ANNUAL REPORT #18

Crédit Mutuel
Nord Europe

SUMMARY

PRESENTATION OF THE GROUP

Editorial

Since the launch of its MTP at the end of 2015, CMNE has followed a clear path of transformation, incorporating both digital challenges and major internal structural projects.

2018 was a particularly eventful year for our Group with the alliance between our insurance subsidiary NEA and Groupe des Assurances du Crédit Mutuel, the merger of our corporate subsidiary BCMNE and Caisse Fédérale du CMNE, and the Eole IT project in Belgium, all of which are strengthening our operational performance and intragroup synergies.

Like other banking groups, continuing low interest rates and challenging conditions on the financial markets at the end of the year impacted our numbers. Moreover, the major investments associated with our transformation were increased by the weight of regulatory measures imposed by public authorities.

Despite this context, CMNE's results were within our target range and allow us to continue moving forward on modernization of our Group and invest more than ever in our regions.

Our net banking income was **€785 million** and our consolidated net additions to/reversals of provisions for loan losses remained controlled at **€1.9 million**. Net income attributable to the Group stood at **€134 million**. Changes in scope and consolidation methods mean that management indicators are not readily comparable year-on-year.

Our ratios reflect a solid financial structure: at **15.85%**, the Common Equity Tier 1 ratio is well above the regulatory requirements, as is the solvency ratio at **20.52%**. Our shareholders' equity came in at **€3.156 billion**.

Once again this year, our 4,200 employees together contributed to results through excellent sales performances in our two French and Belgian networks as well as within our asset management businesses.

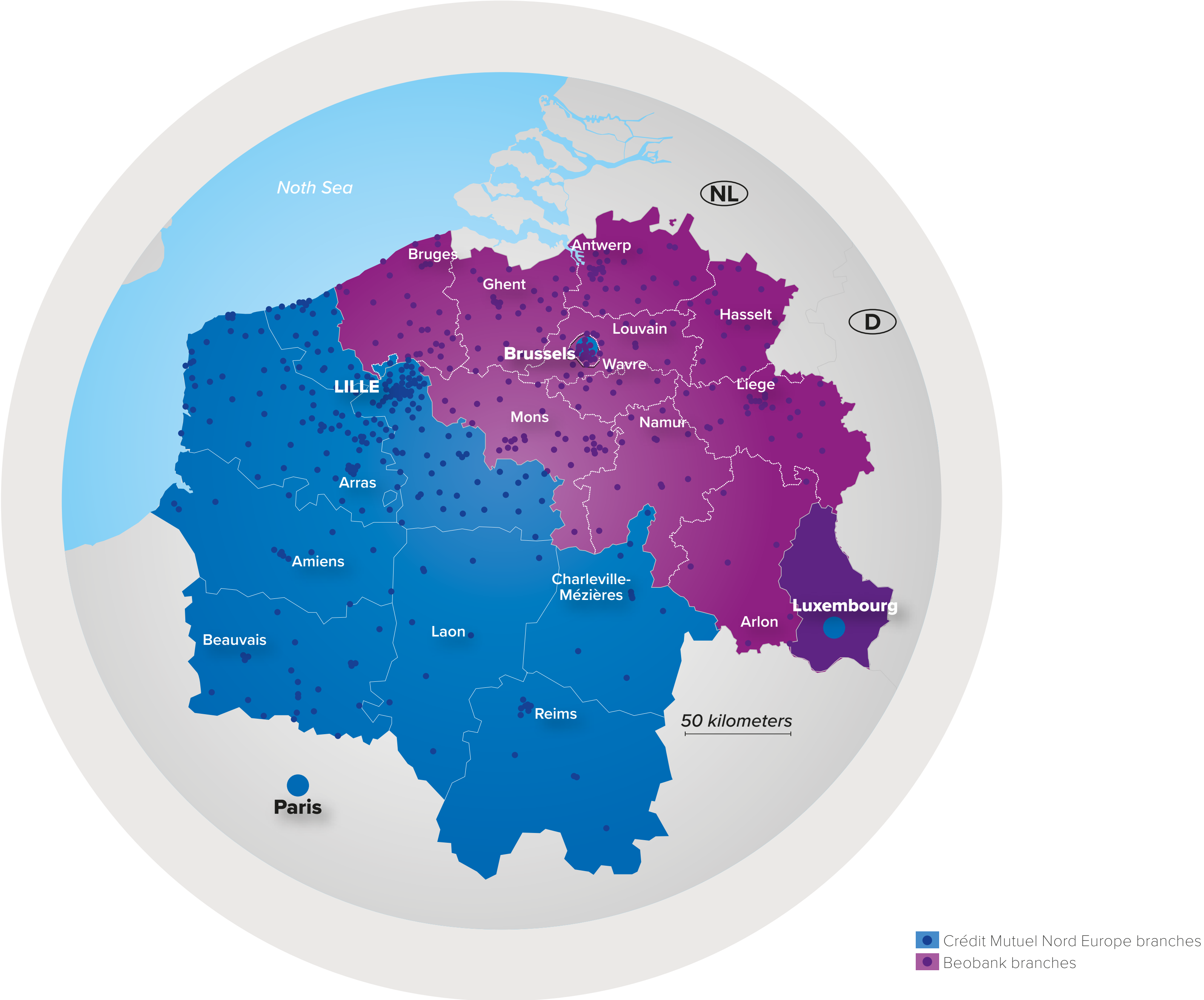
Key to these successes were strong real estate activity, including the marketing of innovative and exclusive offerings, sound growth in property and casualty insurance and significant results in consumer credit, with a 10% increase in our outstandings.

In 2019, we intend to remain firmly on the course set by our "Vision 2020" plan and accelerate our transformation for the benefit of our **1.7 million customers and members**.

André HALIPRÉ (left)
Chairman

Éric CHARPENTIER (right)
Chief Executive Officer

Branch network



2018 key figures

People

1,694,067
Customers and members
France and Belgium networks

4,156
Employees
FTE, permanent contract

1,433
Directors

Organization

527
Points of sale

298*
France network

229**
Belgium network

632
ATMs

475
France network

157
Belgium network

* France network: 149 local cooperative banks, 104 offices and 33 business centers (8 of which serve the corporate market) and 12 leasing branches and offices
** Belgique network: 65 branches, 11 business centers and 153 delegated officers

Balance sheet

€28.059 billion
Total consolidated assets

€3.156 billion
Basel III regulatory capital

Activity

€17.414 billion*
Deposit outstandings

€75.850 billion*
Savings and Insurance outstandings

16.995 billion*
Loan outstandings

1,977,632
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)

Basel III solvency ratios

15.85 %
Common Equity Tier one

20.52 %
Solvency ratio

Results

€785 million
Consolidated Net Banking Income

€13 million
Gross Operating Income
before additions to/reversals of provisions for loan losses

€134 million
Consolidated net income (loss)

2018 highlights

At the end of its first three years, the 2016-2020 Medium-Term Plan has enabled CMNE to further its digital transformation and continue its development. 2018 marked the first mid-plan review and an update of the "Vision 2020" strategic plan, which sets out a road map for the next two years. In a year punctuated by numerous projects and events, and despite an unfavorable economic context, the Group achieved good results thanks to buoyant sales activity.

The Group

Activities

- Strong activity and very good performances in terms of sales (consumer credit, real estate, marketing of innovative products in the housing universe, asset management, etc.).

Organization

- Merger by acquisition of Nord Europe Assurance (NEA) and its subsidiaries by Groupe des Assurances du Crédit Mutuel (GACM);
- Merger of BCMNE and CFCMNE.

Results

- Solid earnings performance in 2018 reflecting contributions across all businesses, despite an unfavorable environment;
- Ratios well above regulatory requirements show a solid financial structure.

Bankinsurance / France network

Innovation

- Success of the “Priorité Client Sociétaire 2018” digital transformation plan;
- Further development of virtual assistants (Watson artificial intelligence);
- Launch of innovative products (life tenancy, Flexipropriété flexible ownerhip, insurance for urban mobility vehicles without license plates, etc.)

Network

- Further adjustment of network coverage and branch formats;
- Expansion of the pooling of business lines;
- Updating of network mapping, particularly following the establishment of two business lines for self-employed professionals and a Pro/Agri/Corporate unit;
- Extension of the “Collective Performance Management” initiative.

Activities

- Sharp increase in consumer credit with a 10% increase in outstandings;
- Sterling success in real estate products (AFEDIM, REITS and unit-linked products invested in real estate);
- Sound performance in leasing with a 24% increase in new business;
- Strong growth in protection insurance.

Bankinsurance / Belgium network

EOLE project

- Migration of Beobank's IT systems to Euro-Information's international platform.

Innovation

- Launch of the "Itsme" mobile app.

Network

- Development of a new open, transparent and scalable branch concept;
- Development of the last PRO Centers.

Activities

- Buoyant new business in savings accounts;
- Growth in loan portfolios;
- Full year of distribution of property and casualty insurance.

Asset management

Activities

- Intake of €6.1 billion;
- Strong growth in the Investment Solutions activity;
- €65.7 billion in assets under management, of which 28% internationally;
- International growth of La Française (acquisition of Veritas).

Real estate

- Success in real estate, with continued momentum in REITS inflows;
- Launch together with CMNE of Foncière Nord Europe and Foncière du Grand Paris.

Corporate responsibility

- Continued commitment to the environment;
- Structuring of the Impact Investing offering.

Innovation

- Digitized savings;
- Disruptive services and innovative products to reflect new uses.

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 bankinsurance and asset management activities.

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

The Group and its businesses

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

Based on this model, CMNE has been restructured to optimize each activity. The Group's synergies have been strengthened to keep pace with the societal changes, new regulations and competitive pressures affecting the banking landscape.

In 2018, the adjustment of the organization of the bankinsurance business streamlined the number of regulated structures, while maintaining efficient services for customers and members.

NORD EUROPE ASSURANCE JOINS GROUPE DES ASSURANCES DU CREDIT MUTUEL (GACM)

In late June, the CMNE Group completed the merger by acquisition of Nord Europe Assurance (NEA) and its subsidiaries into Groupement des Assurances du Crédit Mutuel (GACM), and the CMNE Group networks have been distributing GACM's insurance products since July 1st, 2018.

The aims of the merger include:

- Simplifying the business links that already exist between the Crédit Mutuel Nord Europe and the Crédit Mutuel Alliance Fédérale Group in the area of insurance;
- Strengthening GACM's positions in France and Europe;
- Facilitating the integration of certain regulatory requirements and managing capital adequacy and allocation requirements more effectively;
- Achieving savings by simplifying and decreasing the number of regulated entities, and by optimizing reinsurance costs and IT resources.

Following the merger, the new group represents more than €11 billion in premiums and has more than 11 million policyholders.

This merger strengthens the positioning of Groupe des Assurances du Crédit Mutuel on the French and Belgian markets and means that all of the CMNE networks are able to distribute the Groupe des Assurances du Crédit Mutuel insurance offering.

In terms of capital, GACM is now 10.22%-owned by Crédit Mutuel Nord Europe, which distributes Groupe des Assurances du Crédit Mutuel's life insurance and property and casualty insurance products.

CORPORATE DIVISION RENAMED "CORPORATE NETWORK"

In 2019, the Corporate division, which comprised the Banque Commerciale du Marché Nord Europe (BCMNE) catering to SMEs/ISEs, Bail Actéa and Nord Europe Lease (NEL) subsidiaries, joined Caisse Fédérale du CMNE.

As a result of this merger, BCMNE, which was renamed CMNE Enterprises, was transformed into regional branches serving the corporate market and fully integrated into CMNE.

Bail Actéa (equipment leasing) and Nord Europe Lease (real estate leasing) underwent a change of ownership, becoming direct subsidiaries of CMNE, and their support functions were restructured.

In 2019, NEL will be renamed "Bail Actéa Immobilier" to highlight CMNE Group's expertise in leasing.

BANKINSURANCE

CMNE operates an Euro-regional universal bankinsurance model 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 nearly 1.7 million customers at end-2018 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 298 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, 153 delegated officers and 11 professional business centers. 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.

ASSET MANAGEMENT

Crédit Mutuel Nord Europe's second core 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.

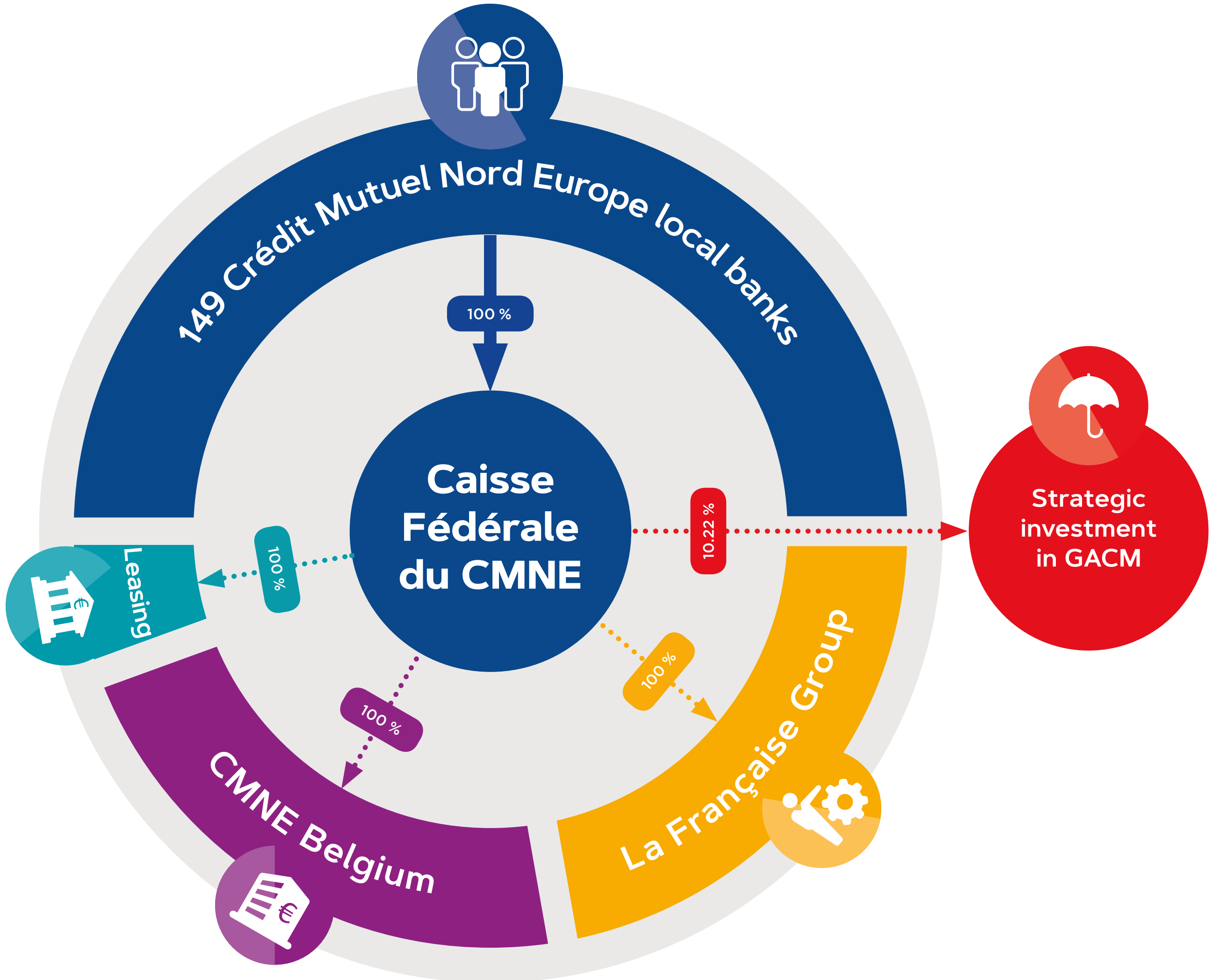
Formed in 1975, the Group has come a long way in 40 years and is now structured around four core businesses:

- 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).

In 2018, the Group continued its international development by increasing its presence in Germany with the acquisition of the Veritas group.

CMNE Group financial organizational chart



Situation at 12/31/2018

Bankinsurance

Asset Management

Leasing

Bail Actéa
100%
Equipment leasing

Nord Europe Lease
100%
Real estate leasing

CMNE network

Retail and Corporate banking

CMNE Belgium

Financial company
- Holding company -

Beobank
100%
Retail banking

LA FRANÇAISE GROUP

Third-party asset management
- Holding company -

La Française Global Investments
60%
Investment services
40% owned by CMNE

La Française AM Finance Services
100%
Investment product distribution

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

Next AM
100%
Equity investments

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

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

La Française Asset-Management
99.98%
UCITS management

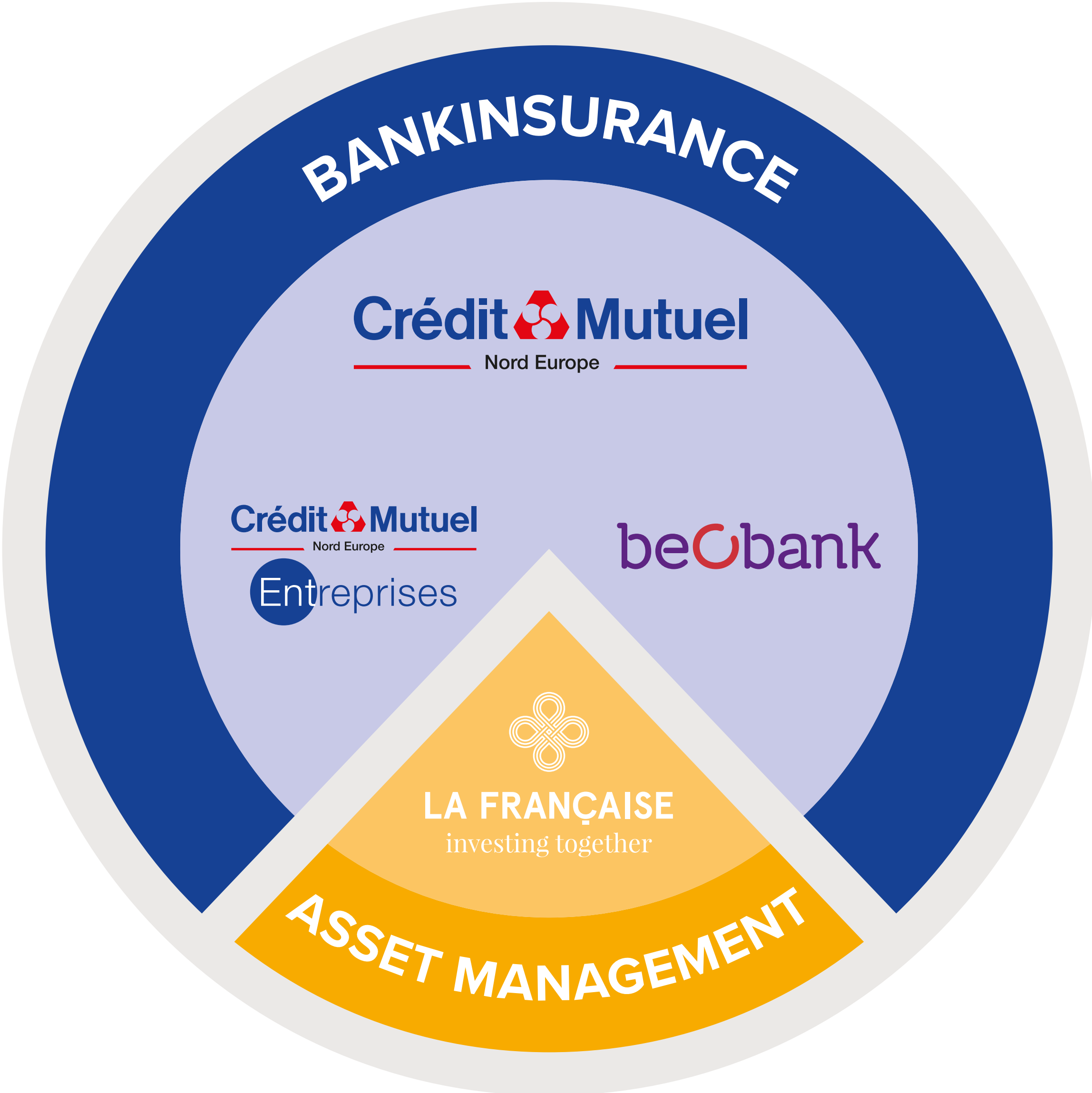
Inflection Point By La Francaise
100%
Investment research

LFP Multi Alpha
99.99%

La Française Real Estate Managers
95.94%
Real estate asset management

Veritas Portfolio GmbH & Co. KG
100%

CMNE Group businesses



GOVERNANCE

Management Committee

Composition of the Management Committee

Chief Executive Officer	Éric CHARPENTIER
Chief Operating Officer - Bankinsurance	Christian NOBILI
Deputy Chief Operating Officer - Group Chief Financial Officer	Sabine SCHIMEL
Deputy Chief Operating Officer - Resources Manager	Denis VANDERSCHELDEN
Chairman of the Groupe La Française Executive Board Asset Management division	Xavier LÉPINE
Central Manager Accounting and Management Control	Florence DESMIS
Group Chief Risk Officer	José DRUON
General Secretary	Jérôme PAVIE
Adviser to Executive Management	Tristan GUERLAIN

Group Inspector General	Vincent GOSSEAU
Group Chief Compliance Officer	François STAROUKINE

Le **Group Management Committee** is chaired by the Chief Executive Officer who has extensive powers to manage the 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 and 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 France and Belgium networks and is made up of managers from those networks;
- **The Management Committee** of the Asset Management division;
- **The Financial Committee** of 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.

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, 2018, the composition of the Board of Directors of Fédération du Crédit Mutuel Nord Europe was as follows:

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

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

With regard to the Board of Directors of Caisse Fédérale du Crédit Mutuel Nord Europe, the French Law on social dialog and employment (the "Rebsamen" law) has lowered the thresholds for the mandatory appointment of directors representing employees to Boards of Directors.
The Caisse Fédérale amended its bylaws at the 2018 Shareholders' Meeting to allow such appointment, and tasked the labor partners with making such appointments from the 11 applications received.
The European Works Council appointed Véronique Hosti, a controller in the Permanent Control Department and the Works Council appointed Damien Pelletier, manager of the Boulogne-sur-Mer Professional Advice Counter (ECP).

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, on the Management Committee and in its workforce more generally.

Information on how the Board of Directors seeks to achieve a balanced representation of men and women

The Board of Directors ensures that the selection of its members provides a diverse range of skills and a balanced representation of men and women in proportions consistent with the requirements of Article 225-18-1 of the French Commercial Code. At December 31, 2018, there were nine women and nine men on the Caisse Fédérale's Board of Directors, i.e. a female representation rate of 50%.

Information on how CMNE seeks to achieve a balanced representation of men and women on the Management Committee

The composition of the Group Management Committee is governed by the Chief Executive Officer's choice of skills that he considers useful to have in the team around him in order to achieve an internal structure that he can rely on to approve and implement his decisions. At December 31, 2018, the Management Committee comprised the Chief Executive Officer, the Chief Operating Officer and seven executive managers, i.e. nine people, two of whom were women and seven men, or a female representation rate of 22%.

Information on gender diversity performance in the top 10% of senior posts

In 2018, women made up 48% of employees on a permanent contract (base: France 2,533 FTE, permanent contract) compared with 44% in 2010. This increase is mainly due to a greater number of female new hires: women accounted for 72.9% of permanent hires in 2018 (compared to 58% in 2016). The company is continuing its efforts to raise the proportion of women in executive posts. In 2018, women made up 27.3% of executive employees (up 5 percentage points since 2014) and a majority of executive hires. In 2018, ten employees, including four women, were promoted to a management position. Two women are represented among the 10 highest paid employees.

Organization 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, the Board of Directors' Internal Regulations and the Director's Charter (adopted by the Federal Board on February 26, 2018), 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 149 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: CMNE Belgium and Groupe La Française.

The Executive Board, which has six members, is a consultative body that examines items that are subsequently submitted to the Board of Directors. It met once during the year (January 29) to discuss the revision of the governance documents.

The Board of Directors has delegated powers to four specialized committees

The Audit Committee

Operating under the responsibility of the Federal 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 at Audit 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.

Risk Committee

Operating under the responsibility of the Federal Board of Directors, the Audit Committee 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;
- 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.

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 at Risk Committee meetings

Absences of members from Risk Committee meetings are rare. The 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 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 2018, it met on January 29.

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 2018, it met on March 26.

Board of Directors' meetings

The Board of Directors met 11 times, once a month, except in August and September, and twice in April. The attendance rate of 88% 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 29

- Business activity (Banking, Insurance and Asset Management);
- NEA-GACM merger;
- Strategic assessment of La Française;
- First estimates of 2017 management results;
- Annual review of Group risk policies and system of limits;
- Cash management agreement.
- SREP requirement report;
- Summary of the Audit Committee meeting of December 11, 2017;
- Summary of the Risk Committee meeting of January 17, 2018;
- Change in the number of points of sale.

February 26

- Group news;
- 2017 annual activity report;
- Report of the Audit Committee meeting of February 19, 2018;
- Approval of the Caisse Fédérale's 2017 company financial statements and the global pro-forma accounts;
- Approval of the 2017 consolidated financial statements;
- 2018 Federation budget;
- Report of the Appointments Committee meeting of January 29, 2018 (evaluation, training, responsibilities);
- Re-examination of regulated agreements entered into previously and that remained in force in 2017;
- Review of regulated agreements;
- Review of draft governance documents (bylaws of the Caisse Fédérale and the Federation, Board internal regulations and Directors' Charter);
- Preparation of the Shareholders' Meetings of April 26, 2018;
- Changes in points of sale.

March 26

- Approval of the last minutes;
- News;
- Group news (Banking, Insurance, Asset Management);
- 2018 global pro-forma accounts forecasts;
- Consolidated forecasts (company base);
- Report of the Remuneration Committee meeting of March 5, 2018;
- Group risk reporting at December 31, 2017;
- Report of the Risk Committee meetings of February 22 and March 14;
- Harmonization of the BCMNE/Bankinsurance France credit policies;
- SREP notification - Beobank;
- Risk appetite adaptation at Beobank;
- 2017 annual report on internal control;
- Management report and corporate governance report;
- Preparation of the Shareholders' Meetings of April 26, 2018;
- Merger of local banks;
- Caisse Solidaire du CMNE activity report.

April 26

- ICAAP report;
- Pillar 3 reporting;
- Summary of the Risk Committee meeting of April 12, 2018;
- Bond issue authorization renewal;
- Approval of the draft BCMNE-CFCMNE simplified merger treaty;
- Delegation of authority to negotiate, enter into, sign and publish said draft.

April 26 (after the Federal Shareholders' Meeting)

- Election of the Chairman of Fédération du CMNE;
- Election of the Chairman of Caisse Fédérale du CMNE;
- Election of the Vice-Chairmen, Secretary and Treasurer of Fédération du CMNE;
- Election of the Vice-Chairmen of Caisse Fédérale du CMNE;
- Reappointment of members of Regulated Committees and Commissions.

May 28

- News;
- Group news;
- Relations with supervisors:
  - ECB follow-up letter subsequent to the on-site visit on 12 and 13 December 2017 (business model, credit risk, permanent and periodic control),
  - ECB follow-up letter regarding the management of the Beobank distribution network,
  - Authorization request to the ECB regarding the calculation of CMNE's solvency ratio under the Danish compromise;
- CMNE ALM reporting;
- Report of the Risk Committee meeting of 14 May.

June 25

- News;
- Banking, Insurance and Asset Management news;
- Update on the CFCMNE/BCMNE merger of June 18;
- Summary of the Audit Committee meeting of June 11;
- Summary of the Risk Committee meeting of June 13;
- Group risk policy adjustments;
- ILAAP report;
- Contacts with the regulatory authorities:
  - ECB follow-up letter subsequent to the in-depth review of the internal capital adequacy assessment process (ICAAP),
  - Application for prior authorization to exempt La Française Global Investment (LFGI) from calculating capital requirements for intragroup exposures.

July 27

- Welcoming of two salaried directors;
- Approval of the previous minutes;
- News;
- Group business performance;
- Evolution of the France bankinsurance network;
- Approval of the consolidated financial statements at June 30, 2018;
- Work of the Statutory Auditors;
- Interim Management Report;
- Update of management forecasts at June 30, 2018 – global pro-forma scope;
- Contacts with the regulatory authorities: request for the closing and follow-up of recommendations from ECB inspections;
- Bond issue authorization amendment;
- 2018-2019 meeting calendar for Federal Boards.

October 22

- Business activity at September 30;
- Update of the "Vision 2020" MTP;
- Group risk summary at June 30, 2018;
- La Française Group risk appetite review;
- Report of the Risk Committee meeting of September 17;
- Report of the Audit Committee meeting of October 1;
- Feedback on the AMF "SPOT" operational and thematic supervision control report;
- Contacts with the regulatory authorities: follow-up of recommendations;
- Group Compliance Manager appointment.

November 26

- News;
- Bankinsurance activity;
- Grand Paris project investment;
- Consolidated financial statements at September 30, 2018;
- Profit and loss forecasts updated at September 30, 2018;
- CRP process;
- Update of the Group risk policy;
- Report of the Audit Committee meeting of November 7, 2018;
- Second tranche of the subordinated loan for Beobank.

December 17

- News;
- Update on the markets and economic environment;
- Group business performance (Bankinsurance and Asset Management);
- Tracking of risk indicators at September 30, 2018;
- Report of the Risk Committee meeting of November 19, 2018;
- CSR strategy and Non-Financial Performance Statement;
- Foundation activity review and 2019 call for projects;
- Other business:
  - > Update on the ACMN Vie tax audit,
  - > Appointment of S. SCHIMEL as insurance representative.

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 program

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 2018, six meetings were held on the following topics:

- February 26, 2018: Client protection: impacts of MiFID 2 – PRIIPs regulations on business activities;
- March 26, 2018: ALM (level 2);
- May 28, 2018: General Data Protection Regulation (GDPR) essentials;
- June 25, 2018: IFRS 9;
- November 26, 2018: Belgium bankinsurance risk policy and management;
- December 17, 2018: Information Systems Security (ISS) and Emergency and Business Continuity Plan (EBCP).

In 2019, the chosen topics are as follows:

- Risk management - Groupe La Française;
- Consequences of the application of IFRS 16;
- Group governance and risk management;
- Solvency;
- Liquidity management;
- Banking environment;
- Compliance.

Information regarding corporate officers

In accordance with Article L. 225-102-1 of the French Commercial Code, a complete list of the offices and functions held by each of the Company's corporate officers in other companies is provided on pages 26 *et seq*.

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 2017 and 2018, the amounts shown in the tables below include the remuneration paid by Caisse Fédérale du CMNE and all of the Group's subsidiaries.

In € thousands

André HALIPRÉ	**2018**		**2017**	
Chairman	Amounts due	Amounts paid	Amounts due	Amounts paid
1/ Fixed remuneration	250	180	250	250
2/ Variable annual remuneration	-	-	-	-
3/ Variable multi-annual remuneration	-	-	-	-
4/ Exceptional remuneration	-	-	-	-
5/ Attendance fees	-	-	-	-
6/ In-kind benefits	14	14	14	14
TOTAL	**264**	**194**	**264**	**264**
6/ In-kind benefits: company car + accommodation				

In € thousands

Éric CHARPENTIER	**2018**		**2017**	
Chief Executive Officer	Amounts due	Amounts paid	Amounts due	Amounts paid
1/ Fixed remuneration	542	542	530	530
2/ Variable annual remuneration	140	84	185	111
3/ Variable multi-annual remuneration	-	77	-	53
4/ Exceptional remuneration	50	50	-	-
5/ Attendance fees	-	-		
6/ In-kind benefits	3	3	3	3
TOTAL	**735**	**756**	**718**	**697**

2/ Variable annual remuneration

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 of 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.

3/ Variable multi-annual remuneration

Amount paid for previous years	-	77	-	53

6/ In-kind benefits: company car

In € thousands

Christian NOBILI	2018		2017	
Chief Operating Officer	Amounts due	Amounts paid	Amounts due	Amounts paid
1/ Fixed remuneration	406	406	382	382
2/ Variable annual remuneration	93	56	122	73
3/ Variable multi-annual remuneration	-	44	-	28
4/ Exceptional remuneration	30	30	-	-
5/ Attendance fees	-	-	-	
6/ In-kind benefits	3	3	3	3
TOTAL	**532**	**539**	**507**	**486**

2/ Variable annual remuneration

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 of 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.

3/ Variable multi-annual remuneration

Amount paid for previous years	-	44	-	28

6/ In-kind benefits: company car

Supplementary pension plans

André HALIPRÉ	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	
Chairman	yes	no	yes	no	yes	no	yes	no
First term of office: January 2016	x			x		x		x

Éric CHARPENTIER	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	
Chief Executive Officer	yes	no	yes	no	yes	no	yes	no
June 2006	x		x		x			x

[1] Supplementary pension plan

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 €38,000 at December 31, 2018; 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 2018, 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	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	
Chief Operating Officer	yes	no	yes	no	yes	no	yes	no
April 2008	x		x		x			x

[1] Caisse Fédérale CMNE supplementary pension plan

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, 2018; 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 2018, 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; no amount was borne by the company in 2018. 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.

Total amount of remuneration of staff engaged in control functions and risk-takers

Opinion on the total amount of remuneration, as required by Article L. 511-41-1-B of the French Monetary and Financial Code

French 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 €4,065,727 for 2018 and which includes the fixed and variable remuneration paid.

List of offices and functions at 12/31/18

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
	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 Représentant de CIRHYO (Director)
Outside France	Chairman of the Board of Directors	CMNE BELGIUM (SA) Bruxelles
	Vice-Chairman of the Board of Directors	BEOBANK NV/SA Bruxelles
Éric CHARPENTIER		
In France	Chief Executive Officer	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Chairman of the Supervisory Board	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
		SOCIÉTÉ FONCIÈRE ET IMMOBILIÈRE NORD EUROPE (SAS with variable capital) LILLE
		EURATECHNOLOGIES (SA) LILLE
	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)
Outside France	Chairman of the Board of Directors	BEOBANK Belgique (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
	Member of the Board of Directors	SOCIÉTÉ FONCIÈRE ET IMMOBILIÈRE NORD EUROPE (SAS) Lille
	Chairman of the Board of Directors	NORD EUROPE LEASE (SA) Lille
		BAIL ACTÉA (SA) Lille
		NORD EUROPE PARTENARIAT (SA) Lille
	Permanent representative	GROUPE LA FRANÇAISE (SA) Paris Representative of CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Member of the Supervisory Board)
Outside France	Director and Manager	CMNE BELGIUM (SA) Belgique
	Director	BEOBANK (SA) Belgique
Dominique BUR		
In France	Vice-Chairman of the Board of Directors	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Philippe CACAUX		
In France	Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Beauvais
	Président	TPLP (SAS) BEAUVAIS
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Managing Partner	LECAMONT 30 (SCI) Beauvais
	Co-managing Partner	EUROPE 25 (SCI) Guignecourt
Christine DEBOUBERT		
In France	Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Tourcoing République
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
		CAISSE SOLIDAIRE DU CRÉDIT MUTUEL NORD EUROPE (Société coopérative) Lille
Sabine DUCROCQ		
In France	Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Boulogne-sur-Mer
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Managing Partner	JARDINERIE D'HESDIGNEUL (Limited Company) Hesdigneul- les-Boulogne
		OPALE PLANTES (Limited Company) Hesdigneul- les-Boulogne
Vania FOSSAERT		
In France	Vice-Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Pérenchies
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Managing Partner	LES PIERRES BLEUES (Limited Company) 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
Véronique HOSTI		
In France	Director (representing employees)	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Managing Partner	SCI LIBRHOSTI (MOUVAUX)
Catherine LAMBLIN-MESSIEN		
In France	Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Cambrai
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Managing Partner	COFIDINE (Limited Company) Bouchain
		SCI LIBELLULE Cantaing-sur-Escaut
		SCI CLM Cantaing-sur-Escaut
Patrick LIMPENS		
In France	Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Saint-Quentin
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Managing Partner	SCI RÉSIDENCE Remicourt
	Managing Partner	SCI LE GARAGE de Saint-Quentin
Jocelyne MORLON		
In France	Chairman of the Board of Directors	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
	Member of the Supervisory Board	GROUPE LA FRANÇAISE (SA with Executive and Supervisory Boards) Paris
Damien PELLETIER		
In France	Director (representing employees)	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Alain POISSONNIER		
In France	Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Senlis
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Outside France	Director	CRÉDIT MUTUEL NORD EUROPE BELGIUM (SA) Bruxelles
Nathalie POLVECHE		
In France	Chairman of the Board of Directors	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 of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Le Quesnoy
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Christine THYBAUT		
In France	Chairman of the Board of Directors	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 of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Steenvoorde
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille

Cooperative review

In accordance with the provisions laid down in Articles 25-1 to 25-5 of French Law No. 47-1775 of September 10, 1947 on the constitution of cooperatives, French 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, La Fédération Nationale de Révision REVICOOP, 7 rue Biscornet – 75012 Paris, acted in December 2018 as principal 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;
- Prepare the audit report, which was sent to the management of the company and to the central institution, before being made available to the member-shareholders at the Meeting held on April 24, 2019, and then forwarded to the French prudential supervision and resolution authority, the Autorité de Contrôle Prudentiel et de Résolution.

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.

In accordance with French Order 2014-813 of July 31, 2014, the Board of Directors, at its meeting of February 26, 2018, re-examined the agreements entered into and authorized in prior years and which remained in force in the previous year. It noted that the remuneration agreements for the counter-guarantee with Bail Actéa and the agreements for the provision of resources and premises are concluded at arm's length. Consequently, the Board noted that they constitute standard agreements that do not fall within the scope of regulated agreements and decided to reclassify those regulated agreements as standard agreements as of financial year 2018.

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.

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, 2018, the share capital was €1.304 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 2018 amounted to €156 million (gross inflows restated for internal transfers).

Changes in capital

In € millions

Types of shares	2017	2018
A shares	52	48
B shares	118	100
C shares	1,070	1,124
F shares	35	32
TOTAL	**1,275**	**1,304**

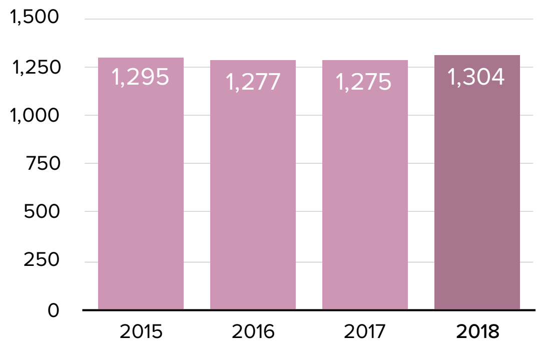
Remuneration of company shares

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 in accordance with 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 2018, the annual return on the shares was 1% for B shares, 1.90% for C shares and 2.92% for F shares, capped at the average bond yield +200 bp.

