	-1 348	FC
• JKC Capital Management Ltd - 34-37 Connaught Road Central - Hong Kong SAR	Hong Kong	12/16	50.00	48.91	-172	EM	12/17	50.00	48.52	754	EM
• La Française AM - 128 Boulevard Raspail - 75006 Paris	France	12/16	100	97.83	6 562	FC	12/17	100	97.05	8 759	FC
• La Française AM Finance Services - 128 Boulevard Raspail - 75006 Paris	France	12/16	100	97.83	1 627	FC	12/17	100	97.05	2 838	FC
• La Française AM GP - 128 Boulevard Raspail - 75006 Paris	France	12/16	0	0	599	FC	12/17	0	0	0	NC
• La Française AM Iberia - C/ Joaquin Costa 26 - 28002 Madrid	Spain	12/16	66.00	64.57	103	FC	12/17	66.00	64.05	180	FC
• La Française AM International - 4A Rue Henri Schnadt - 2530 Luxembourg	Luxembourg	12/16	100	97.83	-166	FC	12/17	100	97.05	295	FC
• La Française Forum Securities Limited - 1700 E Putnam Ave, Old Greenwich, CT 06870 - 1366, Deleware - USA	USA	12/16	80	78.26	-996	FC	12/17	100	97.05	-1 310	FC
• La Française Global Investments - 128 Boulevard Raspail - 75006 Paris	France	12/16	100	98.70	-1 596	FC	12/17	100	98.23	-1 509	FC
• La Française Global Real Estate Investment Management Limited - 12 Berkeley Street - London	UK	12/16	100	97.83	32	FC	12/17	100	97.05	1 091	FC
• La Française Inflection Point - 128 Boulevard Raspail - 75006 Paris	France	12/16	51.00	74.97	438	FC	12/17	100.00	97.05	644	FC
• La Française Investment Solutions - 128 Boulevard Raspail - 75006 Paris	France	12/16	56.04	46.54	4 116	FC	12/17	56.04	46.17	9 007	FC
• La Française Real Estate Managers - 128 Boulevard Raspail - 75006 Paris	France	12/16	95.96	93.87	9 838	FC	12/17	95.96	93.12	10 646	FC
• La Française Real Estate Partners - 128 Boulevard Raspail - 75006 Paris	France	12/16	65.00	61.02	1 524	FC	12/17	60.00	55.87	852	FC
• LFF Real Estate Partners Limited - 16 Berkeley Street - London	UK	12/16	85.00	79.79	917	FC	12/17	100	93.12	1 193	FC
• LFP Multi Alpha - 128 Boulevard Raspail - 75006 Paris	France	12/16	0	0	0	NC	12/17	100	97.05	-1 418	FC
• New Alpha Asset-Management - 128 Boulevard Raspail - 75006 Paris	France	12/16	100	97.83	2 013	FC	12/17	85	82.49	2 097	FC
• NEXT Advisor - 128 Boulevard Raspail - 75006 Paris	France	12/16	0	0	208	FC	12/17	0	0	0	NC
• Nouvelles EXpertises et Talents AM - 128 Boulevard Raspail - 75006 Paris	France	12/16	100	97.83	1 439	FC	12/17	100	97.05	6 137	FC
• Siparex Proximité Innovation - 128 Boulevard Raspail - 75006 Paris	France	12/16	26.50	25.93	319	EM	12/17	26.50	25.72	287	EM
• Tages Capital LLP - 39 St James' Street - London	UK	12/16	40.00	39.13	867	EM	12/17	25.00	24.26	928	EM
• UFG PM - 128 Boulevard Raspail - 75006 Paris	France	12/16	100	93.87	-293	FC	12/17	0	0	-13	NC
• Union Générale des Placements - 128 Boulevard Raspail - 75006 Paris	France	12/16	0	0	0	NC	12/17	63.33	29.24	211	FC
TOTAL					**22 654**					**28 107**	

[1] Consolidation method: EM: Equity method; FC: Full Consolidation

CONSOLIDATION METHODS AND PRINCIPLES, SCOPE

CHANGES IN CONSOLIDATION SCOPE DURING THE PERIOD

Inclusions	Company name
Creations	Union Générale de Placements
	Société Foncière et Immobilière Nord Europe
Entities previously owned	LFP Mutli Alpha

Removals	
Sales	Sicorfé Maintenance
Dissolutions	BKCP Securities Mobilease
Transfer of assets or merger	SNC Groupe La Française
	UFG PM (en fin de 2ème trimestre)

Change of name		
La Française Bank	becomes	La Française Global Investments

ENTITIES CONSOLIDATED USING THE SIMPLIFIED METHOD IN THE CONTEXT OF THE APPLICATION OF IFRS 10

In € thousands

	Country	12/31/2016		12/31/2017	
		% owned	Non-controlling interests recognized	% owned	Non-controlling interests recognized
BEOBANK FUNDS BEOBANK DYNAMIC FUND	Luxembourg	55.74 %	4 318	44.13 %	7 977
CONVICTIONS MULTIFAC	Luxembourg	45.63 %	37 518	39.37 %	50 530
CROWN MULTIFUND SEL	Luxembourg	75.55 %	7 824	85.14 %	6 041
DIADEME GLOBAL SELEC	Luxembourg	89.89 %	8 100	89.26 %	846
EUROPIMMO MARKET	France			86.93 %	1 165
FCT LFP CREANCES IMM	France	53.76 %	118 700		
FORUM EUROPEAN REAL	France			99.00 %	606
FORUM GLB INVEST SCS	Luxembourg			99.40 %	536
INVESTCORE 2021	Luxembourg	83.95 %	982	93.42 %	755
JKC FUND - LA FRANÇAISE JKC ASIA EQUITY (CLASSE GP EUR-HEDGED)	France	41.17 %	18 976	47.92 %	19 489
LA FRANÇAISE ABSOLUTE EMERGING DEBT - PART I	France	76.21 %	3 311		
LA FRANÇAISE ACTIONS EURO COUVERTES (PART C)	France	95.37 %	4 707	96.96 %	3 226
LA FRANÇAISE ACTIONS MONDE	France	55.66 %	14 249	57.76 %	15 005
LA FRANÇAISE ALLOCATION - PART F	France	57.04 %	104 947	40.56 %	126 154
LA FRANÇAISE EURO INFLATION - PART B	France	50.23 %	97 582	52.26 %	89 684
LA FRANÇAISE EURO SOUVERAINS	France	35.36 %	19 986		
LA FRANÇAISE INDEX VARIABLE - PART C	Luxembourg	47.09 %	119 433	57.69 %	74 947
LA FRANÇAISE INFLECTION POINT MULTI TRENDS	France	41.45 %	13 321	46.02 %	11 213
LA FRANÇAISE LUX - ABSOLUTE EMERGING DEBT - F (C) EUR	France	48.18 %	54 263	42.95 %	85 196
LA FRANÇAISE LUX - FORUM GLOBAL REAL ESTATE SECURITIES - I (C) CHF	France	43.63 %	55 169	65.55 %	20 643
LA FRANÇAISE LUX - INFLECTION POINT EUROPEAN EQUITY - B (C) EUR	France	70.82 %	27 268	69.03 %	24 401
LA FRANÇAISE LUX - INFLECTION POINT GLOBAL EQUITY	Luxembourg	63.34 %	10 165		
LA FRANÇAISE LUX - INFLECTION POINT LEADERS EMERGENTS - B (C) EUR	France	99.25 %	101	99.06 %	145
LA FRANÇAISE LUX - INFLECTION POINT ZERO CARBON - CLASS I EUR	France	81.00 %	23 916	46.68 %	79 393
LA FRANÇAISE LUX - JKC ASIA BOND CLASS I (C) EUR	France	99.67 %	170	92.55 %	4 531
LA FRANÇAISE LUX - MULTI-ASSET INCOME - R (C) EUR	France	99.82 %	76	93.93 %	2 861
LA FRANÇAISE MULTISTRATÉGIES OBLIGATAIRES - PART I	France	41.22 %	67 216	48.07 %	106 254
LA FRANÇAISE PATRIMOINE FLEXIBLE PART F	Luxembourg	68.12 %	80 271	74.55 %	57 826
LA FRANÇAISE PROFIL PERFORMANCE PART I	Luxembourg	74.76 %	15 229	75.06 %	15 267
LA FRANÇAISE RENDEMENT 4X4 - PART I	France	45.67 %	5 324	60.50 %	4 185
LA FRANÇAISE SÉRÉNI FLEX - PART I	France	60.76 %	103 997	60.25 %	105 424
LA FRANÇAISE TAGES EVENT	France	99.99 %	3	51.62 %	116

CONSOLIDATION METHODS AND PRINCIPLES, SCOPE

	Country	12/31/2016		12/31/2017	
		% owned	Non-controlling interests recognized	% owned	Non-controlling interests recognized
LA FRANÇAISE TAGES STRATÉGIE ACTIONS	France	89.95 %	5 677	95.48 %	1 218
LF EUROPIMMO	France	37.65 %	34 127	94.96 %	232
LF GRANDS VIGNOBLES DE FRANCE	France	57.72 %	9 994	57.72 %	9 941
LF LUX SU ES SEC. S	Luxembourg			85.85 %	3 316
LF OPSIS PATRIMOINE	France	41.99 %	61 488		
LF PREMIUM EM R	France			63.67 %	5 215
LF REND GLOB 2018	France			40.29 %	6 426
LF RÉSIDENCES SENIORS	France	48.20 %	35 512		
LF TAGES MULT ARB II	France			77.33 %	186
LFIS PERSPECTIVE FCP - I	France	100.00 %	3		
LFIS VISION - CREDIT OPPORTUNITIES	Luxembourg	65.58 %	73 633	65.64 %	72 396
LFIS VISION - PREMIA OPPORTUNITIES	Luxembourg	60.03 %	93 608		
LFIS VISION UCITS - CREDIT	Luxembourg	90.73 %	3 075	38.51 %	85 775
LFIS VISION UCITS - EQUITY DEFENDER	Luxembourg	99.33 %	644	96.60 %	3 548
LFISVISION UCITS PREMIA ACCESS	Luxembourg			89.48 %	3 577
LFP COUSSIN OPPORTUNITES	Luxembourg	99.82 %	26	99.73 %	16
LFP EUROPEAN FUND OF FUNDS	Luxembourg	91.49 %	1 830	91.97 %	1 027
LFP PIERRE	France	46.83 %	481 888	51.90 %	344 159
LFP S&P CAPITAL IQ FUND - LFP R2P GLOBAL CREDIT (CLASS GP C USD)	Luxembourg	61.11 %	39 903	76.56 %	10 326
LFP S&P CAPITAL IQ FUND - LFP R2P GLOBAL HIGH YIELD	Luxembourg	70.70 %	22 547	91.66 %	4 951
MULTIMARK SPP OPCI	France			36.54 %	106 689
MULTIMMOBILIER 2	France			85.66 %	7 007
NEWALPHA FINTECH	France	60.03 %	4 183		
QUILVEST EUROPEAN	France			38.00 %	2 437
TAGES ANAVON GB EQ	Luxembourg	35.19 %	41 049	35.13 %	48 349
TAGES INT FUNDS UC	Luxembourg	63.03 %	20 828	63.00 %	21 405
TRANSITION ENERGETI	France			61.97 %	28 316
UFG IC FUND	Luxembourg	48.27 %	22 216	41.36 %	29 495
UFG PIXEL 1	France	80.86 %	2 422		
TOTAL CONSOLIDATION USING SIMPLIFIED METHOD			**1 971 776**		**1 710 423**

CONSOLIDATION PRINCIPLES

▶ RESTATEMENTS AND ELIMINATIONS

Significant transactions are eliminated between the entities that are fully consolidated. Significant transactions are those that give rise to income and expense amounts exceeding €200 thousand and balance sheet and commitment amounts exceeding €1,000 thousand. It should be noted that securities issued by a consolidated entity and held by a Group insurance company as an investment representing a unit-linked contract are not eliminated; this means that asset/liability matching can be carried out for this type of life insurance contract.

The results of internal disposals are also eliminated.

Generally speaking, all of the consolidated entities apply the Group's accounting principles.

▶ TRANSLATION OF FINANCIAL STATEMENTS EXPRESSED IN FOREIGN CURRENCIES

The consolidated financial statements of the CMNE Group are expressed in euros. All asset and liability items, both monetary and non-monetary, are translated based on the exchange rate applicable at the year-end closing date. Differences arising from the retranslation at the year-end rate of the opening capital stock, reserves and retained earnings are recorded as a separate component of equity, under "Translation reserves". Income and expenses are translated at the average rate over the period. The resulting differences are recorded directly under
"Translation reserves".

▶ BUSINESS GROUPINGS AND GOODWILL VALUATION

In accordance with IFRS 3R, when the Bank 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 at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are recognized at the lesser of fair value net of selling costs and carrying amount.

The acquisition cost is equal to the fair value on the date of exchange of the assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the company acquired. The costs directly related to the transaction are recognized under income for the period.

The goodwill represents the difference between the acquisition cost and the buyer's share in the fair value of the assets, liabilities and contingent liabilities identifiable on the acquisition date. 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 goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under "Change in value of goodwill".

Earn-outs are incorporated into the acquisition cost at their fair value on the date control is obtained, regardless of their nature. A corresponding entry is made under equity or debt (depending on the settlement method). Subsequent goodwill revisions are recorded under income for financial debt covered by IAS 39 and based on the appropriate standards for debt not covered by IAS 39. In the case of equity instruments, such revisions are only recorded after settlement.

If the Group's stake in an entity it already controls increases/decreases, the difference between the acquisition cost/selling price of the shares and the portion of consolidated equity that said shares represent on the acquisition/sale date is recognized under equity.

Positive goodwill is tested for impairment to ensure there is no sustained impairment. These changes in value are assessed within Cash Generating Units (CGU), which correspond to the Group's business divisions. If the recoverable amount of the cash-generating unit to which goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. These impairment losses on goodwill – which are recognized through the income statement – cannot be reversed. The recoverable value of the CGU, which is calculated during these tests, is considered to be its market value. The market value corresponds to the amount that is likely to be obtained from the sale of the CGU based on the market conditions that prevail on the valuation date. The market references primarily constitute the fair value of the entities that make up the CGU based on formulas set out in shareholder agreements or prices observed for comparable entities during recent transactions or established on the basis of multiples. Where relevant, the recoverable value may also be based on the value in use. This is calculated based on an estimate of the CGU's future cash flows as set out in the projections established each year by the management of the CGU and approved by the Group's general management, and an analysis of the relative long-term positioning of the activities concerned on their market. These cash flows are discounted at a rate that reflects the level of return expected by an investor for the type of activity and geographic region concerned.

▶ DEFERRED TAX

Pursuant to IAS 12, deferred taxes are recognized on temporary differences between the carrying amount of assets and liabilities in the statement of financial position and their tax base. As such, restatements based on the application of IFRS are also subject to the calculation of deferred taxes.

Deferred tax assets and liabilities are calculated using the liability method, based on the tax rate known at the fiscal year-end and applicable to future periods.

Deferred tax assets are recognized only if there is a strong likelihood that they will be recovered by means of an anticipated taxable profit.

Payable and deferred taxes are recorded as a tax income or expense in the income statement, with the exception of those related to unrealized gains or losses on available-for-sale assets and to changes in the value of derivative instruments used to hedge future income, for which the corresponding deferred tax is recorded under equity. Deferred tax assets and liabilities are offset when they arise within a single tax entity or tax group, are subject to the tax laws of the same country, and there is a legal right of offset.

Deferred taxes are not discounted.

PREPARATION OF THE STATEMENT OF CASH FLOWS

The presentation is based on the indirect method. To calculate the net cash flows from operating activities, income is adjusted to take account of non-cash items and items for which the cash effects are investment or financing cash flows.

Cash and cash equivalents are defined based on their intrinsic characteristics, such as immediate availability or conversion in the short term into a known cash amount the value of which is not likely to change significantly.

Cash includes cash on hand and deposits with and loans from the central bank.

Cash equivalents comprise demand or overnight loans and borrowings from credit institutions.

The various cash flows for a fiscal year are classified based on their intended use under operating, investment and financing activities, bearing in mind that any one transaction may include flows that can be classified under different activities.
Operating cash flows are those arising from operating activities that give rise to the bulk of income, including proprietary trading activities. Operating activities include cash flows relating to securities stated at fair value through profit or loss and variable-income securities which comprise short-term investments or relating to portfolio investment activities, and available-for-sale fixed-income securities.

Cash flows associated with other transactions affecting financial assets or liabilities include changes in the fair value arising from variations in financial assets and liabilities stated at fair value through profit or loss.

By default, cash flows that do not meet the definition of investing or financing activities are included under this activity.

Investing activities are defined as the acquisition and sale of long-term assets and other investments that are not included under cash equivalents or operating activities. They notably include participating interests and other long-term variable-income securities which are not linked to the portfolio investment activities and fixed-income securities held to maturity.

Cash flows relating to financing activities include changes in capital and changes linked to the issuance or repayment of loans or subordinated debt. The Group opted to classify securities traded on the interbank market and negotiable debt securities under operating activities.

Since they do not comprise resources assigned to the activities that generate them, the income (interest and dividends) from investing activities and interest from financing activities are assigned to the operating activities. The proceeds from disposals, before tax, however, continue to be assigned to the activity to which they relate.

ACCOUNTING PRINCIPLES

LOANS AND RECEIVABLES

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and which are not intended for sale at the time of their acquisition or grant. They include loans granted directly by the Group or its share in syndicated loans, purchased loans and unlisted debt securities. They are recognized at their market (or equivalent) value on inclusion in the balance sheet, which is generally the net amount paid out initially.

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.

These outstandings are valued at amortized cost based on the effective interest rate.

Commissions received or paid that are directly related to setting up the loan and that are treated as an additional component of interest are recognized over the life of the loan using the effective interest rate method and are shown under interest items in the income statement.
Commissions received in connection with the commercial renegotiation of loans are recognized over more than one period.

A loan restructured due to financial difficulties encountered by the debtor is considered a new contract. Following the definition of this concept by the European Banking Authority, it was incorporated in the Group's information systems in order that the accounting and prudential definitions were harmonized. The relevant figures are shown in the management report.

The fair value of loans and receivables is disclosed in the notes to the financial statements at the end of each reporting period and corresponds to the net present value of estimated future cash flows discounted using a zero-coupon yield curve that includes the credit risk inherent to the debtor.

Impairment and individual provisions on loans and receivables

Impairment is recognized when there is objective evidence of a measurable decrease in value as a result of one or more events occurring after inception of a loan or group of loans, and which may lead to a loss. Loans are tested for impairment on an individual basis at each balance sheet date. The amount of impairment is equal to the difference between the carrying amount and the present value of the estimated future cash flows associated with the loan, as calculated by an expert or using a statistical model, taking into account any guarantees, discounted at the original effective interest rate. For variable-rate loans, the last known contractual interest rate is used.

Loans on which one or more installments are more than three months past due and current accounts in unauthorized overdraft for more than three months are deemed to represent objective evidence of impairment. Likewise, an impairment charge is recognized when it is probable that the borrower will not be able to repay the full amount due, when a default event has occurred, or where the borrower is subject to court-ordered liquidation.

Impairment charges and provisions are recorded in net additions to provisions for loan losses. Reversals of impairment charges and provisions are recorded in net reversals from provisions 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. Impairment provisions are deducted from the asset in the case of loans and receivables and the provision is recorded under liabilities in provisions for financing and guarantee commitments.

Irrecoverable receivables are recorded in losses and the corresponding impairment charges and provisions are written back.

Collective impairment on loans and receivables

Customer loans that are not impaired on an individual basis are grouped according to homogeneous portfolios. An impairment charge is recorded on sensitive outstandings on the basis of potential losses in the event of default and the probability of default to maturity, as observed internally or externally. Portfolio-based impairment is deducted from the carrying amount of the assets concerned, while any movements in impairment are included in "Net additions to/reversals from provisions for loan losses" in the income statement.

INTEREST PAID BY THE FRENCH GOVERNMENT ON CERTAIN LOANS

Within the framework of aid to the rural and agricultural sector, as well as the purchase of residential property, some Group entities provide loans at reduced interest rates, set by the Government. Consequently, these entities receive from the government a contribution equal to the rate differential between the interest rate offered to customers and the predefined benchmark rate. Therefore, no discount is recognized in respect of the loans benefiting from these subsidies.

The structure of the offset mechanism is reviewed by the government on a periodic basis.

The contribution received from the government is recorded in the "Interest income" line and spread over the life of the corresponding loans, pursuant to IAS 20.

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, these financial guarantees are still measured using French GAAP (i.e. as off-balance sheet items), pending an addition to the standards to enhance the current mechanism. Consequently, these guarantees are subject to a provision in liabilities in the event of a likely outflow of resources.

By contrast, financial guarantees that provide for payments in response to changes in a financial variable (price, credit rating or index, etc.) or a non-financial variable, provided that in this event the variable is not specific to one of the parties to the agreement, fall within the scope of application of IAS 39. These guarantees are thus treated as derivatives.

Financing commitments that are not regarded as derivatives within the meaning of IAS 39 are not shown in the statement of financial position. However, provisions are recognized in accordance with IAS 37.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the cash accounts, deposits and demand loans and borrowings relating to central banks and credit institutions.

In the statement of cash flows, UCITS are classified as an “operating activity” and therefore do not need to be reclassified.

FOREIGN CURRENCY TRANSACTIONS

Financial assets and liabilities denominated in a currency other than the local currency are translated at the year-end exchange rate.

Monetary financial assets and liabilities

Foreign currency gains and losses on the translation of such items are recognized in the income statement under “Net gain/(loss) on financial instruments at fair value through profit or loss”.

Non-monetary financial assets and liabilities

Foreign currency gains and losses on the translation of such items are recognized in the income statement if the items are classified at fair value through profit or loss under “Net gain/(loss) on portfolio investments at fair value through profit or loss”, or under “Unrealized or deferred gains and losses” if they are classified as available-for-sale.

LEASING

Operations in which CMNE is lessor

Contracts are classified as finance leases in cases where there is a substantial transferral to the lessee of almost all of the risks and benefits inherent in the ownership of the leased asset. The present value of amounts due on a contract, plus the residual value where relevant, is recorded as a receivable. The rental payments received are spread over the duration of the finance lease and entered under amortization of the principal and the interest so that the net income represents a constant rate of return on the residual outstanding amount. The implied interest rate is used.
Operating leases are contracts under which the bulk of the risks and benefits of the leased asset are not transferred to the lessee. The asset is recognized as a non-current asset in the lessor’s accounts and is depreciated on a straight-line basis over the period of the lease.

Operations in which CMNE is lessee

Non-current assets used in operations and financed through finance leases are recognized under property and equipment in the balance sheet in an amount equal to the fair value, or where this is lower, to the discounted value of the minimum installments payable under the lease contract. A corresponding entry is made under liabilities in the balance sheet. These non-current assets are depreciated over the scheduled term for assets in this category.

ACQUIRED SECURITIES

Calculation of the fair value of financial instruments

The fair value is the amount at which an asset may 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.
This fair value needs to be determined upon subsequent measurements. The method used for this determination depends on whether the market on which the instrument is traded is considered active or not.

Instruments traded on an active market

When instruments are traded on an active market, the fair value is determined based on the quoted prices because these represent the best possible estimate of the fair value at that time. A financial instrument is considered to be listed on an active market if prices are easily and regularly available (from a stock market, broker, intermediary or quotation system) and these prices represent real and regular arm’s length transactions.

Instruments traded on a market that is not active

The data observable on a market are to be used provided that they reflect a transaction's reality in normal conditions at the date of valuation and that it is not necessary to make too large an adjustment to this value.

In the other cases, the Group uses non-observable mark-to-model data.

When no observable data is available or when adjustments to market prices require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, including the adjustments linked to risks that would be integrated by the market. In particular, these valuation adjustments enable the integration of risks that would not be captured by the model: liquidity risks associated with the instrument or parameter in question; specific risk premiums intended to compensate for additional costs that an active management strategy associated with the model would involve under certain market conditions. In determining measurement adjustments, each risk factor is considered individually; the diversification effect between different risks, parameters and models is not taken into account. In general, a portfolio approach is used for any given risk factor.

In any event, the adjustments applied by the Group are reasonable and appropriate and rely on judgments made.

▷ Accounting classification of securities

Securities may be classified under one of the following headings:
- Financial assets at fair value through profit or loss;
- Available-for-sale financial assets;
- Held-to-maturity financial assets;
- Loans & receivables.

This classification reflects the Group's intention with regard to the management of the instruments and determines the accounting rules to be applied to them.

▷ Financial assets and liabilities at fair value through profit or loss

Criteria for classification and rules of transfer

Financial instruments at fair value through profit or loss comprise:

Financial instruments held for trading purposes

These primarily concern instruments that were acquired for the purpose of selling or repurchasing them in the near term, or which are included in a globally-managed portfolio of financial instruments for which a recent effective short-term profit-taking schedule has been established, or derivative instruments not qualified as hedging instruments.
Market conditions may cause the Crédit Mutuel Nord Europe Group to review its investment and management strategy for these securities. Thus, when it appears inappropriate to sell securities initially acquired for the purpose of selling them in the near term, these securities may be reclassified under the specific provisions provided for by the October 2008 amendment to IAS 39. In exceptional situations, these securities may be transferred to available-for-sale financial assets or held-to-maturity financial assets.