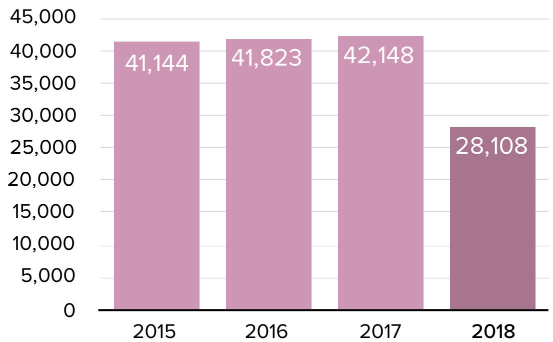
Capital (A, B, C and F shares)

(in € millions)



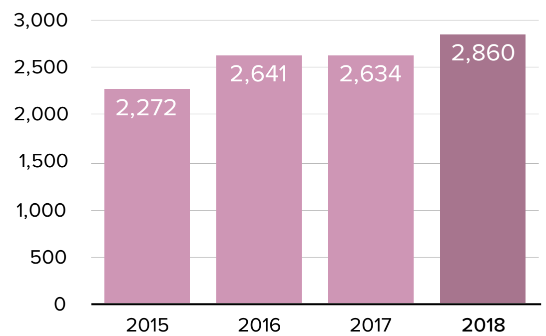
Total bilan

(in € millions)



Shareholders' equity attributable to owners of the company (excluding profit or loss)

(Carrying value of shareholders' equity - in € millions)



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 2018.

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.

En millions d'euros

	12/31/2018	12/31/2017
Common Equity Tier One	2,438	2,660
Additional Tier One	60	0
Tier Two	658	702
Total	3,156	3,362
Risk-weighted assets	15,384	16,938
Solvency ratio	20.52%	19.85%
CET 1 ratio	15.85%	15.70%
T1 ratio	16.24%	15.70%

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 add the corresponding amount back to its Additional Tier One capital. As this authorization was obtained during 2018, the Super Subordinated Note was added back to AT1 capital as at December 31, 2018.

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.

Capital management

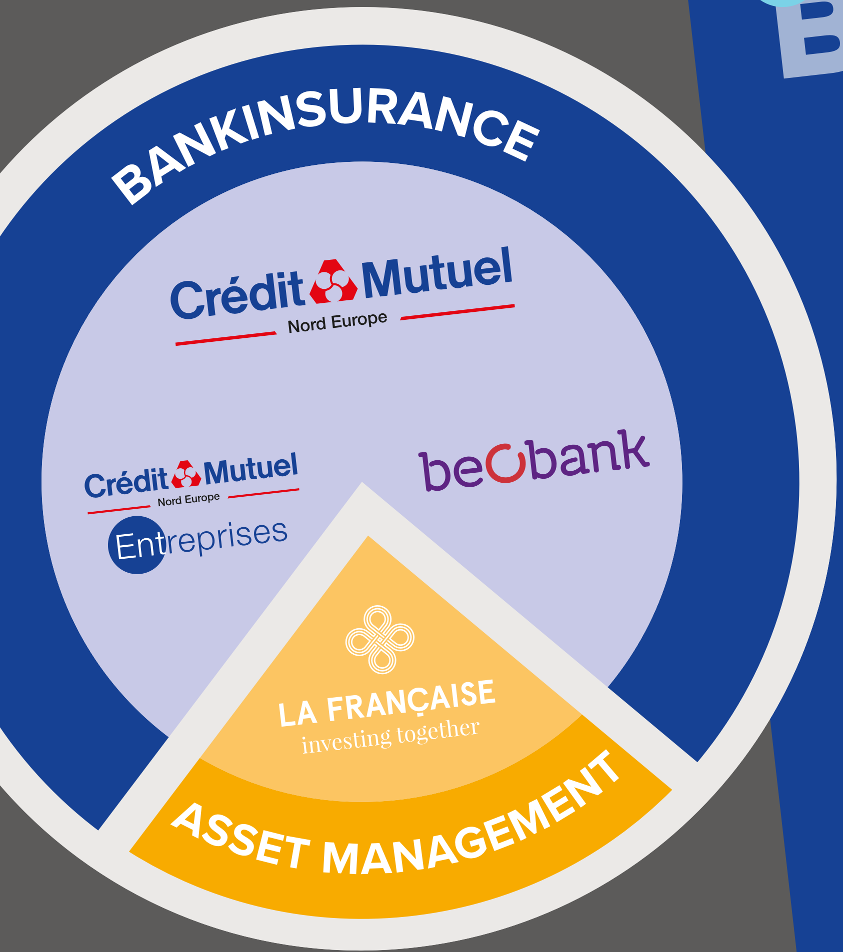
As part of the management of its shareholders' equity, the Group ensures that its level of solvency is compatible with maintaining its financial strength and that shareholders' equity is appropriately allocated to the various business lines to ensure that the Group is able to withstand stress scenarios.

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 Group has formalized an overall policy regarding capital planning, including a forward-looking vision that factors in the risks involved in its strategy and environment. The purpose of this planning is to secure the CMNE Group's business development while maintaining its solvency in compliance with prudential rules. It also aims to optimize the allocation of capital by balancing regulatory requirements, commercial development, and the profitability of the business model.

The quality of CMNE's consolidated balance sheet contributes to the Crédit Mutuel Group's long-term rating of **"A with a stable outlook" and short-term rating of "A-1" issued by the Standard & Poor's agency** on October 24, 2018.

ACTIVITY AND MANAGEMENT REPORT



BANKINSURANCE

FRENCH NETWORK

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BELGIAN NETWORK

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FRENCH NETWORK

2,559
Employees

298
Points of sale

1,005,885
Customers and members

Business activity

At the end of 2018, economic activity in the regions showed a certain level of renewed momentum but this did not include the retail banking activity, which continued to be significantly impacted by the social unrest. The unemployment rate in the Hauts-de-France region in the third quarter was 11.3%, higher than the rate for metropolitan France in the same period (8.8% in Q3). In the Marne and Ardennes regions, unemployment grew to 8.4% and 10.6% respectively. After falling for several years in a row, the number of insolvencies increased. Yet the Hauts-de-France region has many attributes: with six million inhabitants, it is the second most densely populated region and has the lowest average age in France. This contrasts with Champagne-Ardenne which shows the highest level of population aging among the French regions. Foreign-owned firms account for 35% of manufacturing employment in the region. Moreover, Hauts-de-France is a high-potential region, playing host to major research bodies that offer excellence in innovation.

CMNE's French network continued to develop against a persistently difficult economic backdrop, innovating its services for the benefit of users and managing omnipresent regulatory constraints. In line with the ongoing integration of disruptive digital technology, the French network adjusted its development strategy. It maintained the objectives of adapting its business model and pursuing the digital transition, while seeking the best positioning for its products and services in an increasingly complex and competitive environment.

A new organization for greater efficiency

The CMNE Group continued to optimize its organization, in particular with the merger of the NEA insurance group with Groupe des Assurances du Crédit Mutuel (GACM) and by establishing closer ties between the Corporates division and the French Retail Banking network.

Synergies to enhance proximity, expertise, agility and performance for the benefit of our customers

At the end of 2018, the French network comprised 253 points of sale specifically for individual customers, 25 ECP for professional customers, eight SME business centers of which one for ISEs, 10 Bail Actéa business centers and two Nord Europe Lease (NEL) offices.

By sharing its strengths, the CMNE Group plans to continue generating synergies between the different components, always with a view to considering the customer, whether corporate, professional or individual, as a management indicator.

Pursuing the Group's ambitions

In 2018 the Group consolidated its corporate priorities and launched innovative projects with a view to strengthening the diversification of its offering, measuring customer satisfaction, implementing the NPS (Net Promoter Score), launching innovative real estate offers, etc.

Diversification remains vital for the Group to be able to deal with the low interest rate environment that has prevailed over the last number of years; in this regard the sales network has turned the corner. This is borne out by the results in consumer credit, principal residence sales and services, which continue to show growth.

The CMNE Group also confirmed its leading position in the real estate segment across all formats: financing of investment or secondary residence, real estate investment trusts, property management mandates, etc.

To support its drive to win new customers in this turbulent environment, the CMNE Group successfully steered several human resources projects with the goal of promoting employees and attracting talent:

- A new type of job classification was implemented: modernized, in line with developments and diversity in the bank's business lines, offering greater visibility for employee's career paths;
- Ongoing support for employees through certified training (Master's in Bank Finance, University Diploma in Wealth Management) and the partnership with the EDHEC business school for the development of management leadership;
- Kick-off of a highly ambitious two-year national drive to promote Crédit Mutuel's reputation as an employer "#FIERSDETRAVAILLERAUCREDITMUTUEL".

Focus on PCS 2018: a customer-focused project

The goal of the "Priorité Client Sociétaire 2018" ("Priority on customers-members 2018") program, which was initiated in 2016, was to deploy more than 200 innovative projects across CM-CIC Group to meet both the immediate and emerging needs of customers. As part of this program, CMNE rolled out a substantial internal communication and training drive, which includes the following concrete achievements:

- Mail analyzer, virtual assistant for advisers, sales assistant, simplified input and monitoring of customer claims;
- New mobile app: customizable, comprehensive, user friendly, developed in collaboration with customers;
- Simulation, subscription, increase in consumer credit as well as comprehensive homeowner policies, personal protection and auto insurance via mobile devices;
- New card-related services: increase in mobile limit, viewing of card-related guarantees and insurance policies;
- Arrangement of meeting appointments as well as urgent meetings via mobile and website;
- Ongoing dematerialization: contracts, signature, monitoring of real estate loans, remote viewing of checks.

These projects reflect CMNE Group's ambition to offer the best services to its customers.

New business and outstandings

Savings: a strong performance in a complicated environment

The French bankinsurance network (Retail, Professional, Corporate and Leasing) continued to work hard in all areas. Low interest rates were undoubtedly one of the factors that directed savings towards tax-exempt savings accounts, but sales momentum was evident, notably in the marketing of C units and passbook accounts. In insurance-based savings, the sales network managed to stay on course despite a sharp acceleration of distrust on the financial markets in 2018

Savings accounts

As in previous years, savings accounts remained solid with net inflows of €453 million, underpinned essentially by passbook accounts. Conversely, there was a decline in home savings (CEL and PEL) accounts (- 14.5%). Outstanding loans stood at €12,090 million, up 4.6%.

Financial savings

In mid-July 2018, net inflows of financial savings fell significantly with the maturity of a €46 million bond. While net outflows of €13 million were recorded, outstandings were affected to the tune of only -4.5% at €2,940 million.

Insurance-based savings

2018 was a difficult year for insurance-based savings: distrust on the part of savers towards the year-end significantly dampened sales momentum. However, outstandings remained at €7.2 billion despite net inflows in the year of €25 million.

Credit: margins maintained in home loans, growth in profitability of consumer credit, momentum maintained in investment by professional/corporate customers

Overall, total new lending business rose by 1.9% versus the end of December 2017.

In **consumer credit**, after an increase of 11.5% in 2017, new business showed a further increase in 2018 to €781 million (+ 1.3%). Outstandings increased by a net 10% to €1,327 million.

New **home loan** business in 2018 remained virtually stable at €1,129 million. With an ongoing prudent risk policy, outstandings nevertheless rose by + 2.2% to €6,576 million.

New business in **loans to professionals and farmers** came to €383 million while in loans to SMEs and ISEs new business rose by 12% to €185 million in 2018. Overall outstandings nevertheless fell by a slight 2.2%.

The **leasing** activity turned in a strong overall performance with new business of €536 million (+ 24.3%) and outstandings of €1,452 million (+ 6.7%), even if there were some differences between the different segments:

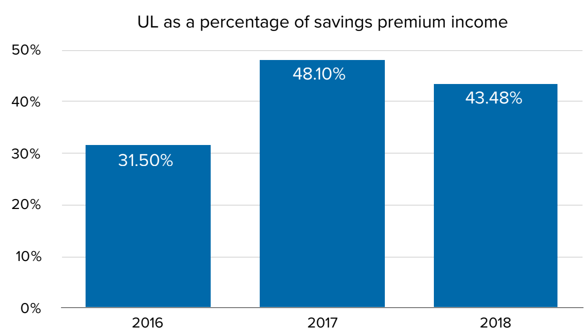
- Although competition remained strong and interest rates remained low, new business in equipment leasing remained high. Bail Actéa recorded new business of €516 million, representing growth of 22.3%. Outstandings at end-2018 stood at €1,099 million, an increase of 11.7%.
- In real-estate leasing, the outstandings of NEL fell by 6.5%. However, new business reached €20 million in 2018, more than double that of the previous year.

Insurance: steadfast in its role as a bankinsurance provider, CMNE strengthened its insurance offering

Following the merger with GACM, CMNE Group now has access to a catalog of insurance products and services of a Group with total assets of €130 billion. Moreover, as a stakeholder in the building of the offer, CMNE is gaining economies of scale and additional resources to propose ever more innovative and suitable products and services to its customers.

Since 1 July 2018, the network has been the exclusive distributor of GACM products and services in France and Belgium. The range includes standard home insurance, loan insurance, health insurance, supplementary insurance, personal protection, care insurance and insurance for pets, thus covering every need of CMNE Group's customers.

UL-policies still account for more than 40% of new inflows despite prevailing uncertainties



In life insurance, the sales network worked resolutely to develop UL activity.

The last quarter of 2018 was negatively impacted by several factors: international relations in Europe and the rest of the world (trade tensions between China and America notably), Brexit negotiations, social unrest in France.

Despite this negative environment, net inflows of insurance-related savings reached €25 million, and outstandings remained stable at €7,228 million.

Sustainable growth in property and personal insurance against a backdrop of net outflows

2018 was a mixed year for property & casualty insurance: the property insurance and personal insurance portfolios gained 3.3% and 3.4% respectively but there was pressure on net inflows.

In **property insurance**, the number of subscriptions fell by 16.1%, with a breakdown of 57% for auto policies and 43% home insurance out of a total of 81,245 new policies.

The number of new **personal insurance** policies also declined, falling by 10.5%, with 52,841 new policies, of which 22% health insurance and 78% personal protection.

Services: always on hand for our customers

Telephony

As part of an all-round customer service approach, CMNE launched an exclusive web and telephone subscription offer on 17 October 2018, which draws on the solid experience of the Crédit Mutuel Alliance Fédérale Group and the joint venture Euro-Information, serving as an additional offer for our customers and meeting our objective to diversify our revenues.

Provol

CMNE's teams launched a concerted drive around the remote surveillance service Provol in 2018 with positive results: 3,408 new contracts in 2018 and a 17.9% increase in the total installed base to 22,481 contracts.

Focus on real estate

The real estate activity currently offers customers a broad range of products and services: rental, rent-to-buy, "Flexipropriété" (flexible ownership), standard purchase, real estate investment.
In 2018, CMNE launched three key innovations in this sector:

- **Viager** : in partnership with Renée Costes Viager, the network offers a quality investment solution for its customers-members that also meets the increasingly significant needs of senior customers.
- **Envolimmo** : this is the name for the balloon loans offered by CMNE under which the purchaser can acquire a property asset where the final loan repayment corresponds to a maximum of 50% of the acquisition price. The monthly payments can be adapted to facilitate acquisition by a young customer base who expect their income levels to increase in future years. At the end of the loan transaction, the customer has two options: to repay the loan with their own funds or by selling the property, or take out a new loan to meet the final repayment with a loan term based on their age and income.
- **Flexipropriété** : : this is an intermediate offering between a lease and a standard purchase. The customer purchases the use of a new home from Foncière Nord Europe over a long period (approximately 50 years) and benefits from a discount of 30% to 40% on the total price of the home versus the amount they would have paid as part of a standard purchase of that property. This new concept is tailored to the lifestyles of working people, helping to boost their purchasing power so they can acquire their home.

AFEDIM

As in the previous seven years, CMNE confirmed its capacity to sell new properties, generating 823 home reservations in 2018 and confirming its rank as the national leader for the sixth year in a row. In total, 2,815 new homes have been delivered since 2011, with 1,701 Zen Invest management mandates in the portfolio.

Simplified results

IFRS consolidated financial statements (in € thousands)

Income statement	12/31/2018	12/31/2017	Change
NET BANKING INCOME	438,058	607,477	(169,419)
of which net interest margin	*178,960*	*191,379*	*(12,419)*
of which commissions	*206,525*	*205,507*	*1,018*
General operating expenses	(341,425)	(353,111)	11,686
GROSS OPERATING INCOME	96,633	254,366	(157,733)
Net additions to/reversals from provisions for loan losses	(3,702)	(5,121)	1,419
OPERATING INCOME	92,931	249,245	(156,314)
Gains (losses) on other assets	748	482	266
RECURRING INCOME BEFORE TAX	93,679	249,727	(156,048)
Corporate income tax	(19,449)	(55,729)	36,280
TOTAL NET INCOME	74,602	193,998	(119,396)
Non-controlling interests	101	171	(70)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**74,501**	**193,827**	**(119,326)**

The net banking income of the French bankinsurance network decreased by €169 million to €438 million.
This mainly reflects the decline of €154 million in profitability on the portfolio investments at fair value through profit or loss, partly related to the financial market environment at end-2018 and partly due to the significant capital gain recognized in 2017 following the sale of the CIC securities held by Caisse Fédérale du Crédit Mutuel Nord Europe.

General operating expenses fell by €11.7 million, split between payroll costs and other operating expenses.

The corporate income tax expense decreased by €36 million versus 2017 attributable to the fall in results of the French bankinsurance network.

BELGIAN NETWORK

1,020
Employees

229
Points of sale

688,182
Customers and members

Activity: 2018 was a key year in preparing for the future

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

Beobank maintained its prudent financial risk policy during the year. Liquidity levels were good with effective management of interest rate risk. The cost of credit risk continued to be controlled, in terms of consumer credit, mortgage loans and loans to professional customers.

EOLE: successful integration thanks to long-term and sustained dedication

After three years of work, Beobank migrated all of its information system to the Euro-Information system at end-November 2018. As such, it now uses the same system as the Caisse Fédérale du CMNE. This major project saw the mobilization of:

- Nearly 200 dedicated FTE;
- More than 80,000 man/days of IT development (not including management by Euro Information);
- 22,000 operational tests.

EOLE was Euro-Information International's biggest project over the last 30 years. Over and above the IT elements, this was a genuine company project, structured around different platforms for the banking, credit, insurance and cross-entity activities.

Its success means that comprehensive functional synergies can now be generated between the different entities of CMNE Group, while controlling information system costs. All of the developments, the IT developments in particular (sales, decision-making, performance monitoring, accounting treatment and regulatory tools, etc.) will benefit the French and Belgian entities while also facilitating the consolidation of the financial statements and data management.

In early 2019, post-migration assistance is required for staff members, the branches and the various departments. The entire training plan established to accompany the rollout of EOLE required a minimum of 9,000 man/days.

Crucially, the EOLE project will serve as a basis for the banking model that Beobank aims to achieve by 2020-2030.

Beobank: a bankinsurance provider in its own right

In parallel to the migration of the IT system, Beobank has been working hard pursuing its ambition, which involves switching from a model based primarily on consumer credit to that of a bank with an all-round offering. Beobank's goal is to become the bank with the most comprehensive offering of products and services in Belgium.

With this in mind, in 2018 it continued to strengthen the structure of its activities in the professional segment.

It also continued to work on its sales development policy, with initiatives across all of its product and service ranges and an increasingly targeted but strong presence in regional and national media to establish Beobank's expertise and reputation on the Belgian market.

Beobank's current results demonstrate the impetus shown by all the teams in strengthening the structure of its activities on all markets.

In savings, insurance and mortgage loans, Beobank is positioned as an expert on the Belgian market.

This **bankinsurance** positioning is also an effective lever for diversifying revenue sources.

Moreover, the synergies generated with the French activities mean it can offer its Belgian customer base innovative services, such as remote surveillance.

A network commensurate with its ambitions

At the sales network level, Beobank has been building the foundations of an activity tailored for professional customers by reorganizing the network and upskilling its employees. All steps have been taken to make 2019 the year in which it relaunches itself on the professional customer market.

The fitting out of the latest PRO Centers is currently being finalized and the strategy is being enhanced. Additional work was also carried out to strengthen expertise and cooperation between the retail, PRO and wealth management markets.

2018 saw significant advances in terms of sites:

- At the Network level, the development of a new open branch concept, that is transparent, modulable and user-friendly, with the first branch opened in Wavre at end-November and a second opened in Malines at end-December.
- A new single head office project that aims to gather all the employees together on one site by 2020: work has been taking place with workshops to define the type of furniture and general design of the work spaces of the future head office.

New business and outstandings

2018 saw the implementation of several initiatives to boost sales development of the various markets and products: new offerings were proposed to individual and professional customers, notably in credit and savings/investment.

Throughout the year, Beobank invested heavily in the brand's visibility, with a presence at numerous events and online.

Beobank credit cards received commercial support from TopCompare.be, which compared all credit cards on the Belgian market for the second year in a row, and found Beobank to be among the leaders in four different categories: Basic, Travel, Shopping and Student.

The Beobank World Travel Mastercard topped the list in the "Travel" category while the Beobank Extra World Mastercard was the leader in the "Shopping" category. Our other cards also received distinctions.

There was an increase in canvassing opportunities on the market for individual customers with the signature of 25 new partnerships as part of the "Bank at Work" program, which represents a minimum of 100,000 potential new customers.

Today, nearly 700 companies in Belgium have signed an agreement to give their employees exclusive benefits in banking products.

The professional customer market also benefited from innovative sales initiatives: participation in the Business Race in Liège and Charleroi (a networking event for which Beobank was the official sponsor), conferences and meetings at the PRO Center premises (Kortrijk, Ghent, Antwerp etc.).

Savings: mixed performances

Savings accounts
Inflows related to savings accounts literally doubled (+ 262.5%) in 2018, reaching total outstandings of €5,324 million. This growth was driven by demand deposit accounts and the opening of new current accounts for individual customers. The related momentum was directly correlated with the strategy to acquire new customers in mortgage loans, in order to durably boost the customer base.

Financial savings
Unlike savings accounts, inflows of financial savings decreased by €50 million versus 2017 to €40 million. Outstandings fell to €1,491 million, penalized by a negative market in the last quarter of 2018. In fact, the financial savings market recorded significant declines at the end of 2018 (outflows of up to 8% in October).

Insurance-based savings
As in 2017, insurance-based savings suffered in 2018 from a difficult interest rate and market environment: Beobank recorded net outflows of €180 million, mainly linked to Br21 contracts. Outstandings fell by 9.1% to €1,588 million.

Credit: successful turnaround in mortgages, solid activity maintained in consumer loans and resilience in investment loans

In **consumer loans**, Beobank's historical market segment, cumulative new business reached €936 million while outstandings grew by 2.7% to €1,791 million.

Over the last several of years, Beobank has been working to become a global partner to its customers and **mortgages** are a product that creates customer loyalty and opens up opportunities for the provision of additional services. In 2018, new business rose by 13% to €431 million. Outstandings grew by 12.3% to €1,915 million.

In **loans to professionals**, total new business reached €70.8 million, of which €45.6 million in investment loans and €25.2 million in short-term loans. Outstandings stood at €580 million at the end of 2018.

Focus: mortgage loans

2018 brought success in the transition from a model specialized in consumer loans to that of an all-round bank. New business in mortgage loans has increased steadily since the creation of the Beobank brand over three years ago, while emphasis has been maintained on risk management and preserving margins.

Services: always on hand for our customers

Credit cards
30,320 new credit cards were issued in 2018, a decrease of 11%. Nevertheless, total credit card outstandings fell only slightly by 2.9% to €372 million.

Insurance
The property & casualty insurance activity operated over the full year of 2018, having been launched in October 2017. 12,675 new policies were taken out, bringing the total stock of policies at end-2018 to 9,357 (the stock is lower than the number of subscriptions because it factors in only those policies that took effect during the year. Subscriptions were canceled in a very small number of cases).

Simplified results

IFRS consolidated financial statements (in € thousands)

Income statement	12/31/2018	12/31/2017	Change
NET BANKING INCOME	253,527	287,799	(34,272)
of which net interest margin	*207,820*	*225,009*	*(17,189)*
of which commissions	*49,106*	*49,392*	*(286)*
General operating expenses	(282,811)	274,270	(8,541)
GROSS OPERATING INCOME	(29,284)	13,529	(42,813)
Net additions to/reversals from provisions for loan losses	2,087	(2,959)	5,046
OPERATING INCOME	(27,197)	10,570	(37,767)
Gains (losses) on other assets	44,522	1,374	43,148
RECURRING INCOME BEFORE TAX	17,325	11,944	5,381
Corporate income tax	2,790	(7,802)	10,592
TOTAL NET INCOME	20,115	4,142	15,973
Non-controlling interests	5	36	(31)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**20,110**	**4,106**	**16,004**

Net banking income decreased by €34 million mainly due to a decline in the net interest margin in a context of low interest rates which penalized the return on credit.

The growth in general operating expenses to €283 million should be seen in light of the immediate assumption of the costs related to the migration of the information system in 2017 and 2018.

The division recorded a capital gain of €44 million following the sale of Immo W16.

Net income attributable to owners of the company, after tax, of the Belgian bankinsurance network came out at €20 million, an increase of €16 million in relation to 2017.

Simplified balance sheet of the Bankinsurance division

The bankinsurance division comprises CMNE's French network and the Beobank network, as well as the equipment and real estate leasing companies. This mainly includes the Caisse Fédérale, the local bank networks and corporate business centers in France, directly-owned branches and the points of sale of delegated agents in Belgium, Bail Actéa and Nord Europe Lease.

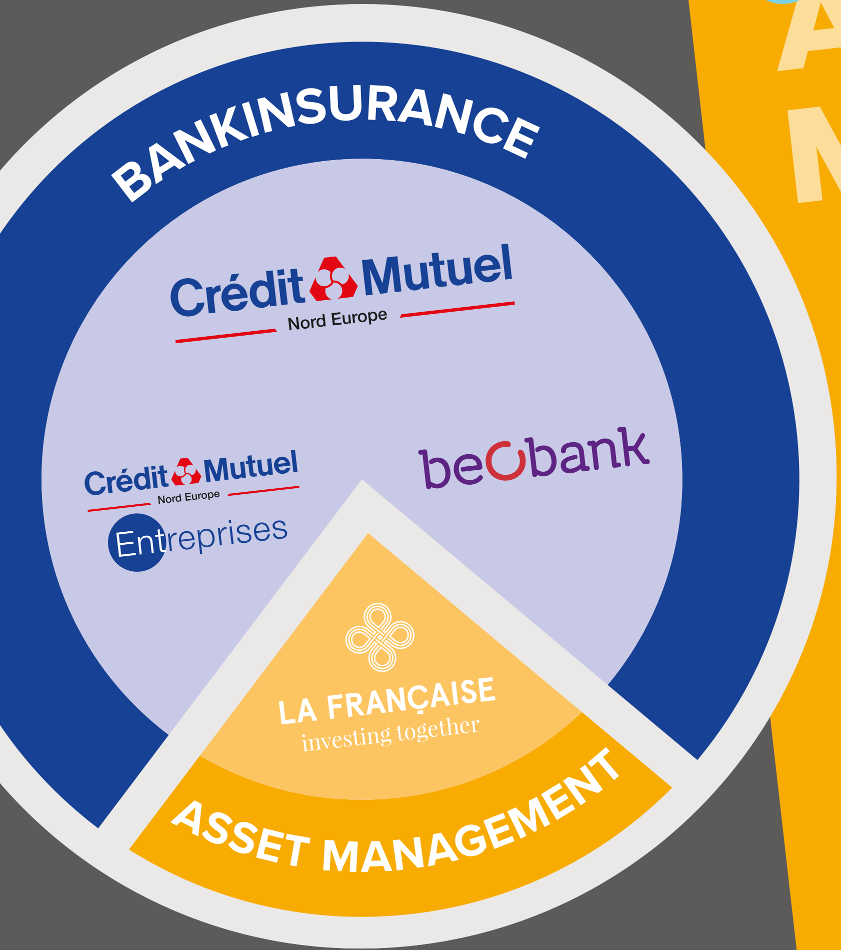
From 31 December 2018, this division will also house the Insurance activity due to the stake acquired in GACM, which is consolidated using the equity method.
It also includes the cost-sharing groups and companies, primarily in real estate. This division's contribution to the consolidated financial statements of the CMNE Group is reflected in the figures below:

IFRS consolidated financial statements in € thousands

	12/31/2018	1/1/2018	Change
ASSETS			
Financial assets at fair value through profit or loss	826,487	1,391,923	(565,436)
Hedging derivative instruments	15,223	26,315	(11,092)
Financial assets at fair value through other comprehensive income	3,151,341	4,108,818	(957,477)
Loans and receivables due from credit institutions	4,424,625	3,826,604	598,021
Loans and receivables due from customers	16,761,622	16,332,578	429,044
Remeasurement adjustment on interest rate risk hedged portfolios	28,370	22,236	6,134
Securities at amortized cost	146,606	65,710	80,896
Accruals and other assets	459,418	403,960	55,458
Investments in associates	1,279,672	-	1,279,672
Property, equipment and intangible assets	255,395	211,889	43,506
Goodwill	2,027	2,343	(316)
TOTAL	**27,350,786**	**26,392,376**	**958,410**

LIABILITIES			
Financial liabilities at fair value through profit or loss	268,411	275,316	(6,905)
Hedging derivative instruments	69,119	83,840	(14,721)
Due to credit institutions	1,818,755	1,729,231	89,524
Due to customers	17,571,438	16,811,056	760,382
Debt securities	2,986,960	3,113,189	(126,229)
Remeasurement adjustment on interest rate risk hedged portfolios	-	2,320	(2,320)
Accruals and other liabilities	574,969	729,133	(154,164)
Provisions	142,711	140,027	2,684
Subordinated debt	824,905	827,458	(2,553)
Non-controlling interests	36,989	(1,259)	38,248
Shareholders' equity excluding net income attributable to owners of the company	2,921,779	2,489,959	431,820
Net income attributable to owners of the company	134,750	192,106	(57,356)
TOTAL	**27,350,786**	**26,392,376**	**958,410**

	12/31/2018	12/31/2017	Change
INCOME STATEMENT			
NET BANKING INCOME	653,049	886,639	(233,590)
of which net interest margin	*386,893*	*416,388*	*(29,495)*
of which commissions	*255,631*	*254,900*	*731*
General operating expenses	(624,236)	(624,571)	335
GROSS OPERATING INCOME	28,813	262,068	(233,255)
Net additions to/reversals from provisions for loan losses	(1,615)	(8,080)	6,465
OPERATING INCOME	27,198	253,988	(226,790)
Share of net income (loss) of associates	36,568	-	36,568
Gains (losses) on other assets	45,270	1,856	43,414
RECURRING INCOME BEFORE TAX	109,036	255,844	(146,808)
Corporate income tax	(16,659)	(63,531)	46,872
Post-tax gain/(loss) on discontinued operations	47,242	-	47,242
TOTAL NET INCOME	139,619	192,313	(52,694)
Non-controlling interests	4,869	207	4,662
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**134,750**	**192,106**	**(57,356)**



ASSET MANAGEMENT

LA FRANÇAISE

investing together

ASSET MANAGEMENT

LA FRANÇAISE

577
Employees

€65.7
billion in assets under management

Activities

La Française carried out some important work in 2018 as part of a reassertion of its ambition to be a committed European asset manager, a leader across all real estate business lines and a key player in its flagship areas of financial expertise. Indeed, 2018 saw continued strong interest in REITs, growth in activity and outstandings in Investment Solutions, growth in outstandings in its key areas of bond expertise, structuring of the innovative impact investing offering, and success in relation to Moniwan, the digital REIT distribution platform.

The Group continued to work on its international development by strengthening its presence in Germany with the acquisition of the Veritas group.

La Française is on target to achieve two objectives set out in its 2020 medium-term plan: surpass the threshold of €70 billion in assets under management, of which 25% for international investors.

Highlights and key figures

Despite strong global growth in 2018, the year-end brought considerable economic and financial uncertainty. In the last quarter of the year, inflows from financial products were negatively affected along with potential performance fees.

However, La Française successfully completed several projects and strengthened its expertise as an asset manager:

- Acquisition of Veritas Investment GmbH and Veritas Institutional GmbH. These acquisitions established La Française Group's as a major local player in Germany with expertise in the marketable securities and real estate segments;
- Launch of Foncière Nord Europe with CMNE;
- Launch of Foncière du Grand Paris as part of an exclusive partnership with a Canadian pension fund;
- Continued progress in its real estate expertise with the creation of dedicated funds and ongoing momentum in terms of inflows to REITs;
- Strong growth in Investment Solutions in 2018 with the launch of Eole 2018 funds and continued enthusiasm for Premia funds;
- Success of its bond expertise, notably with defined-maturity funds: good inflows in both the domestic and international market;
- Rollout of the innovation strategy, digitized savings, disruptive service offerings, innovative products in line with new uses;
- Reassertion of La Française Group's commitment to expertise in sustainable investing with the structuring of the impact investing offering;
- Organization of the divestment of a proportion of the assets managed for ACM.

▶ Key accolades received in 2018:

> LFIS was named Best Quant Manager at the Risk Awards 2019. The Risk Awards are among the industry's longest-running and most prestigious,

> Xavier Lépine was named "Professional of the year" in the 2018 "Trophées Logement & Territoires" held by Immoweek. This award highlights innovation in real estate initiated by La Française, such as its Flex-ipropriété flexible ownership offering,

> La Française REM - Eurofoncière 2 was named best office real estate investment trust with variable capital by Mieux Vivre Votre Argent,

> La Française REM – LF Europimmo was named best international REIT in the Victoires de la Pierre-papier awards by Gestion de Fortune magazine,

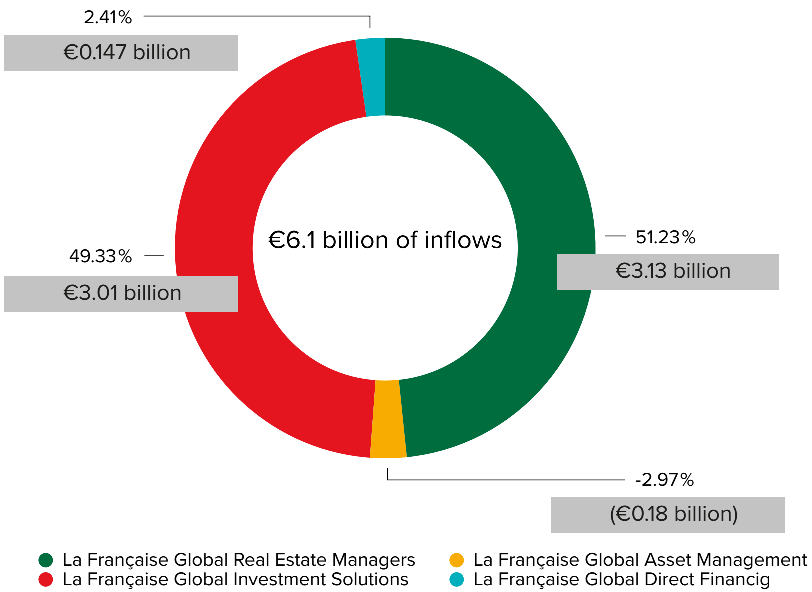
> CMNE and La Française were recognized by Le Revenu magazine for the best range of international equity funds over three years (network banking category),

> Finance Innovation's global competitiveness label in asset management was awarded to the Moniwan platform.

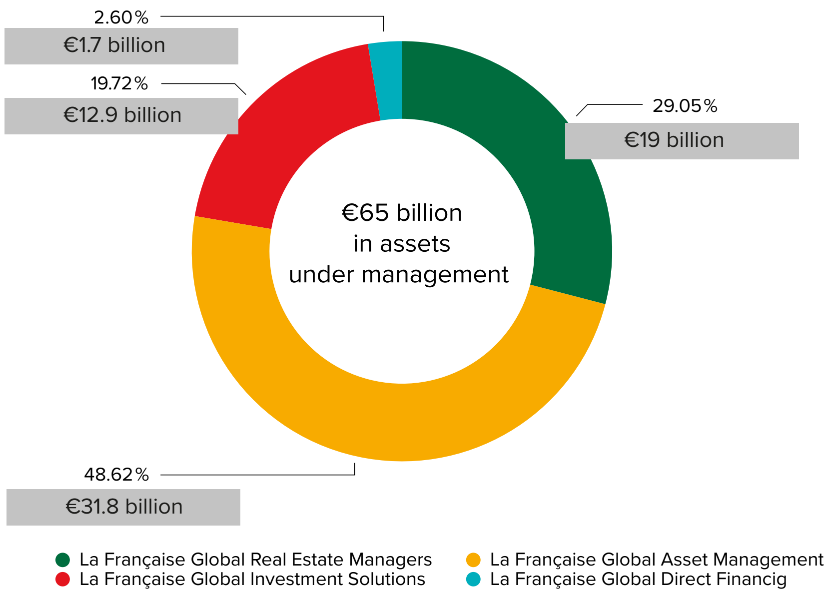
New business and assets under management

Net inflows reached €6.1 billion in 2018 (excluding ACM assets), an increase of 5%. Assets under management at end-2018 were stable at €65 billion. The contributions of La Française Group's four core business lines break down as follows:

Breakdown of inflows in 2018 by core business line



Breakdown of assets under management in 2018 by core business line



LA FRANÇAISE
GLOBAL REAL ESTATE INVESTMENT MANAGERS

La Française Global Real Estate Investment Managers

Highlights:

- Commercial success of LF RESIDENCE SENIORS real estate UCI with potential investment volume of around €220 million;
- Creation of the innovative real estate savings vehicle LF OPSIS Epargne Immobilière: a real estate-only UCI accessible via a securities account to take advantage of the new single flat-rate tax regime (prélèvement forfaitaire unique - PFU);
- Creation of a dedicated real estate value added fund: LF Real Estate Value Added;
- Success in testing the innovative Flexipropriété flexible ownership concept via Foncière et Immobilière Nord Europe: a portfolio of 22 properties acquired as part of an off-plan sale;
- Continued growth in the institutional client base with inflows of €900 million under management mandates;
- Creation of La Foncière du Grand Paris targeting assets under management of €1 billion;
- Launch of LF Grand Paris Patrimoine REIT with the goal of offering a return on real estate linked to the development of assets connected to the Grand Paris project;
- Innovation by La Française in asset management for REIT by developing a comprehensive services offering to meet the requirements of tenants around new forms of use;
- Renewal of La Française's term as president of the Observatoire de l'Immobilier Durable (OID);
- Partnership with Monabanq to provide a credit offering on Moniwan's online REIT sales platform;
- Confirmed success and momentum of the Moniwan platform:
  - New promotional offers launched in 2018, e.g. Moniwan: "2 months of additional income offered",
  - Finance Innovation's global competitiveness label in the asset management category.