They may be transferred to loans and receivables depending on the Group's capacity to hold these securities for the foreseeable future or until maturity, in accordance with the criteria for classification in the accounts under "Loans and receivables" (must not be listed on an active market). No transfers of this type have been made since 2008: the purpose of these portfolio transfers is to better reflect the new management intention for these instruments, and to give a more faithful picture of their impact on the Group's profit or loss.

Financial instruments designated irrevocably at inception at fair value through profit or loss

This classification may apply in the following cases:
- Financial instruments containing one or more separable embedded derivatives;
- Instruments showing, without application of fair value, inconsistent accounting treatment in relation to another related instrument;
- Instruments belonging to a group of financial assets valued and managed at fair value.

The Group used this option notably in the context of unit-linked policies in the insurance business, to ensure consistency with the treatment of liabilities.

Basis for recognition and measurement of related income and expenses

Securities classified as assets and liabilities at fair value through profit or loss are recognized at their fair value on entry in the statement of financial position and during subsequent period-ends until they are sold. Changes in fair value and in income received or accrued on fixed-income securities included in this category are taken to the income statement under "Net gain/(loss) on financial instruments at fair value through profit or loss".
Purchases and sales of securities valued at fair value through profit or loss are recognized on the settlement date. Any changes in fair value between the transaction date and settlement date are taken to income. Fair value also incorporates an assessment of counterparty risk on these securities.
In the event of transfer to one of the other three categories, the fair value of the financial asset at the date of reclassification becomes its new cost or amortized cost. No gain or loss recognized before the date of transfer can be written back.

▷ Available-for-sale financial assets

Criteria for classification and rules of transfer

Available-for-sale financial assets are financial assets that have not been classified as "Loans and receivables", "Held-to-maturity financial assets" or "Financial assets at fair value through profit or loss".
Fixed-income securities may be reclassified as "Held-to-maturity financial assets" if there is a change in the management intention and on the condition that they meet the eligibility requirements for this category, or as "Loans and receivables" in the event of a change of management intention or capacity to hold the security over the foreseeable future or until maturity, on the condition that they meet the eligibility requirements for this category. The Group has made no reclassifications since 2008.

Basis for recognition and measurement of related income and expenses

Available-for-sale financial assets are recognized initially and subsequently carried at fair value until 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 or deferred gains or losses recognized in equity are only transferred to the income statement in the event of disposal or a lasting impairment in value. On disposal, the unrealized gains and losses recorded in equity are transferred to the income statement under "Net gain/(loss) on available-for-sale financial assets", as are any gains or losses on disposal. Purchases and sales are recognized at the settlement date.

In the event of a transfer of instruments with a fixed maturity from "Available-for-sale financial assets" to the "Held-to-maturity financial assets" or "Loans and receivables" categories, and in the absence of impairment, the unrealized gains and losses previously deferred in equity are amortized over the remaining life of the asset. In the event of the transfer of instruments with no fixed maturity to the "Loans and receivables" category, the unrealized gains and losses previously deferred are maintained in equity until the sale of the securities.

Income received or accrued in respect of fixed-income securities is recognized in the income statement at the effective interest rate under "Interest income". Dividend income relating to variable-income available-for-sale securities is taken to income under "Net gain/(loss) on available-for-sale financial assets".

Impairment and credit risk

Lasting impairment specific to equities and other equity instruments

Impairment is recognized on variable-income available-for-sale financial assets in the event of a protracted and significant decrease in the fair value in relation to the cost price. Concerning variable-income securities, the CMNE Group considers that a reduction in value of the security of at least 40 % in relation to its acquisition cost, or over a period of more than 24 consecutive months, gives rise to an impairment charge, with the exception of cases in which the Group's fair value assessment does not reflect a probable loss of all or part of the amount invested. Such instruments are analyzed on a line-by-line basis. Judgment must also be exercised for securities that do not meet the above criteria but for which management believes that recovery of the amount invested in the near future cannot reasonably be expected. The loss is recognized in the income statement under "Net gain/(loss) on available-for-sale financial assets". Any subsequent impairment is also recognized in the income statement.
Lasting impairment of equities or other equity instruments taken to income may not be reversed as long as the instrument is carried in the statement of financial position. In the event of a subsequent appreciation in value, this will be recognized in equity within "Unrealized or deferred gains and losses".

Impairment related to credit risk

Impairment of fixed-income available-for-sale financial assets (bonds notably) is recognized under "Net additions to/reversals from provisions for loan losses". These fixed-income instruments are impaired only if there is credit risk, as impairment in the event of a loss due only to an increase in interest rates is not allowed. In the event of impairment, all of the accumulated unrealized losses recognized under equity must be taken to the income statement. This impairment is reversible; any subsequent appreciation arising from an event that occurs after the impairment is recognized is also recognized in the income statement under "Net additions to/reversals from provisions for loan losses" if it brings about an improvement in the issuer's credit situation.

▷ Held-to-maturity financial assets

Criteria for classification and rules of transfer

This category includes fixed or determinable income securities, with a fixed maturity date, and which the CMNE Group has the intention and ability to hold until maturity. Any interest-rate risk hedges applicable to this category do not qualify for hedge accounting as defined in IAS 39.
Furthermore, the opportunities for disposals or transfers of securities in this portfolio are very restricted, due to the provisions laid down in IAS 39; breaching this rule would entail the declassification of the whole portfolio at the Group level, and forbid access to this category for two years.

Basis for recognition and measurement of related income and expenses

Securities classified under this category are initially recognized at their fair value and then valued at amortized cost based on the effective interest rate, which incorporates the amortization of premiums and discounts and acquisition costs if these are material.
Purchases and sales are recognized at the settlement date.
Income earned from this category of investments is included in "Interest income" in the income statement.

Credit risk

An impairment charge is recognized if there is an objective indication of impairment in value of the asset as a result of events that occurred after initial recognition and which are likely to generate a loss (known credit risk). They are tested for impairment on an individual basis at each balance sheet date. The amount of impairment is assessed by comparing the carrying amount and the discounted value of the estimated future cash flows, including any guarantees, at the effective interest rate. It is recognized in the income statement under "Net additions to/reversals from provisions for loan losses". Any subsequent appreciation arising from an event that occurs after the impairment is recognized is also recognized in the income statement under "Net additions to/reversals from provisions for loan losses".

▶ FAIR VALUE HIERARCHY

There are three levels of fair value relating to financial instruments:

- **Level 1**: prices quoted on active markets for identical assets or liabilities; this particularly concerns debt securities that are quoted by at least four 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). Level 2 concerns, in particular, interest rate swaps whose fair value is generally calculated using yield curves based on the market interest rates observed at the closing date;
- **Level 3**: data relating to the assets or liabilities that are not observable market data (non-observable data). This category notably includes unconsolidated participating interests that may or may not be held via venture capital entities, in market activities, debt securities quoted by a single contributor and derivatives that mainly use non-observable parameters.

The instrument is classified at the same hierarchical level as the lowest level determined by the most important parameter in the fair value model taken as a whole. Given the diversity and volume of the instruments valued at level 3, the sensitivity of the fair value to changes in parameters would be immaterial.

▶ NON-CURRENT ASSETS HELD FOR SALE

When the Group decides to sell non-current assets, and when it is highly likely that this sale will take place within twelve months, such assets are presented separately in the statement of financial position under “Non-current assets held for sale”. The related liabilities are shown separately under “Liabilities associated with non-current assets held for sale”.

Once classified under this category, the non-current assets and groups of assets and liabilities are valued at the lower of their carrying value or fair value less expenses related to the sale.

These assets are no longer amortized or depreciated. In the event of a loss of value on an asset or group of assets and liabilities, an impairment charge is recognized in the income statement. This recognized loss of value may be reversed.

▶ DERIVATIVES AND HEDGE ACCOUNTING

▷ Calculation of the fair value of derivative instruments

The majority of over-the-counter derivatives, swaps, interest rate futures, caps, floors and vanilla options are valued using commonly accepted standard models (discounting of future cash flows, Black and Scholes model, interpolation techniques), based on observable market data (interest rate curves for instance).

These valuations are adjusted to take account of liquidity risk and credit risk associated with the instrument or parameter in question, specific risk premiums intended to offset certain additional costs inherent in the dynamic management strategy associated with the model in certain market conditions, and the counterparty risk (CVA) associated with positive fair values of over-the-counter derivatives. The latter includes proprietary counterparty risk (DVA) associated with negative fair values for over-the-counter derivatives.

In determining measurement adjustments, each risk factor is considered individually; the diversification effect between different risks, parameters and models is not taken into account. In general, a portfolio approach is used for any given risk factor.

Derivative instruments are recorded as financial assets when their market value is positive and as financial liabilities when their market value is negative.

With regard to the principles used for the calculation of DVAs/CVAs, it is understood that:

- Inter-Group operations are not included given the solidarity rules applied within the CM CIC Group;
- Calculations were made to establish that the impact of collateralized transactions (interbank exclusively) is not or is only slightly material, depending on the calculation rules used.

As such, no DVA/CVA is recorded for this fiscal year-end.

▷ Classification of derivative instruments and hedge accounting

Derivatives classified as financial assets and liabilities at fair value through profit or loss

By default, all derivatives not qualified as hedging instruments pursuant to IFRS are classified as “Financial assets or liabilities at fair value through profit or loss”, even if their economic purpose is to cover one or more risks.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, corresponds to the definition of a derivative. In particular, it has the effect of inducing changes in some of the cash flows of the hybrid instrument in a way similar to that of a standalone derivative.

Embedded derivatives are separated from the host contract and recognized as a derivative at fair value through profit or loss provided that they meet the following three conditions:

- They correspond to the definition of a derivative;
- The hybrid instrument is not measured at fair value through profit or loss;
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- A separate valuation of the embedded derivative is sufficiently reliable to provide relevant information.

Accounting

Realized and unrealized gains and losses are recognized in the income statement under "Net gain/(loss) on financial instruments at fair value through profit or loss".

▷ Hedge accounting

IAS 39 permits three types of hedging relationship. The hedging relationship is selected on the basis of the type of risk being hedged.
Fair value hedging is used to cover the exposure of financial assets and liabilities to fluctuations in fair value. A cash flow hedge is a hedge of the exposure to changes in the cash flows relating to a financial asset or liability, firm commitment or highly probable forecast transaction. CMNE uses cash flow hedging, notably in relation to the deeply subordinated notes issued in 2004.
Net foreign currency investments are hedged in the same manner as cash flow hedging; this has not been used by the Group.
Hedging derivatives must meet the various criteria set out in IAS 39 in order to qualify as instruments eligible for hedge accounting. The hedging instrument and the hedged item must both be eligible for hedge accounting.
The relationship between the hedged item and the hedging instrument must be formally documented once the hedge has been implemented. This documentation must describe management's risk management objectives, the type of risk covered, the underlying strategy, and the methods used to assess the effectiveness of the hedging relationship.
Hedge effectiveness must be assessed at the inception of the hedge and throughout the life of the hedge, at a minimum at the end of each reporting period. The ratio of change in value or result of the hedging instrument and that of the item hedged must be between 80 % and 125 %. Where necessary, hedge accounting ceases to be applied, on a prospective basis.

Fair value hedging of identified financial assets and liabilities

In a fair value hedging relationship, the derivative instrument is measured at fair value through profit or loss, under the line item "Net gain (loss) on financial instruments at fair value through profit or loss" symmetrically to the remeasurement of the hedged items through profit or loss to reflect the hedged risk. This rule also applies if the hedged item is recognized at amortized cost or if it is a financial asset classified as available for sale. The changes in fair value of the hedging instrument and the risk component being hedged are offset partly or fully, leaving any hedging ineffectiveness shown under profit or loss. The portion corresponding to the rediscounting of a derivative financial instrument is recorded in the income statement under the line item "Interest income", symmetrically to the interest income or expenses relating to the hedged item. If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued on a prospective basis. Hedging derivatives are reclassified as "Financial assets or liabilities at fair value through profit or loss" and are recognized according to the principles applied to that category.

The value of the hedged item in the statement of financial position is no longer adjusted to reflect the variations in fair value. In the case of identified debt instruments that are hedged initially, the remeasurement is amortized over its remaining term. If the hedged item no longer appears in the statement of financial position, in particular due to early repayments, the cumulative adjustment is immediately recognized in income.

Macrohedging derivatives

The Group uses the option set out by the European Commission for recognizing macrohedging transactions. The changes introduced by the European Union to IAS 39 (carve-out) allow customer demand deposit accounts to be included in hedged fixed-rate liability portfolios without any need to measure ineffectiveness in the event of under hedging. The demand deposit accounts are incorporated in accordance with the run-off estimates defined by the ALM unit.

For each portfolio of fixed-income financial assets or liabilities, the hedging derivatives maturity schedule is compared with that of the hedged items to check that over hedging is not an issue.
The accounting treatment of fair value macrohedging derivative instruments is similar to that of fair value hedging derivatives.
Changes in the fair value of the hedged portfolios are recorded in the statement of financial position under "Remeasurement adjustment on interest-rate risk hedged investments", with a corresponding entry in the income statement.

Cash flow hedging instruments

In the case of a cash flow hedging relationship, the derivatives are remeasured at fair value in the statement of financial position with a corresponding entry for the effective portion under equity. The ineffective portion of the hedge is recognized in the income statement under "Net gain/(loss) on financial instruments at fair value through profit or loss".
The amounts recognized in shareholders' equity are carried to the income statement under "Interest income and expense" at the same rate as the cash flows of the hedged item affect the income statement.
The hedged items remain recognized in accordance with the specific provisions for their accounting category. If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued. Cumulative amounts recognized in shareholders' equity as a result of the remeasurement of a hedging derivative remain recognized in equity until the hedged transaction affects earnings or when it becomes apparent that the transaction will not take place; these amounts are then transferred to profit or loss.
If the hedged item ceases to be recognized, the accumulated amounts recorded under equity are immediately transferred to profit or loss.

NON-CURRENT ASSETS AND DEPRECIATION/AMORTIZATION

Property and equipment and intangible assets shown in the statement of financial position comprise assets used in operations and investment property. Assets used in operations are those used in the provision of services or for administrative purposes. Investment property comprises real estate assets held to earn rentals or for capital appreciation, or both. Investment property is recognized at cost, in the same way as assets used in operations.

Property and equipment and intangible assets are recognized at acquisition cost plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, property and equipment and intangible assets are measured using the historical cost method, which represents cost less accumulated depreciation, amortization and any accumulated impairment losses.

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognized separately and depreciated using a depreciation method appropriate to that component. Property and equipment and intangible assets are presumed not to have a residual value as their useful lives are generally the same as their economic lives.

The depreciation and amortization periods are:

Property and equipment	
Buildings – structural work (depending on the type of building in question)	10 to 30 years
Construction – equipment	10 to 25 years
Fixtures and installations	5 to 15 years
Office equipment and furniture	5 to 10 years
Safety equipment	3 to 10 years
Vehicles and moveable equipment	3 to 5 years
Computer equipment	3 to 5 years
Intangible assets	
Software bought or developed in-house	1 to 3 years

Depreciable and amortizable assets are tested for impairment when there is evidence at the end of the reporting period that the items may be impaired. Non-depreciable and non-amortizable non-current assets (such as leasehold rights) are tested for impairment at least annually.

If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. If the asset is found to be impaired, an impairment charge is recognized through profit and loss, and the depreciable amount is adjusted prospectively. The impairment charge is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. The carrying amount after reversal of the impairment charge cannot exceed the carrying amount which would have been calculated if no impairment had been recognized.

Impairment charges relating to operating assets are recognized in the income statement in “Depreciation, amortization and impairment of non-current assets”.

Impairment charges relating to investment properties are recognized in “Expenses on other activities” (for additional impairment charges) and “Income from other activities” (for reversals) in the income statement.

Gains and losses on disposals of non-current assets used in operations are recognized in the income statement in “Net gain/(loss) on disposals of other assets”.

Gains and losses on disposals of investment property are shown in the income statement under “Income from other activities” or “Expense on other activities”.

The fair value of investment property is disclosed in the notes as at each reporting date: this is obtained from independent experts by reference to the market.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A non-current asset (or group of assets) is classified in this category if it is held for sale and it is highly probable that the sale will occur within 12 months of the end of the reporting period.
The related assets and liabilities are shown separately in the statement of financial position, on the lines “Non-current assets held for sale” and “Liabilities associated with non-current assets held for sale”. Items in this category are measured at the lower of their carrying amount and fair value less costs to sell, and are no longer depreciated/amortized. When assets held for sale or the associated liabilities become impaired, an impairment charge is recognized in the income statement. Discontinued operations include operations that are held for sale or which have been shut down, and subsidiaries acquired exclusively with a view to resale. They are shown on a separate line in the income statement under “Net gain/(loss) on discontinued operations”.

REGULATED SAVINGS CONTRACTS

The “*comptes épargne logement*” (CEL - home savings accounts) and “*plans épargne logement*” (PEL - home savings plans) are products regulated by French law, which are available to customers (natural persons). These products combine a stage of interest-bearing savings, which give right to a preferential home loan in a second stage. They generate two types of commitments for the distributing institution:

- A commitment to pay future interest on the amounts deposited as savings at a fixed rate for the PEL and variable-rate equivalent for the CEL (periodically revised on the basis of an indexation formula);
- A commitment to grant a loan to the customers who request it at predetermined conditions (both for the PEL and the CEL).

The commitments have been estimated on the basis of statistical customer behavior patterns and market inputs. A provision is established in the liabilities section of the statement of financial position to cover potential future costs arising from unfavorable conditions relating to these products, on the basis of interest rates offered to individual customers on similar, non-regulated products. This approach is applied to homogeneous generations of PEL and CEL products in terms of the applicable regulated terms and conditions. The impact on the income statement is recognized as "Interest paid to customers".

DEBT SECURITIES

Debts evidenced by certificates (certificates of deposit, interbank market securities, bonds, etc.), not classified under the fair value through profit or loss option, are recognized initially at their issue value, minus any transaction costs.
These debt securities are subsequently measured at amortized cost using the effective interest method.

INSURANCE

The accounting policies and valuation methods applying to the assets and liabilities generated by the issuing of insurance contracts are established pursuant to IFRS 4. They also apply to reinsurance contracts issued or subscribed, and to financial contracts that have a discretionary profit-sharing clause.
The other assets held and liabilities issued by fully consolidated insurance companies follow the rules common to all of the Group's assets and liabilities.

Assets

Financial assets, investment properties and other non-current assets follow the accounting methods described elsewhere. However, financial assets representing technical provisions related to unit-linked contracts are shown under the line item "Financial assets at fair value through profit or loss".

Liabilities

Technical reserves of unit-linked contracts are measured, on the reporting date, based on the realizable value of the assets underlying these contracts.

Reserves of non-life insurance policies correspond to unearned premiums (portion of premiums issued related to subsequent years) and claims payable.

Insurance policies that have a discretionary profit-sharing clause are subject to "shadow accounting". The resulting provision for deferred profit-sharing represents the share of capital gains and losses accruing to policyholders. These provisions for deferred profit-sharing are recognized on the assets or liabilities side, by legal entity and without offset between entities in the scope of consolidation.

Under assets, they are given a separate line and their recoverability is assessed based on an analysis of future cash flows using the interest rate assumptions applied to customers and recovery activities, which are consistent with the business plan established by the companies concerned.

On the reporting date, the liabilities carried for these policies (net of other related asset or liability items such as deferred acquisition expenses and the value of the portfolios acquired) are tested to check that they are sufficient to cover the future cash flows estimated at this date. Any shortfall in technical provisions is recognized in income for the period (and may be reversed at a later stage).

Income statement

Income and expenses recognized for the insurance policies issued by the Group are shown under the "Income from other activities" and "Expenses on other activities" line items.
Income and expenses pertaining to the proprietary trading activities of the insurance entities are recognized under the line items related to them.

PROVISIONS

Additions to and reversals from provisions are classified according to the nature of the corresponding income and expense items. A provision is recognized when it is likely that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of this obligation is discounted, where appropriate, to determine the amount of the provision.

The provisions made by the Group cover in particular:
- Legal risk;
- Employee-related commitments;
- Execution risk on signature commitments;
- Litigation risk and guarantee commitments given;
- Tax risks;
- Risks related to home savings accounts and plans.

EMPLOYEE BENEFITS

Employee benefits are recognized in accordance with IAS 19R. For post-employment defined benefits, this involves:
- The immediate recognition of actuarial variances as unrealized or deferred gains or losses in equity and the immediate recognition of plan changes through profit or loss;
- The application to the plan's assets of the discount rate used for the debt;
- More detailed information in the notes to the financial statements.

Employee-related commitments are subject, where relevant, to a provision reported under the line item "Provisions". A change in this item is recognized in the income statement under the "Payroll costs" heading, except for the portion resulting from actuarial variances, which is recognized as "Unrealized or deferred gains or losses" in equity.

▷ Post-employment defined benefits

These benefits include retirement plans, early retirement plans and supplementary retirement plans, under which the Group has a formal or implicit liability to provide benefits promised to employees.

These obligations are calculated using the projected unit credit method, which involves allocating rights to benefits to periods of service under the contractual formula for calculating the retirement plan benefits, subsequently discounted on the basis of demographic and financial assumptions, including:

- The discount rate, determined by reference to the issuance rates of companies with an AA rating depending on the term of the commitment;
- The rate of wage increase, assessed according to the age group, and the management/non-management category;
- The rate of inflation, estimated on the basis of a comparison between the OAT (French government bond) yields and OAT yields inflated for different maturities;
- Rates of employee turnover determined by age group on the basis of an average ratio over three years of the number of resignations and dismissals to the total number of employees working in the company under permanent contracts at the financial year-end;
- The age of retirement: an estimate is made by individual on the basis of actual or estimated date of commencement of working life and assumptions related to the retirement reform legislation, with a maximum ceiling at age 67;
- The mortality rates in accordance with the INSEE (French National Institute for Statistics and Economic Studies) TF 00-02 table.

The differences arising from changes in these assumptions and from the differences between previous assumptions and actual results represent actuarial variances. If the retirement plan has assets, these are valued at fair value, and affect the income statement for the expected yield. The difference between the actual and expected yield is also an actuarial variance.

▷ Retirement bonuses

Employees' retirement bonuses are calculated based on the length of their presence in the company and their gross salary, in accordance with the collective agreement applicable to the Group.

Actuarial differences are recognized as "Unrealized or deferred gains or losses" under equity. Any reductions in terms or plan liquidations generate changes in the obligation, which are recognized in profit or loss for the year.

▶ SHARE-BASED PAYMENTS

Share-based payments concern transactions for which payment is linked to the shares issued by the Group, settled through payment in shares or in cash, for an amount that depends on changes in the value of the shares.

The cost borne by the Group is assessed based on the fair value on the date of notification of the share purchase or subscription options awarded by certain subsidiaries. The overall cost of the plan is calculated by multiplying the unit value of the option by the estimated number of options that will be issued at the end of the vesting period, taking into account the presence conditions applicable to the beneficiaries. The expense is recognized under payroll expense once notified and is spread over the vesting period of the rights without waiting, where applicable, for the vesting conditions of the award to be fulfilled or for the beneficiaries to exercise their options.

For plans that are settled by payment in shares, the expense entry is offset by a corresponding increase in equity.

For plans that are settled in cash, the corresponding entry is recorded under debt. This liability is remeasured until extinction in accordance with the fair value of the share. A value adjustment is also entered under payroll expense.

▶ SUBORDINATED DEBT

Term or perpetual subordinated debt is separated from other debt securities, because their redemption, should the debtor enter liquidation, is only possible after all the other creditors have been paid. Such debt is valued at amortized cost.

▶ DISTINCTION BETWEEN DEBT AND SHAREHOLDERS' EQUITY

According to the IFRIC 2 interpretation, shares owned by member-shareholders are equity if the entity has an unconditional right to refuse redemption, or if there are legal or statutory provisions prohibiting or seriously restricting redemption. In view of the existing legal or statutory provisions, the shares issued by the structures making up the consolidating entity of CMNE are recognized in equity.

The other financial instruments issued by the Group qualify as debt instruments for accounting purposes if there is a contractual obligation for the Group to deliver cash to the security holders. This is in particular the case for all the subordinated securities issued by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The notes are presented in thousands of Euros

1. NOTES TO THE STATEMENT OF FINANCIAL POSITION

NOTE 1: CASH AND AMOUNTS DUE FROM CENTRAL BANKS

1a. Loans and receivables due from credit institutions

	12/31/2017	12/31/2016	Change	
Cash and amounts due from central banks				
Due from central banks	747 673	887 595	-139 922	-15.76 %
Including reserve requirements	*397 594*	*364 347*	*33 247*	*9.13 %*
Cash	84 714	84 046	668	0.79 %
TOTAL	**832 387**	**971 641**	**-139 254**	**-14.33 %**
Loans and receivables due from credit institutions				
Crédit Mutuel network accounts1	1 895 448	1 935 524	-40 076	-2.07 %
Other current accounts	144 867	266 821	-121 954	-45.71 %
Loans	529 184	526 563	2 621	0.50 %
Other receivables	121 660	123 152	-1 492	-1.21 %
Repurchase agreements	356 602	351 312	5 290	1.51 %
Accrued interest	18 935	16 518	2 417	14.63 %
TOTAL	**3 066 696**	**3 219 890**	**-153 194**	**-4.76 %**

[1] Mainly outstanding CDC (*Caisse des Dépôts et Consignations*) repayments relating to LEP, LDD and *Livret bleu* and *Livret A* passbook savings accounts.

1b. Due to credit institutions

	12/31/2017	12/31/2016	Change	
Due to central banks				
Due to central banks	0	0	0	Immaterial
TOTAL	**0**	**0**	**0**	**IMMATERIAL**
Due to credit institutions				
Other current accounts	53 950	24 692	29 258	118.49 %
Borrowings	513 712	521 174	-7 462	-1.43 %
Other liabilities	28 057	24 422	3 635	14.88 %
Repurchase agreements	1 156 602	951 312	205 290	21.58 %
Accrued interest	2 165	2 021	144	7.13 %
TOTAL	**1 754 486**	**1 523 621**	**230 865**	**15.15 %**

NOTE 2: FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

2a. Financial assets at fair value through profit or loss

	12/31/2017			12/31/2016		
	Held for trading	Fair value option	Total	Held for trading	Fair value option	Total
Securities	**122 661**	**547 212**	**669 873**	**198 395**	**12 589 663**	**12 788 058**
• Government securities	0	352 118	352 118	0	346 624	346 624
• Bonds and other fixed-income securities	0	104 360	104 360	0	2 974 930	2 974 930
– Listed	0	51 907	51 907	0	2 924 213	2 924 213
– Unlisted	0	52 453	52 453	0	50 717	50 717
• Equities and other variable-income securities	122 661	90 734	213 395	198 395	9 268 109	9 466 504
– Listed	122 661	0	122 661	198 395	9 238 124	9 436 519
– Unlisted	0	90 734	90 734	0	29 985	29 985
Derivative instruments	**169 271**	**0**	**169 271**	**165 164**	**0**	**165 164**
Other financial assets		**0**	**0**		**425**	**425**
TOTAL	**291 932**	**547 212**	**839 144**	**363 559**	**12 590 088**	**12 953 647**

The significant decrease in "Financial assets at fair value by option" was due to the reclassification of the insurance companies' assets as "assets held for sale" in connection with the planned merger with the CM11 Group insurance companies. This reclassification was carried out in accordance with IFRS 5 and will affect a number of other statements of financial position and income statement items. So as to reduce the annotations in the following notes, reference should be made to this paragraph when "IFRS 5" is mentioned.

2b. Financial liabilities at fair value through profit or loss

	12/31/2017	12/31/2016	Change	
Financial liabilities held for trading	130 248	118 480	11 768	9.93 %
Financial liabilities at fair value by option through profit or loss	110 724	116 345	-5 621	-4.83 %
TOTAL	**240 972**	**234 825**	**6 147**	**2.62 %**

The "Financial liabilities at fair value by option through profit or loss" line corresponds mainly to the structured bonds issued by CFCMNE until December 31, 2012, classified in this category due to the embedded derivative they contain. As from January 1, 2013, the derivatives embedded in the structured bonds issued are accounted for separately, at fair value through profit or loss, whereas plain vanilla bonds are recognized at amortized cost.

Financial liabilities at fair value by option through profit or loss

	12/31/2017			12/31/2016		
	Carrying amount	Maturity amount	Variance	Carrying amount	Maturity amount	Variance
Securities issued	110 724	94 238	16 486	116 345	101 534	14 811
TOTAL	**110 724**	**94 238**	**16 486**	**116 345**	**101 534**	**14 811**

NOTE 3: HEDGING

3a. Hedging derivative instruments

	12/31/2017		12/31/2016	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	140	23 143	63	30 326
Fair value hedges (change in value recognized through profit or loss)	26 175	60 697	32 963	96 162
TOTAL	**26 315**	**83 840**	**33 026**	**126 488**

3b. Remeasurement adjustment on interest-rate risk hedged investments

Fair value	12/31/2017	12/31/2016	Change
Fair value of interest-rate risk by investment category			
Financial assets	22 236	49 813	-27 577
Financial liabilities	2 320	2 542	-222

NOTE 4: ANALYSIS OF DERIVATIVE INSTRUMENTS

	12/31/2017			12/31/2016		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Trading derivative instruments						
Interest-rate derivative instruments						
Swaps	6 448 343	153 086	89 149	6 318 977	142 190	81 632
Other forward contracts	899 000	0	0	372 000	0	0
Options and conditional transactions	0	16 185	41 099	0	22 974	36 848
Foreign exchange derivative instruments						
Other forward contracts	0	0	0	0	0	0
SUB-TOTAL	**7 347 343**	**169 271**	**130 248**	**6 690 977**	**165 164**	**118 480**
Hedging derivative instruments						
Fair value hedges						
Swaps	2 304 850	26 175	60 697	2 961 850	32 963	96 162
Other forward contracts	990 200	0	0	490 000	0	0
Cash flow hedges						
Swaps	645 700	140	23 143	660 700	63	30 326
SUB-TOTAL	**3 940 750**	**26 315**	**83 840**	**4 112 550**	**33 026**	**126 488**
TOTAL	**11 288 093**	**195 586**	**214 088**	**10 803 527**	**198 190**	**244 968**

NOTE 5: AVAILABLE-FOR-SALE FINANCIAL ASSETS

5a. Available-for-sale financial assets

	12/31/2017	12/31/2016	Change	
Government securities	498 446	1 558 411	-1 059 965	-68.02 %
Bonds and other fixed-income securities	2 303 626	4 311 256	-2 007 630	-46.57 %
• Listed	1 894 107	4 037 805	-2 143 698	-53.09 %
• Unlisted	409 519	273 451	136 068	49.76 %
Equities and other variable-income securities	943 989	668 959	275 030	41.11 %
• Listed	31 854	23 448	8 406	35.85 %
• Unlisted	912 135	645 511	266 624	41.30 %
Long-term investments	92 127	222 729	-130 602	-58.64 %
• Investments in non-consolidated companies	24 458	32 679	-8 221	-25.16 %
• Other long-term securities	11 705	16 815	-5 110	-30.39 %
• Investments in subsidiaries and associates	55 964	173 235	-117 271	-67.69 %
Accrued interest	21 485	94 817	-73 332	-77.34 %
TOTAL	**3 859 673**	**6 856 172**	**-2 996 499**	**-43.71 %**
Of which unrealized gains or losses recognized in equity	*112 082*	*189 093*	*-77 011*	*-40.73 %*
Of which impaired fixed-income securities	*981*	*1 408*	*-427*	*-30.33 %*
Of which impairment provision	*-5 790*	*-9 673*	*3 883*	*-40.14 %*

5b. List of main investments in non-consolidated companies (as at 12/31/2017)

		% held	Shareholders' equity	Total assets	NBI or revenue	Net income
GACM	Unlisted	<1 %	10 156 223	114 668 595	1 774 901	754 249
CCCM Paris	Unlisted	13 %	656 039	4 870 032	125 476	113 107

Breakdown of investments in non-consolidated companies required under Regulation no. 2016-09 of the French Accounting Standards Authority (Autorité des Normes Comptables - ANC):
https://www.creditmutuel.fr/cmne/fr/banques/investisseurs/index.html#documents-financiers

5c. Exposure to sovereign risk

Greek sovereign risk

The Group does not have any exposure to Greek sovereign risk.

Other sovereign exposures relating to the GIIPS countries (Greece, Ireland, Italy, Portugal and Spain)

Other countries benefiting from support packages

12/31/2017		
Net exposure* in € millions - Bankinsurance	Portugal	Ireland
Financial assets at fair value through profit or loss		
Available-for-sale financial assets		
Held-to-maturity financial assets		
TOTAL	**0**	**0**
GAINS/LOSSES RECOGNIZED IN EQUITY		

12/31/2016		
Net exposure* in € millions - Bankinsurance	Portugal	Ireland
Financial assets at fair value through profit or loss		
Available-for-sale financial assets		17 399
Held-to-maturity financial assets		
TOTAL	**0**	**17 399**
GAINS/LOSSES RECOGNIZED IN EQUITY		**2 839**

* Net exposure: after taking into account the unrealized gains or losses and the deferred profit-sharing attributable to policyholders as regards the insurance portion.

Other countries (banks' exposure only)
None of the Group's banks is exposed to other sovereign risks.

NOTE 6: FAIR VALUE HIERARCHY

12/31/2017	Level 1	Level 2	Level 3	Total	Transfer* level 1 ->level 2	Transfer* level 2 ->level 1
Financial assets						
Available-for-sale (AFS)	2 683 412	1 084 119	92 142	3 859 673	0	0
• Government and similar securities - AFS	502 834	0	0	502 834	0	0
• Bonds and other fixed-income securities - AFS	2 010 219	309 760	0	2 319 979	0	0
• Equities and other variable-income securities - AFS	170 359	774 359	0	944 718	0	0
• Investments in non-consolidated companies and other LT investments - AFS	0	0	36 178	36 178	0	0
• Investments in associates - AFS	0	0	55 964	55 964	0	0
Held for trading / Fair value option (FVO)	617 420	221 724	0	839 144	0	0
• Government and similar securities - FVO	352 118	0	0	352 118	0	0
• Bonds and other fixed-income securities - FVO	51 907	52 453	0	104 360	0	0
• Equities and other variable-income securities - Held for trading	122 661	0	0	122 661	0	0
• Equities and other variable-income securities - FVO	90 734	0	0	90 734	0	0
• Loans and receivables due from credit institutions - FVO	0	0	0	0	0	0
• Derivative instruments and other financial assets - Held for trading	0	169 271	0	169 271	0	0
Hedging derivative instruments	0	26 315	0	26 315	0	0
TOTAL	**3 300 832**	**1 332 158**	**92 142**	**4 725 132**	**0**	**0**
Financial liabilities						
Held for trading / Fair value option (FVO)	0	240 972	0	240 972	0	0
• Debt securities - FVO	0	110 724	0	110 724	0	0
• Derivative instruments and other financial liabilities - Held for trading	0	130 248	0	130 248	0	0
Hedging derivative instruments	0	83 840	0	83 840	0	0
TOTAL	**0**	**324 812**	**0**	**324 812**	**0**	**0**

12/31/2016	Level 1	Level 2	Level 3	Total	Transfer* level 1 ->level 2	Transfer* level 2 ->level 1
Financial assets						
Available-for-sale (AFS)	5 795 320	839 536	221 316	6 856 172	0	0
• Government and similar securities - AFS	1 579 451	0	0	1 579 451	0	0
• Bonds and other fixed-income securities - AFS	4 078 852	304 258	1 058	4 384 168	0	0
• Equities and other variable-income securities - AFS	137 017	532 211	505	669 733	0	0
• Investments in non-consolidated companies and other LT investments - AFS	0	3 067	46 518	49 585	0	0
• Investments in associates - AFS	0	0	173 235	173 235	0	0
Held for trading / Fair value option (FVO)	10 294 260	2 659 387	0	12 953 647	0	0
• Government and similar securities - FVO	346 624	0	0	346 624	0	0
• Bonds and other fixed-income securities - FVO	481 132	2 493 798	0	2 974 930	0	0
• Equities and other variable-income securities - Held for trading	198 395	0	0	198 395	0	0
• Equities and other variable-income securities - FVO	9 268 109	0	0	9 268 109	0	0
• Loans and receivables due from credit institutions - FVO	0	425	0	425	0	0
• Derivative instruments and other financial assets - Held for trading	0	165 164	0	165 164	0	0
Hedging derivative instruments	0	33 026	0	33 026	0	0
TOTAL	**16 089 580**	**3 531 949**	**221 316**	**19 842 845**	**0**	**0**
Financial liabilities						
Held for trading / Fair value option (FVO)	0	234 825	0	234 825	0	0
• Debt securities - FVO	0	116 345	0	116 345	0	0
• Derivative instruments and other financial liabilities - Held for trading	0	118 480	0	118 480	0	0
Hedging derivative instruments	0	126 488	0	126 488	0	0
TOTAL	**0**	**361 313**	**0**	**361 313**	**0**	**0**

* Only material transfers are included, i.e. those transfers whose amount exceeds 10 % of the amount in the "Total" line for the category of asset or liability concerned.

Level 1:
Price listed on an active market.

Level 2:
Prices on active markets for similar instruments and valuation techniques for which all significant inputs are based on observable market data.

Level 3:
Valuation based on internal models containing material non-observable data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fair value hierarchy - breakdown of level 3

12/31/2017	Opening balance	Purchases	Sales	Redemptions	Transfers	Gains and losses recognized in profit or loss	Gains and losses recognized in equity	Other movements	Closing balance	Transfers* level 1/level 2 ->level 3	Transfers* level 3->level 1/ level 2
Financial assets											
Available-for-sale (AFS)	221 316	4 034	-60 992	-676	-5 064	-93 406	29 889	-2 959	92 142	0	0
• Bonds and other fixed-income securities - AFS	1 058	0	0	-180	-878	0	0	0	0	0	0
• Equities, portfolio activity securities and other variable-income securities - AFS	505	0	0	0	-505	0	0	0	0	0	0
• Investments in non-consolidated companies and other LT investments - AFS	46 518	4 034	-9 377	-496	-3 681	2 091	-168	-2 743	36 178	0	0
• Investments in associates - AFS	173 235	0	-51 615	0	0	-95 497	30 057	-216	55 964	0	0
Held for trading / Fair value option (FVO)	0	0	0	0	0	0	0	0	0	0	0
Hedging derivative instruments	0	0	0	0	0	0	0	0	0	0	0
TOTAL	**221 316**	**4 034**	**-60 992**	**-676**	**-5 064**	**-93 406**	**29 889**	**-2 959**	**92 142**	**0**	**0**
Financial liabilities											
Held for trading / Fair value option (FVO)	0	0	0	0	0	0	0	0	0	0	0
Hedging derivative instruments	0	0	0	0	0	0	0	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

12/31/20016	Opening balance	Purchases	Sales	Redemptions	Transfers	Gains and losses recognized in profit or loss	Gains and losses recognized in equity	Other movements	Closing balance	Transfers* level 1/level 2 ->level 3	Transfers* level 3->level 1/ level 2
Financial assets											
Available-for-sale (AFS)	209 725	1 948	-818	-200	3 278	-2 374	9 602	155	221 316	0	0
• Bonds and other fixed-income securities - AFS	1 055	0	0	0	0	0	0	3	1 058	0	0
• Equities, portfolio activity securities and other variable-income securities - AFS	5 859	1	0	0	-5 354	0	0	-1	505	0	0
• Investments in non-consolidated companies and other LT investments - AFS	40 241	1 628	-808	-200	8 632	-3 220	92	153	46 518	0	0
• Investments in associates - AFS	162 570	319	-10	0	0	846	9 510	0	173 235	0	0
Held for trading / Fair value option (FVO)	0	0	0	0	0	0	0	0	0	0	0
Hedging derivative instruments	0	0	0	0	0	0	0	0	0	0	0
TOTAL	**209 725**	**1 948**	**-818**	**-200**	**3 278**	**-2 374**	**9 602**	**155**	**221 316**	**0**	**0**
Financial liabilities											
Held for trading / Fair value option (FVO)	0	0	0	0	0	0	0	0	0	0	0
Hedging derivative instruments	0	0	0	0	0	0	0	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

* Only the most material transfers are included, i.e. those transfers whose amount exceeds 10 % of the amount in the "Total" line for the category of asset or liability concerned.

NOTE 7: OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

12/31/2017	Gross amount of financial assets	Gross amount of financial liabilities offset	Net amount shown	Associated amounts not offset			Net amount
				Effect of offset framework agreements	Financial instruments received in guarantee	Cash collateral received	
Financial assets							
Derivatives	195 586	-	195 586	-96 453	-	-58 703	40 430
Repurchase agreements	360 560	-	360 560	-175 294	-	-	185 266
TOTAL	**556 146**	**-**	**556 146**	**-271 747**	**-**	**-58 703**	**225 696**
Financial liabilities							
Derivatives	214 088	-	214 088	-96 453	-	-74 650	42 985
Repurchase agreements	1 156 826	-	1 156 826	-175 294	-800 000	-	181 532
TOTAL	**1 370 914**	**-**	**1 370 914**	**-271 747**	**-800 000**	**-74 650**	**224 517**

12/31/2016	Gross amount of financial assets	Gross amount of financial liabilities offset	Net amount shown	Associated amounts not offset			Net amount
				Effect of offset framework agreements	Financial instruments received in guarantee	Cash collateral received	
Financial assets							
Derivatives	198 190	-	198 190	-109 010	-	-57 682	31 498
Repurchase agreements	351 312	-	351 312	-351 242	-	-	70
TOTAL	**549 502**	**-**	**549 502**	**-460 252**	**-**	**-57 682**	**31 568**
Financial liabilities							
Derivatives	244 968	-	244 968	-108 842	-	-99 508	36 618
Repurchase agreements	951 544	-	951 544	-351 312	-600 000	-	232
TOTAL	**1 196 512**	**-**	**1 196 512**	**-460 154**	**-600 000**	**-99 508**	**36 850**

NOTE 8: CUSTOMER TRANSACTIONS

8a. Loans and receivables due from customers

	12/31/2017	12/31/2016	Change	
Performing loans	14 413 011	14 442 304	-29 293	-0.20 %
• Commercial loans	11 862	19 154	-7 292	-38.07 %
• Other customer loans	14 370 888	14 388 073	-17 185	-0.12 %
– – Home loans	8 031 881	8 069 622	-37 741	-0.47 %
– – Other loans and receivables, including repurchase agreements	6 339 007	6 318 451	20 556	0.33 %
• Accrued interest	30 261	35 077	-4 816	-13.73 %
Insurance and reinsurance receivables	0	12 194	-12 194	-100.00 %
Gross receivables subject to individual impairment	892 934	924 811	-31 877	-3.45 %
GROSS AMOUNT	**15 305 945**	**15 379 309**	**-73 364**	**-0.48 %**
Individual impairment	-565 010	-594 232	29 222	-4.92 %
Collective impairment	-23 682	-22 984	-698	3.04 %
SUB-TOTAL I	**14 717 253**	**14 762 093**	**-44 840**	**-0.30 %**
Finance leases (net investment)	1 420 673	1 422 196	-1 523	-0.11 %
• Furniture and movable equipment	975 050	940 055	34 995	3.72 %
• Real estate	395 467	441 555	-46 088	-10.44 %
• Gross receivables subject to individual impairment	50 156	40 586	9 570	23.58 %
Individual impairment	-11 550	-13 418	1 868	-13.92 %
SUB-TOTAL II	**1 409 123**	**1 408 778**	**345**	**0.02 %**
TOTAL	**16 126 376**	**16 170 871**	**-44 495**	**-0.28 %**
Of which non-voting loan stock	*0*	*0*	*0*	*Immaterial*
Of which subordinated loans	*0*	*0*	*0*	*Immaterial*

Finance leases with customers

	12/31/2016	Additions	Disposals	Other	12/31/2017
Gross carrying amount	1 422 196	101 097	-102 618	-2	1 420 673
Impairment of irrecoverable rent	-13 418	-4 275	6 143	0	-11 550
Net carrying amount	1 408 778	96 822	-96 475	-2	1 409 123

8b. Due to customers

	12/31/2017	12/31/2016	Change	
Regulated savings accounts	11 801 184	11 664 141	137 043	1.17 %
• Demand	9 537 480	9 575 002	-37 522	-0.39 %
• Term	2 263 704	2 089 139	174 565	8.36 %
Accrued interest on home savings accounts	5 046	8 560	-3 514	-41.05 %
SUB-TOTAL	**11 806 230**	**11 672 701**	**133 529**	**1.14 %**
Current accounts	4 605 119	4 209 104	396 015	9.41 %
Term deposits and borrowings	304 996	401 256	-96 260	-23.99 %
Accrued interest	1 468	3 755	-2 287	-60.91 %
Insurance and reinsurance payables	0	91 041	-91 041	-100.00 %
SUB-TOTAL	**4 911 583**	**4 705 156**	**206 427**	**4.39 %**
TOTAL	**16 717 813**	**16 377 857**	**339 956**	**2.08 %**

NOTE 9: HELD-TO-MATURITY FINANCIAL ASSETS

	12/31/2017	12/31/2016	Change	
Securities	72 266	206 714	-134 448	-65.04 %
• Government securities	10 251	10 004	247	2.47 %
• Bonds and other fixed-income securities	62 015	196 710	-134 695	-68.47 %
– Listed	0	47 509	-47 509	-100.00 %
– Unlisted	62 015	149 201	-87 186	-58.44 %
Accrued interest	4 823	6 350	-1 527	-24.05 %
GROSS TOTAL	**77 089**	**213 064**	**-135 975**	**-63.82 %**
Of which impaired assets	*0*	*4 687*	*-4 687*	*-100.00 %*
Impairment provisions	0	-4 682	4 682	-100.00 %
NET TOTAL	**77 089**	**208 382**	**-131 293**	**-63.01 %**

NOTE 10: IMPAIRMENT PROVISIONS: BREAKDOWN AND MOVEMENTS

	12/31/2016	Additions	Reversals	Other	12/31/2017
Loans and receivables due from customers	-630 634	-114 791	120 936	24 247	-600 242
Available-for-sale (AFS) fixed income securities	-1 214	0	350	0	-864
Available-for-sale (AFS) variable income securities	-8 459	-328	3 862	-1	-4 926
Held-to-maturity securities	-4 682	0	4 682	0	0
TOTAL	**-644 989**	**-115 119**	**129 830**	**24 246**	**-606 032**

NOTE 11: FINANCIAL INSTRUMENTS - RECLASSIFICATIONS

None.

The standard governing reclassified assets to maturity applies only to securities reallocated to the "Loans" heading. Since its only reclassifications have been between categories of securities, the Group does not meet these criteria and therefore only provides this information for those years in which it carried out reclassification.

NOTE 12: DEBT SECURITIES

	12/31/2017	12/31/2016	Change	
Certificates of deposit	39 716	57 316	-17 600	-30.71 %
Interbank instruments and money market securities	1 781 744	2 063 395	-281 651	-13.65 %
Bonds	1 263 438	1 468 281	-204 843	-13.95 %
Accrued interest	18 049	22 138	-4 089	-18.47 %
TOTAL	**3 102 947**	**3 611 130**	**-508 183**	**-14.07 %**

NOTE 13: TAX

13a. Current tax

	12/31/2017	12/31/2016	Change	
Asset (through income statement)	97 030	67 409	29 621	43.94 %
Liability (through income statement)	63 869	52 780	11 089	21.01 %

13b. Deferred tax

	12/31/2017	12/31/2016	Change	
Asset (through income statement)	44 423	61 981	-17 558	-28.33 %
Asset (through shareholders' equity)	462	4 955	-4 493	-90.68 %
Liability (through income statement)	4 885	28 388	-23 503	-82.79 %
Liability (through shareholders' equity)	13 435	32 667	-19 232	-58.87 %

Breakdown of deferred tax by major categories

	12/31/2017		12/31/2016	
	Asset	Liability	Asset	Liability
Tax losses carried forward	**0**	**0**	**0**	**0**
Temporary differences				
• Deferred gains (losses) on available-for-sale securities	0	22 798	0	46 285
• Other unrealized or deferred gains and losses	9 825	0	18 573	0
• Provisions	44 764	0	64 238	4 226
• Unrealized finance lease reserve	0	5 803	0	5 637
• Other temporary differences	-341	-918	-2 257	18 525
Netting	**-9 363**	**-9 363**	**-13 618**	**-13 618**
TOTAL DEFERRED TAX ASSETS AND LIABILITIES	**44 885**	**18 320**	**66 936**	**61 055**

NOTE 14: ACCRUALS AND OTHER ASSETS AND LIABILITIES

14a. Accruals and other assets

	12/31/2017	12/31/2016	Change	
Accruals - assets				
Collection accounts	24 472	21 525	2 947	13.69 %
Accrued income	19 463	25 741	-6 278	-24.39 %
Other accruals	95 078	53 303	41 775	78.37 %
SUB-TOTAL	139 013	100 569	38 444	38.23 %
Other assets				
Guarantee deposits paid	174 820	195 554	-20 734	-10.60 %
Miscellaneous receivables	221 413	248 391	-26 978	-10.86 %
Inventories	2 273	1 866	407	21.81 %
SUB-TOTAL	398 506	445 811	-47 305	-10.61 %
Other insurance assets				
Technical reserves - reinsurers' share	0	32 458	-32 458	-100.00 %
SUB-TOTAL	0	32 458	-32 458	-100.00 %
TOTAL	537 519	578 838	-41 319	-7.14 %

14b. Accruals and other liabilities

	12/31/2017	12/31/2016	Change	
Accruals - liabilities				
Accounts unavailable due to collection procedures	2 886	2 775	111	4.00 %
Currency adjustment accounts	34	0	34	Immaterial
Accrued expenses	91 868	91 430	438	0.48 %
Deferred income	66 503	72 881	-6 378	-8.75 %
Other accruals	63 599	65 656	-2 057	-3.13 %
SUB-TOTAL	224 890	232 742	-7 852	-3.37 %
Other liabilities				
Outstanding amounts payable on securities	148 508	402 429	-253 921	-63.10 %
Other payables	603 537	2 406 885	-1 803 348	-74.92 %
SUB-TOTAL	752 045	2 809 314	-2 057 269	-73.23 %
Other insurance liabilities				
SUB-TOTAL	0	0	0	Immaterial
TOTAL	976 935	3 042 056	-2 065 121	-67.89 %

14c. Non-current assets/liabilities held for sale

	12/31/2017	12/31/2016	Change	
Assets				
Financial assets at fair value through profit or loss	12 333 448		12 333 448	Immaterial
Available-for-sale financial assets	3 337 760		3 337 760	Immaterial
Loans and receivables due from credit institutions	217 848		217 848	Immaterial
Loans and receivables due from customers	62 832		62 832	Immaterial
Accruals	81 800		81 800	Immaterial
Investments in associates	17 594		17 594	Immaterial
Property and equipment and intangible assets	1 757	139	1 618	Immaterial
Goodwill	5 640		5 640	Immaterial
ASSETS HELD FOR SALE	**16 058 679**	**139**	**16 058 540**	**IMMATERIAL**
Liabilities				
Due to credit institutions	2 331		2 331	Immaterial
Due to customers	85 413		85 413	Immaterial
Accruals	1 962 417		1 962 417	Immaterial
Technical reserves of insurance companies	12 895 389		12 895 389	Immaterial
Provisions	3 926		3 926	Immaterial
Subordinated debt	150 015		150 015	Immaterial
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	**15 099 491**	**0**	**15 099 491**	**IMMATERIAL**
Net income				
Interest income	10 764		10 764	Immaterial
Interest expense	-7 231		-7 231	Immaterial
Net gain (loss) on portfolio at fair value through profit or loss	17 496		17 496	Immaterial
Net gain (loss) on available-for-sale financial assets	-3 103		-3 103	Immaterial
Income from other activities	1 467 057		1 467 057	Immaterial
Expenses on other activities	-1 287 420		-1 287 420	Immaterial
General operating expenses	-63 592		-63 592	Immaterial
Share of net income (loss) of associates	101		101	Immaterial
Corporate income tax	-53 999		-53 999	Immaterial
NET GAIN/(LOSS) ON DISCONTINUED OPERATIONS	**80 073**	**0**	**80 073**	**IMMATERIAL**

This note makes it possible to measure the impact on the various statement of financial position and income statement items of the reclassification of the insurance company accounts pursuant to IFRS 5 (see Note 2a).