Key figures:

- 2018 inflows: €3.1 billion;
- Assets under management: €19 billion, i.e. +18% versus end-December 2017, 21% of real estate outstandings are held by international customers;
- Inflows of €700 million from REIT in 2018;
- Inflows of €14 million from the Moniwan digital platform in 2018.

LA FRANÇAISE
GLOBAL INVESTMENT SOLUTIONS

La Française Global Investment Solutions

Highlights:

- Inflows of nearly €1 billion in 2018 from the Absolute Performance line, bringing the outstandings from the Premia strategy to €2.8 billion;
- Premia strategy named "Best risk premia hedge fund" by the Hedge Funds Review European Performance Awards 2018;
- Development of the product range to complement the group's expertise in investment banking and quantitative management;
- Development of tailored solutions with five new dedicated funds (EOLE range representing assets under management of €4.8 billion);
- Partnership with Quantitative Management Initiative (QMI) to develop new areas of quantitative research around artificial intelligence, portfolio building and risk management;
- Launch of the Vision By LFIS brand aimed at independent wealth management advisors with the goal of developing a quantitative management approach in France.

Key figures:

- 2018 inflows: €3 billion (excluding ACM assets) of which 38% generated internationally;
- Assets: €12.9 billion

LA FRANÇAISE
GLOBAL ASSET MANAGEMENT

La Française Global Asset Management

Highlights:

- Diffusion of its key bond expertise through defined-maturity funds: €8.5 billion in assets under management of which more than €700 million collected in 2018 (excluding ACM assets) in France and internationally;
- Launch of a 2025 defined-maturity fund for the Italian market;
- A successful carbon reduction-related approach to assets in the portfolios, with assets under management of €415 million within two newly created funds, LF Impact Carbon Global and LF Impact Carbon Euro;
- Creation of a club for sharing ideas and experience on the subject of zero-carbon emissions;
- Acquisition of the Veritas group which has been operating in Germany since 1991, initially from Frankfurt and more recently from Hamburg. This group takes an innovative approach to the management of risk for its multi-asset investments for institutional and individual investors;
- Legal simplification of structures with the absorption of the management company LFIP by LFAM;
- Creation of a French SICAV (mutual fund) offering better visibility on French funds abroad.

Key figures:

- 2018 inflows: €441 million in long-term marketable securities (excluding NEA and Treasury assets). However, due to the financial markets the last quarter saw an outflow of €235 million from bond funds, €173 million from equity funds, and €110 million from distributed funds;
- Assets under management: €31.8 billion incorporating the outstandings of the Véritas entities in the amount of €7 billion; 36% of outstanding are held by international clients;
- Nine dedicated funds created in 2018 for total outstandings of nearly €402 million.

LA FRANÇAISE
GLOBAL DIRECT FINANCING

La Française Global Direct Financing

Highlights:

- NewAlpha Asset Management, a specialist in global financial entrepreneurship investment, concentrated on the development of its two core businesses in 2018: Emerging Managers and Emerging Corporates;
- Closure of the Emergence Actions II fund for subscription in May 2018 with total subscription commitments 60% higher than that of Emergence Actions I;
- “Swave”, the first physical incubator for fintechs with around twenty start-ups was officially inaugurated on 9 March 2018. NewAlpha is one of its founding members, having made its first investment in May 2018;
- Launch of the NewAlpha Verto fund, whose objective is to acquire equity investments, majority stakes for the most part, in key French SMEs/ISEs with a significant technological component, that are profitable and show strong growth;
- Launch of a strategic partnership with Crawford Fund Management, a U.S. fundamental long/short investment fund with an emphasis on innovation;
- Acofi’s Predirec Innovation 2020 fund saw its financing for corporate innovation surpass €250 million;
- Successful tender for a $500 million offer from the Massachusetts pension fund “Mass prim” which manages assets of more than $70 billion.

Key figures:

- Inflows: €102 million;
- Assets under management: €1.7 billion;
- In 2018, €200 million were allocated to five emerging managers (of which $150 million for the Mass PRIM Massachusetts public pension fund) and €3 million in one fintech startup .

Simplified balance sheet for third-party management

he third-party management division is housed within the Groupe La Française 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, FCT LFP Créances Immobilières, CD Partenaires, 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 by La Française, LF Real Estate Partners Limited, Tages and Alger Management; in the United States: La Française Forum Securities Limited; and in Hong Kong: JKC Capital Management. And since the end of 2018, the Veritas group in Germany.

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

	12/31/2018	1/1/2018	Change
ASSETS			
Financial assets at fair value through profit or loss	669,450	338,731	330,719
Hedging derivative instruments	-	-	-
Financial assets at fair value through other comprehensive income	33,943	20,872	13,071
Loans and receivables due from credit institutions	381,249	212,368	168,881
Loans and receivables due from customers	4,176	130,613	(126,437)
Securities at amortized cost	-	-	-
Accruals and other assets	235,770	127,737	108,033
Investments in associates	21,627	21,506	121
Property, equipment and intangible assets	35,065	31,598	3,467
Goodwill	183,104	174,793	8,311
TOTAL	**1,564,384**	**1,058,218**	**506,166**

LIABILITIES		**01/01/18 adjusted ***	
Financial liabilities at fair value through profit or loss	472,610	152,644	319,966
Due to credit institutions	522,092	285,010	237,082
Due to customers	-	-	-
Debt securities	-	124,794	(124,794)
Accruals and other liabilities	400,124	326,341	73,783
Provisions	1,644	1,451	193
Non-controlling interests	(36,994)	(32,047)	(4,947)
Shareholders' equity excluding net income attributable to owners of the company	190,141	171,293	18,848
Net income for the year attributable to owners of the company	14,767	28,732	(13,965)
TOTAL	**1,564,384**	**1,058,218**	**506,166**

* adjusted for the restatement of put options on non-controlling interests of Groupe La Française

	12/31/2018	12/31/2017	Change
INCOME STATEMENT			
NET BANKING INCOME	155,919	229,135	(73,216)
of which net interest margin	*430*	*1,390*	*(960)*
of which commissions	*(8,571)*	*(2,566)*	*(6,005)*
General operating expenses	(146,293)	(166,527)	20,234
GROSS OPERATING INCOME	9,626	62,608	(52,982)
Net additions to/reversals from provisions for loan losses	(162)	(449)	287
OPERATING INCOME	9,464	62,159	(52,695)
Share of net income (loss) of associates	1,806	1,680	126
Gains (losses) on other assets	1,068	(151)	1,219
Change in value of goodwill	-	81	(81)
RECURRING INCOME BEFORE TAX	12,338	63,769	(51,431)
Corporate income tax	(4,885)	(21,798)	16,913
Post-tax gain/(loss) on discontinued operations	20,743	-	20,743
TOTAL NET INCOME	28,196	41,971	(13,775)
Non-controlling interests	13,429	13,239	190
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**14,767**	**28,732**	**(13,965)**

In accordance with the application of IFRS 5, the results of La Française Investment Solution, Union Générale des Placements and CD Partenaires are presented under “Post-tax gain/(loss) on discontinued operations”.

After restatement for this classification, the division's net banking income comes out at €211 million in 2018, a decrease of €18 million versus 2017. This reflects a reduction in the level of performance fees.

Before the restatement to take account of IFRS 5, general operating expenses came out at €172 million in 2018, an increase of €6 million.

Simplified balance sheet of Services and other activities

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, Transactimmo and Actéa Environnement.

IFRS consolidated financial statements in € thousands

	12/31/2018	1/1/2018	Change
ASSETS			
Financial assets at fair value through profit or loss	10,811	18,756	(7,945)
Financial assets at fair value through other comprehensive income	533	1,239	(706)
Loans and receivables due from credit institutions	4,667	8,836	(4,169)
Loans and receivables due from customers	-	-	-
Accruals and other assets	1,456	1,603	(147)
Investments in associates	135,022	124,039	10,983
Property, equipment and intangible assets	17,720	18,251	(531)
Goodwill	724	724	-
TOTAL	**170,933**	**173,448**	**(2,515)**
LIABILITIES			
Financial liabilities at fair value through profit or loss	-	-	-
Hedging derivative instruments	-	-	-
Due to credit institutions	8,074	7,578	496
Due to customers	404	415	(11)
Accruals and other liabilities	395	555	(160)
Provisions	1,932	1,932	-
Subordinated debt	-	-	-
Non-controlling interests	-	-	-
Shareholders' equity excluding net income attributable to owners of the company	147,558	151,792	(4,234)
Net income attributable to owners of the company	12,570	11,176	1,394
TOTAL	**170,933**	**173,448**	**(2,515)**

	12/31/2018	12/31/2017	Change
INCOME STATEMENT			
NET BANKING INCOME	3,508	4,889	(1,381)
of which net interest margin	*(155)*	*(715)*	*560*
of which commissions	-	-	-
General operating expenses	(1,637)	(1,503)	(134)
GROSS OPERATING INCOME	1,871	3,386	(1,515)
Net additions to/reversals from provisions for loan losses	(112)	(1,857)	1,745
OPERATING INCOME	1,759	1,529	230
Share of net income (loss) of associates	11,302	10,026	1,276
Gains (losses) on other assets	-	-	-
RECURRING INCOME BEFORE TAX	13,061	11,555	1,506
Corporate income tax	(491)	(379)	(112)
TOTAL NET INCOME	12,570	11,176	1,394
Non-controlling interests	-	-	-
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**12,570**	**11,176**	**1,394**

Trends and outlook for 2019

Trends and outlook for 2019

In 2018, **global economic growth** slowed: the OECD revised down its growth forecast to 3.3% from its previous forecast during the year of 3.6%, due to an accumulation of “dark clouds on the horizon”. In fact, the OECD identified three major risks: trade tensions, a higher-than-expected increase in US interest rates which would also penalize emerging countries, and a marked slowdown in the Chinese economy. In 2019, therefore, the slowdown already underway, albeit at mixed levels, is being underpinned by the trade war and volatile oil prices. Moreover, growth rates are set to continue weakening, accompanied by gradual monetary tightening and a very modest rise in risk-free interest rates.

Negative signs are also on the increase **in the eurozone**, which recorded its lowest rate of growth in more than two years in October 2018. With just a few months to go before the European elections, the economic outlook for eurozone countries is growing gloomy. The EU’s inability to reduce macroeconomic imbalances between the different countries could further threaten the political and economic future of the region, which has already been weakened by increased populism and growing divisions.

That said, the euro’s depreciation in 2018 should offer some respite for competitiveness and wage momentum is likely to underpin consumption going forward. Nevertheless, the political risks and uncertainty around Brexit remain high.

In France, growth is on a downward trend: the Insee projects GDP growth of 1.5%, while the government projection in spring 2018 was still 2%. The Institute attributes this decline to slightly weaker internal demand and social unrest.

The only bright spots in this ongoing drab European and global economic environment are corporate investment (+0.6% per quarter in 2019) and purchasing power. The slowdown in the French economy, which is expect to continue in 2019 and 2020, will not help things.

This downward phase in the cycle, in a tense political climate, could hamper the continuation of structural reforms.

Regulations

The end of 2018 was marked by intense regulatory activity:

- At European level, the European Commission is doubling its efforts to make progress in or finalize certain regulations before the current Parliament's final session in April 2019 prior to the European elections in late May.

  It is notably focusing on progress in relation to the capital markets union (CMU), banking union (non-performing and toxic loans, single resolution fund, package of banking laws, etc.), and risks related to cybersecurity.

- At national level, French banks are working on solutions for vulnerable customers by capping fees on banking incidents. Interest rates, which remain very low, continue to weigh on their profitability.

Opportunities

- **Sustainable finance: a new strategic attribute.** The energy transition is generating vast projects involving diversified investment related to significant structural adaptations. For the bank, this means anticipating the "green" requirements, objectives and risks of customers in order to create opportunities from this growing emphasis on green solutions. The banking sector is therefore a vital player in a major societal objective.

- **Networks: consumers are changing the rules of the game.** Retail banking is obviously being impacted by the fact that customers' expectations have completely changed. They are now more demanding, impatient and want to be able to manage as many transactions as possible, at any time and place. Banks are thus adapting to these changes by restructuring their networks. This has led to the advent of new generation branches that are strategically located, with a high technological component, and serve as a source of revenue. Many activity sectors, banks in particular, must find the best means of connection between the physical world and the digital world. Technology is central to this transformation.

- **En route towards open banking!** The objective is to connect banks with a broad ecosystem of financial services so they can develop services that correspond perfectly to consumers' needs. Open banking therefore calls for structural changes that are bringing about opportunities for "cooperation in competition" between old and new players, with a view to innovation. In Europe, an environment conducive to exponential digitization of banking services is taking shape thanks to recent regulatory changes (PSD2 and GDPR) and technological advances. The sector is gearing up to move beyond its traditional model and invent "retail banking 3.0".

- **Banking businesses are entering a new era**. Eight out of ten French people now have a smartphone. 63% use a bank app and 47% consult it at least once a week. Mobile banking has therefore already become the number one banking channel. Customers only call their advisor now for specific questions. In this context, chatbots help to free up the time and availability of bank advisers allowing them to spend this time on activities that create more value.

- The challenge around the customer relationship today is to know and understand the customer, their needs, environment, constraints, desires, preferences, etc. so as to be able to offer them the best possible solutions and be able to answer their increasingly precise questions and respond to their overall needs.

In 2019

In addition to regulatory pressure, pressure on the profitability of the French banking sector will remain strong due to the combined effect of persistently low interest rates, tougher competition which will continue to be fuelled by the arrival of new players in mobile banking, and the investment costs related to adaptation measures. Banks must revise their strategic plans and speed up their transformation while also taking into account the economic and social environment in France in 2019.

Consolidated data

Contribution by division to the consolidated financial statements

In € thousands (after interdivisional eliminations)

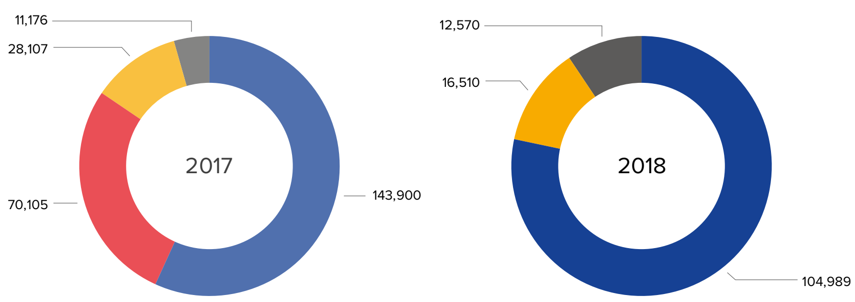
	Net banking income		Operating income before provisions		Consolidated net income		Total consolidated assets	
	12/2017	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017	12/2018
Bankinsurance	829,443	622,457	210,878	-1,537	143,900	104,989	24,525,364	26,593,075
Insurance*	5,209		(69)		70,105		16,579,586	
Third-party asset management	230,298	158,885	61,636	12,351	28,107	16,510	920,183	1,348,941
Services and other activities.	4,889	3,508	3,386	1,871	11,176	12,570	164,419	166,287
TOTAL	**1,069,839**	**784,850**	**275,831**	**12,685**	**253,288**	**134,069**	**42,189,552**	**28,108,303**

* Following the merger of Nord Europe Assurance with Groupe des Assurances du Crédit Mutuel in June 2018, the equity investments in GACM held by Caisse Fédérale du CMNE and the related profit have been recognized in the bankinsurance division.

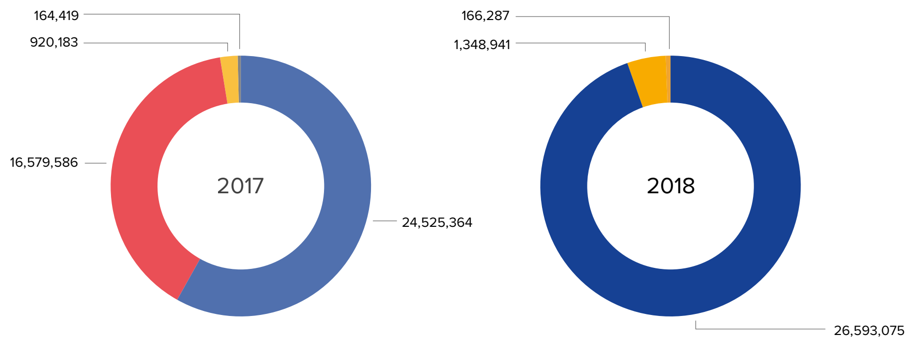
Gross operating income in 2017 was impacted by the capital gain on the sale of CIC securities (€95 million) and the assumption of expenses related to the IT migration of Beobank (€38 million).

Gross operating income in 2018 was also impacted by the completion of the IT migration of Beobank (€49 million) and the decline on the financial markets.

Consolidated net income (in € thousands after interdivisional eliminations)



Consolidated statement of financial position (in € thousands after interdivisional eliminations)



● Bankinsurance ● Insurance ● Third-party asset management ● Services and other activities

Reporting by country

Country	Net banking income	Profit/loss before tax	Current tax	Deferred tax	Other taxes	Average number of employees 12/18	Government subsidies
Belgium	253,527	58,744	-8,996	11,786	(41,419)	1,097	2
Spain	1,903	1,575	(386)	0	(29)	3	0
USA	949	(1,441)	(1)	0	(84)	8	0
France	511,774	212,822	(12,045)	(12,527)	(124,227)	3,282	0
Luxembourg	7,646	818	(4)	0	(898)	32	0
United Kingdom	9,051	1,495	(254)	0	(548)	27	0
Hong Kong	0	2	0	0	0	0	0
TOTAL	**784,850**	**274,015**	**(21,686)**	**(741)**	**(167,205)**	**4,449**	**2**

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, 2018, this rate was 0.54%.

Gross carrying amount of exposures by category and probability of default tranche at 12/31/2018

12-month PD tranche IFRS9	Of which originated impaired assets	12-month expected credit loss	Lifetime expected credit loss	Of which trade receivables pursuant to IFRS 15	Impairment with expected credit loss at year-end but not originated impaired
< 0.1	0	4,640,012	803	0	0
0.1-0.25	0	2,068,402	687	0	2,620
0.26-0.99	3	3,007,219	269,229	0	0
1 - 2.99	2	5,166,685	155,483	0	0
3 - 9.99	178	258,768	213,110	0	0
> 10	815	50,966	441,203	0	905,076
TOTAL	**998**	**15,192,052**	**1,080,515**	**0**	**907,696**

Payment times

Past-due invoices received but not settled at the year-end date

In € thousands	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day and over)
(A) Tranche of arrears						
Number of invoices concerned	706					**9,509**
Total amount of invoices concerned including tax	23,681	2,932	301	404	3,341	**6,978**
Percentage of total purchases including tax for the year	The percentage of past due invoices received but not settled at the year-end date is lower than 1% of total purchases for the year incl. tax					
(B) Invoices not included in (A) related to disputed or unrecognized loans and receivables						
Number of invoices excluded	0		1			**1**
Total amount of invoices excluded including tax	0	0	0	0	15	**15**
(C) Reference payment times used (contractual or legal payment times - Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Payment times used to calculate arrears						Legal times: 30 days from month-end

Past-due customer invoices issued but not settled at the year-end date

In € thousands	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day and over)
(A) Tranche of arrears						
Number of invoices concerned	434					**646**
Total amount of invoices concerned including tax	22,376	4,378	448	849	18,494	**24,170**
Percentage of total revenue for the year including tax	The percentage of past due invoices issued but not settled at year-end is lower than 10% of the total amount of invoices for the year					
(B) Invoices not included in (A) related to disputed or unrecognized loans and receivables						
Number of invoices excluded	0		16			**16**
Total amount of invoices excluded including tax	0	0	0	0	20	**802**
(C) Reference payment times used (contractual or legal payment times - Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Payment times used to calculate arrears						Legal times: 30 days from month-end

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 structure 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 for 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 necessary adjustments or new rules to be included in the financial rules or 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 structure 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 confederal 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

	Name	Sources	2018	2017
	Activity & outstandings			
1	New lending	Group key figures Total new lending (approvals)	4,452	4,239
2	Customer loans		16,995	15,676
3	Customer deposits Bank deposits	Consolidated financial statements	17,555	16,719
4	Loan-to-deposit ratio		94.4%	96.5%
5	Savings accounts	Group key figures Savings - total bank deposits	17,414	16,589
6	Financial and insurance-based savings	Group key figures Savings - insurance-based and financial - securities (excluding units)	75,850	65,519
7	o/w insurance-based savings	Group key figures Savings - insurance-based and financial - securities (excluding units)	10,670	12,130
8	Total savings		93,264	82,108

	Name	Sources	2018	2017
	Risks			
9	Ratio of non-performing loans	5.29%	5.64%	5,64%
10	Provisions for performing loans	(96)	(24)	-24
11	Overall non-performing loan coverage ratio	66.1%	63.6%	63,6%
13	Total net additions to/reversals from provisions for loan losses	(1.9)	(9.1)	-9,1
14	Total net additions to/reversals from provisions for loan losses in relation to customer loan outstandings (expressed as a % or in basis points)	0.07%	-0.09%	-0,09%

	Name	Sources	2018	2017
	Profitability			
15	Net interest Net interest revenue Net interest income	338	420	420
16	Operating expenses General operating expenses Management expenses		(359)	(358)
17	Cost/income ratio*	Consolidated financial statements	98.34%	74.21%

* The cost/income ratio of 98.34% is negatively impacted by the reclassifications related to IFRS 5 and the incorporation of migration costs related to EOLE. Excluding these exceptional expenses, it would be 88.98%.

RISK MANAGEMENT

Risk management structure

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 head of the Group Risk Department.

Risk management

The Group 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, Executive Management 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.

Various measures were implemented in 2018, 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) and the Internal Liquidity Adequacy Assessment Process (ILAAP).

In 2018, the main such measures included:
- The ramping up of the training program for federal directors;
- The first-time adoption of IFRS 9;
- Preparatory work and providing data for the purposes of AnaCredit;
- ECB audits and assignments (consumer credit, forbearance, etc.);
- Work on the new directives relating to Non Performing Loans (NPL);
- Support with the changes affecting the Group, in particular those concerning the merger of BCMNE and the Caisse Fédérale and the merger-absorption of NEA and its subsidiaries by GACM;
- The finalization of the ECB's recommendations concerning the ICAAP, the consolidated risk view and the harmonization of risk management communications;
- The entry into force of the European regulation on the protection of personal data (General Data Protection Regulation - GDPR) and the appointment of a CMNE Group Data Protection Officer (DPO);
- The drafting of a capital planning policy;
- The carrying out of ECB stress tests in which 48 major European banks, including the Crédit Mutuel Group, took part;
- Launch of a project to ensure compliance with the new rules on data quality in connection with BCBS 239, which is applicable as of January 1, 2019.

The section on Pillar III includes, on page 86, tables showing the consolidated risk management framework and the consolidated risk monitoring framework.

Risk mapping

The drawing up of an overall risk map was coordinated at confederal level. This map was adopted by the Basel III working group and approved by the Confederal Risk Committee and the CMNE Caisse Fédérale Risk Committee in 2018.

Its formalization formed part of the work on identifying and prioritizing risks (taking into account the concept of emerging risk) on the basis of their materiality to the CMNE Group. The aim of this work was to provide a basis for the development of various procedures for monitoring CMNE's risk appetite, some of which would cover the assessment of the economic capital required to cope with the quantifiable risks to which the Group is exposed.

The overall risk map enables the Group to implement a common definition of risk and to satisfy itself as to the quality of the procedures for managing and monitoring each of the risks concerned.

To enable risks to be identified and prioritized, a rating is allocated to each, on a scale of one to five:
- Level 1: significant risk;
- Level 2: major risk;
- Level 3: average risk;
- Level 4: low risk;
- Level 5: very low risk.

This rating is then increased as and when a risk is perceived as emerging.

The aim of this rating system is to reflect the actual risk rather than the theoretical risk, by including a forward-looking version.

The Group is subject to certain other risks that have not been included in the map, notably brand risk. Indeed, the Confederation's Board of Directors has implemented a framework procedure covering the Crédit Mutuel brand.

Map of Crédit Mutuel Nord Europe's risks - ICAAP at December 31, 2018

Credit risk	
Customer default risk	Customer quality risk (rating migration)
Unit concentration risk	Sector concentration risk
Geographical concentration risk	Concentration related to the Retail guarantee policy
Settlement/delivery risk	Foreign currency lending risk
Securitization risk	

Operational risk (including compliance risk)	
External fraud	Internal fraud
HR practices	Customers, Products and Business Practices
Damage to physical assets	System malfunction
Process execution	Reputational risk

Market risk	
Trading book position risk	Spread risk on banking book items
Credit derivative risk (CVA)	

Interest rate risk	
Interest rate shock on the markets	Risk of regulated rates being reset
Curve risk	Basis risk
Risk related to optional clauses	

Liquidity risk	
Risk of change in external rating	Prudential imbalances
Access to refinancing	Refinancing cost
Short-term liquidity	MLT transformation

Investment risk	
Insurance	Other equity investments
Equities and private equity (banking book)	Step-in risk

Strategic risk and business risk	
Profitability	**Overall solvency**
Business risk	Quantity of capital
Diversification of revenue sources	Equity structure
Controlling the cost of risk	Location

Significant risk - Major risk - Average risk - Low risk - Very low risk

Risk appetite

This subject is dealt with on page 84 in the Pillar III section.

Compliance control

The Group Compliance Department reports directly to Executive Management and organizes the system's management in accordance with its three 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.

The Group Compliance Department supervises the actions of the CMNE Group entities on an ongoing basis and verifies the quality of the controls carried out by each CMNE Group company.

Compliance control as it applies to the Bankinsurance France division

Employee training 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 then they follow a training program leading to a certified qualification. More generally, all employees affected by implementation of the MiFID II regulation have received training, 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.

In addition, the body of procedures and code of ethics have been expanded to include procedures designed to prevent and combat corruption ("Sapin 2" law).

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 subsequently reported to the Federal Risks Committee and then to the CMNE Federal Board of Directors.

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 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 Bankinsurance France, Bankinsurance Belgium and Third party management divisions, the risk approach excludes light risk (Article R. 561-15(1)), except in the case of the leasing activities. The first level of risk is therefore normal risk (Articles L. 561-5 and L. 561-6).

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 of the customer, 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 or third parties resident in red list countries, 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 Group continued to implement continuous improvement measures concerning the AML-CTF system. These resulted in:

- A comprehensive warning system within the Third-party management division;
- Ongoing work on profiling, warnings and a decision-making tool concerning entering into new business relationships within CFCMNE (projects in progress);
- The work currently in progress concerning the identification in the information systems of beneficial owners in the leasing subsidiaries.

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 GACM) 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. Their main aim is to ensure that the risk mappings are complete and up to date, to improve the monitoring and analysis of security incidents, to ensure that the emergency and business continuity plans are capable of being implemented and that the Group is complying with the regulations on personal data protection (GDPR). Data protection is a major issue for the Group, which implements policies and organizational and technical measures enabling it to win the trust of its customers and all third parties concerned.

In terms of organization, the Group has appointed data protection officers in the divisions, whose activities will be coordinated at the Caisse Fédérale level.

Periodic control

Group Inspection & Audit, 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 Inspection & Audit in 2018 included:

- 31 audit assignments (27 relating to local banks, two carried out on Business Advice Spaces and two on Business Centers) as well as the follow-up of 342 recommendations issued following the audits of points of sale;
- 3 audit assignments on structures or processes in collaboration with the Bankinsurance France network;

- Certifying the individual financial statements of 152 local banks;
- 26 business line audit assignments, as well as monitoring the implementation of 104 recommendations made for all the Group's activities.

As regards Beobank, its internal audit department, whose manager reports to CMNE's General Inspector, carried out 92 inspections of branches and delegated agents, and nine business line audit assignments.

Lastly, the fraud and special matters function analyzed nearly 750 cases of external fraud and 267 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 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 Belgium, within Beobank, the risk is controlled by an authorization limit at origination: decisions to grant loans that would increase the overall customer risk to in excess of €750,000 are submitted to the CMNE Group Head of Credit Risk before a decision by the CEO, acting as a representative of the Management Committee. When a single application or the total of the counterparty's outstanding loans exceeds €3 million, the decision of a CMNE Group effective manager is sought.

In the case of the CMNE Group entities, limits and exclusions have been set, whether on an entity or consolidated basis, with the aim of providing a framework for the lending activity and risk monitoring. These may relate to:

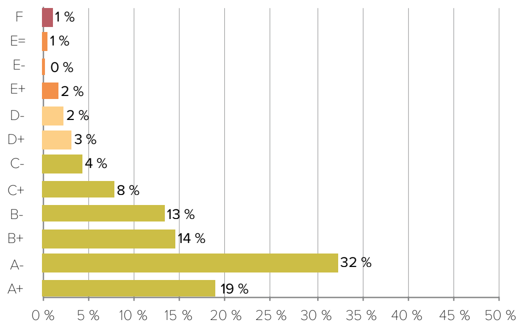
- the amount (limits on individual loans: in the Corporate category, the loan limit is €70 million, which reduces gradually in accordance with the quality of the counterparty);
- the territory;
- business sector;
- the type of transaction.

The CMNE Group has implemented, for all entities in the "Banking division", a structure specific to professional and corporate customers, the aim of which is to meet these customers' needs and to eradicate the risks inherent in these activities. This structure is organized, in the case of France, around Business Advice Spaces, Business Centers for SMEs and intermediate-sized enterprises, and, in the case of Belgium, around Professional Centers.

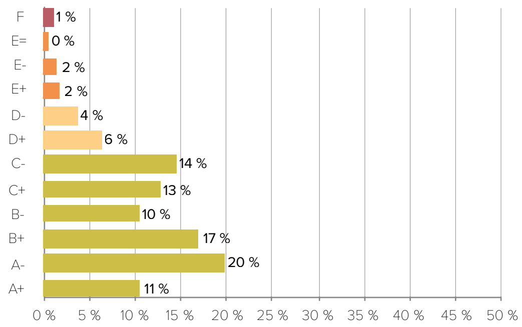
For the French banking scope (French network and Corporate network), which accounts for approximately 69% of the CMNE Group's outstanding customer loans, the breakdown of outstanding loans by rating category and by rating algorithm is as follows:

- The best customers, represented by ratings equal to or above C-, total 90% 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 7% and 12%, 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 2% of total outstanding loans.

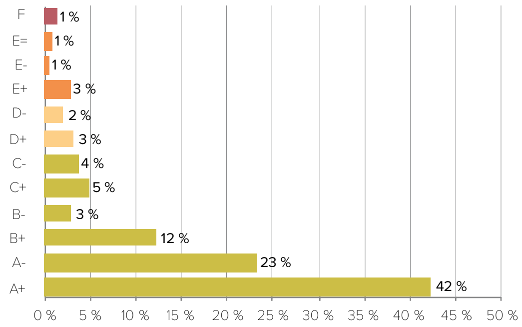
Individuals
€8,264 million



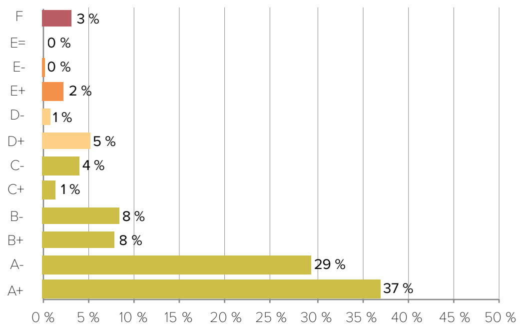
Corporate and other legal entities
€2,883 million



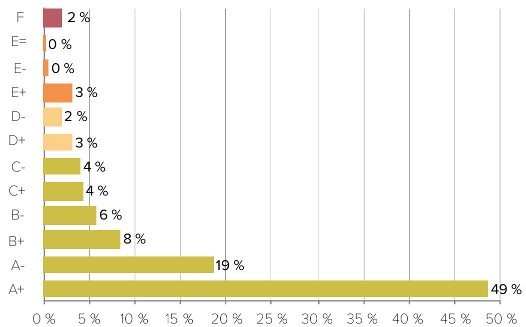
Farmers
€888 million



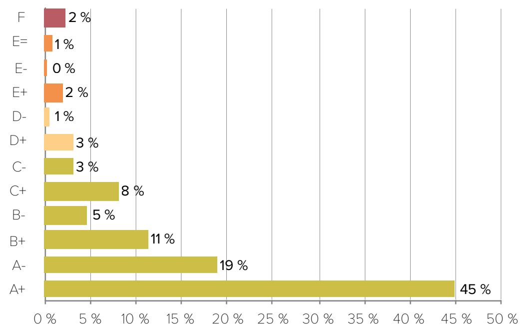
Associations and non-profit organizations
€35 million



Sole traders
€631 million

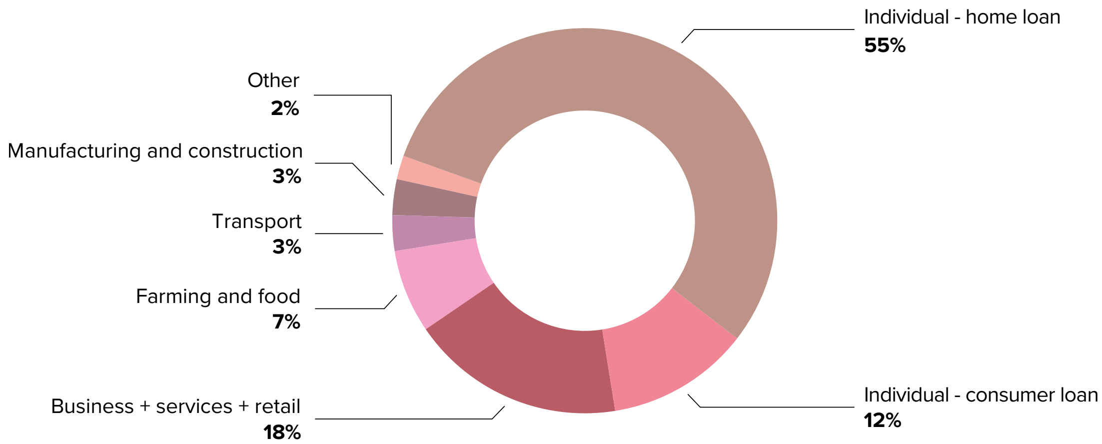


Real estate trusts and others
€903 million



The breakdown of outstandings remained relatively stable.

Overall breakdown of credit risk by business sector



In € millions

	Risk quality	12/31/2018	1/1/2018	12/31/2017
a	Gross receivables subject to individual impairment	909	967	943
b	12-month expected losses (S1)	(47)	(48)	0
c	Expected losses to termination (S2)	(49)	(46)	0
d	Collective impairment of loans in 2017	0	0	(24)
e	Expected losses on impaired assets (or individual impairment) (S3)	(506)	(565)	(577)
	Coverage ratio (b+c+d+e)/a	66.2%	68.1%	63.6%
	Coverage ratio of impaired assets (e/a)	55.7%	58.4%	61.1%

In € millions

Exposure	12/31/2018	1/1/2018	12/31/2017	Change compared to 1/1/2018	
Loans and receivables					
Credit institutions	3,227	2,878	3,067	349	12%
Customers	17,181	16,729	16,727	452	3%
Gross exposure	**20,409**	**19,608**	**19,793**	**801**	**4%**
Impairment provisions	**(602)**	**(659)**	**(600)**	**57**	**-9%**
Credit institutions	-	-	-	-	-78%
Customers	(602)	(659)	(600)	57	-9%
NET EXPOSURE	**19,807**	**18,949**	**19,193**	**858**	**5%**
Financing commitments given					
Credit institutions	34	49	49	(15)	-30%
Customers	2,584	2,404	2,404	180	8%
Guarantee commitments given					
Credit institutions	79	61	61	17	28%
Customers	129	154	154	(25)	-16%
Provision for risks on commitments given	(2)	(3)	(3)	1	-23%
NET EXPOSURE	**2,824**	**2,665**	**2,665**	**159**	**6%**
Debt securities [1]					
Government securities	873	871	870	2	-
Bonds and other fixed-income securities	3,191	3,647	2,487	(457)	-13%
Derivatives	160	196	196	(36)	-18%
Repurchase agreements and securities lending	365	357	357	9	2%
Gross exposure	**4,589**	**5,070**	**3,909**	**(481)**	**-9%**
Provisions for impairment of securities	(1)	(1)	(1)	-	-27%
NET EXPOSURE	**4,588**	**5,073**	**3,909**	**(485)**	**-10%**

[1] Excluding securities classified as “Loans and receivables”.

In € millions

Payment arrears at 12/31/2018	Payment arrears (S1+ S2)			Carrying amount of impaired assets	Total assets subject to payment arrears and impaired assets
	at 30 days	30 to 90 days	more than 3 months	Total	
Governments	-	-	-	-	-
Credit institutions	-	-	-	-	-
Other financial sector	-	-	-	-	-
Non-financial companies	-	-	-	-	-
Loans and advances					
Governments	-	2	-	-	2
Credit institutions	-	-	-	-	-
Other financial sector	-	-	-	2	2
Non-financial companies	84	27	9	109	229
Individuals	208	90	4	216	518
TOTAL	**292**	**119**	**13**	**327**	**751**

Payment arrears include the entire principal amount outstanding.

Counterparty risk

A Group vision

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 centralization of the CMNE Group's risks, initiated by the Group Risk Department, 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, with information and warnings being shared.

Internal ratings are determined and monitored as part of a national process. They 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 and the members of the Finance Committee 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 and Beobank, but also by reference to the CMNE Group's consolidated equity. In this way, while remaining within the national reference framework for limits imposed by Confédération Nationale du Crédit Mutuel, each division has rules that are consistent with the changes in its requirements, outstandings and equity. The above measures therefore provide information concerning each entity and an overview of the CMNE Group as a whole.

Overall and consolidated monitoring of limits by category

Sovereign risk

Except for France and Belgium, which have specific frameworks, sovereign risk is weighted on the basis of the external ratings set by the three major rating agencies. Sovereign risk affects only a limited number of high-quality sovereign counterparties, most of which are based in Europe and North America.

The list of authorized countries is presented to and approved by the Finance Committee. It is revised in accordance with the economic and political environment.