NOTE 15: INVESTMENTS IN ASSOCIATES

Share of net income (loss) of associates

12/31/2017 Entities over which the Group exercises significant influence	Country	% interest	Investment value	Share of net income (loss)	Dividends received[1]	Fair value of the investment (if listed)
Euro Information	France	10.15	124 040	10 026	315	N/A
Sicorfé Maintenance	France	0.00	0	0	0	N/A
Siparex Proximité Innovation	France	25.72	2 316	295	265	N/A
Partners Assurance SA	Belgium	49.00	0	0	0	N/A
Groupe Cholet-Dupont	France	32.73	13 672	1 177	545	N/A
Inflection Point Capital Management Ltd (fully consolidated in 2017)						
JKC Capital Management Ltd	Hong Kong	48.52	1 710	777	0	N/A
Tages Capital LLP	Great Britain	24.26	1 586	957	759	N/A
2A	France	19.41	-187	-136	0	N/A
Alger Management Ltd	Great Britain	48.52	348	-197	0	N/A
La Française AM (goodwill relating to Tages and Alger)[2]	France	97.05	447			N/A
Nord Europe Assurances (goodwill relating to Partners Assurances SA)[2]	France	100.00	0			N/A
Nouvelles Expertises et Talents AM (goodwill relating to JKC CM Ltd)[2]	France	97.05	1 257			N/A
Groupe La Française (goodwill relating to 2A)[2]	France	97.05	356			N/A
TOTAL			**145 545**	**12 899**	**1 884**	

12/31/2016 Entities over which the Group exercises significant influence	Country	% interest	Investment value	Share of net income (loss)	Dividends received[1]	Fair value of the investment (if listed)
Euro Information	France	10.15	114 265	9 297	315	N/A
Sicorfé Maintenance	France	34.00	1 618	119	0	N/A
Siparex Proximité Innovation	France	25.93	2 288	326	265	N/A
Partners Assurance SA	Belgium	49.00	15 922	-66	0	N/A
Groupe Cholet-Dupont	France	33.00	12 845	1 663	545	N/A
Inflection Point Capital Management Ltd	Great Britain	51.17	7 290	-1 657	0	N/A
JKC Capital Management Ltd	Hong Kong	48.91	774	-176	0	N/A
Tages Capital LLP	Great Britain	39.13	1 802	886	1 305	N/A
2A	France	19.57	-51	-133	0	N/A
Alger Management Ltd	Great Britain	48.91	562	126	0	N/A
La Française AM (goodwill relating to IPCM UK, Tages and Alger)[2]			585			N/A
Nord Europe Assurances (goodwill relating to Partners Assurances SA)[2]			1 823			N/A
Nouvelles Expertises et Talents AM (goodwill relating to JKC CM Ltd)[2]			1 257			N/A
TOTAL			**160 980**	**10 385**	**2 430**	

[1] In cash and in shares
[2] Pursuant to IAS 28, goodwill recognized in respect of entities under significant influence is included in the value of the equity-accounted investment.

Financial data on the main associates

12/31/2017 Entities over which the Group exercises significant influence	Total assets	NBI or revenue	Gross operating income	Net income (loss)	OCI	Shareholders' equity
Euro Information	1 364 883	1 123 808	165 073	98 694	90 108	1 179 631
Sicorfé Maintenance	0	0	0	0	0	0
Siparex Proximité Innovation	15 411	13 023	1 649	1 115	-304	8 735
Partners Assurance SA	135 485	4 897	133	207	3 136	32 050
Groupe Cholet-Dupont	307 897	20 700	5 243	3 488	0	40 536
Inflection Point Capital Management Ltd (fully consolidated in 2017)						
JKC Capital Management Ltd	50 100	33 220	15 622	13 675	0	32 054
Tages Capital LLP	12 087	13 485	3 826	3 826	0	6 343
2A	7 998	10 203	-690	-678	0	-934
Alger Management Ltd	1 536	3 329	-345	-345	0	617

12/31/2016 Entities over which the Group exercises significant influence	Total assets	NBI or revenue	Gross operating income	Net income (loss)	OCI	Shareholders' equity
Euro Information	1 249 604	1 022 668	137 056	91 432	89 417	1 083 350
Sicorfé Maintenance	6 716	7 647	480	314	0	4 723
Siparex Proximité Innovation	15 728	13 289	1 841	1 230	-298	8 626
Partners Assurance SA	132 660	1 734	-126	-121	3 650	32 357
Groupe Cholet-Dupont	191 428	19 420	6 030	4 929	0	38 083
Inflection Point Capital Management Ltd	10 085	1 471	-2 171	-2 171	0	10 024
JKC Capital Management Ltd	19 149	14 984	-3 016	-3 016	0	12 650
Tages Capital LLP	8 175	11 621	2 216	2 216	0	4 506
2A	9 339	8 990	-663	-663	0	-256
Alger Management Ltd	2 180	4 512	206	206	0	962

N.B.: This information corresponds to summarized individual information about the entities and is presented in the currencies of the entities concerned.

Reconciliation of the summarized financial information and the equity-accounted value

12/31/2017 Entities over which the Group exercises significant influence	Shareholders' equity in foreign currency	Shareholders' equity converted into € thousands	Consolidation adjustments	Goodwill	Investment value
Euro Information	1 179 631	1 179 631	-1 055 591	0	124 040
Sicorfé Maintenance	0	0	0	0	0
Siparex Proximité Innovation	8 735	8 735	-6 419	0	2 316
Partners Assurance SA	32 050	32 050	-32 050	0	0
Groupe Cholet-Dupont	40 536	40 536	-26 864	0	13 672
Inflection Point Capital Management Ltd (fully consolidated in 2017)					
JKC Capital Management Ltd	32 054	3 420	-1 710	0	1 710
Tages Capital LLP	6 343	6 343	-4 757	0	1 586
2A	-934	-934	747	0	-187
Alger Management Ltd	617	695	-347	0	348
La Française AM (goodwill relating to Tages and Alger)				447	447
Nord Europe Assurances (goodwill relating to Partners Assurances SA)				0	0
Nouvelles Expertises et Talents AM (goodwill relating to JKC CM Ltd)				1 257	1 257
Groupe La Française (goodwill relating to 2A)				356	356
TOTAL		**1 270 477**	**-1 126 992**	**2 060**	**145 545**

12/31/2016 Entities over which the Group exercises significant influence	Shareholders' equity in foreign currency	Shareholders' equity converted into € thousands	Consolidation adjustments	Goodwill	Investment value
Euro Information	1 083 350	1 083 350	-969 085	0	114 265
Sicorfé Maintenance	4 723	4 723	-3 105	0	1 618
Siparex Proximité Innovation	8 626	8 626	-6 338	0	2 288
Partners Assurance SA	32 357	32 357	-16 435	0	15 922
Groupe Cholet-Dupont	38 083	38 083	-25 238	0	12 845
Inflection Point Capital Management Ltd	10 024	11 708	-4 418	0	7 290
JKC Capital Management Ltd	12 650	1 547	-773	0	774
Tages Capital LLP	4 506	4 506	-2 704	0	1 802
2A	-256	-256	205	0	-51
Alger Management Ltd	962	1 124	-562	0	562
La Française AM (goodwill relating to IPCM UK, Tages and Alger)				585	585
Nord Europe Assurances (goodwill relating to Partners Assurances SA)				1 823	1 823
Nouvelles Expertises et Talents AM (goodwill relating to JKC CM Ltd)				1 257	1 257
TOTAL		**1 185 768**	**-1 028 453**	**3 665**	**160 980**

NOTE 16: INVESTMENT PROPERTY

	12/31/2016	Additions	Disposals	Other	12/31/2017
Historical cost	81 378	3 058	-1 176	-5	83 255
Accumulated depreciation and impairment provisions	-32 865	-2 720	28	-1	-35 558
TOTAL	**48 513**	**338**	**-1 148**	**-6**	**47 697**

The fair value of this property (recognized at cost) was €107,892 thousand at December 31, 2017, compared to €97,400 thousand at December 31, 2016. It is determined based on expert valuations.

NOTE 17: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

17a. Property and equipment

	12/31/2016	Additions	Disposals	Other	12/31/2017
Historical cost					
Land used in operations	15 692	0	-778	-10	14 904
Buildings used in operations	193 335	3 061	-8 535	-533	187 328
Other property and equipment	286 513	12 796	-14 019	-133	285 157
TOTAL	**495 540**	**15 857**	**-23 332**	**-676**	**487 389**
Accumulated depreciation and impairment provisions					
Buildings used in operations	-110 279	-8 662	6 618	409	-111 914
Other property and equipment	-185 948	-18 660	11 923	174	-192 511
TOTAL	**-296 227**	**-27 322**	**18 541**	**583**	**-304 425**
NET AMOUNT	**199 313**	**-11 465**	**-4 791**	**-93**	**182 964**

17b. Intangible assets

	12/31/2016	Additions	Disposals	Other	12/31/2017
Historical cost					
Internally-developed intangible assets	75 800	0	-1 384	3 388	77 804
Purchased intangible assets	76 437	10 528	-12 649	-3 633	70 683
• Software	32 905	7 811	-36	-668	40 012
• Other	43 532	2 717	-12 613	-2 965	30 671
TOTAL	**152 237**	**10 528**	**-14 033**	**-245**	**148 487**
Accumulated amortization and impairment provisions					
Internally-developed intangible assets	-66 414	-8 508	260	-582	-75 244
Purchased intangible assets	-51 859	-7 869	13 503	1 024	-45 201
• Software	-30 646	-5 787	34	106	-36 293
• Other	-21 213	-2 082	13 469	918	-8 908
TOTAL	**-118 273**	**-16 377**	**13 763**	**442**	**-120 445**
NET AMOUNT	**33 964**	**-5 849**	**-270**	**197**	**28 042**

NOTE 18: GOODWILL

	12/31/2016	Additions	Disposals	Other	12/31/2017
Goodwill, gross*	205 186	0	-5 640	-356	199 190
Impairment provisions	-1 915	0	0	0	-1 915
GOODWILL, NET	**203 271**	**0**	**-5 640**	**-356**	**197 275**

*Of which €19,255,000 corresponds to the accumulated amortization at January 1, 2005.

Breakdown of goodwill

Cash Generating Unit (CGU)	Goodwill at December 31, 2016	Additions	Disposals	Impairment losses/ reversals	Other	Goodwill at 12/31/2017
Belgium	2 343					2 343
Insurance companies	17 807		-5 640			12 167
Asset Management	182 397				-356	182 041
Services and Other	724					724
TOTAL	**203 271**	**0**	**-5 640**	**0**	**-356**	**197 275**

A multi-methodological approach was used to carry out impairment testing of the goodwill of the Asset Management division (which represents 90 % of total goodwill). Against this backdrop and in accordance with the recommendations of the French Financial Markets Authority (*Autorité des Marchés Financiers* – AMF), the fair value was calculated by external experts using a multi-criteria approach, based on factors such as profitability and own risks, and by reference to comparable companies with known values or to valuation formulae specified in shareholders' agreements. Based on the method used, the value of the "Third-party management" CGU was between €469 million and €1,101 million. Since this testing is carried out annually, the financial information in this note is as at December 31, 2017.

NOTE 19: TECHNICAL RESERVES OF INSURANCE COMPANIES

	12/31/2017	12/31/2016	Change	
Life	0	10 536 000	-10 536 000	-100.00 %
Non-life	0	184 734	-184 734	-100.00 %
Unit linked	0	2 001 214	-2 001 214	-100.00 %
Other	0	10 345	-10 345	-100.00 %
TOTAL	**0**	**12 732 293**	**-12 732 293**	**-100.00 %**
Of which deferred profit-sharing - liability	*0*	*1 173 533*	*-1 173 533*	*-100.00 %*
Deferred profit sharing - asset	0	0	0	Immaterial
Reinsurers' share of technical reserves	0	32 458	-32 458	-100.00 %
NET TECHNICAL RESERVES	**0**	**12 699 835**	**-12 699 835**	**-100.00 %**

The 2017 amounts have been set at zero due to the application of IFRS 5 (see Notes 2a and 14c).

NOTE 20: PROVISIONS AND CONTINGENT LIABILITIES

20 a - Provisions

	12/31/2016	Additions	Reversals - provisions used	Reversals - provisions not used	Change in fair value	Other movements	12/31/2017
Provisions for risks	9 847	5 924	-316	-7 102	0	2 025	10 378
• Signature commitments	1 301	1 033	0	-506	0	0	1 828
• Financing and guarantee commitments	3 176	0	0	-2 892	0	640	924
• Provision for taxes	0	1 200	0	0	0	0	1 200
• Provisions for claims and litigation	3 203	564	-316	-1 553	0	104	2 002
• Provisions for risks on miscellaneous receivables	2 167	3 127	0	-2 151	0	1 281	4 424
Other provisions	39 452	6 480	-3 184	-7 712	0	-2 664	32 372
• Provisions for home savings accounts and plans	12 169	387	0	-292	0	0	12 264
• Provisions for miscellaneous contingencies	24 342	1 672	-3 184	-7 420	0	-2 664	12 746
• Other provisions	2 941	4 421	0	0	0	0	7 362
Provision for retirement benefits	117 489	5 919	55	-7 551	-10 363	-1 058	104 491
TOTAL	**166 788**	**18 323**	**-3 445**	**-22 365**	**-10 363**	**-1 697**	**147 241**

	31/12/2015	Additions	Reversals - provisions used	Reversals - provisions not used	Change in fair value	Other movements	12/31/2016
Provisions for risks	9 477	2 443	-64	-1 996	0	-13	9 847
• Signature commitments	1 455	673	0	-827	0	0	1 301
• Financing and guarantee commitments	3 006	170	0	0	0	0	3 176
• Provision for taxes	59	0	-59	0	0	0	0
• Provisions for claims and litigation	2 852	916	-3	-549	0	-13	3 203
• Provisions for risks on miscellaneous receivables	2 105	684	-2	-620	0	0	2 167
Other provisions	36 633	13 783	-8 809	-2 045	0	-110	39 452
• Provisions for home savings accounts and plans	8 639	3 530	0	0	0	0	12 169
• Provisions for miscellaneous contingencies	26 999	8 234	-8 736	-2 045	0	-110	24 342
• Other provisions	995	2 019	-73	0	0	0	2 941
Provision for retirement benefits	100 620	14 279	-15 062	-234	17 853	33	117 489
TOTAL	**146 730**	**30 505**	**-23 935**	**-4 275**	**17 853**	**-90**	**166 788**

The change in the fair value is related to the change in the actuarial variances in respect of retirement bonuses. "Other changes" were due mainly to the reclassification of the insurance company data.

Table of home savings accounts (CEL) and home savings plans (PEL) provisions

	0-4 years	4-10 years	+10 years	Total
Amount managed in respect of PEL during the saving phase	1 328 720	225 486	383 817	1 938 023
Amount of provisions for PEL	8 592	2 252	38	10 882
Amount managed in respect of CEL during the saving phase				225 374
Amount of provisions for CEL				1 138
Additions to home savings provisions				(387)
Reversals of home savings provisions				292
Amount of outstanding loans granted in respect of PEL/CEL				17 460
Amount of provisions for PEL/CEL loans				244

Retirement and similar benefits

Retirement benefits - defined benefit and equivalent, excluding pension funds	12/31/2016	Additions	Reversals	Change in fair value	Other movements	12/31/2017
Retirement bonuses	112 841	5 670	-7 411	-10 363	-1 058	99 679
Supplementary retirement benefits	1 535	249	0	0	0	1 784
Long service awards (other long-term benefits)	3 113	0	-85	0	0	3 028
TOTAL AMOUNT RECOGNIZED	**117 489**	**5 919**	**-7 496**	**-10 363**	**-1 058**	**104 491**

Retirement benefits - defined benefit and equivalent, excluding pension funds	12/31/2015	Additions	Reversals	Change in fair value	Other movements	12/31/2016
Retirement bonuses	97 207	13 044	-15 296	17 853	33	112 841
Supplementary retirement benefits	1 312	223	0	0	0	1 535
Long service awards (other long-term benefits)	2 101	1 012	0	0	0	3 113
TOTAL AMOUNT RECOGNIZED	**100 620**	**14 279**	**-15 296**	**17 853**	**33**	**117 489**

The change in the fair value resulted from actuarial variances (see provisions table above) and "other changes" in respect of the IFRS 5 reclassification.

Defined benefit scheme: main actuarial assumptions	12/31/2017	12/31/2016
Discount rate[1]	1.20	1.20
Expected salary increase rate	1.51	1.23

[1] The discount rate is determined by reference to the market yield on long-term corporate bonds, estimated using the IBoxx index.

Retirement bonuses

Change in the actuarial liabilities	12/31/2016	Interest income /expense	Cost of services rendered during the period	Contributions to the scheme	Actuarial variances related to the assumptions		Payments to beneficiaries	Other (business combinations, liquidations)	12/31/2017
					Demo-graphic	Financial			
Gross commitments:	202 293	1 974	9 081		(11 494)	4 006	(11 151)	(1 055)	193 654
Insurance contracts*	89 452	1 069		5 788		2 921	(5 255)		93 975
PROVISION	**112 841**	**905**	**9 081**	**(5 788)**	**(11 494)**	**1 085**	**(5 896)**	**(1 055)**	**99 679**

Change in the actuarial liabilities	12/31/2015	Interest income /expense	Cost of services rendered during the period	Contributions to the scheme	Actuarial variances related to the assumptions		Payments to beneficiaries	Other (business combinations, liquidations)	12/31/2016
					Demo-graphic	Financial			
Gross commitments:	164 160	2 931	9 692		(1 693)	22 309	(10 862)	15 756	202 293
Insurance contracts*	66 953	1 644		8 437		2 762	(6 307)	15 963	89 452
PROVISION	**97 207**	**1 287**	**9 692**	**(8 437)**	**(1 693)**	**19 547**	**(4 555)**	**(207)**	**112 841**

* Non-Group and assets managed externally

A 50 basis point increase/decrease in the discount rate would result in a decrease/increase in the commitment of €13,091 thousand at December 31, 2016 and of €12,451 thousand at December 31, 2017.

Change in the fair value of plan assets	12/31/2016	Impact of dis-counting	Return on plan assets in addition to the interest income	Contributions to the scheme	Payments to beneficiaries	Other (business combinations, liquidations)	12/31/2017
Fair value of plan assets	89 452	2 921	1 069	5 788	(5 255)	0	93 975
TOTAL	**89 452**	**2 921**	**1 069**	**5 788**	**(5 255)**	**0**	**93 975**

Change in the fair value of plan assets	31/12/2015	Impact of dis-counting	Return on plan assets in addition to the interest income	Contributions to the scheme	Payments to beneficiaries	Other (business combinations, liquidations)	12/31/2016
Fair value of plan assets	66 953	2 762	1 644	8 437	(6 307)	15 963	89 452
TOTAL	**66 953**	**2 762**	**1 644**	**8 437**	**(6 307)**	**15 963**	**89 452**

Net position	12/31/2017	12/31/2016
Actuarial liabilities	193 654	202 293
Fair value of plan assets	93 975	89 452
NET BALANCE	**99 679**	**112 841**

Details of the fair value of plan assets	12/31/2017				
	Debt securities	Equity instru-ments	Real estate	Other	Total
Assets listed on an active market	35 447	28 807	0	0	64 254
Assets not listed on an active market	0	0	6 439	23 282	29 721
TOTAL	**35 447**	**28 807**	**6 439**	**23 282**	**93 975**

Details of the fair value of plan assets	12/31/2016				
	Debt securities	Equity instru-ments	Real estate	Other	Total
Assets listed on an active market	46 152	14 276	0	0	60 428
Assets not listed on an active market	0	0	5 365	23 659	29 024
TOTAL	**46 152**	**14 276**	**5 365**	**23 659**	**89 452**

The "Other" column in the assets breakdown corresponds mainly to the cash available at the reporting date.

Defined benefit retirement commitments	Weighted average duration
Retirement bonuses	14.2

NOTE 21: SUBORDINATED DEBT

	12/31/2017	12/31/2016	Change	
Subordinated debt	660 749	811 600	-150 851	-18.59 %
Perpetual subordinated loan stock	144 986	149 205	-4 219	-2.83 %
Accrued interest	7 110	7 098	12	0.17 %
TOTAL	**812 845**	**967 903**	**-155 058**	**-16.02 %**

Principales dettes subordonnées

Type	Issue date	Amount issued	Amount at end of year	Maturity
CFCMNE perpetual deeply subordinated notes	2004	150 000	150 000	-
• Held by CMNE Group		-18 320	-13 762	
CFCMNE structured subordinated notes (8 lines)	2014	41 600	41 600	2024
CFCMNE structured subordinated notes (2 lines)	2014	174 166	174 166	2026
CFCMNE structured subordinated notes (3 lines)	2015	55 000	55 000	2025
CFCMNE subordinated notes (1 line)	2015	39 983	39 983	2027
CFCMNE structured subordinated notes (1 line)	2015	50 000	50 000	2030
CFCMNE subordinated notes (1 line)	2016	300 000	300 000	2026
Other			8 748	
Accrued interest			7 110	
TOTAL			**812 845**	

NOTE 22: SHAREHOLDERS' EQUITY

22a. Shareholders' equity attributable to owners of the company (excluding net income and unrealized gains and losses)

	12/31/2017	12/31/2016	Change	
Capital stock and issue premiums	1 277 830	1 279 521	-1 691	-0.13 %
• Capital stock	1 275 080	1 276 771	-1 691	-0.13 %
• Additional paid-in capital	2 750	2 750	0	0.00 %
Consolidated reserves	1 383 578	1 209 260	174 318	14.42 %
• Other reserves (including effects related to first-time application of standards)	1 461 489	1 286 911	174 578	13.57 %
• Retained earnings	-77 911	-77 651	-260	0.33 %
TOTAL	**2 661 408**	**2 488 781**	**172 627**	**6.94 %**

22b. Unrealized gains and losses attributable to owners of the company

Unrealized or deferred gains and losses* relating to:	12/31/2017	12/31/2016	Change	
Available-for-sale financial assets	112 082	189 093	-77 011	-40.73 %
Hedging derivative instruments (cash flow hedges)	-14 757	-17 713	2 956	-16.69 %
Translation reserve	-2 226	-1 246	-980	78.65 %
Other	-11 981	-17 865	5 884	-32.94 %
TOTAL	**83 118**	**152 269**	**-69 151**	**-45.41 %**

* Balances net of corporate income tax and after application of shadow accounting.

22c. Fully-consolidated entities with significant non-controlling interests

12/31/2017	Share of non-controlling interests in the consolidated financial statements				Financial information related to the fully-consolidated entity*			
	% interest	Net income attributable to non-controlling interests	Shareholders' equity attributable to non-controlling interests	Dividends paid to non-controlling interests	Total assets	Net income (loss)	OCI	NBI
ACMN IARD	49 %	8 445	30 422	7 915	223 613	17 234	1 917	0
North Europe Life Belgium	49 %	1 454	102 004	-	2 035 161	2 968	2 753	0

12/31/2016	Share of non-controlling interests in the consolidated financial statements				Financial information related to the fully-consolidated entity*			
	% interest	Net income attributable to non-controlling interests	Shareholders' equity attributable to non-controlling interests	Dividends paid to non-controlling interests	Total assets	Net income (loss)	OCI	NBI
ACMN IARD	49 %	7 079	31 526	9 210	208 009	14 447	2 462	39 646
North Europe Life Belgium	49 %	1 085	18 680	-	385 237	4 019	3 154	12 013

* Amounts before elimination of intra-Group accounts and transactions.

This information is disclosed for those entities whose non-controlling interests account for at least 10 % of total non-controlling interests. In 2017, these insurance entities' NBI was reclassified within the "Net gain/(loss) on discontinued operations" heading (see Note 14c).