Semi-public and public 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 Crédit Mutuel Group's National Benchmark, the status defined, the internal rating used to establish a decreasing scale of limits, and on the equity and refinancing caps. Studies produced by the national unit entitled "Counterparty Financial Information" (CFI) 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 Group consolidated equity, limited to €510 million for a counterparty rated A+, to which a decreasing scale is then applied, based on the internal rating;
- The counterparty's refinancing cap, as included in the most recent IFC National Benchmark,
- The equity cap specific to the counterparty, as included in the most recent IFC National Benchmark.

Corporate risk

3% of consolidated equity, as regards both the risks taken by the Caisse Fédérale in connection with its corporate 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 issuers' ratings, volume of bond debt issued and business sectors and the breakdown by entity.

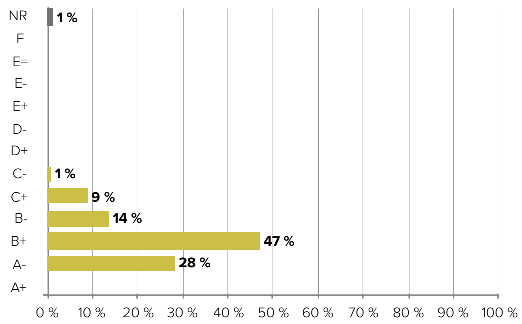
For most corporate counterparties, this results in the individual risk being restricted to €50 million for the best rated.

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

The following charts provide a breakdown of the counterparty risk for the CMNE Group as a whole (covering the Bank France and Belgium divisions).

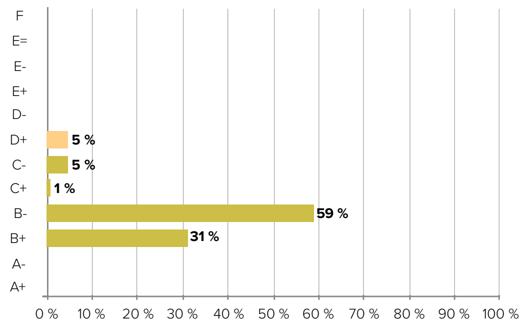
Financial institutions (77%)

€2,899 million



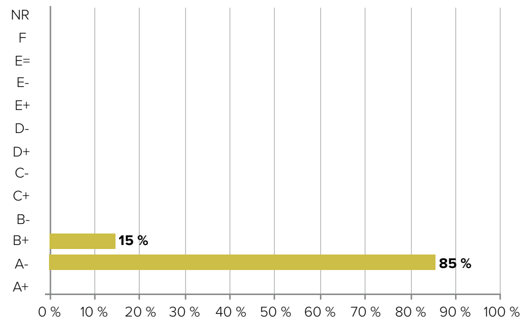
Corporates (6%)

€216 million



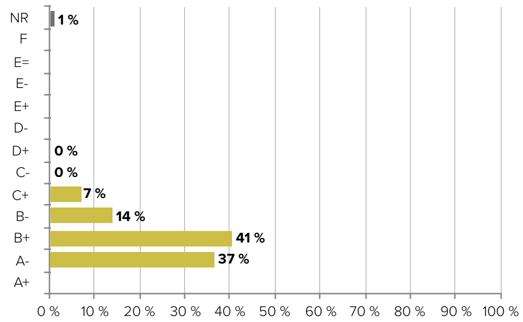
Sovereigns (17%)

€658 million



Total outstandings

€3,773 million



The outstandings in the above charts are shown at their nominal value in the case of debt securities and at their replacement cost in the case of derivatives. Neither Jarna nor the UCIs are included.

A centralized approach

All transactions carried out by the Refinancing and Treasury department 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 2018, the allocation of equity to capital market activities was increased to €400 million for the banking book and maintained at €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, bonds and negotiable debt securities, whether structured or not.

These medium- and long-term investments are held by both Caisse Fédérale and Beobank. They are managed within a strict framework and a dedicated portfolio.

Stress test management

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, widening of spreads depending on the assets concerned, and an upward and downward change in euro rates of 65 bps.

To supplement these models, a stress test relating to the fall in the real estate market was instituted based on an historic Value at Risk (VaR) of the office, residential and commercial real estate categories.

At the end of 2018, the most punitive stress tests in terms of the income statement were:

- In terms of historical stress tests, the scenarios concerning September 11 and Black Monday, with impacts of €20 million and €22 million respectively;
- In terms of hypothetical stress tests, the scenario concerning the fall in European equities, with an impact of €23 million;

As regards the potential impact on shareholders' equity, that varies between €10 million and €18 million, depending on the scenario concerned. The most punitive were:

- In terms of historical stress tests, September 11 and Black Monday;
- In terms of hypothetical stress tests, the increase in credit spreads and the real estate stress test.

Breakdown of portfolios

In € millions

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income (OCI)	Securities at amortized cost	TOTAL
France				
France: investment	200	105	97	401
France: liquidity portfolio	-	1,464	50	1,514
Belgium				
Belgium: investment	7	46	-	54
Belgium: Liquidity	-	572	-	572
All regions				
IFRS 10 all divisions	61	-	-	61
Other: Bonds	11	0	-	11
UCI - Banking book equities	555	-	-	555
UCI - Trading book equities	23	-	-	23
TOTAL DEBT SECURITIES EXCLUDING GOVERNMENT SECURITIES	**857**	**2,187**	**147**	**3,191**
Government securities	-	-	-	-
France: government securities	-	201	-	201
Belgium: government securities	16	301	-	316
Other divisions: government securities	356	-	-	356
TOTAL GOVERNMENT SECURITIES	**371**	**501**	**-**	**873**
TOTAL DEBT SECURITIES	**1,228**	**2,689**	**147**	**4,063**

Liquidity and operating portfolio

The more stringent requirements concerning short- and medium-term liquidity have resulted in stricter control of the liquidity portfolio, including the implementation of weekly warning indicators, which are consistent with the quarterly risk appetite and risk management indicators.

Strict supervision of investments is therefore necessary to limit any risk of crossing thresholds or limits.

Therefore, these portfolios concentrate all securities classified as "liquid" within the liquidity portfolio. Similarly, all transactions related to the operating activity and short-term cash investments are concentrated within the operating portfolio.

The value of this liquid securities portfolio was €1,514 million in the case of CF CMNE and €572 million in the case of Beobank.

Arbitrage portfolio

Arbitrage transactions, which are carried out over horizons of between one month and three years, consist of buying negotiable debt securities or bonds at variable rates or at 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 are set by the Finance Committee at €500 million, and its actual outstandings decreased steadily to €253 million at December 31, 2018. The decrease in assets during 2018 was due to a revised allocation of the portfolios and profitability constraints.

Its consumption of equity in respect of credit risk was €7.2 million.

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

Within this portfolio, CMNE holds a group of structured securities with a par value of €130 million, indexed to equity and interest rate indexes.

Investment portfolio

This portfolio comprises all investments in funds and the refinancing associated with these short- and medium-term securities.

Investments in bonds and NEU CP totaled €401 million in the case of the France division and €54 million in the case of the Belgium division.

Dedicated UCITS

Caisse Fédérale du CMNE has a dedicated fund, managed on its behalf by La Française AM. This fund had total outstandings of €23.4 million at December 31, 2018. The Richebé Gestion fund is dedicated to dynamic cash management. Its return was adversely affected by market conditions in 2018.

This fund went into liquidation in 2018 and was closed in early 2019.

Equities

Caisse Fédérale liquidated its interest in La Française de l'Énergie in late April 2018. 101,944 shares were sold at that time for a total of €1.79 million.

The Group's direct exposure is essentially its share of the equities held in the dedicated UCITS (trading book) referred to above; the equity risk measured at market value was €6.5 million at December 31, 2018.

This exposure also consisted of various equity components of this portfolio's UCITS securities representing the proprietary investments held by Caisse Fédérale and Beobank (banking book). These exposures are present mainly within private equity funds, diversified funds and hedge funds.

Other investments

CMNE's other proprietary investments, which are in collective vehicles (fixed income and alternative and diversified management products, FCP investment funds or interests in REITs and real estate mutual funds), represented a total of €356 million at market value for the Caisse Fédérale, €41 million for Beobank and €76 million for the Group's other entities.

The impact of the application of IFRS 10 was €61 million (see financial report, page 208: table of entities consolidated using the simplified method in the context of the application of IFRS 10).

New investment funds and strategies

The CMNE Group has supported the launch of new funds and strategies initiated within Groupe La Française. These investment vehicles, which are governed by a specific policy and monitored with regard to risk appetite, are divided between Caisse Fédérale (€29.6 million), Beobank (€5.4 million) and Groupe La Française (€47 million).

Liquidity risk

Liquidity risk is dealt with on page 134 in the section covering Pillar III.

Interest rate risk

Interest rate risk is dealt with on page 131 in the section covering Pillar III.

Operational risk

Operational risk is dealt with on page 132 in the section covering Pillar III.

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 was implemented by means of the monitoring of the indicators of Law no. 2013-672 of July 26, 2013 on the separation and regulation of banking activities (SRAB).

Nature of the transactions

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

- 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

By means of:

- stress test management based on confederal models and specific internal developments, for which the Risk department is responsible. Backward-looking stress tests are carried out on a quarterly basis. They are based on the analysis of past crisis periods and hypothetical stress situations determined by business line experts and 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.
- regulatory stress tests supplementing internal stress tests. These consist mainly of the stress tests required by the supervisor (EBA, ECB, etc.). In 2018, a stress test was carried out by the ECB and the EBA on the 48 largest European banks, including the Crédit Mutuel Group.
- 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 Crédit Mutuel 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;
- close links with the various Risk managers in the Group, CMNE circulating 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 Caisse Fédérale du CMNE 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.

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 Compliance Department reports to the Chief Executive Officer of the Caisse Fédérale, and its head reports to CFCMNE's Executive Management and to the Federal Risk Committee.

The Compliance Department's responsibilities concerning control cover all bankinsurance activities of the Caisse Fédérale, the French networks and their subsidiaries, including remote banking, the cross-functional support functions and the activities of the companies in the Bankinsurance France, Bankinsurance Belgium and Third-party management divisions.

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.

Implementation/work carried out

During 2018, the CMNE Group continued its efforts to execute its control plans, structure its activities and implement its projects. In addition to the Compliance Department's normal main activities, which include approving new products and activities, centralizing shortcomings and monitoring regulatory developments, the function has also performed controls on various areas and activities relating to the provision of investment services, banking mobility, complaints management and the granting of home loans.

Insurance risk and participation risk

The Confédération Nationale du Crédit Mutuel was designated as a financial conglomerate by the French prudential control and resolution authority (*Autorité de Contrôle Prudentiel et de Résolution* - ACPR) in a letter dated December 16, 2005. It operates as a financial conglomerate via the Groupe des Assurances du Crédit Mutuel (GACM, a subsidiary of the Crédit Mutuel Alliance Fédérale Group and of CMNE), Suravenir (life) and Suravenir Assurances (non-life) (subsidiaries of CM Arkéa). These subsidiaries sell a large range of life insurance, personal insurance and property and liability insurance, predominantly through the Crédit Mutuel Group's banking networks. During 2018, the CMNE Group transferred its stake in Nord Europe Assurance (NEA) to the Groupe des Assurances du Crédit Mutuel (GACM), to facilitate the merger of the two entities. Following the merger, the CMNE Group held 10.22% of the new GACM group, which is now consolidated using the equity method in the CMNE Group's financial statements. In this context, CMNE obtained the ECB's authorization not to deduct its interest in GACM from its regulatory capital, which is conditional on the implementation of the regular exchange of information between CMNE and CM Alliance Fédérale to monitor, in particular, the three main risks identified within the insurance companies' activities, i.e. financial risks, technical risks and counterparty risks for the reinsurance companies:

- Financial risks represent the various changes in the financial indicators that could have an impact on the insurance company's solvency;
- Technical risks correspond to the taking into account of external events: natural disasters, epidemics, etc., which could result in higher than expected reimbursement amounts over a shorter term;
- Counterparty risks in the case of reinsurance companies correspond to the potential impact of the default of a counterparty with which the reinsurance company has entered into a reinsurance policy.

Until the date of the merger, the CMNE Group's ICAAP approach was based on the ORSA summary drawn up by Nord Europe Assurance in which the company gives a commitment as regards the adequacy of its capital currently and over a three-year horizon.

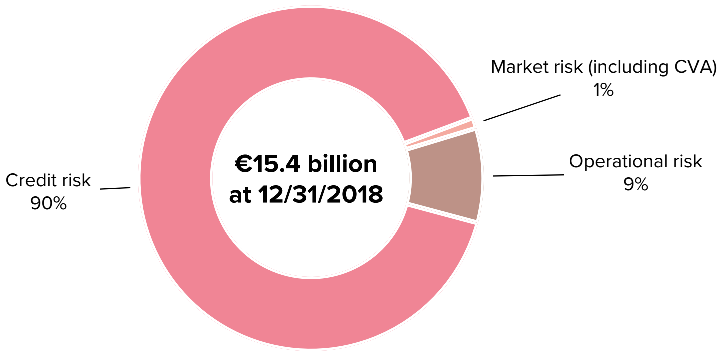
The insurance risk has become a participation risk (see table 11 on page 102 in the Pillar III section).

INFORMATION ON BASEL III PILLAR III

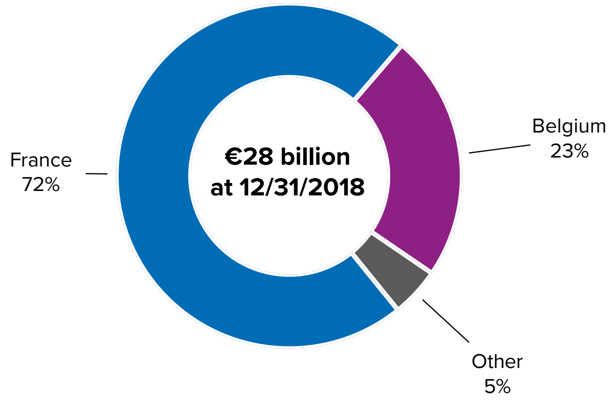
Contents

Pillar III – key figures

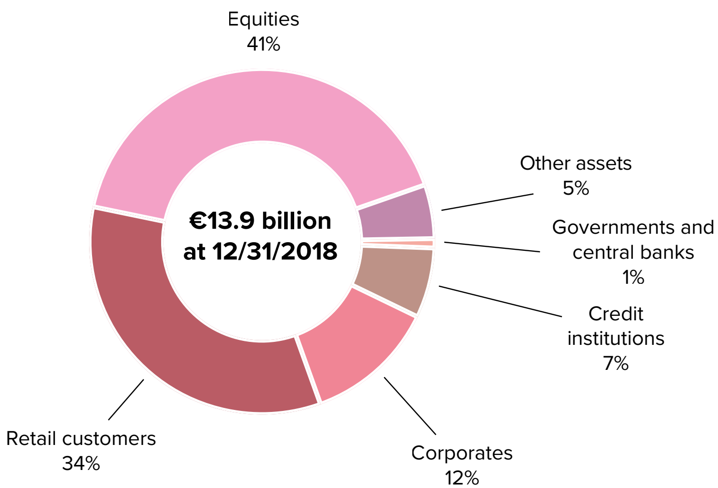
RWA by type of risk



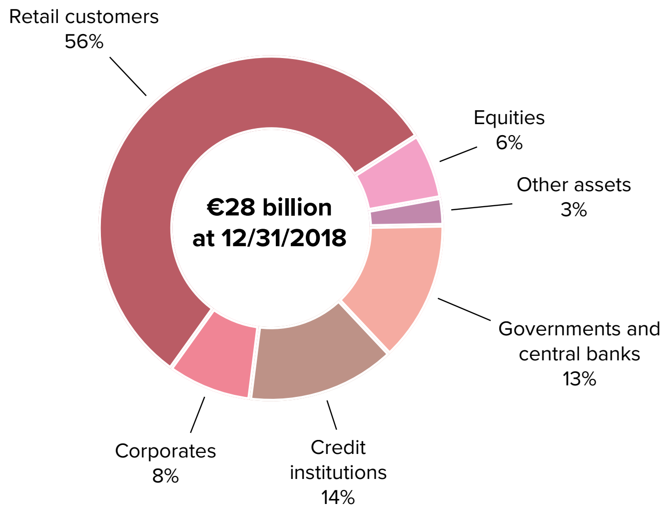
Credit risk - EAD by country



Credit risk - RWA by category



Credit risk - EAD by category

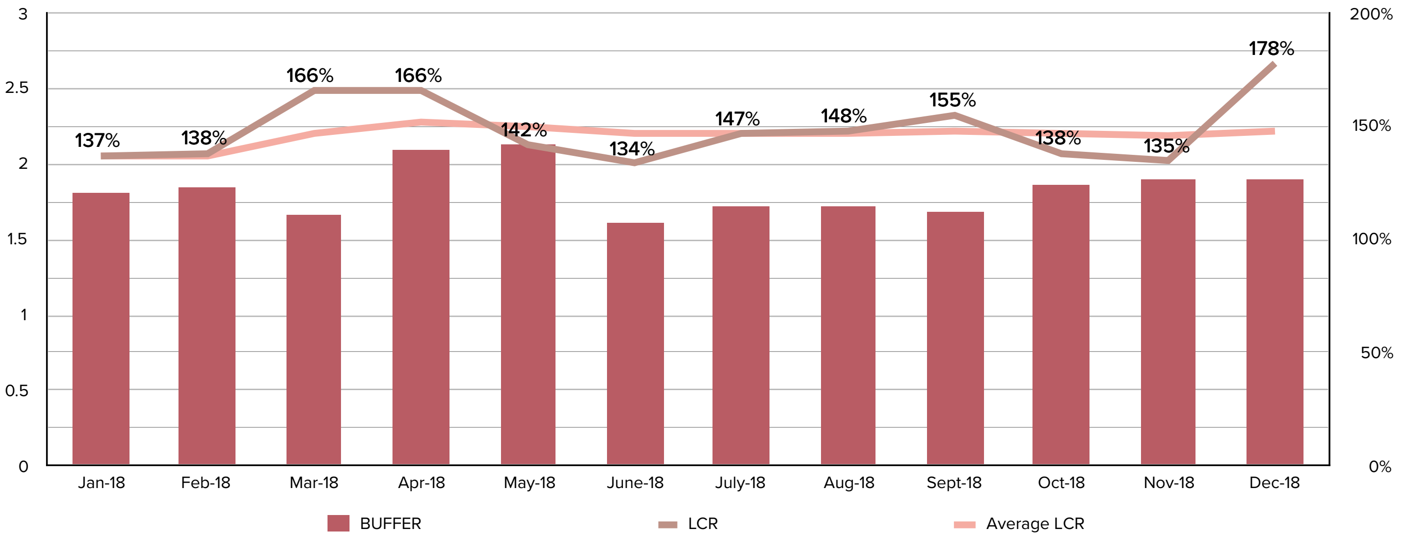


Overall Solvency Ratio	20.52%
Common Equity Tier 1 ratio	15.85%
Leverage ratio	8.90%
Medium and short-term LCR	147%

In € millions

	12/31/2018	12/31/2017
Common Equity Tier 1 (CET1) capital	2,438	2,660
Tier 1 (T1) capital	2,498	2,660
Total capital	3,156	3,362
Total risk-weighted assets (RWA)	15,384	16,938

LCR (%) and Buffer (€ billion) during 2018



Risk management objectives and policies

The institution's approach to risk management (Basel III standard: 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

Risk management function

The head of the risk management function is also the head of the CNCM Risk Department, whose formation was approved on February 27, 2008 by CNCM's Board of Directors. In connection with the Group's governance, the CNCM Risk Department reports on its work to the executive body.

Within the CNCM Risk Department, the "credit risk" unit is responsible for drawing up the credit risk monitoring procedures, and for managing and back-testing models, including the IFRS 9 model (impairment), calculating and monitoring parameters and issuing reports. Its members expand and update the methodologies used for the internal rating system (both those applicable on an ongoing basis and at roll-out).

The financial risks unit (liquidity and interest rate risk) is responsible for defining the national procedures, coordinating work on the modeling of behavioral assumptions and monitoring risks on a consolidated basis. This unit is responsible for coordinating the ILAAP procedures.

The division responsible for operational risks monitors known and potential risks and the impact of risk reduction measures. The common framework and the drawing up of national operational risk procedures are within its remit, as are the coordination and consolidation of the system as a whole. This unit is responsible for the coordination and roll-out of the Advanced Measurement Approach (AMA).

The risk control unit focuses mainly on the coordination of national projects under the responsibility of the Confederal Risk Department. It is therefore directly involved in the development of the Crédit Mutuel Group as regards, in particular, the risk appetite procedures, the ICAAP and the preventive recovery plan.

In connection with this, the risk control unit prepares information for the governing bodies (produces reports for the Basel III work group, the Risk Committee and the Confederal Board of Directors) and ensures compliance with the risk appetite framework defined by the appropriate governance body and as customized by the regional groups.

Lastly, the Risk Department coordinates relations with the supervisory authorities (SSM and SRB) for the Crédit Mutuel Group as a whole.

Permanent control

The responsibilities of the CNCM Permanent Control function include:

- Monitoring the rating system as regards credit risk, operational risk, financial risk and accounting risk;
- Permanent control of the production of the accounting and regulatory statements and the risk monitoring carried out by the Confederation;
- Coordinating regional permanent controls;
- Producing the annual regulatory consolidated reports.

At regional level, the information produced for the supervisory bodies depends on the structure implemented in each regional group and is the responsibility of the executive body of the Caisse Fédérale or the Caisse Interfédérale (regional groups and subsidiaries).

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 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. During 2018, the Compliance Department became a separate department, independent of the Group Risk Department and reporting directly to Executive Management. 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 163, i.e. around 3.7% 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

Its objectives and responsibilities are to:

- set up and manage at CMNE Group level the risk appetite framework, and the other supervisory review and evaluation processes (SREP) including the ICAAP and stress tests;
- guarantee that the risks to which the CMNE Group is exposed are consistent with the strategies defined by the businesses, and coordinate the risk measurement systems and results;
- warn Executive Management of any situation likely to have significant repercussions for risk management, manage relevant warnings and formulate recommendations in response to the risks identified;
- inform the Federal Risk Committee of the risk exposure, the methods implemented, and the recommendations for managing them in accordance with the policies approved by the Board of Directors.
- draw up the Group risk management report, report to the CMNE Group's Executive Management, inform the Federal Board of Directors via the Risk Committee, and send the relevant information to the supervisory bodies (ACPR and ECB). Submit the quarterly risk assessment information on GACM's insurance activities;
- update the overall risk mapping;
- supervise the operational risk management function.

The Compliance Control Department

The Compliance Control Department, which now reports to Executive Management, 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.

The Audit Committee

Chaired by a director, there are four other federal directors on the Audit Committee, which meets at least five times a year. Meetings are also attended by the Chief Executive Officer, the Chief Operating Officer, the General Inspector, the General Secretary, the Head of the Group Risk Department and the members of the Management Committee. The Group General Inspector acts as secretary to the Committee. The Committee is responsible for:

- 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;
- on the basis of a multi-year plan, approving the annual audit plan detailing the work of the Group Audit Inspection Department and proposing periodic control policies for the Group as a whole;
- arranging for the reports drawn up by Group Audit Inspection to be submitted to the Committee, approving their findings and verifying that their recommendations have been implemented;
- 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.

The Risk Committee

Chaired by an independent director, there are four other federal directors on the Risk Committee, which meets at least seven times a year. Meetings are also attended by the Chief Executive Officer, the Chief Operating Officer, the General Inspector, the General Secretary, the Head of the Group Risk Department and the members of the Management Committee. The Head of the Group Risk Department acts as secretary to the Committee. The Committee is responsible for:

- proposing the Group's risk policy;
- monitoring the risk strategy and appetite;
- assessing the risks, notably in relation to the Group's equity and earnings;
- ensuring that the Group complies with the regulatory and prudential obligations.

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 their constant effectiveness

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).

The Group's risk profile

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 (O-SIIs). The CMNE Group operates in France and Belgium.

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 15.85% at the end of 2018 places it among the safest European banks.

The Group's risk management process is designed to fit its risk profile and strategy and the 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 and Third-party management division), constituting centers of business line expertise 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 must contribute to promoting a strong financial and risk culture within the Group, such that the emergence of new risks or any risk taking exceeding the tolerance thresholds 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 framework:

- Shared understanding of the Group's values and its risk appetite;
- Action in the event 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.

By means of its business model and values, the CMNE Group has historically developed activities that expose it to low and shared risk. Retail banking is the CMNE Group's core business and the majority of its customers are individuals. This is demonstrated by the share of credit risk in its total capital requirements (more than 85%) and the predominance of the Retail portfolio in its total exposures.

To enable graduated risk management, warning thresholds are placed on risk indicators, upstream of the recovery thresholds.

On the assumption that the process is based on a framework of key indicators by type of risk, and the need to adopt a graduated approach, the following three risk areas have been identified:

- The first corresponds to the risk appetite in the current environment (i.e. the central scenario for financial forecasts in the ICAAP), equivalent to a comfort zone in terms of risk (green zone);
- The second corresponds to a risk zone located beyond the appetite but that can be tolerated, notably to the extent the CMNE Group would not be required to implement its recovery options. Inclusion in this zone, calibrated notably on the basis of the results of the stress scenarios (ICAAP and ILAAP), would trigger an amber light;
- The third corresponds to a risk zone that is no longer tolerated, inclusion in which is evidenced by a breach of the recovery thresholds already defined by the Confederal Board of Directors (red zone), leading, depending on the procedures in force (in particular DCG 2016-01 on solidarity), to the implementation of the recovery options specified by the CMNE Group.

Beyond these zones, a "black zone" could mark the placing of an institution in resolution and the Single Resolution Mechanism taking control of it in the event of the Group's failing to recover.

The system is structured as follows:

Scenarios graduated on the basis of an increasing risk level			
Central scenario (current position)	Stressed scenario (deterioration calibrated on historical stress levels)	Extreme scenario (increased stress and reverse stress test)	Critical scenario (resolution plan)
"STE" forecasts	ICAAP	Recovery plan	Resolution plan
Appetite zone	**Tolerance zone**	**Recovery zone**	**Resolution zone**

Overall appetite limits or early-warning signals

Recovery threshold

Maximum capacity

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.

The risk appetite framework is supplemented by the limits system and the monitoring thereof, and the capital adequacy and liquidity statements:

T1
- The ICAAP approach, aimed at ensuring the Group has sufficient capital to cope with a stress situation, with a forward-looking vision over three years
- The ILAAP approach, involving assessing the adequacy of the Group's refinancing profile on the basis of its development model, its requirements and liquidity reserves (under normal and stress conditions)

T2
- The limits system for controlling risk taking and the key indicators system for monitoring a potential recovery situation
- The warning procedures if a significant incident occurs

T1 - 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	Operational risk
Reputational risk	Strategic risk	

- **Determining economic capital requirements** by assessing internal stress tests
- **Reverse stress test – solvency**
- **Projecting capital adequacy in relation to requirements based on the updated MTP and capital planning**

Liquidity adequacy (ILAAP)	
Measuring and monitoring liquidity	
Balance sheet ratios	Short-term liquidity
Increased refinancing costs	Transformation

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

T2 - Consolidated risk monitoring

Limits and warning thresholds

- **Group risk appetite and risk management policy**:
  Managing the following risks: credit, market, interest rate, liquidity, operational, participation, strategic and non-banking
- **Key indicators** (Crisis Recovery Plan)
- **Warning procedures** for significant incidents:

Levels validated by CNCM's Board of Directors	Levels validated by the CMNE Group	
Procedure for breaches of appetite and tolerance threshold and CRP indicators. CNCM's Board of Directors and Executive Management are informed and, where relevant, decisions are taken by the effective managers		
Profitability	Risk quality	Solvency
	Liquidity	

Crisis Recovery Plan (CRP)

Annual exercise at CMNE Group level

Monitoring the Group's risk capacity

Presented to the RISK COMMITTEE

- **Consolidated risk reporting: solvency ratio, ICAAP reporting, reporting on the following risks: credit, operational, settlement/delivery, ALM management**, capital markets activity, compliance, money-laundering and terrorism
- **Stress tests** on credit, interest rate, market and liquidity risk: ICAAP, ILAAP and STE
- **Monitoring of Group risk indicators**: Appetite and CRP

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 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: Differences between the accounting consolidation and prudential consolidation scopes - (LI3) - at 12/31/2018

Company	Accounting consolidation method	Prudential consolidation method	Description of the entity
CMNE Home Loans FCT	Full Consolidation	Equity method	Securitization fund
SPV JARNA	Full Consolidation	Equity method	SPV

Table 2: Differences between the accounting and regulatory consolidation scopes and allocation of financial statement items to the regulatory risk categories - (LI1) - at 12/31/2018

	a	b	c	d	e	f	g
	Carrying amounts						
	as per the published financial statements	in the regulatory consolidation scope	of items subject to the credit risk framework	of items subject to the counterparty risk framework	of items subject to the provisions relating to securitization	of items subject to the market risk framework	of items not subject to the capital adequacy requirements or subject to deduction from capital
Assets							
Cash and amounts due from central banks - Assets	982	982	982	-	-	-	-
Financial assets at fair value through profit or loss	1,376	1,031	1,007	142	-	23	-
Hedging derivative instruments - Assets	15	15	-	15	-	-	-
Financial assets at fair value through other comprehensive income (OCI)	2,755	3,256	3,256	-	-	-	-
Securities at amortized cost	147	147	(5)	-	-	-	152
Loans and receivables due from credit institutions at amortized cost	3,593	2,992	2,557	435	-	-	-
Loans and receivables due from customers at amortized cost	16,580	16,580	16,563	17	-	-	-
Remeasurement adjustment on interest-rate risk hedged investments	28	28	-	-	-	-	28
Investments by the insurance businesses and reinsurers’ share of technical reserves	(0)	(0)	(0)	-	-	-	-
Current tax assets	102	102	102	-	-	-	-
Deferred tax assets	50	50	50	-	-	-	-
Accruals and other assets	459	459	459	-	-	-	-
Non-current assets held for sale	86	86	86	-	-	-	-
Deferred profit sharing	-	-	-	-	-	-	-
Investments in associates	1,436	1,436	1,161	-	-	-	276
Investment property	33	33	33	-	-	-	-
Property, equipment and finance leases as lessee	243	243	243	-	-	-	-
Intangible assets	29	29	(1)	-	-	-	30
Goodwill	193	193	-	-	-	-	193
TOTAL ASSETS	**28,108**	**27,662**	**26,493**	**609**	**-**	**23**	**679**

	a	b	c	d	e	f	g
	Carrying amounts						
	as per the published financial statements	in the regulatory consolidation scope	of items subject to the credit risk framework	of items subject to the counterparty risk framework	of items subject to the provisions relating to securitization	of items subject to the market risk framework	of items not subject to the capital adequacy requirements or subject to deduction from capital
Liabilities							
Central banks - Liabilities	0	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss	670	324	0	138	0	0	186
Hedging derivative instruments - Liabilities	69	69	0	69	0	0	0
Due to credit institutions	1,947	1,847	0	266	0	0	1,581
Due to customers	17,555	17,555	0	0	0	0	17,555
Debt securities	2,932	2,932	0	0	0	0	2,932
Remeasurement adjustment on interest-rate risk hedged investments	0	0	0	0	0	0	0
Current tax liabilities	65	65	0	0	0	0	65
Deferred tax liabilities	1	1	1	0	0	0	0
Accruals and other liabilities	860	860	0	38	0	0	822
Liabilities associated with assets held for sale	47	47	0	0	0	0	47
Technical provisions	0	0	0	0	0	0	0
Due to credit institutions - FVO	0	0	0	0	0	0	0
Debt securities - FVO	0	0	0	0	0	0	0
Derivative instruments held for trading	0	0	0	0	0	0	0
Due to credit institutions	0	0	0	0	0	0	0
Hedging derivative instruments - Liabilities	0	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0	0
Debt securities	0	0	0	0	0	0	0
Subordinated debt issued by the insurance companies	0	0	0	0	0	0	0
Provisions for contingencies and charges	146	146	0	0	0	0	146
Subordinated debt issued by the banks	821	821	0	0	0	0	821
Shareholders' equity	2,994	2,994	0	0	0	0	2,994
Shareholders' equity attributable to owners of the company	2,994	2,994	0	0	0	0	2,994
Share capital and premiums	1,307	1,307	0	0	0	0	1,307
Consolidated reserves - Group	1,479	1,479	0	0	0	0	1,479
Unrealized gains and losses recognized in OCI - Group	74	74	0	0	0	0	74
Net income - Group	134	134	0	0	0	0	134
Shareholders' equity attributable to non-controlling interests	0	0	0	0	0	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**28,108**	**27,662**	**1**	**511**	**0**	**0**	**27,150**

Table 3: Main sources of differences between the regulatory amounts of the exposures and the carrying amounts in the consolidated financial statements - (L12) - at 12/31/2018

		a	b	c	d	e
		Total	Items subject to the			
			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)	**27,126**	26,493	609	0	23
2	Carrying amount of liabilities in the regulatory consolidation scope (as per table LI1)	**512**	1	511	0	0
3	Total net assets in the regulatory consolidation scope	**26,614**	26,493	98	0	23
4	Off-balance sheet commitments	**3,827**	3,827		-	
	Measurement adjustment on off-balance sheet commitments	**(2,680)**	(2,680)		-	
5	Measurement adjustments	**117**		117		
6	Adjustments resulting from different netting rules, other than those already recorded on line 2	**228**		170		58
7	Adjustments resulting from the recognition of provisions	**191**	191		-	
8	Adjustments resulting from prudential filters	**0**	0			
9	Other	**(95)**	(95)		-	
10	Regulatory value of exposures	**28,202**	27,736	385	0	81

Capital

Equity structure

Since January 1st, 2014, regulatory 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 (CET 1) 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 40% of their outstandings at December 31, 2012 for the 2018 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 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 1.875% conservation buffer, as such ratio is defined in the CRD IV regulation.

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

Prudential filters

As from January 1, 2018 and due to the expiry of the transitional provisions applied to unrealized gains (other than securities subject to cash-flow hedging), said gains are no longer filtered and are now included in CET 1 capital.

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

In contrast, unrealized gains and losses recognized for accounting purposes in other comprehensive income 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 capital instruments (AT1)

AT1 capital instruments consist of deeply subordinated notes issued in 2004, for an amount of €150 million, which is being gradually reclassified, at the rate of 10% per year, as T2. At December 31, 2018, the amount eligible as AT1 capital was 40% of the par value of the deeply subordinated notes, i.e. €60 million.

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
- Tier 2 capital, capped at one-third of Tier 1 capital.

Table 4: Reconciliation of the financial balance sheet/regulatory balance sheet/shareholders' equity - (CCC2) - at 12/31/2018

In € millions

	Accounting consolidation	Prudential consolidation	Variance			CET1	AT1	T2
Shareholders' equity	2,994	2,995	(1)		Capital	2,438	60	658
Shareholders' equity attributable to owners of the company - excl. OCI	**2,920**	**2,921**	**(1)**	1	**Capital attributable to owners of the company**	**2,889**		
Share capital and premiums	1,307	1,307	-		Paid-in capital and share premiums*	1,299		
Consolidated reserves - Group	1,479	1,480	(1)		Prior retained earnings	1,479		
Consolidated net income - attributable to owners of the company	134	134	-		Gain or loss (attributable to owners of the company)	134		
					(-) Non-qualifying share of interim or year-end profits	(23)		
Shareholders' equity attributable to non-controlling interests - excl. OCI	**0**	**1**		2	**Capital - non-controlling interests**	**0**	**0**	**0**
Consolidated reserves - Non-controlling interests	(18)	(14)	(4)		Qualifying non-controlling interests*	0	0	0
Consolidated net income - Non-controlling interests	18	15	3					
Unrealized gains or losses attributable to owners of the company	**74**	**73**	**1**		**Unrealized gains or losses attributable to owners of the company**	**74**		
of which equity instruments	*55*	*55*	-		*of which equity instruments**	*0*		
of which debt instruments	*48*	*48*	-		*of which debt instruments**	*7*		
of which cash flow hedges	*(11)*	*(11)*	-		*of which cash flow hedge reserves*	*(11)*		
Unrealized gains or losses attributable to non-controlling interests	**0**	**0**	**0**					
Other balance sheet items					**Other balance sheet items included in the capital calculation**	**(525)**	**60**	**658**
Intangible assets	29	29	-	3	(-) Gross amount of other intangible assets including deferred tax liabilities on intangible assets (a-b)	(29)		
Goodwill (including goodwill included in the value of investments in associates)	469	469	0		(-) Goodwill on intangible assets	(469)		
Deferred tax				4	(-) Deferred tax assets depending on future earnings and not resulting from temporary differences net of the associated tax liabilities	-		
• Assets	50	50	-					
of which deferred tax assets on tax loss carryforwards	-	-	-					
- Liabilities	1	1	-					
of which deferred tax liabilities on intangible assets	-	-	-					
Subordinated debt	821	821	0	5	Subordinated debt*		60	748
					Deductions and prudential filters (see following table)	(27)	-	(90)

* Existence of transitional provisions

	CET1	AT1	T2
Deductions and prudential filters	(27)	0	(90)
(-) 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	-	-	(152)
Excess deductions in relation to the equity level	-	-	-
Under the internal ratings-based approach, negative difference between provisions and expected losses	(36)		
Under the internal ratings-based approach, positive difference between provisions and expected losses			5
Credit risk adjustments (standardized approach)			57
Prudential filter: cash flow hedge reserves	11		
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	-		

Comments:

Differences with the prudential balance sheet and numbered 1 to 5 in the above table can be explained as follows:

1. Deduction in 2019 of interest on shares in respect of 2018;
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.

Table 5: Qualitative information on equity instruments - at 12/31/2018

Main features of CET1 capital instruments

		A shares	C shares	B shares	F shares
1	Issuer	Crédit Mutuel Nord Europe			
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Shares: 969500MOQLCWGNJR5B72			
3	Governing law of the instrument	Law No. 47-1775 of September 10, 1947 on the constitution of cooperatives and Article L. 512-1 of the French Monetary and Financial Code			
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)	48.48	1,115.61	99.79	31.89
9	Par value of instrument	48.48	1,115.61	99.79	31.89
9a	Issue price	48.48	1,115.61	99.79	31.89
9b	Redemption price	48.48	1,115.61	99.79	31.89
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	

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	4/10/2014	6/3/2014	8/6/2014	7/29/2014	9/3/2014	10/15/2014	10/15/2014	11/28/2014	3/10/2014	12/22/2014	4/2/2015	4/2/2015	4/27/2015	6/1/2015	12/23/2015	9/12/2016
12	Perpetual or dated	Dated															
13	• Original maturity date	4/10/2024	6/3/2024	8/6/2024	7/29/2024	9/3/2024	10/15/2024	10/15/2024	11/28/2024	6/27/2026	12/22/2026	4/2/2025	4/2/2025	4/27/2027	6/2/2025	12/23/1930	9/12/2026
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																	
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%	2.13%
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

Table 6: Detailed capital disclosure - at 12/31/2018

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	1,166,831	26 (1), 27, 28, 29, *EBA list* 26 (3)	
	of which: Shares	*1,164,081*	*EBA list 26 (3)*	
	of which: Share premiums	*2,750*	*EBA list 26 (3)*	
2	Retained earnings	1,479,422	26 (1) c	
3	Accumulated other comprehensive income (and other reserves)	73,853	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	131,683	486 (2)	
5	Non-controlling interests eligible for CET1	-	84, 479, 480	-
5a	Independently reviewed interim profits net of any foreseeable expense or dividend	111,226	26 (2)	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,963,015		
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(2,395)	34, 105	
8	Intangible assets (net of related tax liabilities) (negative amount)	(497,696)	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	10,732	33 a	
12	Negative amounts resulting from the calculation of expected losses	(35,476)	36 (1) d, 40, 159, 472 (6)	
13	Any increase in equity resulting from securitized assets (negative amount)	-	32 (1)	

		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
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) à (3), 79, 470, 472 (11)	-
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a risk weight of 1,250%, where the institution opts for the deduction alternative	-	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)*	-
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			
26a	Regulatory adjustments relating to unrealized gains and losses pursuant to Articles 467 and 468			
	of which: filter for unrealized loss on equity instruments		*467*	
	of which: filter for unrealized loss on debt instruments		*467*	
	of which: filter for unrealized gain on equity instruments		*468*	
	of which: filter for unrealized gain on debt instruments		*468*	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR		481	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (i)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	(524,835)		
29	Common Equity Tier 1 (CET1) capital	2,438,180		
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*			

		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
33	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase-out from AT1	60,000	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		85, 86, 480	-
35	*of which: instruments issued by subsidiaries subject to phase-out*		*486 (3)*	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	60,000		
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	60,000		
45	Tier 1 capital (T1 = CET1 + AT1)	2,498,180		
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	747,767	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	-	87, 88, 480	-
49	*of which: instruments issued by subsidiaries subject to phase-out*		*486 (4)*	
50	Adjustments for credit risk	61,933	62 c and d	
51	Tier 2 (T2) capital before regulatory adjustments	809,700		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 b (i), 66 a, 67,	-
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*	-		-

		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
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)	(151,715)	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)	-		
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		467, 468, 481	
Addition	*of which subsidies received by leasing companies*		*481*	
Addition	*of which unrealized gains on equity instruments reported as additional capital*		*481*	
Addition	*of which restatement for holding of capital instrument*	-	*481*	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(151,715)**		
58	**Tier 2 (T2) capital**	**657,985**		
59	**Total capital (TC = T1 + T2)**	**3,156,165**		
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 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**	**15,384,180**		
Capital ratios and buffers				
61	Common Equity Tier 1 capital (as a percentage of total risk exposure amount)	15.85%	92 (2) a, 465	
62	Tier 1 capital (as a percentage of total risk exposure amount)	16.24%	92 (2) b, 465	
63	Total capital (as a percentage of total risk exposure amount)	20.52%	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	1.875%	CRD 128, 129, 130	
65	*of which: capital conservation buffer requirement*	*1.875%*		
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)	11.35%	CRD 128	
69	[not relevant in EU regulation] [not relevant in EU regulation]			
70	[not relevant in EU regulation]			
71	[not relevant in EU regulation]			

		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
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)	24,025	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)	172,770	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)	45,311	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)	57,164	62	
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	57,164	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)	4,769	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	20,034	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	299,105	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	60,000	484 (4), 486 (3) and (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	(90,000)	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 12/31/2018

In € thousands

		Risk-weighted assets		Minimum capital requirements
		12/31/2018	12/31/2017	12/31/2018
1	Credit risk (excluding counterparty risk - CCR)	13,270,853	14,586,907	1,061,668
2	*of which standardized approach*	*4,421,640*	*4,174,970*	*353,731*
3	*of which foundation IRB (FIRB) approach*	*363,383*	*358,923*	*29,071*
4	*of which advanced IRB (AIRB) approach*	*3,325,515*	*3,328,105*	*266,041*
5	*of which equities under the IRB approach*	*5,160,315*	*6,724,909*	*412,825*
6	Counterparty risk	124,006	348,697	9,921
7	*of which market value*	*51,696*	*158,419*	*4,136*
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*	*72,311*	*190,278*	*5,785*
13	Settlement risk			
14	Securitization exposures in the banking book			
15	*of which foundation IRB (FIRB) approach*			
16	*of which Supervisory Formula Method*			
17	*of which internal assessment approach*			
18	*of which standardized approach*			
19	Market risk	82,052	299,257	6,564
20	*of which standardized approach*	*82,052*	*299,257*	*6,564*
21	*of which approaches based on the internal model method (IMM)*			
22	Major risks			
23	Operational risk	1,362,066	1,246,029	108,965
24	*of which Basic Indicator Approach*	*20,509*	*21,513*	*1,641*
25	*of which standardized approach*	*435,440*	*444,699*	*34,835*
26	*of which Advanced Measurement Approach*	*906,116*	*779,817*	*72,489*
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	545,203	456,625	43,616
28	Floor adjustment			
29	**TOTAL**	**15,384,180**	**16,937,515**	**1,230,734**

Prudential indicators

Solvency ratios

The Crédit Mutuel Nord Europe Group's solvency ratios at December 31, 2018, after the integration of income net of the estimated dividend pay-out, totaled:

Table 8: Solvency ratios

In € millions

	12/31/2018	12/31/2017
Common Equity Tier 1 (CET1) capital	2,438	2,660
Additional Tier 1 (AT1) capital	60	0
Tier 2 capital	658	702
TOTAL CAPITAL	3,156	3,362
Risk-weighted assets in respect of credit risk	13,868	15,202
Risk-weighted assets in respect of market risk	154	490
Risk-weighted assets in respect of operational risk	1,362	1,246
TOTAL RISK-WEIGHTED ASSETS	15,384	16,938
CET 1 ratio	15.85%	15.70%
T1 ratio	16.24%	15.70%
SOLVENCY RATIO	**20.52%**	**19.85%**

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 (CET1) ratio of 9.75%, as required by the ECB.

Countercyclical capital buffer

Table 9: Countercyclical buffer amount applied to the bank - at 12/31/2018

In € millions

Total risk-weighted assets	15,384
Countercyclical buffer amount applied to the bank	0.000005
Countercyclical buffer requirements applicable to the bank	0

Table 10: Geographical breakdown of relevant credit exposures for calculating the countercyclical capital buffer - at 12/31/2018

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 securitization portfolio exposures		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	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.000%	2.00%
Czech Republic	0.03	0.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.000%	1.00%
Hong Kong	0.76	0.01	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.03	0.000%	2.00%
Iceland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.000%	1.00%
Lithuania	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.000%	1.00%
UK	6.76	1.65	0.00	0.00	0.00	0.00	0.43	0.00	0.00	0.43	0.000%	1.00%
Slovakia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.000%	1.00%
Sweden	0.09	0.02	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.01	0.000%	2.00%
TOTAL EXPOSURES AND CAPITAL REQUIREMENTS	**6,090**	**14,373**	**0**	**0**	**0**	**0**	**1,027**	**0**	**0**	**1,027**		

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

- A conservation buffer which is mandatory for all banks: 1.875% as at December 31, 2018 with a target of 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 0.375% at December 31, 2018 with a target of 0.5% (2019);
- A specific countercyclical capital buffer for each entity (capped at 0.625% in 2016), 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). In 2018, the ***Haut Conseil de Stabilité Financière*** set this rate at 0% for France. It has also recognized rates of 2% for Norway and 2% for Sweden (from January 1, 2018 to December 31, 2018 the mandatory recognition of countercyclical capital buffer rates implemented in other states was capped at 1.875%. 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

During 2018, the Crédit Mutuel Nord Europe Group (CMNE) transferred its stake in Nord Europe Assurance (NEA) to the Groupe des Assurances du Crédit Mutuel (GACM), to facilitate the merger of the two entities.

GACM's absorption of NEA and its subsidiaries was approved by the competent supervisory authorities and, in particular, by the ACPR in a decision published in the Official Journal of June 27, 2018. It had retroactive effect, for tax and accounting purposes, to January 1, 2018 but was recognized in the consolidated financial statements only as of June 30, 2018. This merger has enabled GACM to strengthen all of its positions, in France and in Belgium, to minimize costs and maximize resources.

Following this merger, the CMNE Group held 10.22% of the new GACM Group and GACM is now accounted for by the equity method in the Group's financial statements.

Until June 30, 2018, the CMNE Group continued to operate as in previous years.

An information exchange process has been introduced involving Crédit Mutuel Alliance Fédérale's risk control entities and the CMNE Group. The aim is to enable the CMNE Group to have all of the information it needs to assess the consistency and coordination of the structures and the control and management processes and policies.

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 capital 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 solvency 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.

Table 11 - Non-deducted participations in insurance undertakings - (INS1) at 12/31/2018

In € millions

	Value
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk-weighting)	1,006
TOTAL RWAS	**3,722**

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 12: Leverage ratio common disclosure - (LRCOM) - at 12/31/2018

In € millions

		Exposures at 12/31/2018
Balance sheet (excluding derivatives and securities financing transactions)		
1	Balance sheet items (excluding derivatives, securities financing transactions and fiduciary assets, but including collateral)	26,591
2	(Assets deducted to determine Tier 1)	(35)
3	Total balance sheet exposure (excluding derivatives, securities financing transactions and fiduciary assets) - sum of lines 1 and 2	26,555
Derivatives		
4	Replacement cost associated with all derivatives (i.e. net of eligible margin calls received)	12
5	Add-on for potential future exposures associated with derivatives (market price valuation method)	106
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)	(119)
8	(Exempted CCP leg of client-cleared trade exposures)	
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	(1)
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	273
14	Counterparty credit risk exposure for SFT assets	11
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of the CRR	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	Total securities financing transaction exposures - sum of lines 12 to 15a	284
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amounts	2,758
18	(Adjustments to credit risk equivalent amounts)	(1,468)
19	Other off-balance sheet exposures - sum of lines 17 and 18	1,290
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))	-
EU-19b	(Exemption of exposures pursuant to Article 429.14 of the CRR (on-balance sheet and off-balance sheet))	-
Equity and total exposure		
20	Tier 1	2,498
21	Total exposures - sum of lines 3, 11, 16, 19, EU-19a and EU-19b	28,128
Leverage ratio		
22	Leverage ratio	8.9%
Choice of transitional arrangements and amounts of derecognized fiduciary items		
EU-23	Choice of transitional arrangements for defining capital measurement	YES

Capital adequacy

Table 13: 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 12/31/2018

In € millions

		Exposures at 12/31/2018
1	Consolidated assets as published in the financial statements	28,108
2	Adjustments on entities consolidated for accounting purposes but outside the regulatory scope	(446)
4	Adjustments on derivatives	(159)
5	Adjustments on securities financing transactions (SFTs)	11
6	Adjustments on off-balance sheet items (conversion of off-balance sheet items to credit equivalents)	1,290
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	(677)
8	**TOTAL LEVERAGE RATIO EXPOSURE**	**28,128**

Table 14: Breakdown of balance sheet exposures (except derivatives, SFTs and exempted exposures) - (LRSpl) - at 12/31/2018

In € millions

		Exposures at 12/31/2018
EU-1	**Total balance sheet exposures*, of which:**	**26,472**
EU-2	**• Trading book exposures**	**68**
EU-3	**• Banking book exposures, of which:**	**26,403**
EU-4	Guaranteed bonds	9
EU-5	Exposures treated as sovereign exposures	3,726
EU-6	• Exposures on regional governments, multilateral development banks, international organizations and public-sector entities not treated as sovereign exposures	16
EU-7	Institutions	3,497
EU-8	Exposures secured by a mortgage on immovable property	8,646
EU-9	Retail exposures	6,036
EU-10	Corporate exposures	1,573
EU-11	Exposures in default	444
EU-12	Other exposures (equities, securitizations and other assets not related to credit exposures)	2,455

*Excluding derivatives, securities financing transactions and exempted exposures.

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 Supervisor concerning the level of capital adequacy retained by the institution.

The work carried out by the Crédit Mutuel Group to bring it into compliance with Pillar 2 ties in with improvements to the credit risk measurement and monitoring system. In 2008, the Crédit Mutuel Group rolled out its internal capital assessment framework as part of the Internal Capital Adequacy Assessment Process (ICAAP). This assessment process has since been expanded and is now formalized in a national general framework, which was approved by CNCM's Board of Directors at its meeting on March 2, 2016. This framework is an extension of the general risk appetite framework and applies to all levels of the Crédit Mutuel Group.

The ICAAP process is fully integrated into the risk governance framework. There are three stages to the implementation process:

- The identification of the significant risks incurred by the bank and the associated procedures, in close collaboration with risk management and with the aid of an overall Group risk mapping updated each year;
- The assessment of the ability of these risks to be absorbed on an ongoing basis by the regulatory capital adequacy requirements defined under Pillar I;

- The determination, where relevant, of the level of economic capital to be set in addition.

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 Crédit Mutuel Group's risk policy and overall stress program, based on a holistic and forward-looking approach.

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 Group's risk profile (having regard to its current and future activities) and its degree of risk aversion.

The results of the ICAAP, which are regularly presented to the governing bodies of the Crédit Mutuel Group and of CMNE, enable CMNE to certify that it has an adequate level of capital to cover its risk exposure in accordance with its solvency appetite.

Credit risk

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

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.

In 2018, in connection with the TRIM (Targeted Review of Internal Models), the European Central Bank confirmed the authorization given to the Crédit Mutuel Group in respect of the home loan and retail customer portfolio.

The Crédit Mutuel Group obtained authorization to apply the internal method to the real estate development scope (0.7% of corporate outstandings). This method has been applied since March 31, 2018.

The CMNE Group was authorized to use the advanced internal ratings-based approach in respect of nearly 69% of its exposures at December 31, 2018. The foundation method is not used.

Chart 1: Share of gross exposures at 12/31/2017

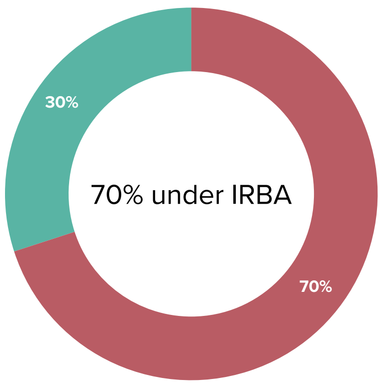
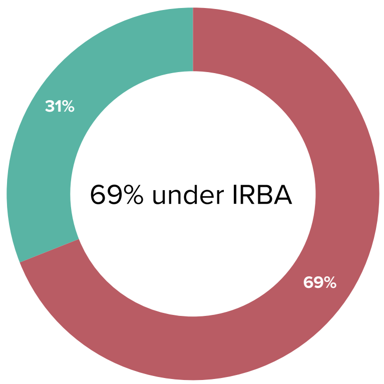


Chart 2: Share of gross exposures at 12/31/2018



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

Table 15: Net exposures (gross exposures - provision)

In € millions

			12/31/2018			12/31/2017
	IRB	Standard	TOTAL	IRB	Standard	TOTAL
Governments and central banks	0	3,729	3,729	0	3,507	3,507
Credit institutions	2,816	750	3,566	2,904	804	3,708
Corporates	1,908	418	2,326	2,031	595	2,625
Retail customers	11,387	5,694	17,082	10,999	5,356	16,354
Equities	1,577	152	1,729	1,986	60	2,045
Securitization	0	0	0	0	0	0
Other non-credit obligation assets	363	363	726	306	184	490
TOTAL - ON AND OFF-BALANCE SHEET	18,052	11,106	29,158	18,224	10,506	28,730
Derivatives	24	94	118	424	14	438
Resale agreements	267	0	267	272	0	272
GRAND TOTAL	**18,343**	**11,200**	**29,544**	**18,920**	**10,520**	**29,440**

Net on-balance sheet and off-balance sheet exposures rose by €428 million in one year. This increase was driven by Retail customers and by Governments and central banks. Conversely, the Equities, Corporates and Credit Institutions categories decreased.

Table 16: Total and average net amount of exposures - (CRB-B) - at 12/31/2018

In € millions

		Net exposures at end of period	Average net exposures
1	Governments and central banks	-	-
2	Credit institutions	2,816	2,927
3	Corporates	1,908	1,964
4	*of which: specialized financing*	*-*	*-*
5	*of which: SMEs*	*1,003*	*1,010*
6	Retail customers	11,387	11,229
7	• Exposures secured by a mortgage on immovable property	6,408	6,341
8	- SMEs	618	604
9	- Non-SMEs	5,790	5,737
10	• Revolving	1,189	1,177
11	• Other - retail customers	3,790	3,710
12	- SMEs	1,755	1,695
13	- Non-SMEs	2,035	2,015
14	Equities	1,577	1,287
14a	Other assets	363	379
15	Total IRB approach	18,052	17,786
16	Governments and central banks	1,559	1,749
17	Regional governments or local authorities	222	152
18	Public sector (public bodies excluding central governments)	1,964	1,923
19	Multilateral development banks	-	-
20	International organizations	-	-
21	Credit institutions	734	655
22	Corporates	119	344
23	*of which: SMEs*	*74*	*204*
24	Retail customers	3,319	3,326
25	*of which: SMEs*	*386*	*325*
26	Exposures secured by a mortgage on immovable property	2,350	2,080
27	*of which: SMEs*	*528*	*358*
28	Exposures in default	323	317
29	Exposures associated with particularly high risk	1	5
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)	98	68
33	Exposures to equities	54	18
34	Other assets	363	210
35	Total standardized approach	11,106	10,847
36	**TOTAL**	**29,158**	**28,632**

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 59% at December 31, 2018 (2 points higher than at December 31, 2017). 51% 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 Monday, December 31, 2018 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 17: Geographical breakdown of exposures - (CRB-C) - at 12/31/2018

In € millions

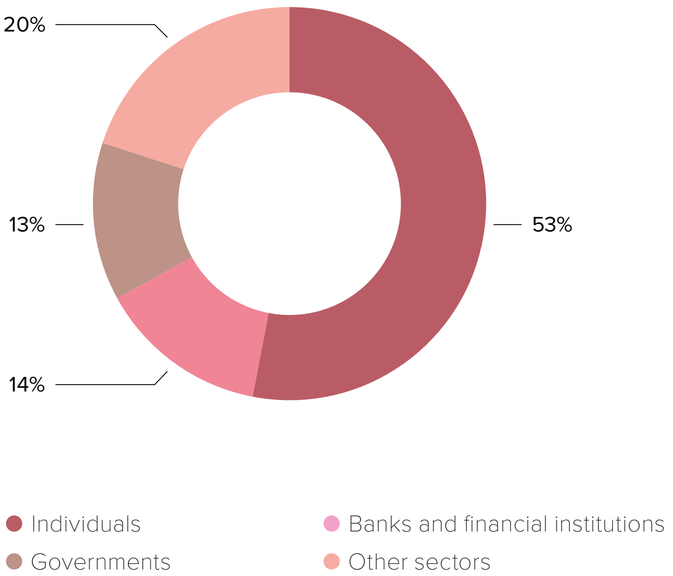
		Europe	France	Germany	Belgium	Spain	Luxembourg	Netherlands	Switzerland	UK	Other	Rest of the world	USA	Canada	Other	Total
1	Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2	Credit institutions	2,582	1,960	23	65	-	87	107	15	225	100	235	149	41	44	**2,816**
3	Corporates	1,906	1,878	2	18	-	-	-	-	-	9	2	2	-	-	**1,908**
4	Retail customers	11,377	11,343	1	26	1	1	0	3	2	2	10	2	0	7	**11,387**
5	Equities	1,574	1,572	-	1	-	0	-	-	-	-	3	3	-	-	**1,577**
5a	Other assets	363	363	-	-	-	-	-	-	-	-	-	-	-	-	**363**
6	TOTAL IRB APPROACH	17,802	17,116	26	110	1	87	107	18	227	111	250	157	42	52	18,052
7	Governments and central banks	1,509	660	-	848	0	-	-	-	-	-	50	-	50	-	**1,559**
8	Regional governments or local authorities	164	52	-	112	-	-	-	-	-	-	58	-	58	-	**222**
9	Public sector (public bodies excluding central governments)	1,964	1,961	-	3	-	-	-	-	-	-	-	-	-	-	**1,964**
10	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
11	International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
12	Credit institutions	714	379	60	76	-	1	52	21	31	93	20	20	-	-	**734**
13	Corporates	119	38	-	79	-	2	-	-	-	-	-	-	-	-	**119**
14	Retail customers	3,313	23	1	3,275	2	9	1	0	1	2	6	1	0	5	**3,319**
15	Exposures secured by a mortgage on immovable property	2,347	322	1	2,014	0	5	2	0	2	0	3	0	-	3	**2,350**
16	Exposures in default	322	24	0	294	0	1	1	0	0	1	1	0	0	1	**323**
17	Exposures associated with particularly high risk	1	1	-	-	-	-	-	-	-	-	-	-	-	-	**1**
18	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
19	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
20	Exposures in the form of units or shares in collective investment undertakings (CIUs)	98	73	-	25	-	0	-	-	-	-	-	-	-	-	**98**
21	Exposures to equities	54	30	19	5	-	-	-	-	-	-	-	-	-	-	**54**
22	Other assets	362	223	0	127	0	9	-	-	3	-	1	1	-	-	**363**
23	TOTAL STANDARDIZED APPROACH	10,966	3,787	81	6,855	3	27	56	22	39	96	140	22	108	10	11,106
24	**TOTAL**	**28,769**	**20,903**	**107**	**6,965**	**4**	**114**	**163**	**39**	**266**	**207**	**390**	**179**	**150**	**61**	**29,158**

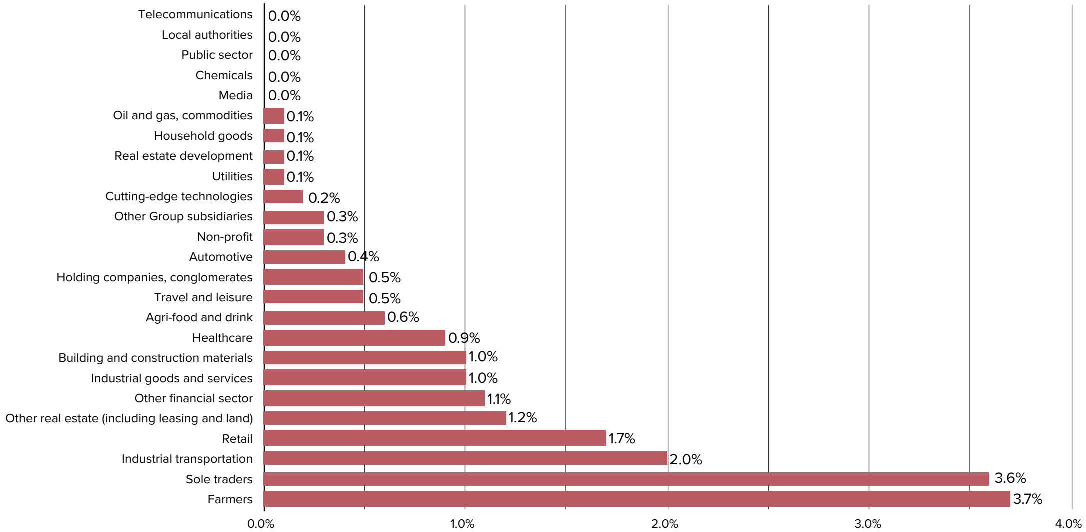
Exposures by industry or counterparty type

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 (53%), banks and financial institutions (14%) and governments (13%). 25 other business sectors represent in total 20% 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) -12/31/2018





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

Maturity of exposures

Table 18: Maturity of exposures - (CRB-E) - at 12/31/2018

In € millions

		a	b	c	d	e	f
		Net exposures on demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
1	Governments and central banks	-	-	-	-	-	-
2	Credit institutions	422	604	829	423	539	**2,816**
3	Corporates	254	299	515	247	594	**1,908**
4	Retail customers	1,004	1,277	3,667	4,811	629	**11,387**
5	Equities	7	-	352	-	1,218	**1,577**
5a	Other assets	3	21	-	35	303	**363**
6	Total IRB approach	1,690	2,201	5,363	5,516	3,282	18,052
7	Governments and central banks	983	98	41	160	276	**1,559**
8	Regional governments or local authorities	0	2	6	8	206	**222**
9	Public sector (public bodies excluding central governments)	187	22	71	1,681	4	**1,964**
10	Multilateral development banks	-	-	-	-	-	-
11	International organizations	-	-	-	-	-	-
12	Credit institutions	0	46	-	-	688	**734**
13	Corporates	6	0	22	2	88	**119**
14	Retail customers	27	(2)	4	-	3,290	**3,319**
15	Exposures secured by a mortgage on immovable property	11	36	147	156	2,001	**2,350**
16	Exposures in default	(1)	(73)	32	12	354	**323**
17	Exposures associated with particularly high risk	-	1	-	-	-	**1**
18	Covered bonds	-	-	-	-	-	-
19	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
20	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	98	**98**
21	Exposures to equities	-	-	-	-	54	**54**
22	Other assets	2	342	-	14	5	**363**
23	Total standardized approach	1,215	472	323	2,033	7,064	11,106
24	**TOTAL**	**2,905**	**2,673**	**5,686**	**7,548**	**10,347**	**29,158**

Credit quality of assets

CRB-A – Additional disclosure related to the credit quality of assets

Impaired and past-due exposures

A unified definition of default has been introduced for the entire Crédit Mutuel Group. Based on an alignment of prudential rules to accounting regulations (CRC 2002-03), this definition draws a correlation between the Basel concept of default and the accounting notion of non-performing loans and loans in litigation. The information systems take contagion into account, thereby allowing related loans to be downgraded. Controls carried out by the Internal Inspection unit and the Statutory Auditors ensure the reliability of the arrangements for identifying defaults used for calculating capital requirements.

Exposures are classified as in default on the 90th day in the event of a materiality threshold being exceeded (€1 for loans and €150 for overdrafts).

Following the migration of its IT systems, the default classification is applied within Beobank in accordance with the CMNE Group's definition.

The financial definitions and information concerning payment arrears are also included in the financial report, in the section entitled "Payment arrears".

Impairment provisions for credit risk

Application of IFRS 9 is mandatory as of January 1, 2018. It replaces 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).

It should be noted that the Group is not applying the transitional provisions of IFRS 9 (as the capital, capital ratios and leverage ratios already reflect the full impact of IFRS 9).

Pursuant to IFRS 9, the Crédit Mutuel Group divides into three categories all of its debt instruments measured at amortized cost or at fair value through other comprehensive income:

- 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: loss allowance provided for 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, and
- Status 3: category comprising financial assets that are non-performing or in dispute 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 previously impaired individually under IAS 39.

Consequently, and in accordance with the EBA's position, all of the Group's impairment provisions for credit risk correspond to specific impairment provisions.

Definition of the boundary between statuses 1 and 2

The Group uses the models developed for prudential purposes and has therefore applied a similar breakdown of its outstanding loans:

- Low Default Portfolios (LDP);
- High Default Portfolios (HDP).

A significant increase in credit risk, which entails transferring a loan out of status 1 into status 2, is 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, where the counterparty rating system is common to the entire Group. All the Group's counterparties eligible for internal approaches are rated by the system. This system is 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 (HDP);
- rating grids developed by experts (LDP).

Change in risk since initial recognition is measured on a contract-by-contract basis. Unlike status 3, transferring a customer's contract into status 2 does not entail transferring all the customer's outstanding loans or those of related parties (absence of contagion).

It should be noted that the Group transfers immediately to status 1 any performing exposure that no longer meets the criteria (both qualitative and quantitative) for inclusion in status 2.

Quantitative criteria

For LDP portfolios, the boundary is based on an allocation matrix that relates the internal ratings at origination and at the reporting date. As a result, the more high risk the rating is at origination, the lower the Group's relative tolerance is faced with a significant increase in the risk.

For HDP portfolios, a continuous and growing boundary curve relates the probability of default at origination and the probability of default at the reporting date. The Group does not use the operational simplification offered by the standard, which allows outstanding loans with low risk at the reporting date to be maintained in status 1.

Qualitative criteria

As well as the above quantitative data, the Group uses qualitative criteria such as payments not made or overdue by more than 30 days, the notion of restructured loans, etc.
Methods based exclusively on qualitative criteria are used for those entities or small portfolios that are classified for prudential purposes under the standardized approach and that do not have rating systems.

Statuses 1 and 2 - calculation of expected credit losses

Expected credit losses are measured by multiplying the outstanding amount of the loan, discounted at the contract rate, by its probability of default (PD) and by the loss given default (LGD) rate. The off-statement of financial position exposure is converted to an on-statement of financial position equivalent based on the probability of a drawdown. The one-year probability of default is used for status 1 and the probability curve at termination (one to ten years) for status 2.

These parameters are based on a framework common to the prudential models, with the formulae being adapted to IFRS 9 requirements. They are used for both assignment to the statuses and the calculation of expected losses.

Forward-looking aspect

To calculate expected credit losses, the standard requires that reasonable and justifiable information, including forward-looking information, be taken into account. The development of the forward-looking aspect requires anticipating changes in the economy and relating these anticipated changes to the risk parameters. This forward-looking aspect is determined at the Group level and applies to all the parameters.

For high default portfolios, the forward-looking aspect included in the probability of default takes into account three scenarios (optimistic, neutral and pessimistic), which will be weighted based on the Group's view of changes in the economic cycle over five years (validated by the Chief Executive Officers of the various regional groups and of the Crédit Mutuel Group). The Group relies mainly on macroeconomic data (GDP, unemployment rate, inflation rate, short-term and long-term interest rates, etc.) supplied by the OECD. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

- they are recent, meaning they occurred a few weeks before the reporting date;
- they cannot be included in a scenario: for example, regulatory changes that will certainly have a significant effect on the risk parameters and whose impact can be measured by making certain assumptions.

The forward-looking aspect for maturities other than one year is derived in particular from the forward-looking aspect for the one-year maturity.

The forward-looking aspect is also included in the LGD by incorporating information observed over a period close to current conditions.

For low default portfolios, forward-looking information is incorporated into the large accounts and bank models, and not into the local governments, sovereigns and specialized financing models. The approach is similar to that used for high default portfolios.

Status 3 – Non-performing loans

Under status 3, impairment is recognized when there is objective evidence of a measurable 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 estimated future cash flows associated with the loan, taking into account any guarantees, discounted at the original effective interest rate. For variable-rate loans, the last known contractual interest rate is used.

Table 19 - Breakdown of outstandings and impairment provisions by status - at 12/31/2018

In € millions

On-balance sheet	Provisionable outstandings	Impairment provisions
Status 1	21,096	(48)
Status 2	1,066	(49)
Status 3	909	(506)

Off-balance sheet	Provisionable outstandings before CCF	Provisions
Status 1	3,776	(2)
Status 2	45	(1)
Status 3	10	(2)

Restructured exposures

Exposures are restructured as a result of the debtor's financial difficulties. Restructuring causes the Group to make concessions to the debtor (changes in the contract terms such as the rate or term, partial waiver, additional financing that would not have been granted in the absence of such difficulties, etc.). The Group has the means in its IT systems to identify restructured exposures in its performing and non-performing portfolios, which are defined using the principles set out by the EBA on October 23, 2013. Restructuring does not automatically result in a transfer to non-performing (status 3) but does result, as a minimum, in a transfer to status 2.

Performing and non-performing exposures

The following tables provide a breakdown of outstanding non-performing loans and loans in litigation and the related provisions at December 31, 2018 according to their industry or counterparty type, their Basel treatment method and their geographic area.

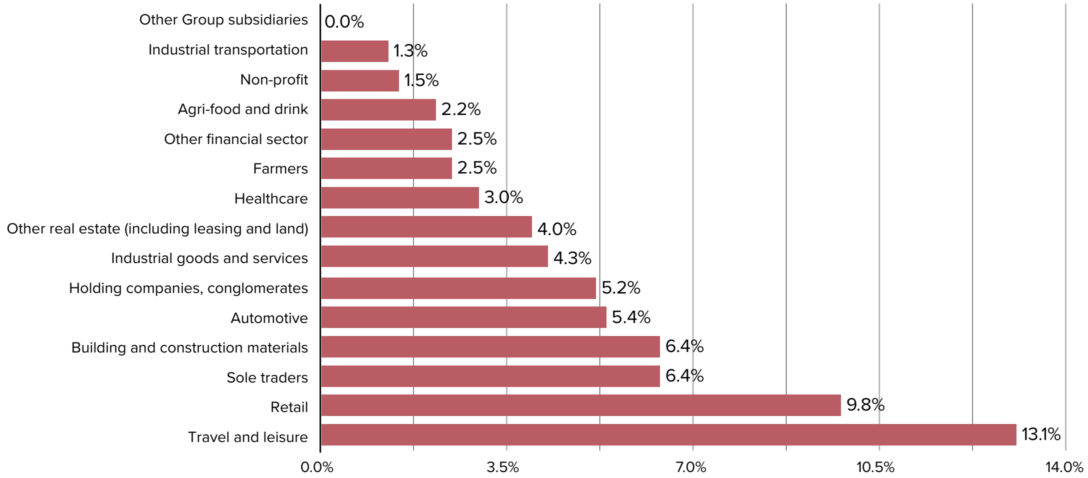
Table 20: Credit quality of exposures by exposure class and instrument - (CR1-A) - at 12/31/2018

In € millions

		b	a		c	d	g
		Gross exposures		Provisions	Specific provisions	Collective provisions	Net exposures
		Performing exposures	Non-performing exposures				(a+b-c-d)
1	Governments and central banks	-	-	-	-	-	-
2	Credit institutions	2,817	-	-	-	-	2,816
3	Corporates	1,893	40	24	24	-	1,908
4	*of which: specialized financing*	-	-	-	-	-	-
5	*of which: SMEs*	*994*	*24*	*15*	*15*	-	*1,003*
6	Retail customers	11,300	250	163	163	-	11,387
7	• Exposures secured by a mortgage on immovable property	6,346	117	55	55	-	6,408
8	- SMEs	612	16	10	10	-	618
9	- Non-SMEs	5,734	101	45	45	-	5,790
10	• Revolving	1,187	13	11	11	-	1,189
11	• Other - retail customers	3,767	120	97	97	-	3,790
12	• SMEs	1,748	46	38	38	-	1,755
13	• Non-SMEs	2,020	74	59	59	-	2,035
14	Equities	1,577	-	-	-	-	1,577
14a	Other assets	363	-	-	-	-	363
15	TOTAL IRB APPROACH	17,950	289	188	188	-	18,052
16	Governments and central banks	1,559	-	-	-	-	1,559
17	Regional governments or local authorities	222	-	-	-	-	222
18	Public sector (public bodies excluding central governments)	1,964	-	-	-	-	1,964
19	Multilateral development banks	-	-	-	-	-	-
20	International organizations	-	-	-	-	-	-
21	Credit institutions	734	-	-	-	-	734
22	Corporates	122	-	3	3	-	119
23	*of which: SMEs*	*77*	-	*3*	*3*	-	*74*
24	Retail customers	3,419	-	36	36	-	3,319
25	*of which: SMEs*	*394*	-	*8*	*8*	-	*386*
26	Exposures secured by a mortgage on immovable property	2,365	-	15	15	-	2,350
27	*of which: SMEs*	*534*	-	*7*	*7*	-	*528*
28	Exposures in default	-	620	361	361	-	323
29	Exposures associated with particularly high risk	1	-	-	-	-	1
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)	98	-	-	-	-	98
33	Exposures to equities	54	-	-	-	-	54
34	Other assets	363	-	-	-	-	363
35	TOTAL STANDARDIZED APPROACH	10,901	620	415	415	-	11,106
36	**TOTAL**	**28,851**	**909**	**603**	**603**	**-**	**29,158**

Non-performing exposures represent 3.1% of the Group's total exposures. A 60% provision has been recognized in respect of them.

Chart 4: Industry breakdown of exposures in default - (RC1-B) - at 12/31/2018



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 21: Credit quality of exposures by geographic region - (CR1-C) - at 12/31/2018

In € millions

		b	a		c	d	g
		Gross exposures		Provisions	Specific provisions	Collective provisions	Net exposures
		Performing exposures	Non-performing exposures				(a+b-c-d)
1	Europe	28,462	902	599	599	-	28,768
2	• France	20,779	323	199	199	-	20,903
3	• Germany	106	2	2	2	-	107
4	• Belgium	6,787	561	383	383	-	6,965
5	• Spain	3	2	2	2	-	4
6	• Luxembourg	114	4	4	4	-	114
7	• Netherlands	162	3	3	3	-	163
8	• Switzerland	39	1	-	-	-	39
9	• UK	266	3	3	3	-	266
10	• Other	206	3	3	3	-	207
11	Rest of the world	388	8	6	6	-	390
12	• United States	179	1	1	1	-	179
13	• Canada	150	1	1	1	-	150
14	• Other	60	6	5	5	-	61
15	**TOTAL**	**28,851**	**909**	**603**	**603**	**-**	**29,158**

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

Table 22: Aging of past-due exposures - (CR1-D) - at 12/31/2018

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	Past due > 30 days ≤ 90 days	Probability of past due or past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 5 years	Past due > 5 years
1	**Loans**	**20,013**	**141**	**177**	**44**	**88**	**458**	**142**
	• Loans at amortized cost	20,013	141	177	44	88	458	142
	• Loans at fair value through other comprehensive income	0	0	0	0	0	0	0
	• Loans at fair value through profit or loss	0	0	0	0	0	0	0
2	**Debt securities**	**4,197**	**0**	**0**	**0**	**0**	**0**	**0**
	• Securities at amortized cost	147	0	0	0	0	0	0
	• Securities at fair value through other comprehensive income	3,190	0	0	0	0	0	0
	• Securities at fair value through profit or loss	861	0	0	0	0	0	0
3	**TOTAL**	**24,210**	**141**	**177**	**44**	**88**	**458**	**142**

Table 23: Non-performing and forborne exposures - (CR1-E) - at 12/31/2018

In € millions

		a	b	c	d	e	f	g	h	i	j	k	l	m
		Gross carrying values of performing and non-performing exposures							Accumulated impairment provisions and negative fair value adjustment attributable to credit risk				Collateral and guarantees received	
			Of which performing but past due >30 days and ≤90 days	Of which performing forborne loans	Of which non-performing loans				Of which performing loans		Of which non-performing loans			
						Of which loans in default	Of which loans downgraded for accounting purposes	Of which forborne loans		Of which forborne loans		Of which forborne loans	Of which non-performing loans	Of which forborne loans
010	Debt securities	4,197	0	0	0	0	0	0	1	0	0	0	0	0
020	Loans and advances	21,063	141	43	909	909	909	73	96	2	506	22	163	45
030	Off-balance sheet	3,831		0	10	10		0	2	0	2	0	1	0

At December 31, 2018, outstanding forborne loans for the CMNE Group totaled €116 million, including €73 million of non-performing loans (63%).