NOTE 23: COMMITMENTS GIVEN AND RECEIVED

Commitments given	12/31/2017	12/31/2016	Change	
Financing commitments				
Commitments received from credit institutions	48 746	51 996	-3 250	-6.25 %
Commitments received from customers	2 403 883	2 334 967	68 916	2.95 %
Guarantee commitments				
Commitments received from credit institutions	36 176	30 178	5 998	19.88 %
Commitments received from customers	179 147	437 177	-258 030	-59.02 %
Securities commitments				
Other commitments received	898	1 010	-112	-11.09 %

Commitments received	12/31/2017	12/31/2016	Change	
Financing commitments				
Commitments received from credit institutions	380 491	801 120	-420 629	-52.51 %
Commitments received from customers	0	0	0	Immaterial
Guarantee commitments				
Commitments received from credit institutions	3 023 554	3 035 529	-11 975	-0.39 %
Commitments received from customers	5 893 598	5 792 322	101 276	1.75 %
Securities commitments				
Other commitments received	898	43 010	-42 112	-97.91 %

Securities sold under repurchase agreements

Securities sold under repurchase agreements	12/31/2017	12/31/2016	Change	
Assets sold under repurchase agreements	175 000	175 000	0	0.00 %
Related liabilities	1 128 545	926 890	201 655	21.76 %
TOTAL	**1 303 545**	**1 101 890**	**201 655**	**18.30 %**

Assets given as collateral for liabilities

Other assets given as collateral for liabilities	12/31/2017	12/31/2016	Change	
Loaned securities	470 456	269 777	200 679	74.39 %
Security deposits on market transactions	174 820	195 554	-20 734	-10.60 %
TOTAL	**645 276**	**465 331**	**179 945**	**38.67 %**

2. NOTES TO THE INCOME STATEMENT

NOTE 24: INTEREST INCOME AND EXPENSE

	12/31/2017		12/31/2016	
	Income	Expense	Income	Expense
Credit institutions and central banks	24 567	-6 296	31 739	-13 732
Customers	959 415	-497 932	1 003 588	-505 535
Of which finance leases and operating leases	*423 236*	*-388 720*	*416 871*	*-380 545*
Hedging derivative instruments	15 542	-42 176	5 059	-39 731
Available-for-sale financial assets	28 183		40 389	
Held-to-maturity financial assets	2 250		5 865	
Debt securities		-61 046		-64 605
Subordinated debt		-2 014		-8 916
TOTAL	**1 029 957**	**-609 464**	**1 086 640**	**-632 519**
Of which interest income and expenses calculated using the effective interest method	*1 014 415*	*-567 288*	*1 081 581*	*-592 788*
Of which accrued interest on impaired financial assets	*6 426*			
Of which interest on liabilities at amortized cost		*-567 288*		*-592 788*

NOTE 25: COMMISSIONS

	12/31/2017		12/31/2016	
	Income	Expense	Income	Expense
Credit institutions	2 076	-302	1 242	-332
Customers	83 265	-1 583	83 174	-1 580
Securities	18 486	-88	22 890	-868
Of which funds managed for third parties	*2 469*		*3 104*	
Derivatives	1	0	2	0
Foreign exchange	174	0	193	0
Financing and guarantee commitments	101	-330	117	-411
Services provided	92 471	-49 347	83 050	-48 911
TOTAL	**196 574**	**-51 650**	**190 668**	**-52 102**

NOTE 26: NET GAIN (LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/2017	12/31/2016	Change	
Trading instruments	24 715	39 842	-15 127	-37.97 %
Instruments designated under the fair value option	-552	4 574	-5 126	-112.07 %
Ineffective portion of hedging instruments	115	1 995	-1 880	-94.24 %
• Fair value hedges	115	1 995	-1 880	-94.24 %
– – Change in fair value of hedged items	-28 676	15 503	-44 179	-284.97 %
– – Change in fair value of hedging items	28 791	-13 508	42 299	-313.14 %
Foreign exchange gains (losses)	933	1 291	-358	-27.73 %
TOTAL CHANGES IN FAIR VALUE	**25 211**	**47 702**	**-22 491**	**-47.15 %**
Of which trading derivative instruments	*24 220*	*40 546*	*-16 326*	*-40.27 %*

NOTE 27: NET GAIN (LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	12/31/2017			
	Dividends	Realized gains (losses)	Impairment losses	Total
Government securities, bonds and other fixed-income securities		2 168	0	2 168
Equities and other variable-income securities	9 137	20 920	1 967	32 024
Long-term investments	6 373	101 284	1 567	109 224
Other	0	0	0	0
TOTAL	**15 510**	**124 372**	**3 534**	**143 416**

	12/31/2016			
	Dividends	Realized gains (losses)	Impairment losses	Total
Government securities, bonds and other fixed-income securities		15 206	0	15 206
Equities and other variable-income securities	17 852	5 782	-2 931	20 703
Long-term investments	8 095	-170	-387	7 538
Other	0	-107	0	-107
TOTAL	**25 947**	**20 711**	**-3 318**	**43 340**

NOTE 28: OTHER INCOME AND EXPENSE

	12/31/2017	12/31/2016	Change	
Income from other activities				
Insurance contracts	0	1 362 055	-1 362 055	-100.00 %
Investment property	2 989	2 465	524	21.26 %
• Reversals of depreciation, amortization and impairment charges	0	2 000	-2 000	-100.00 %
• Capital gains on disposals	2 989	465	2 524	542.80 %
Rebilled expenses	14 566	15 772	-1 206	-7.65 %
Other income	377 068	324 737	52 331	16.11 %
SUB-TOTAL	**394 623**	**1 705 029**	**-1 310 406**	**-76.86 %**
Expenses on other activities				
Insurance contracts	0	-1 119 791	1 119 791	-100.00 %
Investment property	-3 865	-5 184	1 319	-25.44 %
• Depreciation, amortization and impairment charges	-2 721	-2 753	32	-1.16 %
• Losses on disposals	-1 144	-2 431	1 287	-52.94 %
Other expenses	-54 963	-134 674	79 711	-59.19 %
SUB-TOTAL	**-58 828**	**-1 259 649**	**1 200 821**	**-95.33 %**
TOTAL	**335 795**	**445 380**	**-109 585**	**-24.60 %**

The significant decrease in other income and expenses was due to the reclassification required under IFRS 5 (see Notes 2a and 14c).

Breakdown of net income from the Insurance activities

	12/31/2017	12/31/2016	Change	
Earned premiums	0	1 011 098	-1 011 098	-100.00 %
Claims and benefits expenses	0	-911 566	911 566	-100.00 %
Movements in provisions	0	-181 746	181 746	-100.00 %
Other technical and non-technical income and expense	0	-14 450	14 450	-100.00 %
Net investment income	0	338 928	-338 928	-100.00 %
TOTAL	**0**	**242 264**	**-242 264**	**-100.00 %**

The 2017 amounts have been set at zero due to the application of IFRS 5 (see Notes 2a and 14c).

NOTE 29: GENERAL OPERATING EXPENS

	12/31/2017	12/31/2016	Change	
Payroll costs	-436 216	-450 075	13 859	-3.08 %
Other operating expenses	-357 792	-375 357	17 565	-4.68 %
TOTAL	**-794 008**	**-825 432**	**31 424**	**-3.81 %**

29a. Payroll costs

	12/31/2017	12/31/2016	Change	
Salaries and wages	-267 403	-273 822	6 419	-2.34 %
Social security contributions	-115 786	-123 795	8 009	-6.47 %
Incentive bonuses and profit-sharing	-26 558	-25 920	-638	2.46 %
Payroll taxes	-26 219	-26 315	96	-0.36 %
Other	-250	-223	-27	12.11 %
TOTAL	**-436 216**	**-450 075**	**13 859**	**-3.08 %**

Since 2012, six bonus share allocation plans have been set up by a Group entity. Beneficiaries are selected on the basis of the nature of the functions they perform and their level of technical complexity. Allocation of the shares is conditional upon the beneficiary remaining an employee of the division concerned. Rights resulting from bonus share allocations are non-transferable until the end of the vesting period. The minimum vesting period is two years (18 months for the 2015 plan and 24 months for the 2016 and 2017 plans) and the minimum holding period following the vesting period is also two years.

Since the Caisse Fédérale has made a commitment to repurchase these shares, at the shareholder's option, these issues are treated as cash-settled transactions and the value of the shares is recognized in payroll costs at the notification date and as a liability. Said liability is revalued at each reporting date and until it is extinguished, the corresponding increase or decrease being recognized in payroll costs.

The impacts of these bonus share allocation plans are summarized in the following tables.

12/31/2017							
	Allocation date	Number of shares		Purchase value	Vesting percentage	Charge for the year	Accumulated liability
		Allocated	Vested				
2012 plan	2/14/2012	20 060	19 740	194.90	100 %	314	3 847
2013 plan	4/15/2013	18 147	18 147	194.90	100 %	289	3 537
2014 plan	4/1/2014	29 400	28 086	194.90	100 %	447	5 474
2015 plan	9/16/2015	29 710	27 621	194.90	100 %	794	5 383
2016 plan*	9/16/2016	30 187	30 187	194.90	52 %	2 413	3 042
2017 plan*	9/4/2017	30 730	30 730	194.90	13 %	775	775
TOTAL						**5 031**	**22 058**

12/31/2016							
	Allocation date	Number of shares		Purchase value	Vesting percentage	Charge for the year	Accumulated liability
		Allocated	Vested				
2012 plan	2/14/2012	20 060	19 740	179	100 %	55	3 533
2013 plan	4/15/2013	18 147	18 147	179	100 %	51	3 248
2014 plan	4/1/2014	29 400	28 086	179	100 %	495	5 027
2015 plan*	9/16/2015	29 710	29 710	179	86 %	3 826	4 589
2016 plan*	9/16/2016	30 187	30 187	179	12 %	629	629
TOTAL						**5 056**	**17 027**

* The number of shares that have vested has been estimated.

Average number of employees

	12/31/2017	12/31/2016	Change	
Banking staff	2 355	2 414	-59	-2.44 %
Management	2 299	2 217	82	3.70 %
TOTAL	**4 654**	**4 631**	**23**	**0.50 %**

29b. Other operating expenses: "Taxes, duties and regulatory contributions"

	12/31/2017	12/31/2016	Change	
Taxes and duties	-34 608	-43 692	9 084	-20.79 %
External services	-178 686	-212 009	33 323	-15.72 %
Other miscellaneous expenses	-107 224	-80 116	-27 108	33.84 %
TOTAL	**-320 518**	**-335 817**	**15 299**	**-4.56 %**

29c. Depreciation, amortization and impairment of property, equipment and intangible assets

	12/31/2017	12/31/2016	Change	
Depreciation and amortization	-37 274	-39 540	2 266	-5.73 %
• Property and equipment	-26 863	-28 518	1 655	-5.80 %
• Intangible assets	-10 411	-11 022	611	-5.54 %
Impairment provisions	0	0	0	Immaterial
TOTAL	**-37 274**	**-39 540**	**2 266**	**-5.73 %**

NOTE 30: NET ADDITIONS TO/REVERSALS OF PROVISIONS FOR LOAN LOSSES

12/31/2017	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	Total
Credit institutions	0	0	0	-723	0	**-723**
Customers	-109 627	114 072	-16 604	-4 517	1 907	**-14 769**
• Finance leases	-1 151	1 442	-231	-34	18	**44**
• Other customer items	-108 476	112 630	-16 373	-4 483	1 889	**-14 813**
SUB-TOTAL	**-109 627**	**114 072**	**-16 604**	**-5 240**	**1 907**	**-15 492**
Held-to-maturity financial assets	0	4 679	0	0	0	**4 679**
Available-for-sale financial assets	0	350	-25	0	0	**325**
Other	-4 256	5 617	0	-23	0	**1 338**
TOTAL	**-113 883**	**124 718**	**-16 629**	**-5 263**	**1 907**	**-9 150**

12/31/2016	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	Total
Credit institutions	0	0	0	-614	0	**-614**
Customers	-121 311	114 927	-11 024	-3 201	518	**-20 091**
• Finance leases	-1 384	1 103	-150	-24	0	**-455**
• Other customer items	-119 927	113 824	-10 874	-3 177	518	**-19 636**
SUB-TOTAL	**-121 311**	**114 927**	**-11 024**	**-3 815**	**518**	**-20 705**
Held-to-maturity financial assets	0	122	0	0	0	**122**
Available-for-sale financial assets	-645	286	-119	0	1 288	**810**
Other	-2 714	1 556	0	-61	0	**-1 219**
TOTAL	**-124 670**	**116 891**	**-11 143**	**-3 876**	**1 806**	**-20 992**

NOTE 31: GAINS (LOSSES) ON OTHER ASSETS

	12/31/2017	12/31/2016	Change	
Property, equipment and intangible assets	1 843	236	1 607	680.93 %
• Losses on disposals	-225	-470	245	-52.13 %
• Gains on disposals	2 068	706	1 362	192.92 %
Net gain/(loss) on consolidated securities	-138	33 267	-33 405	-100.41 %
TOTAL	**1 705**	**33 503**	**-31 798**	**-94.91 %**

The "Net gain/(loss) on consolidated securities" recognized in 2016 related mainly to the disposal of the Raspail property complex.

NOTE 32: CHANGE IN VALUE OF GOODWILL

	12/31/2017	12/31/2016	Change	
Impairment of goodwill	0	0	0	Immaterial
Negative goodwill taken to income	81	0	81	Immaterial
TOTAL	**81**	**0**	**81**	**IMMATERIAL**

NOTE 33: CORPORATE INCOME TAX

33a. Breakdown of income tax expense

	12/31/2017	12/31/2016	Change	
Current taxes	-64 852	-102 820	37 968	-36.93 %
Deferred taxes	-17 368	-6 025	-11 343	188.27 %
Adjustments in respect of prior years	-1 405	1 497	-2 902	-193.85 %
TOTAL	**-83 625**	**-107 348**	**23 723**	**-22.10 %**

33b. Reconciliation of actual and theoretical tax charges

	12/31/2017		12/31/2016	
Theoretical tax rate	142 625	34.43 %	112 439	34.43 %
Impact of the reduced rate on long-term capital gains	-29 996	-7.24 %	-1 869	-0.57 %
Impact of different tax rates paid by foreign entities	-2 924	-0.71 %	-333	-0.10 %
Impact of different tax rates paid by French entities	12 731	3.07 %	-3	0.00 %
Impact of rate changes on temporary differences	16 586	4.00 %	57	0.02 %
Impact of tax losses carried back	0	0.00 %	0	0.00 %
Permanent differences	-5 726	-1.38 %	-10 034	-3.07 %
Other	4 328	1.04 %	7 091	2.17 %
EFFECTIVE TAX RATE	**137 624**	**33.22 %**	**107 348**	**32.87 %**
Taxable income*	414 245		326 573	
TAX EXPENSE	**137 624**	**33.22 %**	**107 348**	**32.87 %**

*Including restatement of the corporate income tax related to the assets held for sale.

3. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

NOTE 34: RECYCLING OF GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY

Movements	12/31/2017	12/31/2016
Translation adjustments		
Reclassification in income	0	0
Other movements	-1 024	-3 094
SUB-TOTAL	**-1 024**	**-3 094**
Remeasurement of available-for-sale financial assets		
Reclassification in income	-96 094	-4 936
Other movements	18 872	-2 591
SUB-TOTAL	**-77 222**	**-7 527**
Remeasurement of hedging derivative instruments		
Reclassification in income	0	0
Other movements	2 956	2 775
SUB-TOTAL	**2 956**	**2 775**
Actuarial variances on defined benefit plans	**5 892**	**-11 761**
Share of unrealized or deferred gains and losses of equity-accounted entities	**-194**	**2 969**
TOTAL	**-69 592**	**-16 638**

NOTE 35: TAX ON COMPONENTS OF GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY

	12/31/2017			12/31/2016		
	Gross	Tax	Net	Gross	Tax	Net
Translation adjustments	-1 024	0	-1 024	-3 094	0	-3 094
Remeasurement of available-for-sale financial assets	-87 337	10 115	-77 222	-11 062	3 535	-7 527
Remeasurement of hedging derivative instruments	7 121	-4 165	2 956	4 232	-1 457	2 775
Actuarial gains and losses on defined benefit plans	10 365	-4 473	5 892	-17 855	6 094	-11 761
Share of unrealized or deferred gains and losses of equity-accounted entities	-319	125	-194	3 950	-981	2 969
TOTAL CHANGES IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUITY	**-71 194**	**1 602**	**-69 592**	**-23 829**	**7 191**	**-16 638**

SEGMENT REPORTING

For segment reporting purposes, CMNE provides two levels of information. Information by business segment constitutes the first level and information by geographical area constitutes the second level.

SEGMENT REPORTING BY BUSINESS SEGMENT (1ST LEVEL)

The CMNE Group is structured around six divisions:

- Bankinsurance France;
- Bankinsurance Belgium;
- Corporates;
- Insurance;
- Asset Management;
- Services and miscellaneous activities.

The following tables provide information about the entities making up each of these divisions:

Company	Business	2016			2017		
		% interest	% control	Method	% interest	% control	Method
FRENCH BANKING NETWORK							
Crédit Mutuel Nord Europe	Credit institution	100.00	100.00	Parent company	100.00	100.00	Parent company
CMNE Home Loans FCT	Credit institution	100.00	100.00	FC	100.00	100.00	FC
Total real estate investment trusts (SCI)	Real estate	100.00	100.00	FC	100.00	100.00	FC
FCP Richebé Gestion	Dedicated fund	100.00	100.00	FC	100.00	100.00	FC
Foncière et Immobilière Nord Europe	Real estate	0.00	0.00	NC	100.00	100.00	FC
GIE CMN Prestations	Economic interest group	100.00	100.00	FC	100.00	100.00	FC
SA Immobilière du CMN	Real estate	100.00	100.00	FC	100.00	100.00	FC
THEIA	Real estate	80.00	80.00	FC	80.00	80.00	FC
BELGIAN BANKING NETWORK							
CMNE Belgium	Financial transactions	100.00	100.00	FC	100.00	100.00	FC
BKCP Immo IT SCRL	Non-trading company	95.96	95.96	FC	96.01	96.01	FC
BKCP Securities	Asset management	100.00	100.00	FC	0.00	0.00	NC
Beobank	Credit institution	100.00	100.00	FC	100.00	100.00	FC
Immo W16	Real estate management	100.00	100.00	FC	100.00	100.00	FC
Mobilease	Equipment leasing	100.00	100.00	FC	0.00	0.00	NC
OBK SCRL	Financial transactions	99.99	100.00	FC	99.99	100.00	FC
CORPORATE BANKING NETWORK							
BCMNE	Credit institution	100.00	100.00	FC	100.00	100.00	FC
Bail Actéa	Equipment leasing	100.00	100.00	FC	100.00	100.00	FC
Nord Europe Lease	Real estate leasing	100.00	100.00	FC	100.00	100.00	FC
Nord Europe Partenariat	Private equity	99.65	99.65	FC	99.65	99.65	FC
INSURANCE							
Nord Europe Assurances	Insurance fund management	100.00	100.00	FC	100.00	100.00	FC
ACMN IARD	Insurance	51.00	51.00	FC	51.00	51.00	FC
ACMN Vie	Insurance	100.00	100.00	FC	100.00	100.00	FC
CP - BK Reinsurance	Reinsurance	100.00	100.00	FC	100.00	100.00	FC
Courtage CMNE	Insurance broking	100.00	100.00	FC	0.00	0.00	NC
Nord Europe Life Luxembourg	Insurance	100.00	100.00	FC	100.00	100.00	FC
Nord Europe Retraite	PERP (retirement savings plan) management	100.00	100.00	FC	100.00	100.00	FC
North Europe Life Belgium	Insurance	51.00	51.00	FC	51.00	51.00	FC
SA Partners Assurances	Insurance	49.00	49.00	EM	49.00	49.00	EM
SPV JARNA	Asset management	97.83	100.00	FC	97.05	100.00	FC

Company	Business	2016			2017		
		% interest	% control	Method	% interest	% control	Method
ASSET-MANAGEMENT							
Groupe La Française	Fund management	97.83	97.84	FC	97.05	97.05	FC
2A	Asset management	19.57	20.00	EM	19.41	20.00	EM
Alger Management Ltd	Asset management	48.91	50.00	EM	48.52	50.00	EM
CD Partenaires	Asset management	73.24	74.87	FC	72.66	74.87	FC
FCT LFP Créances Immobilières	Asset management	58.37	58.37	FC	58.37	58.37	FC
Groupe Cholet-Dupont	Asset management	33.00	33.73	EM	32.73	33.73	EM
Inflection Point Capital Management UK LD	Asset management	51.17	49.00	EM	97.05	100.00	FC
JKC Capital Management Limited	Asset management	48.91	50.00	EM	48.52	50.00	EM
La Française AM	Fund management	97.83	100.00	FC	97.05	100.00	FC
La Française AM Finance Services	Real estate	97.83	100.00	FC	97.05	100.00	FC
La Française AM Iberia	Asset management	64.57	66.00	FC	64.05	66.00	FC
La Française AM International	Asset management	97.83	100.00	FC	97.05	100.00	FC
La Française Global Investments	Credit institution	98.70	100.00	FC	98.23	100.00	FC
La Française Global REIM	Asset management	97.83	100.00	FC	97.05	100.00	FC
La Française Forum Securities Limited	Asset management	78.26	80.00	FC	97.05	100.00	FC
La Française Inflection Point	Asset management	74.97	51.00	FC	97.05	100.00	FC
La Française Investment Solutions	Asset management	46.54	56.04	FC	46.17	56.04	FC
La Française Real Estate Managers	Fund management	93.87	95.96	FC	93.12	95.96	FC
La Française Real Estate Partners	Asset management	61.02	65.00	FC	55.87	60.00	FC
LFF Real Estate Partners Limited	Asset management	79.79	85.00	FC	93.12	100.00	FC
LFP Multi Alpha	Asset management	0.00	0.00	NC	97.05	100.00	FC
New Alpha Asset Management	Asset management	97.83	100.00	FC	82.49	85.00	FC
Nouvelles Expertises et Talents AM	Private equity	97.83	100.00	FC	97.05	100.00	FC
Siparex Proximité Innovation	Fund management	25.93	26.50	EM	25.72	26.50	EM
SNC Groupe La Française	Economic interest group	97.73	99.90	FC	0.00	0.00	NC
Tages Capital LLP	Asset management	39.13	40.00	EM	24.26	25.00	EM
UFG PM	Real estate management	93.87	100.00	FC	0.00	0.00	NC
Union Générale des Placements	Asset management	0.00	0.00	NC	29.24	63.33	FC
SERVICES AND MISCELLANEOUS ACTIVITIES							
Actéa Environnement	Real estate management	100.00	100.00	FC	100.00	100.00	FC
Euro Information SAS	IT	10.15	10.15	EM	10.15	10.15	EM
Financière Nord Europe	Fund management	100.00	100.00	FC	100.00	100.00	FC
Fininmad	Real estate	100.00	100.00	FC	100.00	100.00	FC
NEPI	Financial transactions	100.00	100.00	FC	100.00	100.00	FC
SCI Centre Gare	Real estate	100.00	100.00	FC	100.00	100.00	FC
Sicorfé Maintenance	Services	34.00	34.00	EM	0.00	0.00	NC
Transactimmo	Real estate	100.00	100.00	FC	100.00	100.00	FC

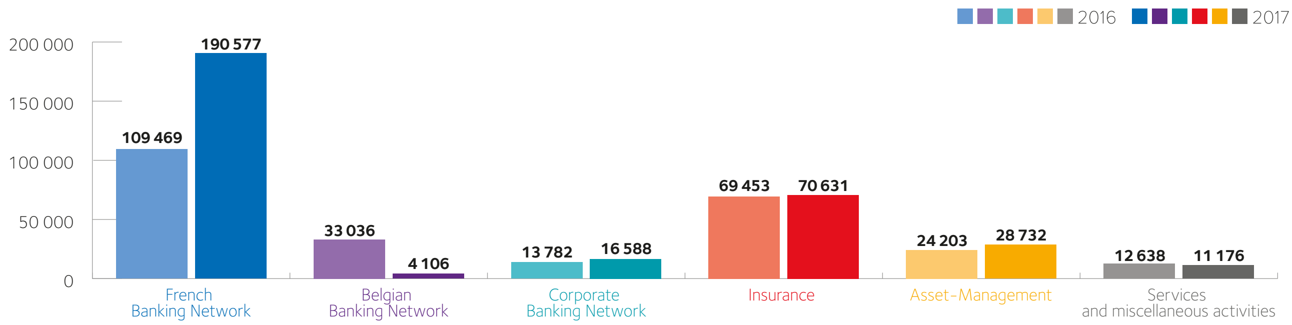
SUMMARY OF CONTRIBUTIONS BY DIVISION

	Net banking income		Gross operating income		Consolidated net income		Total consolidated assets	
	2016	2017	2016	2017	2016	2017	2016	2017
French Banking Network	451 379	566 118	125 497	241 477	109 469	190 577	19 935 886	20 178 619
Belgian Banking Network	304 997	287 799	48 962	13 529	33 036	4 106	6 395 972	6 407 786
Corporate Banking Network	56 364	54 698	26 279	26 227	13 782	16 588	2 346 575	2 248 890
Insurance companies	187 052	199 402	117 013	134 562	69 453	70 631	16 779 159	16 921 421
Asset Management	184 791	229 135	39 435	62 608	24 203	28 732	995 526	1 057 947
Services and miscellaneous activities.	6 527	4 889	4 893	3 386	12 638	11 176	177 616	173 448
Inter-division eliminations	-62 001	-272 202	-58 402	-205 958	-58 038	-68 522	-4 807 929	-4 798 559
TOTAL	**1 129 109**	**1 069 839**	**303 677**	**275 831**	**204 543**	**253 288**	**41 822 805**	**42 189 552**

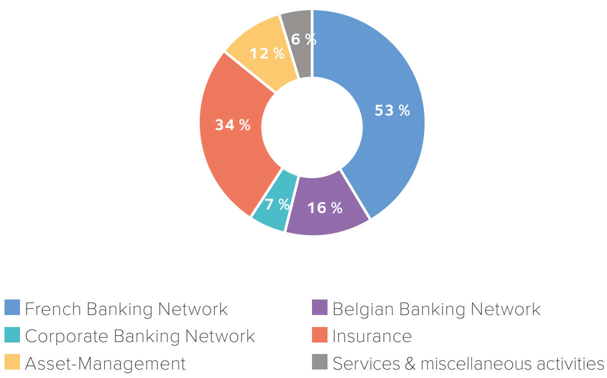
SEGMENT REPORTING

Contribution to net income (before inter-division eliminations)

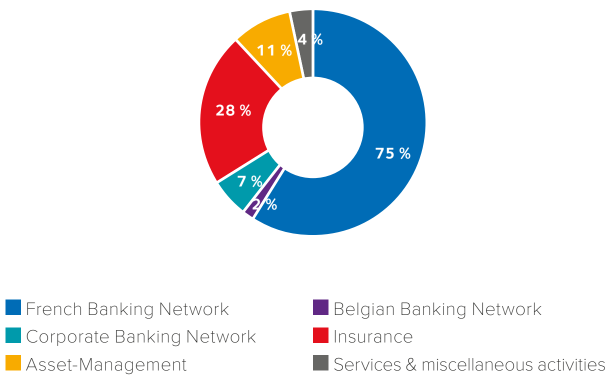
In € thousands



2016 consolidated net income

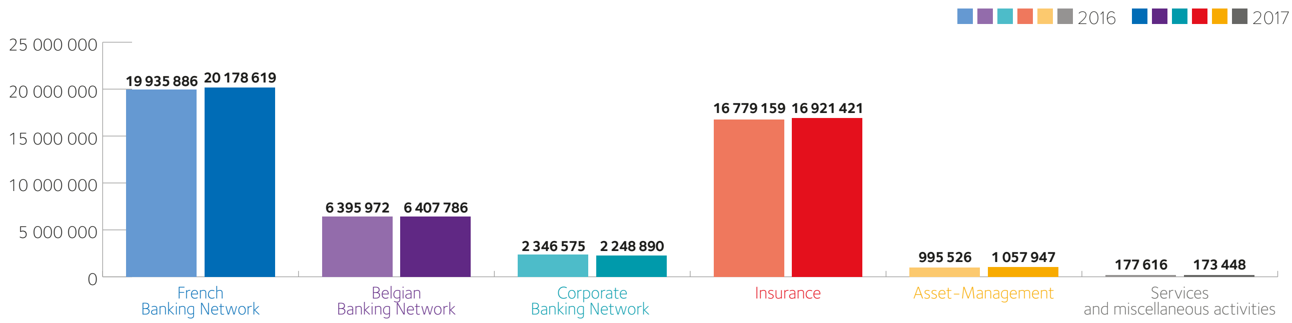


2017 consolidated net income

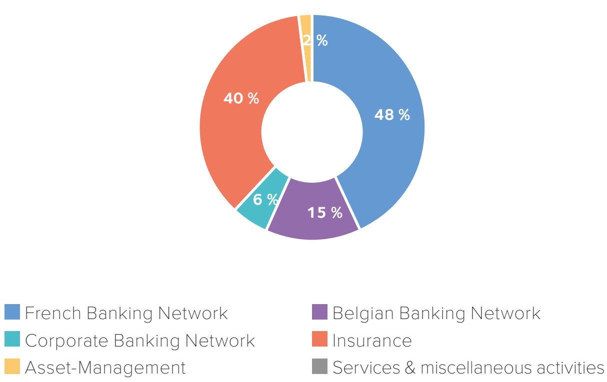


Contribution to total assets (before inter-division eliminations)

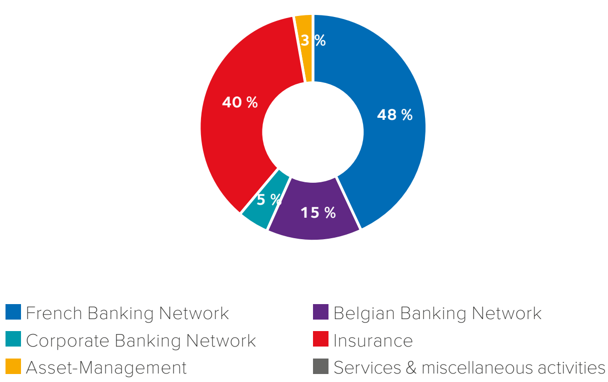
In € thousands



2016 consolidated assets



2017 consolidated assets



SUMMARY BALANCE SHEETS AND INCOME STATEMENTS BY DIVISION

Assets at 12/31/2016	French Banking Network	Belgian Banking Network	Corporate Banking Network	Insurance	Asset Management	Services and miscellaneous activities	IFRS 5 impact	Specific transactions and eliminations	Total
Financial assets at fair value through profit or loss	414 486	-	-	12 570 468	221 885	-	-	(253 192)	**12 953 647**
Hedging derivative instruments	79 757	2 300	-	-	-	-	-	(49 031)	**33 026**
Available-for-sale financial assets	3 702 976	1 275 956	6 568	3 557 114	89 966	31 968	-	(1 808 376)	**6 856 172**
Loans and receivables due from credit institutions	5 274 191	543 757	86 574	476 115	55 367	5 597	-	(2 250 070)	**4 191 531**
Loans and receivables due from customers	9 691 613	4 429 240	2 238 893	55 407	172 682	-	-	(416 964)	**16 170 871**
Remeasurement adjustment on interest-rate risk hedged investments	29 510	17 591	2 712	-	-	-	-	-	**49 813**
Held-to-maturity financial assets	193 941	14 441	-	-	-	-	-	-	**208 382**
Accruals and other assets	382 380	41 432	10 089	95 238	226 786	4 709	-	(47 312)	**713 322**
Investments in associates	-	-	-	17 745	27 352	115 884	-	(1)	**160 980**
Property, equipment and intangible assets	167 032	68 912	1 739	1 432	26 339	18 734	-	(2 398)	**281 790**
Goodwill	-	2 343	-	5 640	175 149	724	-	19 415	**203 271**
TOTAL	**19 935 886**	**6 395 972**	**2 346 575**	**16 779 159**	**995 526**	**177 616**	**-**	**(4 807 929)**	**41 822 805**

Assets at 12/31/2017	French Banking Network	Belgian Banking Network	Corporate Banking Network	Insurance	Asset Management	Services and miscellaneous activities	IFRS 5 impact	Specific transactions and eliminations	Total
Financial assets at fair value through profit or loss	332 933	-	-	12 807 305	295 654	-	(12 333 448)	(263 300)	**839 144**
Hedging derivative instruments	51 726	4 189	-	-	-	-	-	(29 600)	**26 315**
Available-for-sale financial assets	4 552 527	1 125 888	4 901	3 383 320	63 678	19 995	(3 337 760)	(1 952 876)	**3 859 673**
Loans and receivables due from credit institutions	4 903 161	513 924	83 131	553 786	97 245	8 836	(217 848)	(2 043 152)	**3 899 083**
Loans and receivables due from customers	9 709 734	4 589 901	2 141 429	62 832	128 058	-	(62 832)	(442 746)	**16 126 376**
Remeasurement adjustment on interest-rate risk hedged investments	11 871	9 028	1 337	-	-	-	-	-	**22 236**
Held-to-maturity financial assets	62 031	15 058	-	-	-	-	-	-	**77 089**
Accruals and other assets	399 948	91 900	16 446	89 804	245 415	1 603	15 976 740	(83 743)	**16 738 113**
Investments in associates	-	-	-	17 594	21 506	124 039	(17 594)	-	**145 545**
Property, equipment and intangible assets	154 688	55 555	1 646	1 140	31 598	18 251	(1 618)	(2 557)	**258 703**
Goodwill	-	2 343	-	5 640	174 793	724	(5 640)	19 415	**197 275**
TOTAL	**20 178 619**	**6 407 786**	**2 248 890**	**16 921 421**	**1 057 947**	**173 448**	**-**	**(4 798 559)**	**42 189 552**

SEGMENT REPORTING

Liabilities and shareholders' equity at 12/31/2016	French Banking Network	Belgian Banking Network	Corporate Banking Network	Insurance	Asset Management	Services and miscellaneous activities	IFRS 5 impact	Specific transactions and eliminations	Total
Financial liabilities at fair value through profit or loss	277 117	-	-	-	148 124	-	-	(190 416)	**234 825**
Hedging derivative instruments	119 427	52 859	3 233	-	-	-	-	(49 031)	**126 488**
Due to credit institutions	1 582 429	174 649	1 619 319	361 844	138 369	20 175	-	(2 373 163)	**1 523 622**
Due to customers	10 592 764	5 328 927	422 527	95 004	-	-	-	(61 365)	**16 377 857**
Debt securities	3 627 421	15 988	1 562	-	165 618	-	-	(199 459)	**3 611 130**
Remeasurement adjustment on interest-rate risk hedged investments	-	2 542	-	-	-	-	-	-	**2 542**
Accruals and other liabilities	507 231	132 080	91 625	2 218 811	246 225	1 057	-	(41 138)	**3 155 891**
Technical reserves of insurance companies	-	-	-	12 742 171	-	-	-	(9 878)	**12 732 293**
Provisions	79 745	73 522	4 601	6 780	2 029	111	-	-	**166 788**
Subordinated debt	818 680	43 051	-	353 018	-	-	-	(246 846)	**967 903**
Non-controlling interests	173	(1 685)	30	58 371	20 929	-	-	55	**77 873**
Shareholders' equity excluding net income attributable to owners of the company	2 221 430	541 003	189 896	873 707	250 029	143 635	-	(1 578 650)	**2 641 050**
Net income attributable to owners of the company	109 469	33 036	13 782	69 453	24 203	12 638	-	(58 038)	**204 543**
TOTAL	**19 935 886**	**6 395 972**	**2 346 575**	**16 779 159**	**995 526**	**177 616**	**-**	**(4 807 929)**	**41 822 805**

Liabilities and shareholders' equity at 12/31/2017	French Banking Network	Belgian Banking Network	Corporate Banking Network	Insurance	Asset Management	Services and miscellaneous activities	IFRS 5 impact	Specific transactions and eliminations	Total
Financial liabilities at fair value through profit or loss	275 316	-	-	1	152 644	-	-	(186 989)	**240 972**
Hedging derivative instruments	78 063	33 585	1 792	-	-	-	-	(29 600)	**83 840**
Due to credit institutions	1 721 235	235 252	1 451 612	341 870	171 809	7 578	(2 331)	(2 172 539)	**1 754 486**
Due to customers	11 087 859	5 265 621	458 424	89 401	-	-	(85 413)	(98 079)	**16 717 813**
Debt securities	3 128 219	8 388	1 582	-	124 794	-	-	(160 036)	**3 102 947**
Remeasurement adjustment on interest-rate risk hedged investments	-	2 320	-	-	-	-	-	-	**2 320**
Accruals and other liabilities	576 462	160 928	95 050	1 967 908	305 031	803	13 137 074	(84 641)	**16 158 615**
Technical reserves of insurance companies	-	-	-	12 906 693	-	-	(12 895 389)	(11 304)	**-**
Provisions	80 797	58 076	4 985	3 926	1 451	1 932	(3 926)	-	**147 241**
Subordinated debt	818 710	68 854	-	307 015	-	-	(150 015)	(231 719)	**812 845**
Non-controlling interests	339	(1 630)	34	142 326	29 547	-	-	43	**170 659**
Shareholders' equity excluding net income attributable to owners of the company	2 221 042	572 286	218 823	1 091 650	243 939	151 959	-	(1 755 173)	**2 744 526**
Net income attributable to owners of the company	190 577	4 106	16 588	70 631	28 732	11 176	-	(68 522)	**253 288**
TOTAL	**20 178 619**	**6 407 786**	**2 248 890**	**16 921 421**	**1 057 947**	**173 448**	**-**	**(4 798 559)**	**42 189 552**

Income statement: 2016	French Banking Network	Belgian Banking Network	Corporate Banking Network	Insurance	Asset Management	Services and miscellaneous activities	IFRS 5 impact	Specific transactions and eliminations	Total
NET BANKING INCOME	**451 379**	**304 997**	**56 364**	**187 052**	**184 791**	**6 527**	**-**	**(62 001)**	**1 129 109**
General operating expenses	(325 882)	(256 035)	(30 085)	(70 039)	(145 356)	(1 634)	-	3 599	**(825 432)**
GROSS OPERATING INCOME	**125 497**	**48 962**	**26 279**	**117 013**	**39 435**	**4 893**	**-**	**(58 402)**	**303 677**
Net additions to/reversals from provisions for loan losses	(10 536)	(4 300)	(5 134)	-	28	(935)	-	(115)	**(20 992)**
OPERATING INCOME	**114 961**	**44 662**	**21 145**	**117 013**	**39 463**	**3 958**	**-**	**(58 517)**	**282 685**
Share of net income (loss) of associates	-	-	-	(66)	1 035	9 416	-	-	**10 385**
Gains (losses) on other assets	26 230	119	22	-	7 131	-	-	1	**33 503**
Change in value of goodwill	-	-	-	-	-	-	-	-	**-**
RECURRING INCOME BEFORE TAX	**141 191**	**44 781**	**21 167**	**116 947**	**47 629**	**13 374**	**-**	**(58 516)**	**326 573**
Corporate income tax	(31 969)	(11 785)	(7 384)	(39 330)	(16 602)	(736)	-	458	**(107 348)**
Net gain/(loss) on discontinued operations	-	-	-	-	-	-	-	-	**-**
TOTAL NET INCOME	**109 222**	**32 996**	**13 783**	**77 617**	**31 027**	**12 638**	**-**	**(58 058)**	**219 225**
Non-controlling interests	(247)	(40)	1	8 164	6 824	-	-	(20)	**14 682**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**109 469**	**33 036**	**13 782**	**69 453**	**24 203**	**12 638**	**-**	**(58 038)**	**204 543**

Income statement: 2017	French Banking Network	Belgian Banking Network	Corporate Banking Network	Insurance	Asset Management	Services and miscellaneous activities	IFRS 5 impact	Specific transactions and eliminations	Total
NET BANKING INCOME	**566 118**	**287 799**	**54 698**	**199 402**	**229 135**	**4 889**	**(197 563)**	**(74 639)**	**1 069 839**
General operating expenses	(324 641)	(274 270)	(28 471)	(64 840)	(166 527)	(1 503)	63 592	2 652	**(794 008)**
GROSS OPERATING INCOME	**241 477**	**13 529**	**26 227**	**134 562**	**62 608**	**3 386**	**(133 971)**	**(71 987)**	**275 831**
Net additions to/reversals from provisions for loan losses	(5 263)	(2 959)	142	-	(449)	(1 857)	-	1 236	**(9 150)**
OPERATING INCOME	**236 214**	**10 570**	**26 369**	**134 562**	**62 159**	**1 529**	**(133 971)**	**(70 751)**	**266 681**
Share of net income (loss) of associates	-	-	-	101	1 680	10 026	(101)	1	**11 707**
Gains (losses) on other assets	467	1 374	15	-	(151)	-	-	-	**1 705**
Change in value of goodwill	-	-	-	-	81	-	-	-	**81**
RECURRING INCOME BEFORE TAX	**236 681**	**11 944**	**26 384**	**134 663**	**63 769**	**11 555**	**(134 072)**	**(70 750)**	**280 174**
Corporate income tax	(45 938)	(7 802)	(9 791)	(54 133)	(21 798)	(379)	53 999	2 218	**(83 624)**
Net gain/(loss) on discontinued operations	-	-	-	-	-	-	80 073	-	**80 073**
TOTAL NET INCOME	**190 743**	**4 142**	**16 593**	**80 530**	**41 971**	**11 176**	**-**	**(68 532)**	**276 623**
Non-controlling interests	166	36	5	9 899	13 239	-	-	(10)	**23 335**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**190 577**	**4 106**	**16 588**	**70 631**	**28 732**	**11 176**	**-**	**(68 522)**	**253 288**

SEGMENT REPORTING BY GEOGRAPHICAL AREA (SECOND LEVEL)

At CMNE, this analysis coincides with the information disclosed for each business. The Group operates in two main geographical areas: France and Belgium. Information about the second area is shown separately in the Belgian Banking network business.

OTHER INFORMATION

STANDARDS AND INTERPRETATIONS ADOPTED BY THE EUROPEAN UNION AND NOT YET APPLIED

IFRS 9: Financial instruments

IFRS 9, published by the IASB, is to replace IAS 39 Financial Instruments: Recognition and Measurement. It defines new rules for:

- Classification and measurement of financial instruments (Phase 1);
- Impairment of credit risks on financial assets (Phase 2);
- Hedge accounting, excluding macro-hedging (Phase 3).

Application of IFRS 9 is mandatory for annual reporting periods beginning on or after January 1, 2018. Classification and measurement, as well as the new impairment model under IFRS 9, are applicable retrospectively by adjusting the opening balance sheet on the date of first-time adoption. There is no requirement to restate fiscal periods presented as comparative statements. The Group will therefore present its 2018 financial statements without a comparative statement for 2017 in the IFRS 9 format. An explanation of the portfolios' transition between the two standards and the impacts on shareholders' equity at January 1, 2018 will be included in the notes to the financial statements.

In the second quarter of 2015, the Crédit Mutuel Group launched an initiative that is currently in the project stage; it brings together the various departments concerned (finance, risk, IT, etc.) and is structured around the "national consolidation" Steering Committee coordinated by the Confédération's Financial Management Department. Several working groups have been established for the project, based on the different phases and instruments (credit, securities and derivatives), with the work on impairment models under the responsibility of the CNCM Risk Department. Work began in 2016 on the changes that need to be made to the IT systems. This work continued in 2017.

Implementation of IFRS 9 affects all the Group's businesses except the Insurance divisions, which are governed by the Financial Conglomerates Directive and benefit from deferred application to 2021, provided for by the amendment to IFRS 4, as adopted by the European Union. To benefit from this deferred application, certain conditions must be met. In particular, the financial instrument must not be transferred between the insurance sector and the conglomerate's other sectors after the date on which these provisions came into force. The only exception is in the case of financial instruments recognized at fair value through profit or loss in both sectors.

The Group's Insurance divisions nonetheless remain fully involved in the project.

Information by phase is presented below.

Phase 1 - Classification and measurement

According to IFRS 9, the classification and measurement of financial assets will depend on the business model and contractual characteristics of the instruments, which could result in the classification and/or measurement of certain financial assets being different from that under IAS 39.

Loans, receivables and debt securities acquired will be classified:

- At amortized cost, if the business model involves holding the instrument in order to collect contractual cash flows, and if the cash flows are solely payments of principal and interest on the principal amount outstanding (analysis carried out via the solely payments of principal and interest (SPPI) test), provided they are not accounted for using the fair value option through profit or loss.
- At fair value through equity, if the business model is to hold the instrument in order to collect contractual cash flows and to sell the assets when opportunities arise and provided this does not constitute trading, and if the cash flows are solely payments of principal and interest on the principal amount outstanding, provided they are not accounted for using the fair value option through profit or loss. If these instruments are sold, the unrealized gains or losses previously recognized in equity will be recognized in profit or loss, as is currently the case under IAS 39, if they are classified as available-for-sale (AFS) assets;
- At fair value through profit or loss, if they are not eligible for the two previous categories (since they do not fulfill the SPPI criterion and/or are managed in accordance with the "other" business model) or if the Group decides to exercise its option to classify them as such, in order to reduce accounting mismatches.

Equity instruments acquired (mainly shares) will be classified:

- at fair value through profit or loss; or
- using the fair value through equity option. If these instruments are sold, the unrealized gains or losses previously recognized in equity will not be recycled to profit or loss, contrary to current practice when instruments are classified as available for sale (AFS, under IAS 39). Only dividends will be recognized in profit or loss.

Note that:

- Derivatives embedded in financial assets will no longer be able to be recognized separately from the host contract;
- The provisions of IAS 39 on the derecognition of financial assets remain unchanged in IFRS 9. The same applies to the provisions relating to financial liabilities, except for:
  - The recognition of changes in fair value, resulting from the own credit risk for liabilities designated under the fair value through profit or loss option. These changes are no longer to be recognized in profit or loss: instead, they are to be recognized in unrealized or deferred gains or losses in equity, that may not be recycled to profit or loss. The Group is marginally affected by the own credit risk issue,
  - The recognition of the gain/loss resulting from the modification of the financial assets for which it does not give rise to derecognition.
- In October 2017, the IASB published the amendment to symmetrical early repayment penalties, which is in the process of being adopted by the European Union. It provides that assets comprising early repayment options with compensation for the bank may, exceptionally, be treated as SPPI instruments (and therefore able to be measured at amortized cost or at fair value through equity), provided that the procedures for calculating the compensation are compatible with the concept of "reasonable compensation" provided for by the standard. This development enables recognition at fair value through profit or loss to be avoided in the case of loans subject to provisions of this type. This issue has very little impact on the Group.

The operational work conducted within the Group throughout 2017 sought to:

- Finalize the SPPI tests for those rates identified as high-risk (averaged, decorrelated or presenting a decorrelation between the term of the rate and the frequency with which it is repriced). It should be noted that the Group has decided to no longer produce loans at rates deemed non-compliant and that the SPPI criterion must be met when new products are developed;
- Continue the work of documenting the various instruments, at the national and regional level, as regards both the characteristics of the instruments and the business models. As regards the collection model, an acceptable sales threshold has been defined based on the portfolio's duration to enable the financial instruments to be classified at amortized cost, in cases other than those provided for by the standard. It should be noted that, in practice, this threshold concerns only securities since the Group does not sell its loans.

It is primarily units of UCITS and real estate funds (OPCIs), certain convertible bonds or structured debt securities or securitization tranches that will be reclassified at fair value through profit or loss. These reclassifications will have only a modest impact.

Crédit Mutuel has chosen not to issue "Group" principles regarding:

- The use of the fair value through equity option for equity instruments;
- The classification at amortized cost, or at fair value through equity, of the debt instruments included in the liquidity portfolio.

Each regional group will classify its instruments in accordance with its own business model.

Phase 2 – Impairment

The section of IFRS 9 relating to credit risk impairment responds to the criticisms raised concerning the incurred credit loss model under IAS 39, i.e. that it causes accounting for credit losses to be delayed and the amounts of the credit losses recognized to be too low.

It allows provisioning for incurred credit losses to be replaced by provisioning for expected credit losses. Impairment provisions will be recognized, as regards financial assets for which there are no objective indications of losses on an individual basis, based not only on past losses observed but also on reasonable and justifiable cash flow forecasts.

This more forward-looking approach to credit risk is already taken into account to a certain extent when collective provisions are currently recognized on portfolios of financial assets with similar characteristics, pursuant to IAS 39.

Accordingly, the new impairment model under IFRS 9 will apply to all debt instruments measured at amortized cost or at fair value through equity, which will be divided into three categories:

- Status 1: provisioning on the basis of the 12-month expected credit losses (resulting from the 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: provisioning on the basis of the lifetime expected credit losses (resulting from the default risks over the entire residual life of the instrument) if the credit risk has increased significantly since initial recognition;
- 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 scope of outstandings currently impaired individually under IAS 39.

Significant increase in credit risk will be assessed by:

- Taking all reasonable and supportable information into account; and
- Comparing the default risk on the financial instrument on the reporting date with the default risk on the initial recognition date.

For the Group, this involves measuring the risk at the level of the borrower, with the change in the risk assessed on a contract-by-contract basis.

To define the boundary between statuses 1 and 2:

- The Group will rely on models developed for prudential purposes and on the assessment of the 12-month default risk:
  - For the LDP portfolios (Low Default Portfolios: those with a low default rate for which the rating model is based on an expert valuation), the boundary is based on an allocation matrix which relates the rating on origination to the rating on the reporting date,
  - For the HDP portfolios (High Default Portfolios: those with a high default rate for which historical data enable a statistical rating model to be established), a boundary yield curve relates the default rate on origination to the default rate on the reporting date.
- These quantitative data will be combined with qualitative criteria such as payments that are more than 30 days past due/late, the concept of forborne loans, etc.;
- Methods based exclusively on qualitative criteria will be used for those entities or small portfolios that are classified for prudential purposes under the standardized approach and that do not have rating systems.

The operational work conducted within the Group throughout 2017 sought to:

- Define the boundaries between statuses 1 and 2 for the Group's various exposure categories and the method for taking forward-looking information into account in the parameters. This method will include, for the probability of default, three scenarios (optimistic, neutral and pessimistic), which will be weighted in accordance with the Group's perception of trends in the five-year economic cycle;
- Document all bodies of rules; and
- Finalize the information system adaptation process.