Reconciliation of credit risk adjustments

Table 24: Changes in the stock of general and specific credit risk adjustments - (CR2-A) - at 12/31/2018

In € millions

	a	b
	Accumulated specific credit risk adjustments	Accumulated general credit risk adjustments
Opening balance	(640)	
Increases due to origination and acquisition	(49)	
Decreases due to derecognition	40	
Changes due to changes in credit risk (net)	(3)	
Changes due to modifications without derecognition (net)	0	
Changes due to updating of models	0	
Reversals of provisions due to write-offs	33	
Exchange rate differences	0	
Business combinations, including acquisitions and disposals of subsidiaries	0	
Other	17	
Closing balance	(603)	
Recoveries on assets previously written off	1	
Amounts written off	(40)	

As from January 1, 2018, due to the application of IFRS 9, collective provisions are no longer recognized.

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 to 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 the 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 25: Breakdown of exposures under the standardized approach - (CR5) - at 12/31/2018

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%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Other	Deducted	Total
1	Governments and central banks	1,513	-	-	-	-	-	-	-	-	-	-	45	-	-	-	-	1,559
2	Regional governments or local authorities	169	-	-	-	52	-	-	-	-	-	-	-	-	-	-	-	221
3	Public sector (public bodies excluding central governments)	1,962	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	1,963
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Credit institutions	22	-	-	-	398	-	315	-	-	3	-	-	-	-	-	-	739
7	Corporates	-	-	-	-	1	-	23	-	-	83	-	-	-	-	-	-	107
8	Retail customers	-	-	-	-	-	-	-	-	2,826	-	-	-	-	-	-	-	2,826
9	Exposures secured by a mortgage on immovable property	-	-	-	-	-	1,508	-	-	563	248	-	-	-	-	-	-	2,319
10	Exposures in default	-	-	-	-	-	-	-	-	-	198	118	-	-	-	-	-	317
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	98	-	-	-	-	-	-	98
15	Exposures to equities	-	-	-	-	-	-	-	-	-	54	-	-	-	-	-	-	54
16	Other assets	-	-	-	5	1	-	-	-	-	334	-	-	-	-	22	-	363
17	**TOTAL**	**3,667**	**-**	**-**	**5**	**454**	**1,508**	**338**	**-**	**3,389**	**1,019**	**119**	**45**	**-**	**-**	**22**	**-**	**10,567**

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 CRE template to be met.

CRE – Qualitative disclosure requirements related to IRB models

Rating procedures and parameters

Rating algorithms and expert models have been developed to improve the Group's credit risk assessment and to comply with the regulatory requirements concerning internal rating approaches.

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).

Irrecoverable non-performing loans are a sub-set of category E-, and are identified in the information system by the rating E=.

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 sector	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 asset, FS - projects: 4 models according to the sector, FS - 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
		Farmers	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 26: IRB approach - Credit risk exposures by exposure class and PD range - (CR6) - at 12/31/2018

This table includes only those categories subject to the internal ratings-based approach that have exposures.

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	RWA	RWA density	EL	Value adjustments and provisions
1) Credit institutions											
0 to < 0.15	2,566	49	76%	2,603	0.05%	38.74%	3	512	20%	0	0
0.15 to < 0.25	177	-	0%	177	0.23%	31.20%	3	82	46%	0	0
0.25 to < 0.50	20	-	0%	20	0.44%	40.00%	3	16	81%	0	-
0.50 to < 0.75	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.75 to < 2.50	5	-	0%	5	1.02%	45.00%	3	6	126%	0	-
2.50 to < 10.00	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
10.00 to < 100.00	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
100.00 (default)	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
Sub-total	2,768	49	76%	2,805	0.07%	38.28%	3	617	22%	1	0
2) Corporates											
0 to < 0.15	229	32	71%	251	0.09%	40.27%	3	66	26%	0	0
0.15 to < 0.25	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.25 to < 0.50	199	19	61%	211	0.33%	30.93%	3	80	38%	0	0
0.50 to < 0.75	211	37	34%	224	0.56%	29.12%	3	95	43%	0	0
0.75 to < 2.50	767	115	52%	826	1.51%	38.34%	3	725	88%	5	1
2.50 to < 10.00	204	18	39%	211	4.72%	35.62%	3	238	113%	4	2
10.00 to < 100.00	60	2	49%	61	17.84%	32.63%	3	95	157%	3	2
100.00 (default)	32	8	66%	37	100.00%	59.02%	3	27	72%	20	18
Sub-total	1,701	231	52%	1,821	3.98%	36.53%	3	1,326	73%	32	24
• 2.1.) Of which: SMEs											
0 to < 0.15	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.15 to < 0.25	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.25 to < 0.50	113	10	41%	117	0.31%	25.98%	3	32	27%	0	0
0.50 to < 0.75	176	35	31%	187	0.55%	28.70%	3	76	40%	0	0
0.75 to < 2.50	405	68	49%	438	1.56%	33.96%	3	329	75%	2	1
2.50 to < 10.00	138	15	36%	143	5.01%	35.24%	3	157	110%	3	2
10.00 to < 100.00	33	1	52%	34	18.83%	30.72%	3	46	134%	2	1
100.00 (default)	21	3	84%	23	100.00%	61.94%	3	16	68%	13	11
Sub-total	886	132	43%	943	4.79%	32.70%	3	655	69%	20	15
3) Retail customers											
0 to < 0.15	3,543	623	31%	3,739	0.07%	16.93%	-	118	3%	0	0
0.15 to < 0.25	1,638	225	33%	1,713	0.19%	17.64%	-	108	6%	1	0
0.25 to < 0.50	1,496	114	43%	1,544	0.36%	15.84%	-	143	9%	1	1
0.50 to < 0.75	494	149	33%	543	0.61%	22.66%	-	77	14%	1	1
0.75 to < 2.50	1,420	190	36%	1,488	1.36%	18.82%	-	319	21%	4	4
2.50 to < 10.00	940	115	42%	988	5.13%	18.40%	-	334	34%	9	12
10.00 to < 100.00	328	25	40%	338	19.55%	19.98%	-	221	65%	13	15
100.00 (default)	247	3	61%	249	100.00%	51.45%	-	62	25%	123	130
Sub-total	10,106	1,444	34%	10,602	3.78%	18.49%	-	1,382	13%	152	163

	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	RWA	RWA density	EL	Value adjustments and provisions
• 3.1.) Of which: Exposures secured by a mortgage on immovable property											
0 to < 0.15	2,696	98	41%	2,736	0.07%	13.82%	-	71	3%	0	0
0.15 to < 0.25	983	22	41%	992	0.18%	14.05%	-	53	5%	0	0
0.25 to < 0.50	1,136	21	41%	1,144	0.37%	14.67%	-	104	9%	1	0
0.50 to < 0.75	57	2	42%	58	0.63%	16.04%	-	8	14%	0	0
0.75 to < 2.50	769	14	41%	775	1.20%	14.37%	-	157	20%	1	2
2.50 to < 10.00	380	9	41%	384	4.65%	14.66%	-	175	46%	3	5
10.00 to < 100.00	159	1	42%	159	20.56%	14.94%	-	129	81%	5	8
100.00 (default)	117	0	41%	117	100.00%	42.13%	-	35	30%	47	39
Sub-total	6,295	168	41%	6,364	2.91%	14.70%	-	732	11%	57	55
- 3.1.a) Of which: SMEs											
0 to < 0.15	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.15 to < 0.25	91	3	42%	92	0.17%	14.89%	-	4	4%	0	0
0.25 to < 0.50	251	5	42%	253	0.36%	16.12%	-	20	8%	0	0
0.50 to < 0.75	29	0	44%	29	0.66%	17.20%	-	4	13%	0	0
0.75 to < 2.50	105	3	42%	107	1.39%	16.06%	-	21	20%	0	0
2.50 to < 10.00	82	1	43%	82	4.69%	16.31%	-	34	41%	1	1
10.00 to < 100.00	41	0	43%	41	20.18%	16.40%	-	29	70%	1	2
100.00 (default)	16	0	42%	16	100.00%	46.48%	-	4	28%	7	6
Sub-total	615	13	42%	620	5.00%	16.81%	-	116	19%	10	10
- 3.1.b) Of which: – Non-SMEs											
0 to < 0.15	2,696	98	41%	2,736	0.07%	13.82%	-	71	3%	0	0
0.15 to < 0.25	891	19	41%	899	0.18%	13.97%	-	49	5%	0	0
0.25 to < 0.50	885	16	41%	892	0.37%	14.25%	-	84	9%	0	0
0.50 to < 0.75	27	2	41%	28	0.61%	14.82%	-	4	14%	0	0
0.75 to < 2.50	663	11	41%	668	1.16%	14.10%	-	135	20%	1	1
2.50 to < 10.00	298	8	41%	301	4.64%	14.21%	-	141	47%	2	4
10.00 to < 100.00	118	1	42%	118	20.70%	14.43%	-	100	85%	4	5
100.00 (default)	101	0	41%	101	100.00%	41.43%	-	31	30%	39	33
Sub-total	5,680	156	41%	5,744	2.69%	14.47%	-	616	11%	47	45
• 3.2.) Of which: Revolving											
0 to < 0.15	119	388	20%	197	0.09%	34.10%	-	4	2%	0	0
0.15 to < 0.25	64	113	20%	87	0.21%	34.10%	-	4	4%	0	0
0.25 to < 0.50	21	26	20%	26	0.38%	34.10%	-	2	6%	0	0
0.50 to < 0.75	63	88	20%	81	0.53%	34.10%	-	7	8%	0	0
0.75 to < 2.50	104	96	20%	124	1.60%	34.10%	-	24	19%	1	0
2.50 to < 10.00	38	24	20%	43	4.71%	34.10%	-	18	42%	1	0
10.00 to < 100.00	30	11	20%	32	16.63%	34.10%	-	27	85%	2	1
100.00 (default)	12	0	20%	12	100.00%	56.51%	-	3	23%	7	9
Sub-total	453	747	20%	603	3.75%	34.56%	-	88	15%	10	11

	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	RWA	RWA density	EL	Value adjustments and provisions
• 3.3.) Of which: Other - retail customers											
0 to < 0.15	729	138	56%	806	0.08%	23.30%	-	43	5%	0	0
0.15 to < 0.25	591	89	48%	634	0.21%	20.99%	-	52	8%	0	0
0.25 to < 0.50	339	67	52%	374	0.34%	18.14%	-	37	10%	0	0
0.50 to < 0.75	374	59	51%	404	0.62%	21.31%	-	62	15%	1	0
0.75 to < 2.50	547	80	54%	590	1.54%	21.47%	-	138	23%	2	2
2.50 to < 10.00	522	81	48%	561	5.49%	19.75%	-	141	25%	6	7
10.00 to < 100.00	140	13	58%	147	19.09%	22.34%	-	65	44%	6	6
100.00 (default)	118	2	73%	119	100.00%	60.13%	-	24	21%	70	82
Sub-total	3,359	528	52%	3,635	5.30%	22.47%	-	562	15%	85	97
- 3.3.a) Of which: SMEs											
0 to < 0.15	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.15 to < 0.25	291	40	37%	306	0.22%	19.13%	-	20	7%	0	0
0.25 to < 0.50	169	21	42%	178	0.33%	17.98%	-	14	8%	0	0
0.50 to < 0.75	262	30	39%	274	0.66%	18.84%	-	35	13%	0	0
0.75 to < 2.50	319	34	43%	334	1.60%	18.84%	-	60	18%	1	1
2.50 to < 10.00	447	45	47%	468	5.63%	18.99%	-	107	23%	5	5
10.00 to < 100.00	82	7	48%	86	20.26%	19.10%	-	29	34%	3	4
100.00 (default)	45	1	73%	46	100.00%	59.69%	-	9	21%	27	28
Sub-total	1,615	178	42%	1,691	5.78%	19.96%	-	275	16%	36	38
- 3.3.b) Of which: – Non-SMEs											
0 to < 0.15	729	138	56%	806	0.08%	23.30%	-	43	5%	0	0
0.15 to < 0.25	300	50	57%	328	0.20%	22.72%	-	32	10%	0	0
0.25 to < 0.50	170	46	56%	195	0.35%	18.28%	-	22	11%	0	0
0.50 to < 0.75	112	29	64%	130	0.55%	26.50%	-	28	21%	0	0
0.75 to < 2.50	228	45	62%	256	1.45%	24.89%	-	78	30%	1	1
2.50 to < 10.00	75	36	50%	93	4.77%	23.57%	-	34	37%	1	1
10.00 to < 100.00	57	5	73%	61	17.45%	26.88%	-	36	58%	3	2
100.00 (default)	73	1	72%	73	100.00%	60.40%	-	15	20%	43	54
Sub-total	1,743	350	57%	1,944	4.88%	24.65%	-	287	15%	49	59
TOTAL	14,575	1,724	38%	15,228	3.12%	24.29%	3	3,326	22%	185	188

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 62% 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 1.48%. 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 Confédération Nationale du Crédit Mutuel Risk department 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 (RWAs) 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 (RWAs) of specialized financing exposures are obtained using the slotting criteria method.

Table 27: 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 28: 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 29: Internal ratings-based approach (specialized lending and equities) - (CR10) - at 12/31/2018

In € millions

Equities under the simple risk weight approach				
Categories	Weighting	Exposure amount	RWA	Capital requirements
Private equity exposures	190%	20	38	3
Exchange-traded equity exposures	290%	-	-	-
Other equity exposures	357%	1,557	5,555	444
TOTAL		**1,577**	**5,592**	**447**

Other equity exposures comprise the Group's significant interests in the financial sector (weighted at 250%) totaling €173 million as well as the other equity exposures totaling €1,384 million, including €1,006 million in respect of the interest in GACM.

Counterparty risk

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

CCRA – Qualitative disclosure requirements related to CCR

Table 30: Analysis of the counterparty risk (CCR) exposure by approach - (CCR1) - at 12/31/2018

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		47	106			118	48
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)						267	4
10	VaR for SFTs							
11	**TOTAL**							**52**

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 31: CVA capital charge - (CCR2) - at 12/31/2018

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	72	72
EU4	TOTAL BASED ON THE ORIGINAL EXPOSURE METHOD		
5	TOTAL SUBJECT TO THE CVA CAPITAL CHARGE	72	72

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

Table 32: Standardized approach – CCR exposures by regulatory portfolio and risk weighting - (CCR3) - at 12/31/2018

In € millions

	Exposure classes	Risk weight												
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	Other	Total
1	Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	1,559
2	Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	221
3	Public sector (public bodies excluding central governments)	-	-	-	-	-	-	-	-	-	-	-	-	1,963
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Credit institutions	20	-	-	-	5	63	-	-	6	-	-	94	739
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-	107
8	Retail customers	-	-	-	-	-	-	-	-	-	-	-	-	2,826
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	2,319
10	Other assets	-	-	-	-	-	-	-	-	-	-	-	-	317
11	**TOTAL**	**20**	**-**	**-**	**-**	**5**	**63**	**-**	**-**	**6**	**-**	**-**	**94**	**10,567**

Table 33: IRB approach - CCR exposures by portfolio and PD scale - (CCR4) - at 12/31/2018

In € millions

	a	b	d	e	f	g
PD scale	EAD post-CRM	Average PD	Average LGD	Average maturity	RWA	RWA density
GOVERNMENTS AND CENTRAL BANKS						
TOTAL	**0**	**0**	**0**	**0**	**0**	**0%**
CREDIT INSTITUTIONS						
0 to < 0.15	290.6	0.07%	5.39%	2	13	4%
0.15 to < 0.25						
0.25 to < 0.50						
0.50 to < 0.75						
0.75 to < 2.50	0.6	1.02%	45.00%	3	1	126%
2.50 to < 10.00						
10.00 to < 100.00						
100.00 (default)						
TOTAL	**291.2**	**0.07%**	**5.46%**	**2**	**13**	**5%**

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, 2018, 96% of the French network's home loans were covered by such a guarantee and the rate was 89% 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.

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.

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.

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 34: Credit risk mitigation (CRM) techniques - overview - (CR3) - at 12/31/2018

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	23,714	5	5	0	0
2	Total debt securities	2,984	0	0	0	0
3	TOTAL EXPOSURES	26,698	5	5	0	0
4	*of which in default*	*465*	*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.

Table 35: Standardized approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects - (CR4) - at 12/31/2018

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	RWA	RWA density
1	Governments and central banks	1,559	-	1,559	-	113	7%
2	Regional governments or local authorities	221	-	221	-	10	5%
3	Public sector (public bodies excluding central governments)	1,962	3	1,962	1	-	0%
4	Multilateral development banks	-	-	-	-	-	0%
5	International organizations	-	-	-	-	-	0%
6	Credit institutions	734	-	739	-	241	33%
7	Corporates	98	21	98	9	93	87%
8	Retail customers	2,372	947	2,372	454	2,059	73%
9	Exposures secured by a mortgage on immovable property	2,301	49	2,296	23	1,151	50%
10	Exposures in default	312	11	312	5	376	119%
11	Exposures associated with particularly high risk	-	1	-	-	1	150%
12	Covered bonds	-	-	-	-	-	0%
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
14	Exposures in the form of units or shares in collective investment undertakings (CIUs)	98	-	98	-	98	100%
15	Exposures to equities	54	-	54	-	54	100%
16	Other assets	363	-	363	-	338	93%
17	**TOTAL**	**10,073**	**1,033**	**10,073**	**494**	**4,535**	**43%**

Table 36: Impact of netting and collateral held on exposure values - (CCR5-A) - at 12/31/2018

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	303	257	47	34	12
2	Resale agreements	289	23	266	0	266
3	Cross-product netting			0		0
4	**TOTAL**	**592**	**280**	**312**	**34**	**278**

Table 37: Composition of collateral for exposures to CCR - (CCR5-B) - at 12/31/2018

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		38		142		8
Sovereign debt				20	288	268
TOTAL	**0**	**38**	**0**	**161**	**288**	**276**

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 38: Equities at 12/31/2018

In € millions

Value exposed to risk	
EQUITIES	
Internal ratings-based approach	1,577
• Private equity (190%)	20
• Significant holdings in the financial sector (250% weighting)	173
• Exposures to listed equities (290%)	0
• Other equity exposures (370%)	1,384
Standardized approach	152
of which private equity (150%)	*0*
EQUITY INVESTMENTS DEDUCTED FROM CAPITAL	
TOTAL UNREALIZED GAINS AND LOSSES INCLUDED IN CAPITAL	**55**
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 receivables. 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 39: Market risk under the standardized approach - (MR1) - at 12/31/2018

In € millions

		a	b
		RWAs	Capital requirements
	OUTRIGHT PRODUCTS[1]		
1	Interest rate risk (general and specific)	1	0
2	Equity risk (general and specific)	81	6
3	Currency risk	0	0
4	Commodity risk	0	0
	OPTIONS[2]	**0**	**0**
5	Simplified approach	0	0
6	Delta-plus method	0	0
7	Scenario-based approach	0	0
8	Securitization (specific risk)	0	0
9	**TOTAL**	**82**	**7**

[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.

The ALM Committee meets each quarter. It is responsible for defining the interest rate hedging policy and for:

- measuring the interest rate risk profile of the CMNE Group, CFCMNE, the leasing subsidiaries and Beobank and establishing the various interest rate risk indicators;
- monitoring compliance with the limits defined in respect of the CMNE Group's risk appetite in terms of interest rates;
- Proposing macrohedging strategies for fixed rate assets.

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.

Monitoring of limits is governed by the information and escalation rules in the event of a breach.

At the end of 2018, the CMNE Group complied with the above limits.

Operational risk

Section detailing the use of the advanced measurement 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.

In accordance with EU Regulation 575/2013, 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, including legal risk. Operational risk includes, in particular, the risks associated with events whose occurrence is unlikely but whose impact would be significant, risks of internal and external fraud as defined in Article 324 of EU Regulation 575/2013, model risks, compliance risk and corruption risk. Operational risk thus defined excludes strategic risks and reputational risks.

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. They are updated periodically so as to include those risks that are increasing (operational risks that can be classified as compliance or corruption risks, information system security risks, etc.).

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.

In addition, the Crédit Mutuel Group has a subscription to an external database which is used in line with procedures, as well as the methodologies for integrating this data into the operational risk measurement and analysis system.

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 has, since January 1, 2010, been authorized to use its advanced measurement approach (AMA - internal models) to calculate its capital adequacy requirements in respect of operational risk (representing 67% of the total capital requirement in respect of CMNE's 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 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 method approach (AMA).

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), are organized on the basis of three phases: the emergency plan, the continuity plan and the back-on-track plan.

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,

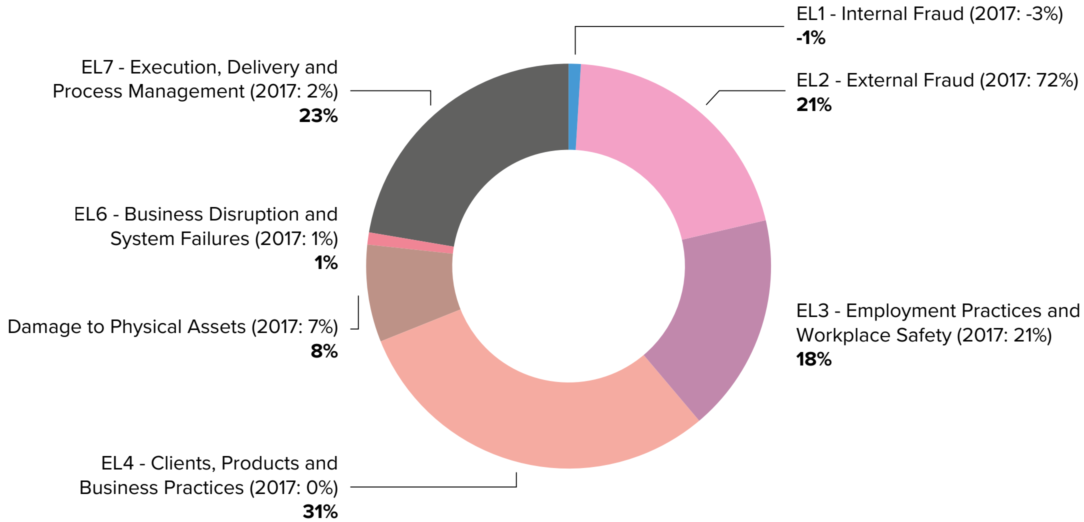
The Crédit Mutuel Group's insurance programs comply with the provisions of Article 323 of EU regulation 575/2013 of the European Parliament and Council of June 26, 2013 concerning the deduction of insurance under the advanced method approach (AMA).

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 cyber risks.

In respect of operational risk, in 2018 the CMNE Group recognized losses net of insurance payouts and other recoveries totaling €6 million.
This amount breaks down as follows:

- €6.7 million of gross losses, 26% of which was due to "the policy as regards clients, products and business practices", 24% of which was due to "execution, delivery and process management" and 24% of which was due to External fraud
- €0.7 million of insurance payouts and other recoveries.

In addition, provisions at December 31, 2018 totaled €9.4 million (70% related to Bankinsurance France), €4.3 million of which related to credit risk.
Capital requirements in respect of operational risk totaled €109 million (after deduction of insurance of €8.7 million).



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 profiles in the short term by requiring that they maintain sufficient unencumbered high-quality 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 2018, the consolidated LCR was 178% and the regulatory minimum was 100%.

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 119.89% at Monday, December 31, 2018, 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 running off 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 90% over a horizon of between three months and five years. 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 defining the survival horizon.

The measurement of the survival horizon is based on liquidity stress scenarios combining systemic factors (closure of the markets) and idiosyncratic factors (assumptions of a significant Retail and Corporate deposit flight). In such circumstances, the Group's view is that the assumption of an increase in loan outstandings resulting from the renewal of maturities and additional drawdowns concerning off-balance sheet items constitutes a prudent assumption. It is calculated quarterly on the basis of ALM projections.

CMNE has set itself an appetite threshold of 100 days for the most stressful scenario concerning the survival horizon.

As of December 31, 2018, CMNE's survival horizon was longer than one year.

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 2018, Caisse Fédérale du CMNE raised medium- and long-term funding through its bond issue program.

Caisse Fédérale du CMNE has participated in the Targeted Long-Term Refinancing Operation (TLTRO II) in the amount of €800 million (consisting of participation in the June 2016 TLTRO of €400 million, in the end-December 2016 TLTRO of €200 million and in the March 2017 TLTRO of €200 million).

Table 40: Liquidity reserves - at 12/13/2018

In € millions

	Amount after discount	Amount before discount
LCR buffer	1,891	1,904
of which available deposits in central banks	741	741
Eligible amount: central banks, non-LCR eligible	334	498
Other liquidity reserves (market liquidity)	686	755
TOTAL	**2,911**	**3,157**

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 €1.6 billion; Beobank supplements this mechanism with a stock of eligible securities totaling approximately €0.6 billion.

Table 41: Average maturity of short-term debt - at 12/31/2018

In € millions

Year-end stock	
Total amount of short-term refinancing	874
Average residual maturity in number of days	119

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 42: Short-term refinancing on the markets - at 12/31/2018

In € millions

Year-end stock	
ST refinancing raised during 2018	2,483
ST refinancing maturities during 2018	2,407
Renewal rate of maturing refinancing (amounts raised/maturing)	103%

Table 43: MLT refinancing: expected maturing amounts by year - at 12/31/2018

In € millions

		Maturities schedule											
Types of instruments		2019	2020	2021	2022	2023	2024	2025	2026	2027	> 2027	> 2028	Total
Origin: CM Group		502	0	0	0	0	0	0	0	0	0	0	**502**
Outside CM Group	Senior (borrowings, bonds, MTN and EMTN)	688	214	319	43	56	48	54	42	32	42	102	**1,639**
	CRH	150	149	60	155	78	0	90	0	0	0	0	**682**
	LTRO/TLTRO	0	600	200	0	0	0	0	0	0	0	0	**800**
	Subordinated loans (deeply subordinated notes and subordinated notes)	0	0	0	0	0	42	55	475	40	0	200	**812**
TOTAL MLT WHOLESALE FUNDING		**1,340**	**963**	**579**	**198**	**134**	**90**	**199**	**517**	**72**	**42**	**302**	**4,435**

For the purposes of adopting a prudent approach regarding its liabilities, CMNE retains by agreement the first maturity date for its Autocall options.

Table 44: MLT issue during 2018

In € millions

				Maturities schedule											
Types of instruments		Amount	Average maturity (in years)	2019	2020	2021	2022	2023	2024	2025	2026	2027	> 2027	> 2028	Total
2018 transactions	Senior	550	2.9	140	100	100	2	0	0	12	0	0	42	0	**396**
	TLTRO II	396	0												**0**
	Subordinated loans (deeply subordinated notes and subordinated notes)	0	0												**0**
	Other	0													**0**
TOTAL		**396**		**140**	**100**	**100**	**2**	**0**	**0**	**12**	**0**	**0**	**42**	**0**	**396**

Table 45: Liquidity Coverage Ratio (LCR) - (LIQ1.18)

In € millions

		Unweighted value		Weighted value	
		September 30, 2018	December 31, 2018	September 30, 2018	December 31, 2018
Number of points used to calculate averages		12	12	12	12
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	**TOTAL HIGH QUALITY LIQUID ASSETS (HQLA)**			**1,729**	**1,828**
CASH OUTFLOWS					
2	Retail deposits (including deposits from small business customers)	15,535	15,709	921	933
3	*of which stable deposits*	*13,010*	*13,136*	*651*	*657*
4	*of which less stable deposits*	*2,523*	*2,572*	*269*	*275*
5	Funding not secured by non-retail counterparties	1,570	1,574	759	758
6	*of which operational deposits*	*300*	*309*	*72*	*74*
7	*of which non-operational deposits*	*1,067*	*1,073*	*484*	*492*
8	*of which unsecured debt*	*204*	*192*	*204*	*192*
9	Funding secured by non-retail counterparties (including repos)			0	0
10	Additional requirements	2,516	2,534	222	212
11	*of which outflows related to derivatives exposures and other collateral requirements*	*52*	*42*	*52*	*42*
12	*of which outflows on collateralized debt*	*0*	*0*	*0*	*0*
13	*of which credit and liquidity facilities*	*2,463*	*2,492*	*170*	*170*
14	Other contractual funding obligations	14	14	14	14
15	Other contingent funding obligations	6	5	0	0
16	**TOTAL CASH OUTFLOWS**			**1,916**	**1,917**
CASH INFLOWS					
17	Secured lending (including reverse repos)	0	0	0	0
18	Inflows from fully performing exposures	658	650	432	429
19	Other cash inflows	261	270	238	248
20	**TOTAL CASH INFLOWS**	**919**	**920**	**670**	**677**
EU-20c	Cash inflows subject to 75% cap	919	920	670	377
21	Liquidity buffer			1,729	1,828
22	**TOTAL NET CASH OUTFLOWS**			**1,247**	**1,241**
23	Liquidity Coverage Ratio (%)			138.70%	147.36%

The CMNE Group's monthly average LCR was 147% in 2018, which represents surplus liquidity of nearly €600 million as compared with the regulatory requirements when fully applied. The ratio is managed when it exceeds 110%. In 2018, the monthly average liquid assets after application of the regulatory discounts (weighted value) totaled €1.83 billion.

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 2018.

Table 46: Maturity analysis of the prudential balance sheet - at 12/31/2018

In € millions

Liquidity risk - 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	16	0	81	45	24	**166**
Financial assets at fair value through profit or loss	0	3	21	32	318	105	386	**865**
Financial assets at fair value through other comprehensive income (OCI) - recyclable	104	147	1,007	467	1,043	419	3	**3,189**
Financial assets at fair value through other comprehensive income (OCI) - non-recyclable	0	0	0	0	0	0	67	**67**
Securities at amortized cost	20	63	60	0	0	0	4	**147**
Loans and receivables (including finance leases)	1,778	568	1,832	2,093	4,106	8,240	516	**19,132**
Liabilities								
Central bank deposits	0	0	0	0	0	0	0	**0**
Financial liabilities held for trading	0	0	5	2	30	95	5	**138**
Financial liabilities at fair value through profit or loss	0	0	23	106	57	0	0	**186**
Financial liabilities carried at amortized cost	15,663	544	1,293	1,578	1,505	2,572	0	**23,155**

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, 2018, the amount and characteristics of encumbered and unencumbered assets for the CMNE Group broke down as follows:

Table 47: Encumbered assets and unencumbered assets (template A) - at 12/31/2018

In € millions

	Category	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	3,270		24,324	
030	Equity instruments	0	0	60	60
040	Debt securities	1,382	1,382	3,094	3,103
050	*of which covered bonds*	*0*	*0*	*0*	*0*
060	*of which asset-backed securities*	*481*	*481*	*24*	*24*
070	*of which issued by public administrations*	*254*	*155*	*438*	*438*
080	*of which issued by financial enterprises*	*1,156*	*1,156*	*1,956*	*2,018*
090	*of which issued by non-financial enterprises*	*0*	*0*	*663*	*758*
120	Other assets	1,874		21,086	

Median values of quarter-end data for the year under review.

Table 48: Collateral received (template B) - at 12/31/2018

In € millions

	Category	Fair value of encumbered collateral received or own debt securities issued	Fair value of the encumbered collateral received or own debt securities issued available for encumbrance
		010	040
130	Collateral received by the reporting institution	12	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	12	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**	**3,283**	

Median values of quarter-end data for the year under review.

Table 49: Carrying amount of encumbered assets/collateral received and the associated liabilities (template C) - at 12/31/2018

In € millions

	Category	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
10	Carrying amount of the financial liabilities selected	2,392	3,251

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, 2018, 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

Glossary

AMA	Advanced Measurement Approach: optional regime, for which the regulator gives individual authorization. An institution's request must be formalized by the submission of an authorization application. In the absence of an authorization for use of the advanced approach, institutions apply the provisions of the standardized, or basic, approach. The latter must, consequently, be regarded as the standard regime applicable by default.
CCF	Credit Conversion Factor: conversion factor for off-balance sheet exposures. It is the ratio between (i) the amount of a commitment that has not already been used, which could be drawn and at risk at the moment of default and (ii) the amount of the commitment that has not already been used. Under the standardized approach, this factor is provided by the regulator. Under the internal ratings-based (IRB) approach, it is calculated by the bank based on a review of the behavior of its own customer-base.
CCR	Counterparty credit risk: risk of loss as a result of the default of a counterparty. The RWAs and capital requirements in respect of the CCR include the amounts relating to the hedging of the CVA risk inherent in over-the-counter derivatives other than credit derivatives recognized as reducing the RWAs for credit risk, as well as the RWAs and the CRs relating to the contributions to the central counterparty default fund.
CR	Capital requirement. Its amount is computed by applying the rate of 8% to the weighted risks (or RWAs).
CRM	Credit Risk Mitigation (CRM): mitigation of the credit risk by the use of collateral, personal guarantees, credit derivatives and netting or novation mechanisms.
CVA	Credit Valuation Adjustment: accounting adjustment, introduced by IAS 39, to the valuation of the fair value of over-the-counter derivatives (interest rate swaps, whether or not collateralized, etc.). The adjustment involves including in the valuation of the product a discount of an amount equal to the market value of the counterparty default risk. Technically, it involves measuring the difference between the risk-free value of a portfolio of over-the-counter transactions in the absence of default risk and its value taking into account the counterparties' potential default. For accounting purposes, the CVA results in a provision in respect of statistically expected losses. Over time, these provisions change in line with the exposures (new contracts and matured contracts) and the counterparty credit quality. For prudential purposes, in January 2014, the CRD IV introduced a capital requirement in respect of the CVA. The aim of this requirement is to cover unexpected losses resulting from significant changes in the CVA related to significant and rapid deteriorations in counterparty credit quality (significant increase in credit spreads). These scenarios are not taken into account in the calculation of the aforementioned CVA provision.
EAD	Exposure At Default: the probable amount of a bank's exposure at the time of default. It includes the institution's on-balance sheet and off-balance sheet exposures in the event the counterparty defaults. Off-balance sheet exposures are converted into equivalent on-balance sheet exposures through the use of internal or regulatory conversion factors.
EL	Expected Loss: the expected value of the credit loss. It is computed by multiplying the exposure at default (EAD) by the probability of default (PD) and by the loss given default (LGD).
LGD	Loss Given Default: loss in the event of default expressed as a percentage of the EAD: ratio of the loss suffered on an exposure in the event of the counterparty's default to the amount of the exposure at the time of default.
RWA	Risk Weighted Assets = EAD x weighting rate x LGD. Under the standardized approach, the weighting rate is set by the regulations. Under the internal ratings-based (IRB) approach, it depends on the probability of default and expresses the unexpected losses: RWA = EAD x f(PD) x LGD x 12.5 where f(PD) expresses the distribution of the losses in accordance with a normal distribution and a given confidence interval (the PDs are calculated by the bank but the loss distribution formula and the confidence interval are set by the regulations). 8% of the amount of these unexpected losses must be covered by capital.

Acronyms/glossary of abbreviations and definitions

Acronym	Full term
ACPR	French Prudential Control and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution)
ALM	Asset Liability Management
AMA	Advanced Measurement Approach for operational risk
AMF	French Financial Markets Authority (Autorité des Marchés Financiers)
AML-CTF	Anti-Money Laundering and Counter-Terrorism Financing
AT1	Additional Tier 1 capital
CCF	Credit Conversion Factor
CCR	Counterparty risk
CET1	Common Equity Tier 1 capital
CRD	Capital Requirements Directive: European directive on regulatory capital
CRS	Common Reporting Standard
CSR	Corporate Social Responsibility
DSN	Deeply Subordinated Note
EBA	Euro Banking Association
EBCP	Emergency and Business Continuity Plan (EBCP)
ECB	European Central Bank
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
FFI	Forward Financial Instruments
FSMA	Financial Services and Markets Authority
GDPR	General Data Protection Regulation
G-SIFIs	Global Systemically Important Financial Institution
HDP	High Default Portfolio
HQLA	High Quality Liquid Assets
IARD	Property and casualty insurance (Incendie, Accidents, Risques Divers)
ICAAP	Internal Capital Adequacy Assessment Process
IDD	Insurance Distribution Directive
ILAAP	Internal Liquidity Adequacy Assessment Process
IMD	Insurance Mediation Directive

Acronym	Full term
IMM	Internal Model Method
IRB	Internal Ratings-Based Approach
IRBA	Internal Ratings Based Advanced: advanced internal ratings-based approach
KYC	Know Your Customer
LCR	Liquidity Coverage Ratio
LDP	Low Default Portfolio
MIF 2	New directive on markets in financial instruments
MTN	Medium Term Note
MTP	Medium-Term Plan
NEU CP	Negotiable EUropean Commercial Paper
NIM	Net Interest Margin
NPO	Non-profit organizations
NPV	Net Present Value
NSFR	Net Stable Funding Ratio: long-term structural liquidity ratio
ORSA	Own Risk and Solvency Assessment Own Risk and Solvency Assessment
OSN	Overall Solvency Need
OSSI	Other Systemically Important Institutions
PEP	Politically Exposed Person
PRIIPs	Packaged Retail and Insurance-based Investment Product
RSR	Regular Supervisory Report
RWAs	Risk Weighted Assets
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Conditions Report
SN	Subordinated note
SRAB law	Law no. 2013-672 on the Separation and Regulation of Banking Activities
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SSM	Single Supervisory Mechanism
STE	Short-Term Exercise
T2	Additional Tier 2 capital
TLTRO	Targeted Long-Term Refinancing Operation

List of tables and charts

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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.

CORPORATE SOCIAL RESPONSIBILITY
(CSR)

Editorial

As a stakeholder committed to its territories, CMNE is a naturally responsible player.

CSR means **Corporate Social Responsibility**. This apparently unknown term in fact speaks volumes on the way a company is concerned about its activity's environmental footprint, its employees and the society in which it operates. The company must help to transform society and improve the daily life of everyone. **This business model combines economic profitability with contributing to the common good**. This is what is meant by Corporate Social Responsibility.

The Crédit Mutuel Nord Europe Group has become a responsible company without waiting to be obliged by increasingly stringent regulatory changes to do so. Our mutualist model is one of the fundamental pillars of our CSR approach. It provides clear governance that respects our corporate values. We have built a strategy based on three other levers around this model: **human resources, investment, and our territories**.