Phase 3 – Hedge accounting

IFRS 9 allows entities to choose, on first-time adoption, to apply the new hedge accounting provisions or to maintain the provisions of IAS 39.

The Crédit Mutuel Group has elected to continue to apply the current provisions. Additional information will be included in the notes, however, on risk management and the effects of hedge accounting on the financial statements, in accordance with revised IFRS 7.

Furthermore, the provisions in IAS 39 for the fair value hedge of interest rate risk on a portfolio of financial assets or liabilities, as adopted in the European Union, will continue to apply.

▷ IFRS 15: Revenue from Contracts with Customers

This standard will replace several standards and interpretations on revenue recognition (including IAS 18 Revenue and IAS 11 Construction Contracts).
It does not, however, affect revenue that comes within the scope of the standards dealing with leases, insurance policies or financial instruments.

The recognition of revenue under IFRS 15 should reflect the transfer of control of an asset (or service) to a customer, for the amount to which the seller expects to be entitled. To that end, the standard has developed a five-step model to determine when and for 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;
- Recognize revenue when the entity satisfies a performance obligation.

Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2018.

An analysis of the standard and an identification of its potential effects were carried out in 2016 and 2017. This work was done by a dedicated confederal working group, in which the different CM groups and, where applicable, certain subsidiaries participated.

The main business lines/products analyzed were the packaged banking offerings, asset management (performance fees), and the IT activities. Since the impact of the standard is not material, no changes should be made to the methods for accounting for these activities.

▷ IFRS 16: Leases

This new standard was published in early 2016, adopted by the European Union on October 31, 2017 and will come into force on January 1, 2019. It will replace IAS 17 and the interpretations relating to lease recognition.

According to IFRS 16, the definition of leases involves, first, the identification of an asset and, second, the lessee's control of the right to use this asset.

From the lessor's standpoint, the expected impact should be limited, as the provisions adopted remain substantially unchanged from the current IAS 17.

From the lessee's point of view, operating leases and finance leases will be accounted for in accordance with a single model, with recognition of:

- an asset representing the right to use the leased asset ("right-of-use asset"), throughout the lease term,
- a corresponding liability representing the obligation to make lease payments,
- in the income statement, an expense for the straight-line depreciation of the asset and a degressive interest expense.

By way of reminder, under IAS 17, the standard currently in force, in the case of an operating lease, no amount is recognized in the lessee's balance sheet and rental payments are recognized within operating expenses.

In 2017, the Group continued its analysis work on the impacts of this standard, the options available for first-time application and its implementation in the information system. The Group has also carried out the process of identifying its leases, both of property and of equipment (IT equipment, car fleet, etc.). The assessment of the potential impacts of IFRS 16 on the Group's financial statements is still in progress.

▶ STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE EUROPEAN UNION

▷ IFRS 17: Insurance contracts

Starting in 2021, IFRS 17 will replace IFRS 4, which allows insurance companies to maintain their local accounting policies for their insurance contracts and other contracts within the scope of IFRS 4, which 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 greater use of complex models and concepts similar to those of Solvency II. Significant changes must also be made to financial reporting.

FAIR VALUE OF FINANCIAL INSTRUMENTS RECOGNIZED AT AMORTIZED COST

The fair values presented are an estimate based on observable inputs at the reporting date. They are obtained by computing estimated discounted future cash flows using a yield curve that includes the signature risk inherent to the debtor.

The financial instruments discussed in this note relate to loans and borrowings. They do not include non-monetary elements (equities), trade payables, other assets, other liabilities and accruals. Non-financial instruments are not discussed in this section.

The fair value of financial instruments payable on demand and of regulated customer savings accounts corresponds to the value due to 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 those contracts indexed to a floating rate, or whose residual life is one year or less.

We draw attention to the fact that, with the exception of financial assets held to maturity, financial instruments carried at amortized cost are not transferable or are not in practice traded before maturity. Accordingly, gains and losses are not recognized.

However, should financial instruments carried at amortized cost be transferred, the selling price may be significantly different from the fair value calculated at the reporting date.

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS RECOGNIZED AT AMORTIZED COST OR CARRYING AMOUNT

12/31/2017	Market value	Carrying amount	Unrealized gains or losses	Level 1	Level 2	Level 3
Assets	**20 131 532**	**19 270 161**	**861 371**	**16 112**	**5 083 707**	**15 031 713**
Loans and receivables due from credit institutions	2 961 891	3 066 696	-104 805	0	2 961 891	0
• Loans and advances - credit institutions	2 961 891	3 066 696	-104 805	0	2 961 891	0
Loans and receivables due from customers	17 091 450	16 126 376	965 074	0	2 059 737	15 031 713
• Loans and advances - customers	17 091 450	16 126 376	965 074	0	2 059 737	15 031 713
Held-to-maturity financial assets	78 191	77 089	1 102	16 112	62 079	0
Liabilities	**22 281 592**	**22 388 091**	**106 499**	**811 116**	**9 662 058**	**11 808 418**
Due to credit institutions	1 755 952	1 754 486	-1 466	0	1 862 978	-107 026
Due to customers	16 477 002	16 717 813	240 811	0	4 561 558	11 915 444
Debt securities	3 237 522	3 102 947	-134 575	0	3 237 522	0
Subordinated debt	811 116	812 845	1 729	811 116	0	0

12/31/2016	Market value	Carrying amount	Unrealized gains or losses	Level 1	Level 2	Level 3
Assets	**25 094 498**	**19 599 143**	**5 495 355**	**61 541**	**5 438 389**	**19 594 568**
Loans and receivables due from credit institutions	3 111 504	3 219 890	-108 386	0	3 111 504	0
• Loans and advances - credit institutions	3 111 504	3 219 890	-108 386	0	3 111 504	0
Loans and receivables due from customers	21 774 385	16 170 871	5 603 514	0	2 179 817	19 594 568
• Loans and advances - customers	21 774 385	16 170 871	5 603 514	0	2 179 817	19 594 568
Held-to-maturity financial assets	208 609	208 382	227	61 541	147 068	0
Liabilities	**22 390 873**	**22 480 511**	**89 638**	**967 922**	**9 381 622**	**12 041 329**
Due to credit institutions	1 497 364	1 523 621	26 257	0	1 492 369	4 995
Due to customers	16 195 046	16 377 857	182 811	0	4 158 712	12 036 334
Debt securities	3 730 541	3 611 130	-119 411	0	3 730 541	0
Subordinated debt	967 922	967 903	-19	967 922	0	0

▶ RELATED PARTIES

INFORMATION ON RELATED PARTIES

	12/31/2017		12/31/2016	
	Fully-consolidated entities	Entities consolidated using the equity method	Fully-consolidated entities	Entities consolidated using the equity method
Assets				
Loans and receivables due from credit institutions	838 216	0	848 758	0
Of which current accounts	*19 028*	*0*	*42 001*	*0*
Loans and receivables due from customers	3 061	0	8 799	0
Financial assets at fair value through profit or loss	22 068	0	21 064	0
Available-for-sale financial assets	385 763	0	468 139	0
Other assets	29 239	0	26 219	0
Liabilities				
Due to credit institutions	506 097	0	506 853	0
Of which current accounts	*7 517*	*0*	*7 724*	*0*
Financial liabilities at fair value through profit or loss	25 943	0	23 913	0
Debt securities	54 418	0	108 378	0
Subordinated debt	3 275	0	3 275	0
Interest received	4 929	0	11 026	0
Interest paid	-5 036	0	-9 100	0
Fees and commissions received	0	0	359	0
Fees and commissions paid	-3 203	-222	-2 404	-688
Net gain (loss) on financial assets available-for-sale and at fair value through profit or loss	-4 856	1 125	-289	1 125
Other income (expense)	10 565	-1 049	5 873	-1 220
Net banking income	2 399	-146	5 465	-783
General operating expenses	-5 765	-60 848	-5 196	-38 386
Financing commitments given	25 723	0	25 723	0
Guarantee commitments given	8 891	0	8 545	0

Amounts in the "Full consolidation" column include transactions reported by the entities consolidated using this method and which have been carried out with the rest of the Crédit Mutuel Group (excluding CMNE). Amounts in the "Equity method" column include transactions internal to CMNE that are not eliminated due to the method used to consolidate these entities.

▶ DIVIDENDS

The consolidating entity has provided for the payment, outside the CMNE Group, of dividends totaling €20,995 thousand.

OTHER INFORMATION

EXECUTIVE COMPENSATION

Type of compensation	Main executives	
Amounts due	12/31/2017	12/31/2016
Employee benefits - short-term	1 529	1 462
Post employment benefits*	–	–
Other long-term benefits	–	–
Termination benefits	–	–
Share-based payments	n.a.	n.a.

*Caisse Fédérale CMNE
Defined benefit scheme (Article 39) granted in consideration for the waiver of ten days of holiday to which senior management are entitled (under the terms of the agreement dated June 30, 1999); this scheme gives employees an additional pension equal to a maximum of 9 % of their gross salary received during the 12 months preceding retirement - excluding ex gratia payments and bonuses - provided they have reached the age of 65 and have drawn their pension. The pension entitlements are financed by means of a contribution to a group fund set up by Caisse Fédérale du CMNE, which is exempt from social security contributions. Annual pension payments are estimated to total €74 thousand at December 3, 2017. This estimate does not take into account beneficiaries' length of service and was calculated based on 2017 gross annual salaries, regardless of the terms of the commitment.

Beobank
Beobank has a defined contribution scheme under which it pays contributions to employees' personal pension plans until the date they leave the company. When they retire, or on their planned retirement date, scheme members are entitled to the reserves constituted from earned premiums and their share of the growth in the fund's value.

STATUTORY AUDITORS' FEES

	Members of the Mazars network		Deloitte et Associés		Members of other networks	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
AUDIT						
Statutory audit	655	491	1 115	1 166	75	58
Ancillary assignments	100	201	115	1	0	10
SUB-TOTAL	**755**	**692**	**1 230**	**1 167**	**75**	**68**
OTHER SERVICES						
Legal, tax and corporate advisory services	0	0	0	35	327	89
Internal audit	0	0	0	19	0	0
Other	196	0	8	34	1 103	110
SUB-TOTAL	**196**	**0**	**8**	**88**	**1 430**	**199**
TOTAL	**951**	**692**	**1 238**	**1 255**	**1 505**	**267**

EVENTS AFTER THE REPORTING DATE

No significant events occurred between December 31, 2017 and the date on which the consolidated financial statements were published. These financial statements were approved by the Board of Directors at its meeting on February 26, 2018.

CRÉDIT MUTUEL NORD EUROPE

Société Anonyme (French limited company)
4 Place Richebé
59000 Lille

REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Ladies and Gentlemen,

▶ OPINION

In fulfillment of the assignment entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of the Crédit Mutuel Nord Europe Group for the year ended December 31, 2017.

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

The opinion given above is consistent with the content of our report to the Audit Committee.

▶ BASIS FOR OUR OPINION

▷ Auditing standards

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

Our responsibilities under these standards are set out in the section of this report entitled "Statutory Auditors' responsibilities regarding the audit of the consolidated financial statements".

▷ Independence

We conducted our audit, in accordance with the rules of independence that apply to us, during the period from January 1, 2017 to the date of issue of our report. In particular we did not provide any services prohibited by Article 5, Paragraph 1, of Regulation (EU) no. 537/2014 or by the French code of ethics for statutory auditors.

Details of the services in addition to the statutory audit which we provided during the year to your company and the entities it controls and which are not disclosed in the management report or in the notes to the consolidated financial statements were as follows:

- Deloitte & Associés: the main assignments carried out during 2017 included, in particular, the services provided in connection with the planned company disposals as well as reviews of compliance with certain regulations, advice on regulatory matters, general training on new regulations applicable in future years and reviews of tax returns;
- Mazars: the main assignment carried out during 2017 related to the planned merger of the insurance businesses of the Crédit Mutuel Nord Europe Group with those of the Crédit Mutuel CM-11 Group.

▶ JUSTIFICATION OF OUR ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance for the audit of the consolidated financial statements for the year, as well as our responses to those risks.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole and in forming our opinion expressed above. We do not provide a separate opinion on specific items included in these consolidated financial statements.

CREDIT RISK - IMPAIRMENT OF LOANS AND RECEIVABLES ON AN INDIVIDUAL AND COLLECTIVE BASIS

IDENTIFIED RISK

The Crédit Mutuel Nord Europe Group is exposed to credit and counterparty risk. These risks, which result from the inability of its customers or counterparties to honor their commitments, relate mainly to its lending activities. As disclosed in Note 8 to the consolidated financial statements, at December 31, 2017, exposure to customer credit and counterparty risk represented nearly 40 % of total assets and impairment provisions against loan outstandings totaled €0.6 billion compared with gross outstanding of €16.2 billion (including one loan against which an individual impairment provision of €0.9 billion had been recognized). Net additions to provisions for loan losses for 2017 totaled €9.2 million (Note 30 to the consolidated financial statements).

Accordingly, the Crédit Mutuel Nord Europe Group recognizes impairment provisions to cover known risk of loss when there is objective evidence of a decrease in value as a result of an event occurring after inception of a loan or group of loans, and which may lead to a loss. Loans are tested for impairment on an individual basis at each reporting date. The amount of impairment is equal to the difference between the carrying amount and the present value of the future cash flows associated with the loan, estimated by experts or using a statistical model, taking into account any guarantees, discounted at the original effective interest rate. For variable-rate loans, the last known contractual interest rate is used.

Customer loans that are not individually impaired are grouped on the basis of loan portfolios with similar characteristics. As regards sensitive loans, impairment is provided on the basis of the loss given default and the probability of default at maturity, observed internally or externally and applied to the loans.

We have taken the view that the identification and measurement of credit risk is a key audit matter given that loans granted to customers represent a significant proportion of total assets and that the resulting provisions constitute a significant estimate used in the preparation of the financial statements and which requires management to exercise judgment.

OUR RESPONSE

As part of our audit, we examined the control system and tested the design and effectiveness of the key controls relating to the identification of exposures (and, in particular, the identification of those receivables that expose the Group to known risks), the monitoring of credit and counterparty risks, the assessment of the risks of non-recovery and the calculation of impairment and the related provisions on an individual and collective basis.

Our work consisted mainly of:

- Carrying out control tests on the system for identifying and monitoring sensitive counterparties and counterparties that are non-performing or in dispute; and of the credit review process and the guarantee valuation system;
- Counter-analysis of the provision amounts based on a sample of loans selected on materiality and risk criteria;
- And, in the specific case of loans granted by the local banks in the French Banking Network:
  - Critical analysis of the work carried out by the Crédit Mutuel Nord Europe Group's General Inspectorate in accordance with the procedures stipulated by our professional standards on the use of internal audit work. Accordingly, we assessed the quality of the audit approach and methodology implemented by the General Inspectorate for the purposes of the certification of the local banks' financial statements and the results of their work.
  - -As regards impairment provisions related to the models for statistical provisioning on an individual or collective basis, we satisfied ourselves that the provisions concerned had been properly justified and documented.
- And, in the specific case of the Belgian Banking network:
  - As regards the statistical provisions on consumer credit and credit card outstandings, our work involved using our experts to review the methodological changes affecting the provisioning model and the retrospective tests on reported data which were used to determine the main provisioning parameters,
  - Lastly, we satisfied ourselves that the segment-based provisions recognized had been properly justified and documented.

CALCULATING GOODWILL AND TESTING IT FOR IMPAIRMENT

IDENTIFIED RISK

Goodwill is tested for impairment at least once a year or as soon as there are indications of impairment. The testing is based on the assessment of the value in use of the Cash Generating Units (CGUs) to which it is allocated. The value in use calculation is based on the discounting of the CGU's future cash flows as per the medium-term plans drawn up for the purposes of the Group's budgeting process, as explained in Note 18.

At December 31, 2017, the gross value of goodwill was €197.3 million and accumulated impairment losses totaled €1.9 million. It should be noted that the goodwill in respect of the Third-party management CGU accounted for more than 90 % of total net goodwill.
The value in use of the Third-party management CGU is calculated using a multi-methodological approach based on factors such as profitability and own risks, and by reference to comparable companies with known values or to valuation formulae specified in shareholders' agreements.

By their very nature, these impairment tests require the exercise of judgment in estimating the value in use of the CGUs and, in particular, that of the "Third-party management" division. We therefore consider this subject to be a key audit matter.

OUR RESPONSE

We have examined the compliance of the methodology applied by the company with the accounting standards in force.

With the help of our experts, we have assessed the process implemented by the Group for identifying indications of impairment and carried out a critical review of the procedures for carrying out impairment tests.

Against this backdrop, we examined the valuation of the "Third-party management" CGU by a firm of external valuers and reviewed it in conjunction with our valuation experts, to assess the valuation parameters and procedures used.

We have also verified the consistency of the information disclosed on the results of these impairment tests.

PLANNED MERGER OF GACM (GROUPE DES ASSURANCES DU CRÉDIT MUTUEL) AND NEA (NORD EUROPE ASSURANCES)

IDENTIFIED RISK

During the fourth quarter of 2017, the Crédit Mutuel Nord Europe Group and the Crédit Mutuel-CM11 Group began to explore the possibility of merging their insurance entities. Due to the fact that it was highly probable the transaction would take place, IFRS 5 was applied and the companies were accounted for as "Operations held for sale".

The Crédit Mutuel Nord Europe Group therefore recognized at December 31, 2017:

- Non-current assets held for sale in the amount of €16,059 million;
- Liabilities relating to assets held for sale in the amount of €15,099 million;
- Net income in respect of the sold operation of €80 million.

These amounts represent one of the main items in the financial statements for the year under review.

The value of this group held for sale was calculated as the lower of its carrying amount and its fair value less costs to sell, as explained in Notes "III. Accounting principles" and "IV.14c Non-current assets/liabilities held for sale".

The identification and measurement of this group held for sale thus constitutes a significant item in the financial statements and is therefore subject to discussion and the drawing up of a sale plan making it unlikely that it will be the subject of significant changes.

OUR RESPONSE

Our work involved assessing the data and assumptions used by management concerning its commitment to dispose of this group.

We have:

- Reviewed the agreements entered into that provide evidence of the sale of this group;
- Assessed the highly probable nature of the planned transaction;
- Assessed the valuation of the group held for sale used in the consolidated financial statements;
- Evaluated whether the information disclosed in the notes to the financial statements about this transaction is sufficient.

SALE OF CIC SHARES

IDENTIFIED RISK

Investments in non-consolidated companies held by the Bankinsurance France division and classified as available-for-sale securities in the Crédit Mutuel Nord Europe Group's consolidated financial statements had a fair value of €56 million at December 31, 2017 compared with €173 million at December 31, 2016.

As stated in Note I to the financial statements entitled "Highlights of 2017", Caisse Fédérale du Crédit Mutuel Nord Europe contributed its CIC shares to the simplified cash offer for CIC's shares initiated by the majority shareholder during the third quarter.

We consider this transaction to be a key audit matter in respect of the Crédit Mutuel Nord Europe Group's consolidated financial statements for the 2017 fiscal year, notably as regards the significant contribution of this non-recurring transaction to the Group's net income for 2017.

OUR RESPONSE

As part of our audit work, we carried out a substantive test with reference to the sales contract for these shares and the cash flow received so as to satisfy ourselves:

- Of the reasons for the sale of the CIC shares and that the sale was completed, to enable us to ensure that the shares were correctly derecognized from the Crédit Mutuel Nord Europe Group's statement of financial position at December 31, 2017 and that the capital gain was recognized in gains and losses on non-current assets in 2017,
- That the amount of the capital gain generated by this transaction (including the recycling of the OCI reserve relating to the change in the fair value of these shares before their sale) and recognized in the Crédit Mutuel Nord Europe Group's income statement for the year ended December 31, 2017 has been correctly calculated.

VERIFICATION OF THE INFORMATION PROVIDED ABOUT THE GROUP IN THE GROUP MANAGEMENT REPORT

As provided by law and in accordance with French professional standards, we also specifically verified the information about the Group provided in the Board of Directors' management report.

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

DISCLOSURES RESULTING FROM OTHER LEGAL AND REGULATORY OBLIGATIONS

Appointment of the statutory auditors

We were appointed as statutory auditors of Fédération du Crédit Mutuel Nord Europe by the Shareholders' Meeting of May 11, 2007 in the case of Deloitte & Associés, and of December 7, 2012 in the case of Mazars.

At December 31, 2017, Deloitte & Associés was in the eleventh consecutive year of its term of office and Mazars was in its sixth year.

Prior to the appointment of Deloitte & Associés, CEAF Européenne Audit, which was taken over by BDO Marque et Gendrot (itself then taken over by Deloitte & Associés), were successively statutory auditors to Fédération du Crédit Mutuel Nord Europe from 1994 to 2006 and from 2006 to 2007.

Prior to the appointment of Mazars, ACEA, which was taken over by Mazars, was statutory auditor to Fédération du Crédit Mutuel Nord Europe from 1997 to 2011.

RESPONSIBILITIES OF MANAGEMENT AND PERSONS CHARGED WITH CORPORATE GOVERNANCE IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

It is management's responsibility to prepare consolidated financial
statements giving a true and fair view in accordance with IFRS as adopted in the European Union and to implement the internal control procedures it deems necessary to ensure that the consolidated financial statements it has prepared are free of material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, it is management's responsibility to assess the company's ability to continue as a going concern, to present in those financial statements, where relevant, the necessary information relating to its viability as a going concern, and to apply the going concern accounting convention unless the company is expected to be wound up or to cease operating.

The audit committee is responsible for monitoring the financial reporting process and the effectiveness of the internal control and risk management systems and, where relevant, the internal audit system, as these apply to the procedures for preparing and processing the accounting and financial information.

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

STATUTORY AUDITORS' RE-SPONSIBILITIES REGARDING THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Audit objectives and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole are free of material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will systematically identify all material misstatements. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions that users of the financial statements make based on them.

As specified by Article L. 823-10-1 of the French Commercial Code, our responsibility is to certify the financial statements, and not to guarantee the viability or the quality of your company's management.

As part of an audit carried out in accordance with French professional standards, the statutory auditors exercise professional judgment throughout the audit. In addition, they:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether resulting from fraud or error, define and implement audit procedures to deal with those risks, and obtain audit evidence they deem sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation, or the circumvention of internal control;
- Obtain an understanding of the internal control system relevant to the audit so as to define audit procedures that are appropriate in the circumstances, and not for the purposes of expressing an opinion on the effectiveness of the internal control system;
- Assess the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as information about them disclosed in the consolidated financial statements;
- Assess the appropriateness of management's application of the going concern accounting convention and, depending on the audit evidence obtained, whether a material uncertainty exists related to events or circumstances likely to jeopardize the company's ability to continue as a going concern. This assessment is based on the evidence obtained up to the date of the auditors' report. It should, however, be noted that subsequent circumstances or events could cause the company to cease to continue as a going concern. If they conclude that a material uncertainty exists, they will draw readers' attention to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, they will either issue a qualified opinion on the financial statements or refuse to certify them;
- Evaluate the overall presentation of the consolidated financial statements and assess whether the consolidated financial statements represent the underlying transactions and events in such a manner as to achieve fair presentation.

▷ Report to the audit committee

We submit a report to the audit committee which provides information about the scope of our audit and the work program implemented, as well as our audit findings. We also bring to its attention, where relevant, material weaknesses in the internal control system that we identified in respect of the procedures for preparing and processing accounting and financial information.

The information provided in our report to the audit committee includes the risks of material misstatement that we consider to have been the most important to the audit of the consolidated financial statements for the year under review and which therefore constitute the key audit matters, which we are required to describe in this report.

We also provide the audit committee with the statement stipulated by Article 6 of Regulation (EU) 537-2014 confirming our independence, within the meaning of the rules applicable in France as specified, in particular, in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the statutory auditors' professional code of ethics. Where relevant, we discuss with the audit committee any risks to our independence and the safeguards applied.

Neuilly-sur-Seine and Courbevoie, April 11, 2018

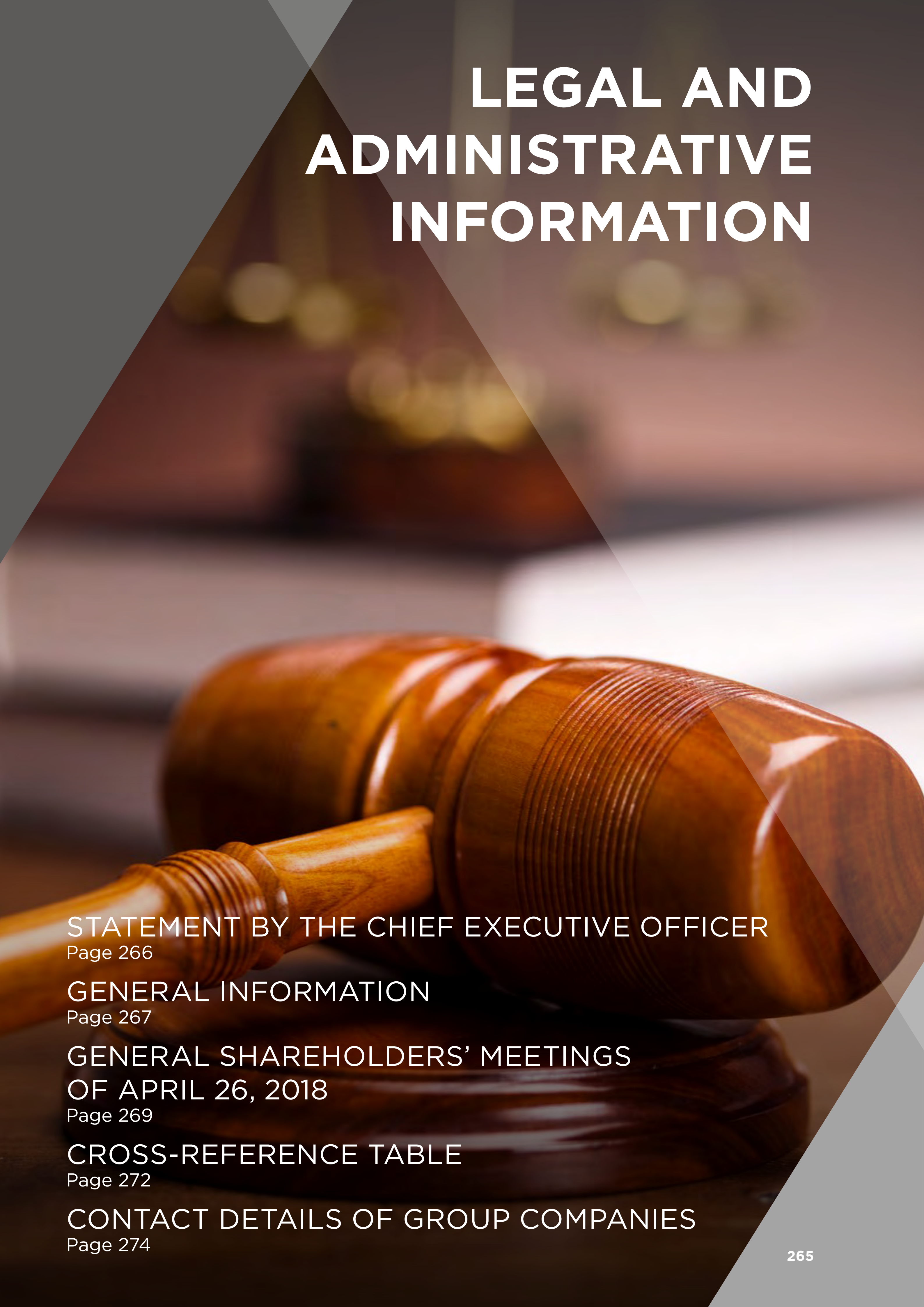
The Statutory Auditors

Deloitte & Associés	MAZARS	
Sylvie BOURGUIGNON	Michel BARBET-MASSIN	Nicolas DE LUZE

DELOITTE & ASSOCIÉS
185 Avenue Charles de Gaulle - B.P. 136
92 5245 Neuilly-sur-Seine Cedex
Joint-stock company (*Société Anonyme*) with a Board of Directors
Share capital of €1,723,040 - Nanterre Trade and Companies Register no: B 572 028 041

MAZARS SAS
61 Rue Henri Regnault
92 075 Paris – La Défense Cedex
Simplified joint-stock company (*Société par Actions Simplifiée*)
Share capital of €37,000 - Nanterre Trade and Companies Register no: 377 505 565

LEGAL AND ADMINISTRATIVE INFORMATION



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STATEMENT BY THE CHIEF EXECUTIVE OFFICER

STATEMENT BY THE PERSON RESPONSIBLE FOR THE PUBLICATION OF THE ANNUAL REPORT

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets and liabilities, financial position and results of the company and of the undertakings included in the consolidated scope taken as a whole, and that the management report appended hereto provides a true and fair view of the development and performance of the business, the results and the financial position of the company and of the undertakings included in the consolidated scope taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed in Lille on April 20, 2018

Éric CHARPENTIER

Chief Executive Officer

GENERAL INFORMATION

Caisse Fédérale du Crédit Mutuel Nord Europe is a Limited Cooperative Credit Company with variable capital, whose registered office is at 4 Place Richebé, Lille. The company is governed by the law of July 24, 1867 on variable capital companies, the law of September 10, 1947 on cooperative status and the banking law of January 24, 1984 (incorporated into the French Monetary and Financial Code (*Code Monétaire et Financier*) since January 1, 2001).

The Caisse Fédérale's term of existence is 99 years from the date of its registration in the Lille Métropole Trade and Companies Register, number 320 342 264.

Crédit Mutuel Nord Europe has existed in its current configuration since the business combinations in 1993 and 1994 of three Caisses Fédérales de Crédit Mutuel: Nord, Artois-Picardie and Champagne-Ardenne.
The legal documents for Crédit Mutuel Nord Europe may be consulted at the company's registered office at 4 Place Richebé 59000 Lille.

ABOUT THE COMPANY

▶ CORPORATE PURPOSE

The Caisse Fédérale was set up to manage the common interests of affiliated local banks and their members.

More specifically, its purpose it to:

- Accept deposits from any legal entity, particularly from affiliated local banks and, in exceptional circumstances and with the Board of Directors' agreement, from private individuals; It is also responsible for all collections and payments on behalf of its depositors;
- To establish a clearing mechanism between affiliated local banks;
- To advance funds to the affiliated local banks, for specific purposes or otherwise;
- To reinvest cash or savings;
- To obtain capital by way of borrowing, advances, discounts or the issuance of bonds, and by any means permitted under the law of September 10, 1947 on cooperative status and subsequent texts;
- To acquire equity interests in relation to any transactions related directly or indirectly to the corporate purpose;
- To determine and implement the methodology and criteria necessary for compliance with French and European supervisory rules;
- To implement and monitor a risk policy;
- And more generally, to carry out, for its own account and on behalf of its affiliated local banks, all transactions in accordance with its status as a credit institution, all investment services, and all brokerage and intermediation activities in insurance operations.

▶ STATUTORY DISTRIBUTION OF PROFITS

The Caisse Fédérale is subject to the provisions of the bylaws of cooperative companies: "the monies available, after deduction from operating surpluses of payments to the statutory reserves and the payment of interest on the securities constituting the share capital, shall be allocated to a reserve fund or attributed in the form of a subsidy to other cooperatives or to works of public or professional interest".

▶ SHAREHOLDERS' MEETINGS

The Ordinary Shareholders' Meeting is held each year before May 31. Meetings may be convened on an extraordinary basis whenever the Board of Directors or one-quarter of the shareholder-members so request.

In the latter case, the reasons for convening a meeting must be presented in writing to the Chairman of the Board of Directors.

The Shareholders' Meeting is convened by the Chairman of the Board of Directors. If the Chairman of the Board of Directors refuses to convene a Shareholders' Meeting called for by one-quarter of the shareholder-members, they may issue a written mandate to one of their number to convene the meeting.

The Shareholders' Meeting is convened at least fifteen days in advance, by individual letter or by publication in a legal gazette.

The notice of the meeting shall list the items on the agenda and, where applicable, the list of the names of the quarter of the shareholder-members who requested that the Shareholders' Meeting be convened.

GENERAL INFORMATION

The agenda is approved by the Board of Directors. It may include, in addition to the resolutions proposed by the Board of Directors, any matter submitted to the Board at least six weeks prior to the Shareholders' Meeting being convened, with the request being signed by at least one-tenth of the total number of shareholder-members.

Only those items on the agenda may be submitted for deliberation at any Shareholders' Meeting.

▶ ANNUAL INFORMATION DOCUMENT

During 2017, Caisse Fédérale du Crédit Mutuel Nord Europe published five documents containing financial information: in April 2017, the annual report for 2016; in June 2017, the financial memorandum required by the Banque de France for issuers of short-term (NEU CP) and medium-term negotiable debt securities; in August 2017, interim financial information as of June 30, and in December 2017, the documentation for its bond issuance program (EMTN).

▶ CALENDAR OF FINANCIAL PUBLICATIONS

Schedule (subject to change)	
2017 annual results	April 26, 2018
Interim results	August 2018

FÉDÉRATION DU CRÉDIT MUTUEL NORD EUROPE

4 Place Richebé
59000 Lille

Association governed by the Law of July 1, 1901

COMBINED SHAREHOLDERS' MEETING OF APRIL 26, 2018

DRAFT RESOLUTIONS

ORDINARY RESOLUTIONS

First resolution

The Shareholders' Meeting, having examined the reports of the Board of Directors and Statutory Auditors, approves the financial statements for 2017 in both their form and their content, which show surplus income of €12,659.46.

The Shareholders' Meeting resolves to allocate the surplus income in full to retained earnings and gives discharge to the directors for the performance of their duties.

Second resolution

The Shareholders' Meeting notes that, according to the special report of the Statutory Auditors, the Statutory Auditors have not been informed of any new agreement authorized by the Board during the year ended December 31, 2017 and falling within the scope of the provisions of Article L. 612-5 of the French Commercial Code.

Third resolution

The Shareholders' Meeting, having examined the reports of the Board of Directors and the Statutory Auditors, approves the consolidated company financial statements of the Crédit Mutuel Nord Europe Group for the year ended December 31, 2017, as presented.

Fourth resolution

The Shareholders' Meeting, having examined the reports of the Board of Directors and the Statutory Auditors, approves the consolidated financial statements of the Crédit Mutuel Nord Europe Group prepared in accordance with IFRS for the year ended December 31, 2017, as presented.

Fifth resolution

The Shareholders' Meeting sets the Federation's budget for 2018 at €3,520,000. The share of contributions of each member local bank is set at 0.0167 % of the average amount of managed funds.

Sixth resolution

The Shareholders' Meeting notes the expiry of the directorships of Catherine Letellier, Michel Hedin and Jacques Petit.

On the recommendation of the Appointments Committee, the Shareholders' Meeting resolves to re-elect for a period of three years, i.e. until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2020:

- Michel Hedin.

Which person declares that he accepts his appointment.

Seventh resolution

On the recommendation of the Appointments Committee, the Shareholders' Meeting also resolves to appoint as Directors, for a period of three years, i.e. until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2020:

- Sabine Ducrocq, Chairman of the Board of Directors of Caisse de Boulogne-sur-mer, residing at 8 Allée des Acacias - 62360 Pont-de-Briques;
- Philippe Cacaux, Chairman of the Board of Directors of Caisse de Beauvais, residing at 32 rue de There - 60000 Beauvais.

Which persons declare that they accept their appointments.

Eighth resolution

All powers are granted to the bearer of a copy or extract of the minutes of this Shareholders' Meeting to carry out all publications and formalities required by law and regulations.

EXTRAORDINARY RESOLUTIONS

First resolution

The Shareholders' Meeting, having heard the Board of Directors' report, and having deliberated on it, notes that the proposed amendments to the bylaws are mainly intended to facilitate the functioning of the governance bodies.

Consequently, the Shareholders' Meeting resolves to adopt, article by article, and then as a whole, all of the proposed amendments to the bylaws.

Second resolution

All powers are granted to the bearer of a copy or extract of the minutes of this Shareholders' Meeting to carry out all publications and formalities required by law and regulations.

CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE

4 Place Richebé
59000 Lille

Limited Cooperative Credit Company with variable capital

COMBINED SHAREHOLDERS' MEETING OF APRIL 26, 2018

RESOLUTIONS

ORDINARY RESOLUTIONS

First resolution

The Shareholders' Meeting, having examined the Board of Directors' report, the corporate governance report and the Statutory Auditors' reports, approves the financial statements for the year ended December 31, 2017 as presented to it, as well as the transactions reflected therein or referred to in those reports.

Accordingly, the Shareholders' Meeting grants the directors full and unconditional discharge from their duties for the said year.

Second resolution

The Shareholders' Meeting, having examined the special report of the Statutory Auditors, acknowledges and approves the agreements covered by Article L. 225-38 of the French Commercial Code.

Third resolution

On the recommendation of the Board of Directors, the Shareholders' Meeting resolves to allocate the profit of €140,523,628.36 for the year ended December 31, 2017 as follows:

- Statutory reserve: .... €7 026 181.42 ;
- Ordinary reserves: .... €133 497 446.94.

Fourth resolution

The Shareholders' Meeting notes that the share capital, which was €325 970 000 at the end of 2016, stood at €334 348 000 at December 31, 2017.

Fifth resolution

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having taken note of the provisions concerning corporate officers' remuneration in the Corporate Governance Report, issues a favorable opinion on the components of remuneration due or awarded to Éric Charpentier, Chief Executive Officer for fiscal year 2017.

Sixth resolution

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having taken note of the provisions concerning corporate officers' remuneration in the Corporate Governance Report, issues a favorable opinion on the components of remuneration due or awarded to Christian Nobili, Chief Operating Officer for fiscal year 2017.

Seventh resolution

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having taken note of the provisions concerning corporate officers' remuneration in the Corporate Governance Report, issues a favorable opinion on the components of remuneration due or awarded to André Halipré, Chairman of the Board of Directors for fiscal year 2017.

Eighth resolution

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having taken note of the provisions concerning key executives' remuneration in the Corporate Governance Report, approves the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and the benefits of any kind presented in the aforementioned report and attributable to the Chairman, Chief Executive Officer and Chief Operating Officer by virtue of their appointments.

Ninth resolution

The Shareholders' Meeting, having examined the Corporate Governance Report, issues a favorable opinion on the total amount of remuneration of all kinds paid during the past year to the accountable managers, as defined in Article L. 511-73, and to categories of staff, including risk takers and persons engaged in control functions, and any employee who, taking into account his or her total remuneration, is in the same remuneration bracket, and whose professional activities have a material impact on the risk profile of the company or the Group.

Tenth resolution

The Shareholders' Meeting notes the expiry of the directorships of Catherine Letellier, Michel Hedin and Jacques Petit.

On the recommendation of the Appointments Committee, the Shareholders' Meeting resolves to re-elect for a period of three years, i.e. until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2020:

- Michel HEDIN.

Which person declares that he accepts his appointmentn.

Eleventh resolution

On the recommendation of the Appointments Committee, the Shareholders' Meeting also resolves to appoint as Directors, for a period of three years, i.e. until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2020:

- Sabine Ducrocq, Chairman of the Board of Directors of Caisse de Boulogne-sur-mer, residing at 8 Allée des Acacias - 62360 Pont-de-Briques;
- Philippe Cacaux, Chairman of the Board of Directors of Caisse de Beauvais, residing at 32 rue de There – 60000 Beauvais.

Which persons declare that they accept their appointments.

Twelfth resolution

The Shareholders' Meeting:

- Having noted the expiry of the terms of office as Principal Statutory Auditor of the company Mazars, represented by Mr Barbet-Massin, and of the company Deloitte, represented by Mrs Bourguignon;
- Having noted the expiry of the terms of office as Alternate Statutory Auditor of Anne Veauté and of the company BEAS represented by Mrs Berthelot.

Reappoints for a period of six years, i.e. until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2023:

- Mazars, represented by Nicolas de Luze, and whose registered office is at 61 Rue Henri Regnault, La Défense (92075) as Principal Statutory Auditor;
- Deloitte, represented by Sylvie Bourguignon, and whose registered office is at 185 Avenue Charles de Gaulle - 92524 Neuilly-sur-Seine, as Principal Statutory Auditor.

Which persons declare that they accept their appointments.

Pursuant to Article L. 823-1 of the French Commercial Code, the Shareholders' Meeting resolves not to appoint any Alternate Statutory Auditors.

Thirteenth resolution

Pursuant to the provisions of Articles 25-1 to 25-5 of Law No. 47-1775 of September 10, 1947 on cooperative status, Decree No. 2015-706 of June 22, 2015, Article R. 512-1 of the French Monetary and Financial Code and Article 25 of the bylaws, the Shareholders' Meeting appoints:

- La Fédération Nationale de Révision REVICOOP,
  7 Rue Biscornet - 75012 Paris,
  as principal cooperative auditor;
- Philippe Gondard,
  residing at 27 Rue de Courcelles - 75013 Paris
  as alternate cooperative auditor.

In order to:

- Verify that the organization and the functioning of the banking institution and mutual guarantee companies comply with the principles and general rules of cooperation as well as the specific cooperative rules that are applicable to them; and
- Prepare the audit report, which will be sent to the management of the company and to the central institution, before being made available to the member-shareholders at the Meeting to be held in 2019, and then forwarded to the French prudential supervision and resolution authority, the *Autorité de Contrôle Prudentiel et de Résolution*.

Fourteenth resolution

All powers are granted to the bearer of a copy or extract of the minutes of this Shareholders' Meeting to carry out all publications and formalities required by law and regulations.

EXTRAORDINARY RESOLUTIONS

First resolution

The Shareholders' Meeting, having heard the Board of Directors' report, and having deliberated on it, notes that the proposed amendments to the bylaws take into account the corporate governance principles and guidelines for banks issued by the Basel Banking on Banking Supervision in July 2015, as well as industry recommendations on corporate governance.

Consequently, the Shareholders' Meeting resolves to adopt, article by article, and then as a whole, all of the proposed amendments to the bylaws.

Second resolution

The Extraordinary Shareholders' Meeting delegates all powers to the bearer of an original, a copy or an extract of the minutes of this Extraordinary Shareholders' Meeting to complete all publication, filing and other formalities required as a result of the amendments made.

CROSS-REFERENCE TABLE

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CONTACT DETAILS OF GROUP COMPANIES

BANKING

FRANCE NETWORK

CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (CFCMNE)
4 Place Richebé - 59000 Lille.
Tel: +33 (0)3 20 78 38 38
Fax: +33 (0)3 20 30 86 59
Website: www.cmne.fr

- Chairman of the Board of Directors: **André HALIPRÉ**
- Chief Executive Officer: **Éric CHARPENTIER**
- Chief Operating Officer: **Christian NOBILI**

BELGIUM NETWORK

CRÉDIT MUTUEL NORD EUROPE BELGIUM (CMNE BELGIUM)
Boulevard de Waterloo, 16 - 1000 Brussels (Belgium)
Tel: +32 22 89 82 00
Fax: +32 22 89 89 90

- Chairman of the Board of Directors: **André HALIPRÉ**
- Chairman of the Management Committee: **Éric CHARPENTIER**

BEOBANK NV/SA
Boulevard Général Jacques, 263 G - 1050 Brussels (Belgium)
Tel: +32 626 51 11
Fax: +32 626 55 84.
Website: www.beobank.be

- Chairman of the Board of Directors: **Éric CHARPENTIER**
- Chairman of the Management Committee: **Guy SCHELLINCK**

CORPORATE NETWORK

BCMNE BANQUE COMMERCIALE DU MARCHÉ NORD EUROPE
4 Place Richebé - 59000 Lille
Tel: +33 (0)3 28 02 56 77
Fax: +33 (0)3 28 02 56 95
Website: www.bcmne.fr

- Chairman of the Supervisory Board: **André HALIPRÉ**
- Chairman of the Executive Board: **Christian NOBILI**

BAIL ACTÉA
4 Place Richebé - 59000 Lille
Tel: +33 (0)3 28 02 57 05
Fax: +33 (0)3 28 02 56 99
Website: www.bail-actea.fr

- Chairman of the Board of Directors: **Christian NOBILI**
- Chief Executive Officer: **Bernard DUFERMONT**
- Chief Operating Officer: **Jean-Charles DHAUSSY**

NORD EUROPE LEASE
4 Place Richebé - 59000 Lille
Tel: +33 (0)3 28 02 56 81
Fax: +33 (0)3 28 02 56 96

- Chairman of the Board of Directors: **Christian NOBILI**
- Chief Executive Officer: **Jean-Charles DHAUSSY**
- Chief Operating Officer: **Bernard DUFERMONT**

NORD EUROPE PARTENARIAT
4 Place Richebé - 59000 Lille
Tel: +33 (0)2 35 59 44 20
Fax: +33 (0)2 35 59 13 82

- Chairman of the Board of Directors: **Christian NOBILI**
- Chief Executive Officer: **Philippe AMOURIAUX**

INSURANCE

NORD EUROPE ASSURANCES
9 Boulevard Gouvion-Saint-Cyr - 75017 Paris
Tel: +33 (0)1 43 12 90 90
Fax: +33 (0)1 43 12 90 93

- Chairman of the Supervisory Board: **André HALIPRÉ**
- Chairman of the Executive Board: **Sabine SCHIMEL**

ACMN-VIE
Assurances Crédit Mutuel Nord Vie
9 Boulevard Gouvion-Saint-Cyr - 75017 Paris
Tel: +33 (0)1 43 12 90 90
Fax: +33 (0)1 43 12 90 93
Website: www.acmnvie.fr

- Chairman of the Board of Directors: **Éric CHARPENTIER**
- Chief Executive Officer: **Sabine SCHIMEL**

ACMN IARD
Assurances Crédit Mutuel Nord Iard
4 Place Richebé - 59000 Lille
Tel: +33 (0)3 20 78 38 38
Fax: +33 (0)3 20 30 86 59

- Chairman of the Board of Directors: **Sabine SCHIMEL**
- Chief Executive Officer: **Odile EZERZER**

NORD EUROPE LIFE LUXEMBOURG
62 Rue Charles Martel - L-2134 (Luxembourg)
Tel: +352 42 40 20 1
Fax: +352 42 40 20 44
Website: www.nellweb.com

- Chairman of the Board of Directors: **Sabine SCHIMEL**
- Managing Director: **Hervé BERNARD**

CPBK REINSURANCE S.A
74 Rue de Merl - L-2146 (Luxembourg)
Tel: +352 49 69 51 321
Fax: +352 49 69 51 333

- Chairman of the Board of Directors: **Odile EZERZER**

NORTH EUROPE LIFE BELGIUM
11 Boulevard de la Plaine - 1050 Brussels (Belgium)
Tel: +32 789 42 00
Fax: +32 789 42 01
Website: www.nelb.be

- Chief Executive Officer: **Myriam BILLENS**
- Chairman: **Sabine SCHIMEL**

ASSET MANAGEMENT

GROUPE LA FRANÇAISE
128 Boulevard Raspail - 75006 Paris
Tel: +33 (0)1 73 00 73 00
Fax: +33 (0)1 73 00 73 01
Website: www.lafrancaise.com
- Chairman of the Supervisory Board: **André HALIPRÉ**
- Chairman of the Executive Board: **Xavier LÉPINE**
- Chief Executive Officer: **Patrick RIVIÈRE**

LA FRANÇAISE ASSET-MANAGEMENT
128 Boulevard Raspail - 75006 Paris
Tel: +33 (0)1 43 12 01 00
Fax: +33 (0)1 43 12 01 20
Website: www.lafrancaise.com
- Chairman of the Supervisory Board: **Patrick RIVIÈRE**
- Chairman of the Executive Board: **Pascale AUCLAIR**

LA FRANÇAISE REAL ESTATE MANAGERS
128 Boulevard Raspail - 75006 Paris
Tel: +33 (0)1 73 00 73 00
Fax: +33 (0)1 73 00 73 01
Website: www.lafrancaise.com
- Chairman of the Supervisory Board: **Patrick RIVIÈRE**
- Chairman of the Executive Board: **Marc BERTRAND**
- Chief Executive Officer: **Marc-Olivier PENIN**
- Chief Executive Officer: **Éric ALLARD**

LA FRANÇAISE AM INTERNATIONAL
2 Boulevard de la Foire - BP 1556 - L-1015 Luxembourg
Tel: +352 24 83 221
Fax: +352 248 322 242
- Chairman of the Supervisory Board: **Patrick RIVIÈRE**
- Chairman of the Executive Board: **Philippe LECOMPTE**

LA FRANÇAISE GLOBAL REAL ESTATE INVESTMENT MANAGEMENT LIMITED
78 Brook Street - London W1K5EF (United Kingdom)
Website: www.lafrancaise.com
- Chief Executive Officers: **Patrick RIVIÈRE**
  Philippe VERDIER

LA FRANÇAISE AM FINANCE SERVICES
128 Boulevard Raspail - 75006 Paris
Tel: +33 (0)1 73 00 73 00
Fax: +33 (0)1 73 00 73 01
Website: www.lafrancaise.com
- Chairman of the Supervisory Board: **Patrick RIVIÈRE**
- Chairman of the Executive Board: **Philippe LECOMTE**
- Chief Executive Officers: **Thierry SEVOUMIANS**
  Benoît GIRARDON

LA FRANÇAISE INVESTMENT SOLUTIONS
128 Boulevard Raspail - 75006 Paris
Tel: +33 (0)1 73 00 75 75
Website: www.lafrancaise-gis.com
- Chairman of the Supervisory Board: **Pierre LASSERRE**
- Chairman of the Executive Board: **Sofiène HAJ TAIEB**
- Chief Operating Officer: **Thouraya JARRAY**

NOUVELLES EXPERTISES ET TALENTS AM
125 Boulevard Raspail - 75006 Paris.
Tel: 01 73 00 73 00
Fax: 01 73 00 73 01
Website: www.newalpha.com
- Chairman of the Board of Directors: **Patrick RIVIÈRE**
- Chief Executive Officers: **Lior DERHY**
  Antoine ROLLAND

LA FRANÇAISE GLOBAL INVESTMENTS
128 Boulevard Raspail - 75006 Paris
Tel: +33 (0)1 73 00 73 00
Fax: +33 (0)1 73 00 73 01
Website: www.lafrancaise.com
- Chairman of the Supervisory Board: **Pierre LASSERRE**
- Chairman of the Executive Board: **Arnaud SARFATI**
- Chief Operating Officer: **Christophe LESIEUR**

INFLECTION POINT CAPITAL MANAGEMENT UK LTD
78 Brook Street - London W1K5EF (United Kingdom)
Website: www.la-francaise.com

Crédit Mutuel
Nord Europe

4 Place Richebé - 59000 Lille
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www.cmne.fr