In order to conduct its business responsibly, the CMNE Group has made **four firm commitments** to do the following regarding its CSR strategy:

- ▶ Enable all its employees to receive training, feel fulfilled and progress in their careers;
- ▶ Encourage the sustainable transition of the economy by means of our product offerings and investments;
- ▶ Be the bank that opens every day for the economic and social development of its territories;
- ▶ Provide clear and ethical governance consistent with our mutualist values.

All CMNE Group employees are involved in meeting these commitments. Some design innovative offerings for our customers, while others work to improve our working practices in order to reduce our environmental footprint. Everyone is a stakeholder in this approach designed to build long-term development while also ensuring the economic performance of our Group.

Today, all our stakeholders (customers, employees, suppliers, etc.) focus on Corporate Social Responsibility. We owe it to ourselves to be transparent in all our corporate, social or environmental actions. It is not simply a matter of doing—we must also inform, by announcing the fact that the CMNE Group is a responsible company committed to sustainable development in its business and that of its territories.

André HALIPRÉ
Chairman

Éric CHARPENTIER
Chief Executive Officer

Review of 2018

February	Shareholders' Meetings begin. More than 21,000 members are present CMNE conducts a preliminary campaign regarding its values and commitments throughout its territory
March	New products are launched: Envolimmo and Flexipropriété
April	Crédit Mutuel's Caisse Fédérale holds its Federal Shareholders' Meetings at the Louvre-Lens Museum There, CMNE presents a €168,000 check to the Institute of Brain and Spinal Cord Research (ICM), thanks to the success of the Pierval Santé REIT
April	A new format is adopted for the welcome handbook and induction day for new employees
April-May	CMNE is the main partner of the first international SERIES MANIA festival in Lille, in the north of France
May	A retained life estate offering is launched in partnership with Renée Costes Viager
May	Increased CSR communication: articles are published on the intranet and social networks, a motion graphic animation entitled “What is CSR in CMNE?” is created and the CSR e-book is redesigned
June	The Happy Senior residential home is opened in Capinghem in collaboration with La Française
June	The new employer brand “#Fiers de travailler au Crédit Mutuel”, focusing on pride in working for Crédit Mutuel, is announced
September	A forum dedicated to the European Mobility Week is organized
September	The Parental Responsibility Guide is issued
September	CMNE supports the third “Mange Lille” festival
September	11 employees join the “Planète Urgence” association of voluntary workers
September	The CMNE Foundation partners two major exhibitions: one on Rodin and dance movements at the Modern Art Museum (LaM), and the other on Love at the Louvre-Lens Museum
September	La Française continues its main ESG actions via a computer graphic published in its report on Corporate Responsibility and Climate Change Strategy
October	Partner of the twelfth World Forum on the subject of “Super Local companies and territories: the new world deal”
October	Participates in the intercorporate social solidarity race as part of the week promoting the employment of the disabled
October	Organizes the first exhibition on “aging well at home”
November	European week on the Employment of the Disabled (SEEPH)
November	Beobank organizes the annual collection of clothes and toys for the “La Cité Joyeuse” association
November	Launches the CSR Innovation Lab: 6 sessions on CSR appropriation by employees
December	Agreements on teleworking and the quality of working life are signed
December	Eco-Mobility and Energy Transition Loan offerings are launched
December	The Crédit Mutuel Nord Europe Foundation launches an appeal for social solidarity projects by its employees; three prizes are awarded for the 2019 New Year

CMNE Group Business Model

▶ **Group Presentation**: see pages 5 to 13.

A Group Close to Its Customers and Committed to Its Territories

CMNE has built a robust universal banking model for Europe and its regions, tailoring it to the needs of its 1.7 million customers (individuals, professionals, farmers, associations, companies, and institutional customers).

Known for its mutualist values, CMNE's operations cover seven departments north of Paris, Belgium via the Beobank network, and the La Française asset manager for which it is the reference shareholder.

Our Advantages

Crédit Mutuel Nord Europe:

- Is an independent entity (federation) that defines its own policy for its territory;
- Is a bank that is close to its customer-shareholders because of its network of branches in Northern France and Belgium;
- Has personal banking expertise and develops services that meet the savings/credit/insurance needs of its customer-shareholders;
- Has a business model that places the satisfaction of its customer shareholders and innovation at the forefront of its priorities;
- Develops synergies between its Bankinsurance and Asset Management businesses;
- Has a medium- and long-term view unaffected by trading market and shareholding fluctuations;
- Is built on strong, recurring results (€785 million in NBI and net income of €134 million in 2018).

Our Values

A COMMITMENT TO SERVING OUR CUSTOMERS:
Our advisors assist their customers in the overall management of their needs.
They do not receive any commission for the products they propose.

A MUTUALIST COMMITMENT:
The mutualist approach is based on membership.
Directors chosen from among the members ensure the proper management and the quality of the service provided by the local bank.

A REGIONAL COMMITMENT:
CMNE plays a leading role in the financing of the local economy.
It also conducts many actions in the social and cultural sectors (Foundation, Social Solidarity Fund and partnerships).

A COMMITMENT BY OUR EMPLOYEES:
CMNE fosters the skills development and fulfilment of its employees (training, etc.).

Its values foster the satisfaction and loyalty of customers and members (see scales and awards: rated top bank for five years in the Posternak brand image ranking, etc.).

Our Advantages

The CMNE Group

- Places the customer at the heart of its dynamic group;
- Improves customer satisfaction in every distribution channel;
- Innovates by using digital media and multichannel distribution to serve our customers better;
- Invests in human resources to anticipate the current transformation in our businesses and develops the skills of our employees and managers;
- Captures growth opportunities by increasing synergies;
- Ensures sustainable profitability by carefully managing costs, risks and capital.

BANKINSURANCE

Increases synergies between the French and Belgian networks for establishing our universal Europe-wide and regional banking model.

ASSET MANAGEMENT

Makes La Française a diversified European asset manager providing its expertise to the Group.

Our Strategic Focuses

MORE CONNECTED means:
“offering the best of the digital human relationship to our customers”.

MORE EXPERT means:
“refining KYC in order to propose a suitable solution for everyone”.

MORE AGILE means:
“assisting our employees in their career development and future professions, and accelerating their talents”.

MORE EFFECTIVE means:
“increasing our collective efficiency for profitable growth (cost management, capital steering, regulatory affairs, etc.).”

MORE COOPERATIVE means:
“building a balanced model based on three pillars: Banking, Insurance and Asset Management.”

Strategic Focuses of our 2020 MTP

Faithful to its cooperative model, the CMNE Group aims to maintain and strengthen its sound financial position, a source of security and sustainability. Thanks to its business model and values, the CMNE Group historically operates in businesses with low, diverse risks.

Retail banking is the CMNE Group’s core business, its customer base mainly consisting of private individuals. This is demonstrated by the share of credit risk in its total capital requirements and the predominance of the Retail portfolio in all its exposures.

Complementing its Retail banking and the sale of insurance products (life and property & casualty), the CMNE Group also assists companies and institutional customers (financing, electronic money, growth capital, trading activities, employee savings and asset management).

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.

A Bank That Adapts to Social Changes

In the middle of its Medium Term Plan (agreement on November 29, 2018), CMNE wanted to update its strategic plan by adapting it to rapid and radical environmental changes:

- Lower interest rates and margins;
- Increasingly stringent regulatory requirements regarding banks;
- Competition from market newcomers (neo-banks and fintechs);
- A more mobile, more connected customer base..

The daily life of French customers is currently affected by profound changes:

- Explosion in digital usage;
- Consumption methods (e-commerce and shift from ownership to use);
- New forms of working (flexibility, self-employment, “Uberization”, etc.);
- Mobility (car-sharing, autonomous vehicles, public transportation, etc.);
- Housing (financing, urbanization, sustainable cities, etc.);
- Connected homes (multi-purpose boxes, etc.);
- Education (financing of student residences, etc.);
- Aging population (silver economy, retirement homes, dependency, etc.);
- Energy transition, bio-economy, etc.

In order to meet the expectations of its customer-shareholders, Crédit Mutuel wants to do the following:

- Be a partner that offers them personalized, concrete solutions that simplify their everyday life (applications, home automation, etc.) and offers them solutions for their housing (real estate, retained life estate, etc.) or home financing (Envolimmo, Flexipropriété, etc.);
- Provide rapid responses that meet their expectations (advice at the right time and digital solutions);
- Increase trust, notably regarding transaction security and the protection of their data;
- Be a committed and responsible player (patronage, links to the local community, etc.);
- Remain faithful to its values (local banking).

For this, CMNE adapts its model and operating mode in order to meet these issues effectively while also respecting regulatory constraints. It streamlines the number of its structures while also maintaining the services, in a framework that affords greater efficiency in serving customers and members.

“Get Closer to Go Further”: the Watchwords of Our MTP

“Get Closer...”

- Because customer closeness—whether physical or digital—is key to promoting the creation of value;
- Because the “phygital” model, where digital merges with the physical network, is in our DNA;
- Because our plans are founded on cross-functionality and the internal synergies between CMNE’s business lines;
- Because the feeling of integration and belonging builds and reinforces a common CMNE Group culture;
- Because true collaboration between managers and employees aids the integration of change and an understanding of the transformations required, etc.

“...To Go Further”

- Because our world is gradually and constantly changing, obliging us to go even further;
- Because we must steer towards new professions and imagine new offerings and blueprints tailored to our customers’ aspirations;
- Because it clearly indicates our commitment, performance and risk-taking to meeting new challenges;
- Because our 2020 policy is also—especially—a matter of strengthening our market positions in our territories;
- Because our mutualist model allows us to plan more securely for the long term.

CMNE GROUP CSR STRATEGY

For some years, the CMNE Group has been adopting a Corporate Social Responsibility (CSR) approach by acting to foster and maintain the economic, environmental, labor-related and social impacts of its business.
This CSR approach should help to build long-term growth while also ensuring the performance and stability of the CMNE Group.

Its objectives are clear: we must work as a responsible bankinsurer vis-a-vis all those concerned and assume the role of territory financier. With its links to mutualism and cooperative governance, CSR also expresses the history of Crédit Mutuel and enhances its brand image.

CSR underlines the human dimensions of the CMNE Group and its efforts to ensure the fulfillment of its employees.

Today, the CSR approach is fully integrated into the Group's global strategy. It forms an integral part of the "Vision 2020" Medium-Term Plan, an ambition reaffirmed when the MTP was updated mid-term in November 2018. The Group's CSR policy, which is drawn up and shared within the Management Committee, is revised each year in order to adapt the priority issues. This results in new commitments, a stronger organization, contacts in the Group's companies (Beobank and La Française), and a shared knowledge of the objectives.

CSR covers all corporate sectors transversally:

- **CSR is an element of our corporate performance:** the CMNE Group's entities produce individual and consolidated regulatory statements, including a confederal one, as a result;
- **CSR is integrated into the risks:** the sustainability risk may create a business risk for customers, a credit risk for the bank and an image and reputational risk for the Group. This risk management relies on sectoral policies, formal processes and trained employees;
- **CSR is based on ethics and regulatory compliance:** it is guided by regulations. The Compliance Department is responsible for ensuring that all our business activities are conducted with integrity and professionalism and in accordance with the laws and regulations;
- **CSR involves clear governance,** notably by applying rules governing the independence, ethics and integrity of the elected representatives.

The growth of CSR in all business divisions has revealed that the CSR strategy must be organized to achieve greater readability, visibility and appropriation, firstly internally and then by our customer shareholders and stakeholders.

It is founded on four pillars:

- Serving our **territorial development** (socially responsible investment, sustainable real estate, micro-financing, partnerships, corporate Foundation, etc.) and finding innovative solutions in response to changes in the behavior of our customers;
- **Reducing the environmental footprint** of our business activities, developing our practices (energies, buildings, virtualization, etc.) and helping to reduce the carbon footprint of our financing;
- **Fostering equal opportunities**, training, mobility and employee commitment;
- **Strictly respecting business ethics**, and dynamizing and supporting the effectiveness of our cooperative governance.

CMNE, a committed social stakeholder, acts around four levers:

- Investment: Encouraging the sustainable transition of the economy by means of our product offerings and investments;
- Territories: Being the bank that opens daily to assist the economic and social development of its territories;
- Human Resources: Enabling all its employees to receive training, feel fulfilled and advance in their careers;
- Governance: Providing clear governance that respects our mutualist values.

ESG Map

Key Performance Indicators (KPI)

Methodology chosen: for each domain of the CSR (the methodology followed is that proposed by MEDEF and then adapted to the particular territorial characteristics of the CMNE Group), the Group's existing maps were used to identify the main extra-financial risks with the departments in contact with the stakeholders concerned. These risks were analyzed in order to rank them according to their probability, seriousness and likelihood of going undetected. They were then assessed a second time regarding the labor-related, social and environmental issues involved. Next, indicators (KPI) were defined in order to track the development of the preventive and protective measures put in place by the Group to cover the risks identified.

Summary Table

Domain	Causes	Significant extra-financial risks	Main preventive and protective measures	Performance indicators
Socioeconomic impact of the Bank's business upon our territories	IT system failure	Risk of fraud Risk of lost NBI Risk of a break in service continuity	CMNE Group security and business continuity policy (EBCP) Code of ethics and ancillary procedures Personal data protection guide (GDPR) Information security awareness policy	Global system availability rate (EI) and tele-processing availability rate
	Poor adaptation of our product offering and on-demand distribution channels	Risk of losing customers Risk of damaging CMNE's image and its relations with members	Physical branches—Customer relations center—Website cmne.fr—Smartphone application = multichannel contacts	Average response time for customer
	Lack of a specific product offering for fragile customers	of losing customers Risk of losing the trust of stakeholders Risk of financial sanctions	Clientèle Fragile and Facil'Accès offering for fragile customers New measures supporting fragile customers (frozen rates, capped charges, etc.), to encourage banking inclusion	Number of microloans granted
	Fewer partnerships and patronage actions	Risk of damaging CMNE's image		Sponsorship budget
Investing and taking practical steps to reduce the impact of our business upon our territories	Underdevelopment of SRI assets under management	Risk of damaging CMNE's image Risk of losing customers and attractiveness	La Française SRI strategy—ESG issues are addressed within the Financial Risk Department (entrusted to IPCM)	SRI assets under management
	Not factoring in the increased greenhouse gas emissions contributing to climate change that are generated by the work of the Group's businesses	Risk of regulatory noncompliance	Energy audit and greenhouse gas emission assessment Eco-gestes: sustainable growth portal on "eco-gestures" ELISE partnership Eco-mobility plan (CMNE and Beobank) Teleworking Hybrid vehicle fleet	Energy consumption Paper consumption
Human Resources	Lack of training	Risks relating to customer relations and business practices Risks relating to renewal of skills. Risk of improper business practices. Risk of procedural noncompliance or a breach of ethics or regulations. Risk of incorrect advice. Risk of regulatory noncompliance	In 2018, 4.86% of the CMNE Group's payroll costs was invested in training (CFCMNE: 5.65%)	% of payroll costs dedicated to training
	Employee demobilization (domains concerned: employee management, professional recognition, quality of working life, etc.)	Risk of absenteeism Risk of excessive churn rate Risk of procedural noncompliance and incorrect advice for customers Risk of malice, fraud, sabotage and internal theft Risk of damage to the customer relationship	Internal employee support mechanism via interviews, corporate agreements, measures to improve the quality of working life, and wage policy Management training plan	Churn rate change Absenteeism rate change
Governance/Compliance	Insufficient training of elected representatives	Risk of skills mismatch	Training and internal controls Code, rights and responsibilities of elected representatives	Total number of hours spent on elected representatives
	Noncompliance with regulatory procedures	Risk of internal and external fraud—Risk of regulatory noncompliance	Managers questionnaire on fighting corruption—Policy on fighting internal fraud	% of employees trained on Anti-Money Laundering and Terrorist Financing (AML-TF)

Extra-Financial Performance Statement (EFPS)

Territories

In an environment undergoing radical technological, social and labor-related changes, the CMNE Group must respond to the issues facing our customer shareholders.

The following major risks have been identified:

- ▶ Poorly adapted product offering and distribution channels;
- ▶ IT system failure;
- ▶ Lack of a specific product offering for fragile customers;
- ▶ Reduction in patronage and sponsorship actions.

- ▶ Response time for customer complaints;
- ▶ Global IT system availability rate;
- ▶ Budget allocated to partnerships and sponsorships;
- ▶ Number of microloans granted.

Investment

Our customer shareholders want to give more meaning to their investments and the CMNE Group is developing a responsible product offering as well as reducing its carbon footprint.

The following major risks have been identified:

- ▶ Underdevelopment of the Socially Responsible Investment (SRI) range;
- ▶ Not factoring-in the increased greenhouse gas emissions.

- ▶ SRI assets under management;
- ▶ Energy consumption;
- ▶ Paper consumption.

Human Resources

The employees, their involvement and their team spirit are all essential advantages for the CMNE Group.

The following major risks have been identified:

- ▶ Lack of training;
- ▶ Employee demobilization.

- ▶ % of payroll costs dedicated to training;
- ▶ % churn rate;
- ▶ Absenteeism.

Governance

Because the elected representatives are the keystone of CMNE governance and the banking sector's regulatory environment is undergoing radical changes, training is more essential than ever.

The following major risks have been identified:

- ▶ Insufficient training of elected representatives;
- ▶ Noncompliance with regulatory procedures.

- ▶ Total number of hours of training received by the elected representatives;
- ▶ % of employees trained on combating money laundering.

Territories

Being the bank that opens daily for the economic and social development of its territories.

The CMNE Group has strong links with the local community. It becomes involved with small businesses and large corporations, economic players such as householders, farmers, self-employed professionals, associations, municipalities, etc. The Group responds to major social issues and innovates by integrating digital technologies while also remaining close to its customers and members.

The CMNE Group operates in a dynamic territory consisting of seven departments in northern France: Nord, Pas-de-Calais, Somme, Aisne, Oise, Marne and Ardennes. It also operates in Belgium via the Beobank network. Its economic fabric is highly diverse, lying at the crossroads between Lille, Paris and Brussels, all major capitals.

4 Major Risks Identified

- ▶ Poorly adapted product offering and distribution channels;
- ▶ IT system failure;
- ▶ Lack of a specific product offering for fragile customers;
- ▶ Reduction in patronage and sponsorship actions.

4 Key Performance Indicators (KPI)

	2018 values
Response time for CMNE complaints	13 days
Tele-processing availability rate	99.62%
Budget allocated to CMNE partnerships and sponsorships	€2.7 million
Number of microloans granted by CMNE	426 loans

Customer Satisfaction as the Absolute Priority

Developments in the banking world are resulting in many changes, particularly in the relationship between customers and their bank. Adapting is the key to success, and CMNE is exploring new ways of detecting any failings, notably via customer complaints and satisfaction surveys. The aim: to propose solutions that provide the best response to these anomalies and so improve the quality of service. Above all, CMNE is a deeply human bank, with excellent relationship skills playing a key role in all its actions.

Satisfaction and Recommendation

Customer satisfaction has always been the highest priority of CMNE, which regularly measures it to find ways to improve the Group's quality of service. CMNE regularly seeks the opinion of its customers through **satisfaction surveys**.
The 2018 customer satisfaction barometer shows that satisfaction is up with more very satisfied customers, the best rating in 20 years. Customers awarded it an overall score of 8.1 out of 10 (compared with 7.9 in 2015).

In order to maintain this quality of service, CMNE launched an unprecedented customer feedback process in 2017: **the SPOT approach**. Its principle lies in measuring satisfaction by questioning customers "off the cuff" a few hours after being in contact with CMNE, regardless of the communication channel concerned (branch, telephone, website or mobile application). The results show that the satisfaction level remains high (4.4 stars out of 5). In more than 7 out of 10 cases, the directors reply directly to customers who leave a comment, with problems representing only 10% of the verbatim accounts. Since the process was launched in March 2017, customers have given more than 58,000 opinions.

Customers can also make suggestions, pay a compliment or ask a question, thereby enriching CMNE's innovation strategy. Semantic analyses have also been carried out.

In 2018, 1,600 verbatim accounts were analyzed to find out why the customers were satisfied or dissatisfied.

Today, CMNE goes even further by **publishing the satisfaction level on every branch's page in the cmne.fr** website, exactly as it exists in other business sectors. This desire for transparency makes CMNE the first cooperative bank to share its satisfaction results with its customers and members.

At Beobank, according to the study conducted in September 2017 by GFK (the largest market research and market study organization in Germany, and the fourth largest in the world), the satisfaction level remains steady at 81%.

Employee satisfaction is also a priority, and several employee surveys were conducted in 2018: on their digital acculturation, on their satisfaction regarding the internal communication media, on their opinion and perception of data use at CMNE and at Beobank, and on beta-tester satisfaction regarding the new CMNE mobile application. The aim: to deploy projects for and by our employees.

Complaints and Mediation

CMNE listens carefully to all customer dissatisfaction or complaints stated in branches or remotely, including via social networks. CMNE processes all customer complaints, seeking to strengthen connections to its customer shareholders, build loyalty and increase customer satisfaction.

Since 2017, CMNE has adopted a proactive approach enabling the Customer Relations team to work increasingly closely with the branch network in order to accelerate and improve the processing of customer complaints. In 2018, **the complaint escalation tool QUID was optimized**.

CMNE also tested a new online customer complaints form at ten points of sale, available via the cmne.fr website, enabling customers to make their complaints online. These complaints are sent directly to the Customer Relations team.

Facebook, Twitter and the other social networks have become places for expressing feelings. The Customer Relations team has necessarily become conversant with using the online tool Hootsuite to receive, centralize and answer customers who express their discontentment in messages, comments or publications.

This year, **6,564 complaints** were registered. The number of complaints received by mail has dropped considerably (23% in 2018 compared with 35% in 2017), while the number received face-to-face (19%, compared with 13%), via the Internet (8%, compared with 4%) and, to a smaller extent, by telephone (27%, compared with 26%) has increased. The average response time is 13 days, the same as in December 2017. Throughout the year, the Customer Relations department uses customer dissatisfaction to locate any failures with the aim of improving our processes.

Awards

Awards Crédit Mutuel was voted **top bank in the Podium de la Relation Client** customer service rankings for the eleventh time in 14 years, attesting to the relationship of mutual trust between Crédit Mutuel and its customer shareholders.

In 2018, the British magazine World Finance awarded Crédit Mutuel the **Trophy for the best French banking group** for the seventh time, emphasizing the Bank's performance, balanced development and solidity.

In the third quarter of 2018, Crédit Mutuel again took **first place in the banking sector** in the quarterly Posternak-Ifop corporate image ranking barometer.

The Face of a Changing Bank: A Relationship-Focused Bank in a Digital World

In this digital age, the face of banking is changing, revealing a paradox: customers say that they like a traditional branch model yet go there increasingly rarely. Thanks to websites and banking applications, customers have never been so close to their bank. Moreover, banking applications are the most frequently downloaded software after weather or social networking ones. These technological advances do not detract from the human aspect: At CMNE, our branches represent the face of the trust relationship and remain the hub of the customer relationship. The CMNE Group aims to provide "hyper-personalized" solutions (offering the best service at the best time).

A "Phygital" Model For Loyal Customers Who Go Increasingly Rarely To Branches And Are Increasingly Connected

In 2018, 49% of CMNE's customers were multichannel ones, with 31% said to be "traditional" and 20% "digital". In order to cater for these different profiles, CMNE has reinvented the customer relationship by making it "phygital"—a blend of physical and digital—through the joint use of all possible customer relationship tools. The aim: to be connected to the customer via all available channels. Customers want a dedicated advisor to contact via the Internet, by telephone or in their branch.

Created in 2000, the **Customer Relations Center (CRC)** has changed over the years to become an integral part of the CMNE network. We no longer speak of call centers but Customer Relations Centers instead. Far from the negative stereotypes of call centers, CMNE's CRC is a genuine bridge providing an effective response to urgent customer demands and supplements the role of the branch account manager, who remains the lynchpin of the customer relationship. Nearly 150 employees work at the CRCs located on seven sites. They can be contacted six days a week and 64 hours a week, at times that complement those of the local banks (notably, at the end of the day, on Mondays and on Saturday afternoons). Customer calls, regardless of whether they are from individuals, companies or professionals, are greeted by an employee with skills identical to those of their branch advisor. More than 1,388,000 calls have been received and handled; 145,800 emails and 18,660 chats were processed in 2018.

The CMNE Group is maintaining its dense **territorial network** of branches and ATMs. It offers its products and services in 527 contact points in France and Belgium, as well as 632 ATMs and business and pro-centers dedicated to corporate customers. CMNE has a firm presence in city outskirts, reflecting its policy of covering all residential areas: 25.2% of its locations were in rural areas (including municipalities with populations of less than 5,000), and a quarter of free urban zones have a Crédit Mutuel presence.

Whereas certain competitors now only receive customers on appointment in more than 50% of their branches and others have announced that they will be closing around 20% of their branches by 2020, CMNE has chosen to **"regulate" its customer reception in its outlets** (for example, normal opening for customers in the morning and on appointment in the afternoon) in order to adapt to the service consumption and operating methods of its customers and members: **"Your branch is changing its rhythm to match yours"**. As a result, we do not plan to close any branches but are adapting our network to demographic and economic facts instead.

Technology Serving Our Customers

Cognitive solutions are increasingly being adopted and then perfected since their launch. These technologies, such as the virtual assistant Watson, are intended to provide greater comfort and expertise for advisors by enabling them to spend more time refining their advice and so improving the customer experience. Our leitmotiv: to consistently use cutting-edge technologies to serve people.

CMNE Group also devises **new offerings and services** that meet the long-term concerns of our customer-shareholders. Three such projects were launched in 2018: one on **Customer Empathy** to anticipate our customers' needs and use them to innovate, another on **Customer Education** to answer their questions directly, and the last on Data to create value and confirm the CMNE Group's status as a trusted party.

These working groups devised new services, products and experiences presented during the Convention on November 29, 2018. These ideas include the "caregiver pack" assisting caregivers in their tasks for dependent seniors and vulnerable people. A series of "Why" articles also appears on the cmne.fr website and the social networks. Their aim: to explain everyday subjects via highly informative graphics (such as, Why do I pay for my bank card? and Why must I provide so much personal information?).

CMNE is also making greater **use of tablets** in branches. This has become an essential tool in the growth of **electronic signature** use. CMNE is a modern and innovative bank that is digitizing its working methods and adapting to new trends. By signing documents electronically, we are also doing more for the environment: electronic signatures fit perfectly into CMNE's CSR policy by significantly reducing the number of documents printed. As well as being an excellent example of business digitization, electronic signatures save time when concluding agreements, as these appear in the customer's space immediately they are signed. From 2019 onwards, more products will be eligible for electronic signature.

A new version of **CMNE's mobile application** was released in 2018. Because banking applications have become one of the main entry points for customers, CMNE wants to lead the way with its "mobile customer" experience. This new version topped the download rankings for free "Finance" applications when it was launched at the end of 2018.

When the New Branch Concept was launched between 2007 and 2014, all CMNE branches were redesigned to meet the current **accessibility standards**, including those relating to **persons with reduced mobility**: outside access via adedicated ramp, reception column whose counter's height is designed for people with disabilities, positioning of indoor and outdoor ATMs, dedicated safe deposit box, contrasting-colored top and bottom steps of stairways, etc. Improvements such as audible indication of branch entrances for the visually impaired are currently under study.

Customer Protection

CMNE manages a flow of information comparable to the amount of money entrusted by its customers. Our aim: to protect this information and our customers.

CMNE is a trustworthy partner particularly conscious of the **need to protect personal data**. In 2018, the French data protection regulations were replaced by a European regulation that unifies the personal information guidelines:
The General Data Protection Regulation (GDPR). Even before it was introduced in 2018, CMNE had begun to work on the requirements of this new law, particularly on the cmne.fr website: whenever users log on to the site, a message pops up to inform them of this new regulation and ask them to consent to their browsing information being collected and used. CMNE is transparent about data collection, and allows its website users to deactivate certain types of cookies. This gives them control over the use of their personal data. Protecting customer data is one of our priorities. The sole purpose of its supervised use is to improve the service provided to our customers.

CMNE also helps its customers to combat **cyber crime** and **phishing**. A security guide is available on cmne.fr and enables customers to adopt good habits. CMNE has introduced stronger security measures for customer transactions. 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 unsure of the authenticity of a Crédit Mutuel communication are strongly encouraged to send an email to phishing@creditmutuel.fr.

The "**Mag**" section of the cmne.fr website deals with news topics and offers advice on matters including the protection of bank transactions, with subjects such as "the new types of bank frauds to be wary of" and "what to do if I am scammed".

A Local Bank Serving the Real Economy

Because commitment and involvement in local life is part of the CMNE Group's DNA, the bank maintains close links with the local socioeconomic players whose businesses and vitality it supports. And, just as it is transforming itself, it assists them in their transformation drive

Commitment to Local Economic Development

CMNE actively participates in local life and employment areas, both in France and in Belgium. It has five main types of customers: individuals, professionals, farmers, associations and companies. Assisting them is the reason for the existence of a local bank such as CMNE. Its local roots, its business strategy clearly directed towards retail banking, its prudential cooperative management and its financial strength all enable it to support the local economic fabric and its customers, which are split as follows: 90% consists of individual customers, and the remaining 10% consists of self-employed professionals, farmers and associations.

Support for Self-Employed Professionals

Saving time in their processes in order to concentrate on their core business, protect their liquidity and look to the future with confidence: all are essential objectives for self-employed professional customers. CMNE helps shopkeepers, artisans, professionals, farmers and entrepreneurs by offering them short-, medium- or long-term solutions tailored to their liquidity, financing and development needs. In June 2018, BCMNE (corporate structure) merged with CFCMNE to become the **Crédit Mutuel Nord Europe Entreprises** brand. The aim: to strengthen the organization in order to grow the Pro/Agri/Corporate division while also increasing synergies between the local banks and the self-employed professional market. CMNE has set up new Professional Advice Spaces bringing together self-employed professional and corporate customers with expertise such as asset management, real estate finance leasing and real estate. Customers and employees alike benefit from the knowledge shared there.

To add value to our customers, **"doing business brings us together" videos** are published on the cmne.fr website, each highlighting the business of a professional customer.

With its **Pro Center**s, Beobank has launched a new concept on the Belgian market for businesses, which goes further than the "classic" banking service dedicated to professional customers. They include the organizing of workshops and networking events to foster the exchanging of experiences. In these centers, customers can also use a working and coworking area, a shared reception area and meeting rooms for receiving their own business contacts, all free of charge. In this way, Beobank helps to grow the business of its customers at the financial level while also providing the practical assistance they need.

CMNE, **agriculture's longstanding partner**, helps farmers to expand but also offers suitable measures to assist them when weakened by a poor economic outlook in their sector—livestock and cereals, for example. The bank is actively involved in developments in the agricultural sector, assisting more than 13,800 farmers every year.

CMNE is close to the ground in the agricultural sector. It partners festivals and exhibitions throughout its territory (*Terres en Fête*, *Terre en Folie*, Châlons Fair, Sedan Agricultural Fair, Vitivini Exhibition, the top professional exhibition of bio techniques, *Tous en Botte*, *Graines d'Avenir*, etc.).

Real Estate Sales

In 2011, CMNE joined AFEDIM in launching the sale of new real estate, convinced that the French view real estate as the "Number One" safe investment. This offering attracts not only asset management customers and investors, but also—and increasingly—a wide range of customers such as first-time buyers. The assistance offered through the branch network reassures customers, who consider their account manager as a truly trusted party. The comprehensive offering proposed by CMNE builds customer loyalty and enables the Group to participate throughout the real estate chain, from loans to real estate management, through insurance and home protection. CMNE is highly active at home ownership exhibitions (Immotissimo, etc.).

Financing of Associations

Nearly 32,000 associations are CMNE customers. Thanks to its network of specialists throughout the territory, CMNE has woven close links with associations for many years. In 2018, its voluntary and corporate divisions officially partnered the organization of two events with the Louvre-Lens Vallée incubator— Culturathon and Culturacare—on the subject of culture and digital technologies, a vector of social inclusion and local development.

Calculating the Socioeconomic Footprint

As part of its CSR approach, CMNE wanted to measure its local utility and its socioeconomic effects, particularly in terms of jobs. This impact can be measured through the remuneration and taxes that the company pays, its expenditure or its "business" activity. CMNE has a direct and indirect impact on many stakeholders: employees, suppliers and customers, but also more generally on society and the environment.

In 2018, CMNE also produced its **socioeconomic footprint** to prove the importance of its impact on the territory and its local roots to its stakeholders. Its socioeconomic effects on the real economy in its sector were assessed using the proven Local Footprint® methodology. Two representative criteria were chosen: wealth generation, and job creation.

The direct and indirect economic effects of CMNE's banking business and its internal operations (employees, suppliers, etc.) **support 41,100 jobs in France, 21,200 of which are inside the seven departments in its territory**. These figures underline CMNE's position as a major player in the economic vitality of the regions in which it operates. For every person working in CMNE, 15 jobs are supported in France, seven of which are in CMNE's territories.

CMNE also contributes **€2.7 billion to the national GDP**.

Assisting In Major Social Changes

The CMNE Group assists in major urban and social changes. It is notably a key player in the real estate sector. As a banker, CMNE assists in social changes by proposing a product offering that adapts to changes in requirements. The life styles and consumption methods of customers change. The "use" value is quietly replacing the "ownership" concept. This consists in living comfortably at every time of life, regardless of whether or not you are a homeowner. Two new products were introduced in 2018:

Envolimmo: borrow now, repay later. These loans enable customers to purchase real estate with a final loan repayment corresponding to no more than 50% of the property's purchase price. As a result, the monthly payments can be adapted to further the plans of young customers who, logically, will see their income increase in the coming years.

There are two options when the loan matures: the customer either repays the loan from their own funds or sells their property. They amortize the final payment via a new loan over a term fitting their age.

Flexipropriété: 30 to 40% cheaper than a traditional purchase. The principle consists in proposing a convincing intermediate product positioned between a lease and a traditional purchase. Homeowners purchase the use of their home from Foncière Nord Europe for a long time (around 50 years). During this time, they behave as if they own their home, they can carry out repairs, rent out the property, etc. At the end of the contract, the property reverts to Foncière. The customer receives a discount off the total price of the home (deposit + monthly payments) ranging from 30% to 40% of the amount that they would have had to pay to purchase it in the traditional way. In 2018, CMNE was thevery first group to launch this concept experimentally, in the very dynamic urban real estate market of Lille.

Viager (retained life estate): financing your old age. This principle has existed for many years and although it has not yet conquered the market, the CMNE Group thinks it can offer a suitable response to the ageing population and smaller pensions. The retained life estate solution enables seniors to remain in their homes and supplement their income for life (thanks to life annuities).

The vehicles enabling customers to diversify their assets, or even reduce their tax burden, include Real Estate Investment **Trusts** or **REITs**. This solution is proposed by La Française, the leading provider in France for this market. This offering is sometimes also referred to as "paper real estate".

Crédit Mutuel Nord Europe

A LOCAL BANK
Serving The Real Economy

Crédit Mutuel Nord Europe is a key player in local development. Every day, local bank CMNE works alongside local economic players and uses its expertise and know-how to support those who live and work in its regions. This study, conducted by the Utopies research firm, evaluates how Crédit Mutuel Nord Europe's economic contributions (consisting of loans, investments and purchases, and its remuneration and tax payments) help to support jobs and GDP*.

For
1 JOB
within CMNE

x15

15 JOBS
are supported in France, including 7 in CMNE's territories.

41,100
jobs supported in France

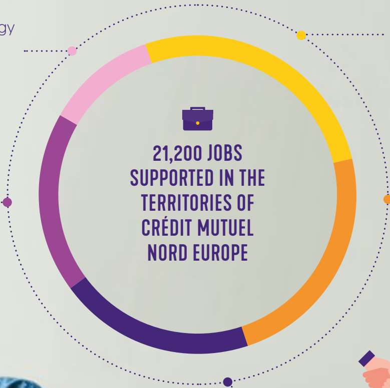
including

21,200
IN CMNE'S TERRITORIES

Nord, Pas-de-Calais, Somme, Oise, Aisne, Marne, Ardennes, representing **1% of all jobs** in CMNE's territories

€2.7 billion
contribution to the national GDP

TOP 5 SECTORS SUPPORTED



2,400
Industry, Energy & Agriculture

3,900
Construction & Real Estate services

5,700
Financial services & Corporate services

5,000
Public authorities, Education & Healthcare

4,200
Shops & Personal services

LOCAL FOOTPRINT MADE IN UTOPIES

Study Methodology

The purpose of this study is to evaluate the gross socioeconomic impact generated by Crédit Mutuel Nord Europe's cash flows in France in 2017: expenses, remuneration, tax and loans allocated. It was conducted by sustainable development strategy pioneer Utopies with the help of its Local Footprint® macroeconomic model. The impacts are quantified in terms of jobs (FTE over 12 months) and contribution to GDP.

CONTACTS
ci17@cmne.fr / localfootprint@utopies.com

*Gross Domestic Product

In aiming to contribute to the development of its territory, CMNE is supporting the aging population. It has jointly financed a residential home for seniors, "Happy Senior", in Capinghem (Nord department). Its 126 apartments with communal areas enable seniors to live in a top-quality residential home.

CMNE has launched an entirely personalized healthcare offering providing an effective answer to the specific requirements of customers. A "chient chat" insurance scheme was launched at the end of 2018, as well as a completely online telephony offering.

In 2018, CMNE also organized its first exhibition on "aging well at home" in one of the local banks within its territory. CMNE acts as a true trusted party to assist seniors in their plans. Our aim: to offer customer-shareholders a global product range dedicated to the housing market (planning, adaptation, securitization, additional income, etc.).

CMNE and La Française will invest nearly 100 million euros in the "Greater Paris" project in coming years. This major European infrastructure project, which is linked with the 2024 Olympic Games, provides—and will provide—significant opportunities for the Group. These urban projects affect all asset classes, as well as the eight million people living in this territory.

La Française is launching a land project extending beyond its traditional collective funds, dedicated solely for Greater Paris. The aims for customers: investing in the Grand Paris project's districts of tomorrow, contributing to their development and reaping their long-term benefits.

Solidarity, Patronage and Sponsorship

The Crédit Mutuel Nord Europe Group supports local initiatives and engages with associations that dynamize its territories through sport or music as well as with players working towards equitable and sustainable development.

The Crédit Mutuel Nord Europe Foundation

The Crédit Mutuel Nord Europe Foundation created in 2013 was born of CMNE's wish to structure 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. Its remit: to foster the development of its territory. It views this development from three standpoints:

- ▶ Culture, or how to dynamize the territory;
- ▶ Training, or how to support talents;
- ▶ Solidarity, or how to combat the various forms of exclusion.

At the end of 2018, the CMNE Foundation completed the first year of its new five-year plan. Its results: 23 partnerships led, two major exhibitions supported, around ten community actions throughout the territory, five youth mentoring programs and a total of €870,000 paid in support of the territories.

The Crédit Mutuel Foundation's Reading unit works closely with regional Groups, including CMNE. The Reading unit has chosen to offer financial support to those encouraging people to read. It places the highest priority on actions in the field and is committed to conducting long-term operations with its partners, associations and local authorities or institutional players. Ever since its creation, the Reading unit has created and supported many reading projects, whether they provide tuition, fight illiteracy or teach literature or poetry. Because reading is an essential driver of access to knowledge, social inclusion and, therefore, freedom and responsibility, the Reading unit is one of the forms of the social solidarity policy that Crédit Mutuel has been pursuing for more than a century.

Solidarity and Commitment

CMNE and La Française support medical research via a solidarity fund, **the Pierval Santé healthcare real estate investment trust (REIT)**: CMNE donates 0.50% of the annual funds collected by Pierval Santé to the Institute of Brain and Spinal Cord Research (ICM). La Française, in its turn, donates 0.20% of the funds collected. The €168,266 check presented to ICM is therefore for funds collected by the CMNE network in 2018.

In partnership with Green Cross, the La Française Group has organized a number of events, meetings and conferences on endocrine disruptors, the energy transition and ocean and shoreline conservation. In December 2018, the Group chose to **forego traditional year-end gifts and convert the associated budget into donations to associations**. To give more visibility to these non-profit or environmental projects and raise awareness of their impact, a voting page has been set up to enable customers to decide on how the budget is to be split between SOS Sahel, Reforest'Action and Green Cross France & Territoires.

Sponsorship Actions

Being close to its customers, CMNE supports and assists **musical, cultural and sporting initiatives** that dynamize its territories and warm the hearts of the people.

The local banks participate in local life by helping associations (social, cultural, sporting, etc.) to **organize events**. These partnerships are intended to realize projects, perform initiatives serving the people and create social links. They give priority to local associations, support voluntary actions and contribute to youth education and training. In 2018, **CMNE partnered more than 460 local events**.

Music unites everyone, and Crédit Mutuel is truly the bank for everyone. As a forerunner in the music sector with its slogan "Crédit Mutuel donne le LA" (Crédit Mutuel sets the tone), **CMNE is involved in many musical partnerships**. Since 2004, the Mainsquare Festival in Arras has emerged as one of the biggest modern music festivals in France. CMNE has been its main partner ever since its launch.

CMNE joins with other festivals such as the Cabaret Vert, Festival Central 43, NAME Festival, North Summer Festival, Festival Pic'Art, Poulpaphone, Festival des Nuits de la Filature, La Magnifique Society, Is This POP, and Retro C Trop. CMNE also has an annual partnership with the **National Orchestra of Lille**.

CMNE supports the **playing of team and mass sports**, which drive cohesion and sharing. The bank encourages the amateur and professional playing of sports such as football, running, cycling, golf, handball and basketball and invests in many events throughout the year. For example, it has now supported the **LOSC** football club for more than 20 years. Under its **partnership with the women's and men's teams of LOS**C, it regularly organizes various patronage operations. CMNE also holds "Escort Kid" selection events in its branches to enable young football supporters to accompany the players onto the pitch before the match begins.

Since 2013, CMNE has been the **official partner of the Pierre Mauroy Stadium in Lille**. Unifying and flexible, the Stadium can transform into a 30,000-seat arena capable of holding large concerts. In its football/rugby stadium guise, it offers 50,000 seats for watching major sporting events (in 2018, it held the volleyball final and the Davis Cup semifinal and final).

In 2018, CMNE formed new partnerships that held large events such as the following in the Lille region: First **Series Mania** festival, or the **Mappin**g Festival.

"Eat well, eat good local food" is the motto of the Mange-Lille festival. This event has been supported by CMNE ever since its launch in 2016. The aim of this event is to avoid the stereotypes regarding local cuisine and show that it can be resolutely modern, thanks to everyone (chefs, growers, breeders, fishermen and brewers) who makes it work. For an entire week, over 30 chefs and local growers stimulate the tastebuds of visitors to Saint-Sauveur station as well as throughout Lille, with many events and attractions.

Supporting Fragile Customers

CMNE is the bank for all types of customers and takes care to assist those going through difficult times, whether these are structural, social or economic. Many situations of fragility can cause financial insecurity, requiring the creation of a strategy attentive to those concerned. As part of this approach, the Group's entities, all stakeholders responsible for the economic ecosystem in which they operate, undertake to apply values consistent with cooperative principles and rules of professional conduct and ethics under a concrete action plan. In 2019, **a policy designed to help fragile customers** will be approved. This will highlight the regulatory mechanisms, consisting of a set of products and services essential in daily life:

- Right To an Account" (DAC) as part of "Basic Banking Services" (SBB);
- "Basic Services" (PdB);
- "Fragile Customer Offering" (OCF) entitled "Facil' Accès".

The public is informed of these offerings on the websites of the entities offering them and in the price brochures used to promote the services.

CMNE emphasizes the human connection by developing the role of customer advisors, who ensure that the product proposed fits their customer's situation.

Preventing and handling overindebtedness form part of CMNE's traditional actions of solidarity, mutualism and local banking and are integrated into its operating model. A dedicated team of five highly experienced employees guides customers in straitened circumstances who are likely to face overindebtedness proceedings. This is done by analyzing every situation leading to such proceedings with the customer in order to identify the cause of their difficulties and define different ways of resolving their situation. This approach is designed to assist customers experiencing financial difficulties in finding solutions and so prevent the risk of overindebtedness.

Being a responsible bank means acting against poverty, financial insecurity and exclusion to **help the vulnerable**, who nowadays are highly diverse. The main distinguishing principle of CMNE is that the bank does not charge fees for the business functions of its networks. This rule helps to ensure the most suitable product for the customer concerned is found.

CMNE pays special attention to customers referred to as **"adults under guardianship"**. Customer advisors are trained to provide a personalized welcome and offer them flexible services (current operating account, Vie Quotidienne withdrawal card and specially configured payment card) for each protection regime.

According to the Group's code of ethics, the employees must not discriminate against its customers and members in any way and must behave benevolently, professionally and responsibly towards them under all circumstances. To guarantee that the measures protecting fragile customers are implemented, CMNE provides training for all employees by means of dedicated media consisting of various teaching channels.

Crédit Mutuel Nord Europe's Caisse Solidaire social solidarity fund was created in 2005 to fight banking exclusion and specifically in order to make access to credit easier. The social solidarity fund is used exclusively to provide personal microcredit (consumer loan of between €300 and €5,000 for between 6 and 60 months) solely for those excluded from bank credit. Eligible projects or needs concern mobility, training, household equipment, family events, etc. In 2018, 426 microcredit applications were accepted, and more than 3,800 have been accepted since the social solidarity fund was created in 2005. As at December 31, 2018, the microcredit outstandings amounted to €1.29 million.

The CMNE Foundation fights exclusion, whether it is caused by disability or sickness or is social or economic. It participates in social or professional integration projects as well as in actions to support the sick or disabled.

As such, it has been supporting the Réseau Étincelle association since 2011, in the form of financial and **skills patronage**. Every year, it finances two or three Réseau Étincelle training courses provided throughout the Hauts-de-France region to help young people with major social inclusion difficulties. CMNE employees participate in these courses by leading financial education workshops. In this context, the subjects they cover include the basic principles of budget management, savings and credit and they explain the process of opening an account. They provide both the methodology and advice.

The CMNE Foundation regularly acts to foster social and professional insertion through more occasional patronage. In this way, it supported the Squad Emploi employment team of Réseau Alliance (in 2017 and 2018) and La Cravate Solidaire in Lille (in 2018) to assist jobseekers. It also supported the Artois Insertion Mobilité Emploi jobseekers association proposing mobility solutions for the socially disadvantaged (in 2017), the Synapse Insertion association in Amiens proposing vocational training in various fields, and the Bonne Ferme association in the Oise department helping the highly vulnerable to find jobs in the market gardening sector (in 2017).

Projects For 2019

Promote the economic, cultural and social development of our territories:

- Apply the results of the "CMNE socio-economic footprint" study by the Utopies consulting firm.
- Launch the Foundation's 2019 call for tenders for the "Music, insertion and personal development" project.

Accompany the territories in their sustainable development issues:

- Allocate savings to activities that have a positive environmental and/or social impact on the territory.
- Assist the development of the entrepreneurial fabric.
- Assist the agricultural sector in these changes.

Assist our customers in the financing of innovative projects:

- Support the production of renewable energy, particularly that involving low-carbon technologies.

Increase the factoring-in of customer expectations at our product and service design stage:

- Jointly construct products with our customers (as beta testers).

Aim to achieve a sustainable relationship with our customers:

- Protect personal data and transparency in their use (data project).
- Listen to our customers and be transparent when providing advice.

Investment

Encouraging the sustainable transition of the economy by means of our product offerings and investments

Socially Responsible Investment (SRI) has taken on a new dimension. There is now a genuine awareness of environmental and social problems, their economic impacts and the key role of stakeholders in the financial sector. COP 21, which took place in Paris in 2015, was an essential step in this process. The publication of the law on the transition to other forms of energy is based on the same dynamic and ensures that the financial stakeholders are aware of the need to evaluate their policy relating to Environmental, Social and Governance (ESG) criteria and combating global warming.

2 Major Risks Identified

- Underdevelopment of the Socially Responsible Investment (SRI) range;
- Not factoring-in the increased greenhouse gas emissions.

3 Key Performance Indicators (KPI)

	2018 values
SRI assets under management	6% of mutual funds and mandates
Energy consumption	28,883,377 kWh (1,561,013 + 8,154,204 + 119,043)
Group energy consumption	388 tons (149.37 + 215.07 + 1.56 + 22)

REAL ESTATE

SUSTAINABLE REAL ESTATE PIONEER
from 2010 onwards with the creation of OPCI SR

CHAIR OF OID
since 2015

DIAGTECH
Proprietary tool for analyzing the environmental and social performance of buildings

GRESB REAL ESTATE
a fund certified GRESB GREEN STAR

FOCUS
EVALUATION GRID CONTAINING > 80 CRITERIA SET IN LINE WITH ESG CRITERIOLOGY

CARBON FOOTPRINT OF ASSET MANAGEMENT PREMISES
18.26 kg CO_2/m²su.year
MUCH LOWER THAN THE AVERAGE

DEVELOPMENT OF URBAN AGRICULTURE AND PHOTOVOLTAIC SHADING
for real estate assets

SECURITIES

TOTALLY RESPONSIBLE EQUITY MANAGEMENT
(excluding €50 million for La Française Lux, Inflection Point Leaders Emergents & La Française Actions France PME)

A 5-factor, proprietary model
ESG + Innovation + Adaptability

AN ESG SCORE UP
on the previous year (average 6.4/10) for all outstandings managed

A CARBON FOOTPRINT CALCULATED FOR ALL OUR FUNDS

96%
AN ACTIVE INVESTOR
Vote expressed in 96% of the Shareholders' Meetings

47%
Vote AGAINST the management for 47% OF THE RESOLUTIONS presented by shareholders

0
Regular meetings
ZERO CARBON CLUB
with our investors

Creation of a
CARBON IMPACT RANGE

2X
GREEN PORTION (RENEWABLE ENERGY) 2X BIGGER THAN THE BROWN PORTION (CARBON) IN PORTFOLIOS

Factoring-in of Climate Change in Our Offerings and Investments

A Highly Committed Asset Manager: La Française Group

The La Française Group, a multi-specialist player in the securities and real estate asset management business on behalf of third parties, has been a firmly committed Responsible Finance player for many years. The La Française Group is committed to disseminating its views, both internally (by sharing best practices, informing and building awareness if possible with the help of associations that it sponsors) and externally (by assisting investors by creating products, indexes and tools and disseminating information).

La Française has internal tools enabling it to calculate the carbon footprint of its portfolios. It has developed its own investment strategy using a proprietary tool analyzing five factors, which originated from a partnership signed in 2014 with the Inflection Point Capital Management research consultancy. This innovative approach feeds its entire Responsible Investment strategy for its different areas of expertise. To its financial analysis and traditional Environmental, Social and Governance criteria, it adds strategic measures relating to corporate innovation and adaptability to a constantly changing world.

The IPCM research center is now fully integrated into the Group and is now called "Inflection Point by La Française". Its selection strategy, which was originally developed for equities and applies to almost all equity funds managed by La Française, is gradually feeding the other asset classes managed by the La Française Group and being constantly refined and tuned.

At the end of December 2018, the sustainable outstandings of La Française amounted to €1,838 million in equities, bonds and real estate.

Our customers seek investments with a positive environmental impact and, overall, the new regulations (such as article 173) provide real opportunities for communicating with them. As a result, the **Carbon Impact strategy** encourages our customers to "decarbonize" their portfolio and our "Zero Carbon Club" provides forums for feedback and discussion with the most actively involved of them.

Our Responsible Investment and Impact Investing offering is applied via offerings in the different asset classes covered by the Group.

In addition to the real estate and securities pillars of La Française, Acofi, the La Française Group subsidiary dedicated to direct financing of the economy, invests in renewable energies (mainly in the form of wind farms) and so also plays a role in financing the energy transition.

The "responsible" offering mainly intended for classic institutional customers is no longer solely reserved for them and is gradually opening up to "retail" customers that the media have widely informed of the benefits of a climatic strategy and the role of finance. The La Française Group currently has two Impact Investing funds: **La Française LUX-Inflection Point Carbon Impact, and the sharing fund Pierval Santé REIT.**

Green Financing

Drawing on its wide-ranging historical presence in its territories, CMNE undertakes to play a lead role with the low-carbon development players, particularly in the field of the energy infrastructures essential to sustainable economic development, through the following:

- Diversification of energy production sources with increased financing of the renewable energies sector;
- Lower energy consumption by customers;
- More energy transformation actions and greater adaptation to climate change.

In 2018, the total identified amount of **green financing** by CMNE in its financing activities for public and private companies and individuals (energy infrastructures, all production of renewable energies, waste and its treatment, public transport projects, alternative fuels, clean vehicles and green housing) can be broken down as follows: 106 interest-free eco-loans, seven renewable energy projects financed and 26 private projects using renewable energies.

At the end of 2018, CMNE launched an **eco-mobility offering**. Its aim: to enable customers and members to purchase or renew their vehicles in order to drive more ecologically and at attractive prices. For hybrid and electric vehicles, it proposes a 0.75% rate; for petrol vehicles (with no ecological penalty), it offers a 1.50% rate.

Beobank proposes its **Eco-Credit** (with no interest subsidy) at an attractive rate (1.99% up to 84 months, and 4.25% for more than 84 months and/or €50,000) for customers wishing to invest in projects intended to reduce their energy consumption.

It also proposes an **energy transition loan** offering, contributing to improving the energy consumption and environmental performance of companies (materials, installation of equipment, new products, etc.).

Socially Responsible Product Offering

Because French savers are increasingly aware of **"useful" savings**, Crédit Mutuel proposes simple socially responsible savings solutions in which at least some of the saver's money is invested in projects of high social and /or environmental use.

Socially responsible savings: The "Livret de développement durable et solidaire" (LDDS) is the best known. All savings invested via this passbook are used to finance ecological projects, such as enabling individuals to save energy. As at 31 December, 2018, the outstandings amounted to nearly €12 million.

The "Livret d'épargne pour les autres" and "Livret d'épargne pour les autres – Associations" are passbooks that can be used to invest money while sharing their interests with humanitarian organizations.

In exchange for their financial support for humanitarian organizations, investors receive a 66%-75% tax rebate.

Sector Policies

The CMNE Group has set up sector policies to specify the financing rules in fields such as coal-burning power plants, defense, civil nuclear energy and the mining industry, all fields with the highest social and environmental impacts.

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. These four sector policies aim to define the general principles and rules for intervention concerning financing and investments in sectors such as coal-burning plants, defense, civil nuclear energy and mining. They may be revised whenever deemed necessary by the Group.

In line with its responsible investment policy, the **La Française Group** has adopted a high profile position on environmental protection and the transition to renewable energy.

The La Française Group includes increasingly formal environmental, social and governance criteria in its investment decisions.

It also supports the Green Cross association, which works to conserve biodiversity as part of its actions to protect the environment. In its 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 governance criterion 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.

Structured Environmental Approach

Because it is a service business, CMNE has limited environmental impacts.
Areas for improvement in its operations have nonetheless been identified. Action plans have been established following greenhouse gas emissions assessments and energy audits, or when defining waste treatment processes.

Greenhouse Gas Emissions Assessment

For CMNE, finding a solution to current ecological issues offers another means of expressing its responsibility. It has 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 greenhouse gas emissions assessment was published at the end of December 2015 and aimed to achieve a 9.9% reduction, i.e., -12.07 teqCO2, in three areas: energy consumption, business vehicle use and paper consumption. For example, CMNE has replaced its entire fleet of service vehicles with hybrid ones. As a result, the average CO2 emissions of these service vehicles dropped from 107 g to 88 g between 2015 and 2018. The third such assessment will begin in 2019.

The La Française Group employs the services of ENEOR Global Energy Solutions to monitor the energy consumption of its operating real estate. A carbon footprint is currently being produced with the help of Climat Mundi.
La Française also encourages and protects biodiversity by having green patios and terraces at its head office, and it has installed beehives on its terraces for the same reason. Every year, the Group conducts awareness campaigns to remind employees of best practices and environmental issues.

Energy Audit

Energy audits are mandatory for regulatory compliance. The European directive on energy efficiency was also transposed in Belgium.

In the case of CFCMNE, the audit was carried out by Arcalia (a Bureau Veritas subsidiary) and published on the ADEME website. A representative sample of its real estate (consisting of five central sites and 15 local banks), covering a total surface area of 23,000 m², was audited. Electricity (9,460 MWh) and natural gas (6,128 MWh) are the most used energies, representing 71% and 29% of the energy costs, respectively. Most of the consumption is caused by the heating (66%), office computers (20%), lighting (8%) and ventilation (3%).

The major actions recommended concern the heating (optimizing settings and replacing certain boilers), construction (insulating partition walls and changing windows), ventilation (scheduled operation of controlled mechanical ventilation) and lighting (installing LED bulbs in certain lighting). For example, all CMNE signs are equipped with clocks to switch their lighting on and off automatically. They are switched off at between 7 PM and 11 PM and switched on at between 6 AM and 9 AM. As a result, the signs are switched off between 11 PM and 6 AM at a minimum. The recommended actions are expected to reduce greenhouse gas emissions by 71 tCO_2, taken as a whole. **La Française** conducts an annual energy audit of its operations building, which has HQE certification.

Responsible Supplier Process

Crédit Mutuel's supplier process is among the ISO 9001 certified Quality processes monitored and audited by AFAQ9. The procedure has been drafted and published and sets out all the various stages of starting a business relationship, contracting and managing the relationship with the supplier. As part of the CMNE Group's CSR approach, a request for information on service providers' CSR approach is included in the documentation (this information is for guidance only and is not used to calculate the evaluation score). For all calls for tender as well as on a regular basis, the Purchasing teams ask "critical and sensitive" suppliers to provide documents attesting to and describing their CSR approach, such as their sustainable development code of good conduct.

They also ask them to undertake not to work with any suppliers, service providers and subcontractors that do not adopt this approach and to provide proof of the processes and actions developed to reduce greenhouse gas emissions in their business.

A sector purchasing policy developed for the Crédit Mutuel Group was also introduced this year, to make CSR practices more apparent in purchasing decisions. The selection of external providers and suppliers by CMNE divisions and departments is guided by regulatory provisions. The Permanent Control unit evaluates the system for monitoring critical outsourced services every year.

Managed Resource Consumption

Concrete Awareness Campaigns

A Sustainable Development portal and eco-gestures are available in the CFCMNE intranet for employees and directors. These tools encourage employees to behave in an environmentally friendly way within CMNE and present the environmental commitments of the company and its employees.

In 2018, a **motion design** video was created to explain the CMNE Group's CSR policy. This is contained in the communication media provided to employees and directors as well as on the cmne.fr website.

An e-book is updated annually to present a selection of CSR actions set up by the CMNE Group to everyone involved. This e-book is available on the cmne.fr website and the employee intranet.

Articles published monthly on the employee intranet also provide information on various subjects such as responsible finance, ecologically responsible vacations, etc.

The institutional site was completely revised when the cmne.fr website was redesigned. A "committed bank" tab highlights CMNE's CSR strategy and the actions undertaken for each pillar.

An Innovation Lab was held at the end of 2018, in which some ten employees in different functions considered which actions to take to disseminate CSR throughout the Group. An action program has been set up for 2019 and 2020, including the organizing of challenges between branches and divisions.

Waste Management

Waste management and recycling actively help to protect the environment. CMNE has been partnering with Elise, a leader in paper collection and recycling, since 2007. In 2015, Elise became CMNE's sole supplier for these services. CMNE introduced separate refuse bags in 2015 for paper and NHIW, the sorting of goblets and used batteries. A quality inspection of each site by Elise checks that employees and the cleaning company sort the waste properly (producing a quality sheet for each site). More than 232,000 kg of waste were collected in the waste bins provided for employees within the Lille and Arras offices and throughout the branch network in 2018.

The La Française Group has subscribed to the "Corbeille Bleue" waste collection scheme promoted by PAPREC, the specialist waste recycling company. Printers and photocopiers are managed by means of badges.
Euro Information, which manages equipment purchases (terminals, electronic banking, ATMs, video calls and telephony), tracks equipment life circuits from purchase to recycling, including destruction and waste recovery.

Raw Material Optimization/Circular Economy

Since January 1, 2018, 100% of CMNE's electricity consumption is certified as being of recyclable origin.

The goblets used for hot and cold drinks are recycled by Elise (616 kg were collected in 2018), with the aim of eliminating them entirely in 2019.

To reduce the amount of paper sent to customers, CMNE has introduced **electronic signatures in its bank branches** and encourages its customers to receive e-statements via its Remote Banking offering.

During 2017, CMNE also began a **process to dematerialize its HR activities** (paperless payslips, Personal Social Report, meal vouchers, etc.), including the opening of a digital safe for each employee.

CMNE has started work in order to better address the social and environmental challenges through its purchases and its relationships with suppliers. For example, the paper it buys is responsibly-sourced and ecolabeled, the printers it uses are certified "Imprim'Vert" and its envelopes and checkbooks are produced using recycled paper and materials.

Preventing All Forms of Waste

Measures to **prevent food waste** are not a direct part of CMNE's activities. However, when organizing large events (conventions, receptions, etc.), CMNE is attentive to its catering choices. Conscious of their carbon footprint, most caterers that work with CMNE offset their carbon dioxide emissions as a result, supporting a carbon reduction project proposed by CO2 Logic. Some use biodegradable dishes, and any products not consumed are donated to a local community organization.

Under the CMNE Group agreement organized in November 2018, a local events communication agency was chosen for the following points: use of natural and reusable decorative elements, digitization of production documents, and LED lighting. The caterer, in its turn, was chosen for its eco-responsible qualities emphasizing fair trade: focusing on local products while also respecting the seasonal nature of products. All unconsumed food is donated to community organizations.

During the different office moves or reorganizations, any furniture not reused is given to community organizations, schools, local authorities or young entrepreneurs that are partners of the CMNE Foundation.

There was also a joint drive with Elise to collect books at the Lille head office. Depending on their condition, Elise retrieves them for redistribution or recycling.

The CMNE Group is not directly concerned by **food insecurity, animal welfare, and fairly traded and sustainable food**. On this final subject, the week on the Quality of Working Life provided employees with information and details on the importance of a balanced diet, via workshops and conferences.

More Responsible Travel

In France, the transport sector accounts for more than 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, etc. and almost a year in a lifetime. 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 travel.

The Company Travel Plan (PDE), baptized as eco-mobility, was launched at the end of 2016. It was mainly deployed in 2018, with the provision of bicycle storage (in Arras, Reims and Lille), the promotion of car-sharing and the creation of the CoMove community on the Idvroom platform, the production of communication media published for employees on the intranet, the provision of large-scale training on ecological travel and road safety, and the gradual replacement of the company's service vehicles by hybrid ones (22 in 2018).

In order to build employee awareness and involvement, CMNE organized a mobility forum in September 2018 for the third consecutive year, with the aim of promoting green transport, particularly cycling and road safety for cyclists. Videos of employees using greener means of transport have been published on the intranet. At the beginning of 2019, an agreement with the labor unions was approved with the main objective of allocating a capped cycling mileage allowance for the year.

The market for new means of daily transport such as electric scooters, electric unicycles, gyropods, hoverboards and e-bikes (all unregistered) is constantly growing and gaining converts. This zeitgeist requires changes in our habits: a future Highway Code change to qualify these new vehicles, the introduction of mandatory third-party liability insurance, etc. CMNE has addressed the subject and launched an offering specifically for **Miscellaneous Unregistered Vehicles** that covers accidents occurring during the use of a new means of personal transport (electric scooter, e-bike, etc.).

Following successful testing, **teleworking** has been introduced for all employees working in the Lille head office, and an agreement was signed in December 2018. Teleworking notably reduces the number of commutes. Similarly, 19% of all training is provided remotely.

Beobank has conducted a survey to find out which means of transport are used by employees working in the Brussels head offices: 65.6% already use greener means of transport for an average commute of 28.12 km. Beobank encourages its employees to use low-impact means of transport via parking/free bicycle hire and sanitary infrastructures, the integration of "eco-scores" in the management, cyclist allowances of €0.23/km, and a third-party payment system for train season tickets. Employees' experience of using alternative means of transport was shared during the Mobility Week last September. By sharing these testimonies, the bank wanted to ensure that its staff is aware of innovative means of transport. Pilot "Villo" (free bicycle hire) subscriptions and "De Lijn" (bus) network season tickets have been provided to the staff, along with the associated equipment (fluorescent jackets, bicycle clips, bicycle and pedestrian cards, and STIB bus network cards).

Projects For 2019

- Continue to define the sector policies that guide our actions and behavior.
- Address the ESG criteria in investment decisions.
- Define our purchasing policy.
- Manage all risks, including ESG. Increase investment in low-carbon real estate.
- In collaboration with La Française, increase the impact of investment on all its expertise.
- Limit our direct environmental footprint (launch the third greenhouse gas emissions assessment, and examine carbon offsetting).

Human Resources

Providing training, self-fulfillment and career development for all employees.

The Human Resources policy developed within the CMNE Group continuously advances employee careers but also informs applicants that joining the Group offers them the chance to build a career offering rich and varied opportunities. This attracts young graduates and also increases the loyalty and pride of those working within the company as well as customer-shareholders. The CMNE Group offers a truly professional environment attached to real values.

The Group offers its employees the means to become expert in their field as well as being able to adapt to still-unknown professions. This agility cultivated in employees is and will be CMNE's strength enabling it to cater for any changes confronting it. Adapting firstly involves developing an internal mobility and training policy. It also involves finding and enticing new expertise on the market: introducing rare skills, ensuring a mixture of profiles, career paths, ages, etc. The effectiveness and growth of the CMNE Group is at stake.

2 Major Risks Identified

- Lack of training;
- Employee demobilization.

3 Key Performance Indicators (KPI)

	2018 values
% of payroll costs dedicated to training in the Group	4.86%
CMNE Caisse Féderale churn rate	4.41%
Group absenteeism due to sickness	4.6%

Employee Confidence

Employees who are contented at work are more effective. This is why the CMNE Group entities conduct surveys to measure employee satisfaction.

In March 2018, CMNE employees were invited to give their opinions in the sixth **internal social barometer**, and 67% of them chose to do so. The results are up on those of the previous barometer. On average, 74% of the responses were positive, compared with 67% in 2016, with each of the four themes reporting improvements. Questions on the quality of management relations, the workload, or the balance between private and working life also received significantly better ratings than in 2016. For example, 54% of the employees feel that CMNE takes effective actions to foster the wellbeing of its staff (+6 points). Two new questions were included: one on digital literacy and the other on support during periods of change, both current topics.

Here too, the results are positive: 77% of the employees think their digital literacy is sufficient at CMNE, and 69% feel that they receive proper help in adapting to the changes and process optimizations.

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 June 2018, CMNE launched its **new employer brand campaign, #FiersdetravaillerauCréditMutuel** (Proud to work at Crédit Mutuel). This campaign is designed to increase both the Group's attractiveness to others and the feeling of belonging and commitment among its employees. Attracting the talents of tomorrow by highlighting the values and differences of the Group: this is the challenge set by this national project. This campaign clearly shows the importance that the CMNE Group places on its employees. It does not do this by casting actors in the role. Instead, HRM finds volunteer ambassadors to tell their own story, making their words as human and sincere as possible. On stage for a day, five CMNE employees agreed to take part in the communication campaign and be Crédit Mutuel's brand ambassadors.

France's favorite bank? This is already the case. Our new aim? Become France's favorite employer by encouraging the employees of today to attract the talents that will make the Crédit Mutuel of tomorrow.

CMNE is **one of the Top 5 companies in employee ratings on Viadeo** in the Lille area. Its corporate culture, values and working environment are the main strengths mentioned by present and former employees, who give it a 3.9/5 overall rating and an 85% recommendation.

Labor Relations

Labor relations in the Crédit Mutuel Group are based on complementary bargaining at the regional and national levels. The national agreements provide 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. 93 meetings with staff representatives were organized in 2018, providing proof of the Group's active labor relations.

Following on the agreements of the various entities of the CMNE Group with labor partners, action plans are tracked and their results presented to the various relevant bodies. The agreements signed in 2018 are summarized in the illustration (see right):

Company Agreements or Amendments Signed in 2018

Bankinsurance Division

8 agreements or amendments signed for CFCMNE

- 2/1/2018: 2018 wage agreement
- 3/20/2018: Amendment to the collective pension savings plan (PERCO) agreement
- 4/12/2018: CFCMNE employee savings plan (PEE) agreement
- 4/12/2018: CFCMNE PERCO Plus agreement
- 6/14/2018: CFCMNE incentive agreement
- 7/10/2018: Art. 26 amendment
- 12/5/2018: Agreement on teleworking
- 12/5/2018: Agreement on improving the quality of working life

1 agreement or amendment signed for Beobank

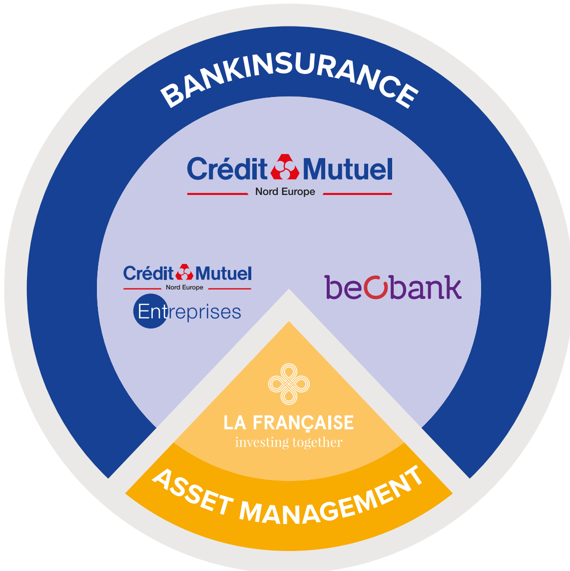
- 12/5/2018: Amendment to the company agreement of 10/17/2017 on the face value of meal vouchers

5 agreements or amendments signed for Bail Actéa

- 2/28/2018: Agreement on compulsory annual bargaining
- 3/29/2018: Amendment 8 to the PERCO
- 4/26/2018: Amendment revising the PEE
- 4/26/2018: Amendment revising the PERCO Plus
- 5/30/2018: Amendment to the incentive agreement of the “Pôle Entreprises” Economic and Social Unit (UES)

5 agreements or amendments signed for NEL

- 2/28/2018: Agreement on compulsory annual bargaining
- 3/23/2018: Amendment 4 to the PEE
- 4/26/2018: Amendment revising the PEE
- 5/30/2018: Amendment to the incentive agreement of the “Pôle Entreprises” Economic and Social Unit (UES)
- 6/14/2018: Profit sharing agreement



Asset Management

5 agreements or amendments for La Française AM

- 1/23/2018: Collective pension savings plan (PERCO)
- 1/24/2018: Amendment 11 to the collective agreement on the rearrangement and reduction of working hours (ARTT) and time savings account (CET) of December 5, 2007
- 1/24/2018: Amendment 15 to the Group savings plan of June 29, 2017
- 2/15/2018: Memorandum of Understanding for compulsory annual bargaining signed on February 15, 2018
- 12/31/2018: Gender equality agreement of 2019-2022

No agreement or amendment signed for LFI LUX

Training Plan

The 2018 training plan fully reflects CMNE's desire to secure personal and collective career paths, with the objective of maintaining the employability of all. Professional education is an investment fostering employee development and sustainable performance.

In an era of technological and competitive challenges, with customer behavior evolving rapidly, employee training is key to addressing changing job requirements and developing new skills.

In 2018, the CMNE Group invested 4.86% of **payroll in continuing professional education**, and 4,307 employees took at least one training course during the year, or 95.8% of all Group employees.

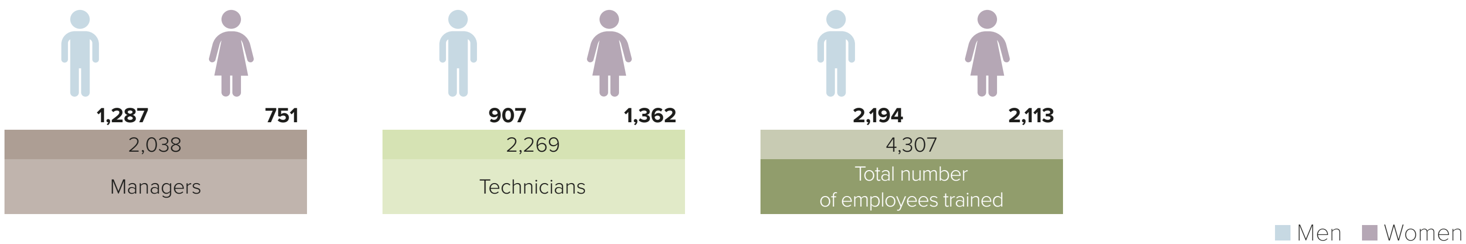
Among other things, the objectives of the 2018 training plan included the development of digital literacy, assistance in the digitization of business skills and the development of leadership and a culture of innovation. Bespoke modules have been proposed, such as management training in the innovative "Ten-minute manager" format, time management and priorities, etc. In order to better combine online and classroom tuition, the CMNE Campus training center proposes tools such as interactive screens, modular furniture and digital tools.

Complementing the training plan, employees receive individual training such as **Knowledge and Experience Validation (VAE)** or ongoing training. In 2018, 13 employees graduated with a **Bank Finance Master's degree** and five obtained a **Professional Diploma as a Customer Advisor and Expert**. 10 employees also obtained their Knowledge and Experience Validation.

A specific training plan is provided for teams who practice **Management through Collective Performance**.

For Beobank, training in 2018 other than recurrent training mainly related to the migration to the new information system, Eole (CMNE's common system). Between the end of April and the end of November, the teams set up a truly "Blended Learning" program composed of e-learning modules, virtual classes (based on the video conference principle) and traditional classes. More than 130 sales representatives (physical networks and customer relations centers) as well as a team from the CMNE head office spent two weeks helping the Belgian teams learn to use the new IT platform and applications.

Number of Employees Trained During the Year



CMNE and Students

The values defended by the CMNE Group attract potential applicants to CMNE, Beobank or La Française for complementary activities.
Being an attractive employer, easing the integration of young people into employment, and recruiting new skills: these are the three challenges addressed by the HR strategy of the CMNE Group.

The Group builds up many links with **schools and universities** in order to simplify youth integration (panels, block-release training, apprenticeships, forums, etc.). CMNE maintains partnerships with local universities such as the University of Lille, the Catholic University, the University of Amiens, the University of the Littoral Opal Coast, etc.

It has also signed a partnership agreement with the EDHEC via the Leadership & Management Skills Chair. For the fourth consecutive year, the Group ran a Learning Team program to build up the skills of managers and develop their leadership attributes. A dozen managers followed this innovative program in November 2018.

CMNE is also continuing its partnership with **major Engineering Schools** or Business Schools (ISA, UniLasalle Beauvais, HEI, etc.).

With its corporate Foundation, CMNE supports the **Sciences Po Lille PEI program** to encourage young people from disadvantaged backgrounds to study at university. The CMNE Foundation also awards grants to the EDHEC's eligible students.

It sponsors pupils at the La Cordée school in Roubaix as part of the Espérance Banlieues project, providing them with an education tailored to their needs and the expectations of their parents and so complementing that provided by State schools.

CMNE attaches particular importance to the **inclusion of young graduates**, and block-release training contributes greatly to this process. It receives block-release students with a view to hiring them for sales positions in the future as well as for "shortage" positions and/or new digital- and data-related professions. CMNE, with its benevolent yet demanding culture, offers a quality human experience. Vocational students are considered as employees in their own right, making the block-release 'adventure' even more beneficial for everyone involved. In 2018, 54 vocational students joined CMNE, and 18 other young people continued their career path begun in 2017, combining their in-the-field learning of the business with theoretical tuition at school or university. Two-thirds of vocational students are pursuing a Master's program in various professions (banking network, federal services, etc.). They are supervised by a tutor trained to do so. Several measures have been set up to facilitate the vocational student community and their tutors throughout the year: a page dedicated to the workplace social network, morning shows, video meetings, etc.

In addition to its contact with schools and universities and its Careers website, CMNE has developed its **presence as an employer on business social networks** such as LinkedIn to improve its communication (with more than 4,800 subscribers, including more than 1,800 in 2018).

CMNE has created an employer page on the **Jobteaser** website to attract and keep new talents from the first years of study onwards, through internship, block-release or first employment opportunities.

The La Française Group forms partnerships with renowned universities such as **Paris Dauphine**.

Through the **apprenticeship tax**, the Group also finances the **School of the Second Chance** as well as training schools for people with disabilities.

Quality of Working Life (QVT)

The Quality of Working Life (QVT) is a nice idea, but it is not only a concept! Moreover, a week is dedicated to this subject each year. The aim: to make all of the company's stakeholders aware of the importance of employee wellbeing in fostering personal and collective performance. Because its human capital is its primary resource, the CMNE Group considers that promoting the quality of working life is a major issue, being a factor in both employee wellbeing at work and in the overall and sustainable performance of the company.

As in the previous year, CMNE took action during the **week on the Quality of Working Life** (in June 2018) by proposing an awareness campaign on the subject of "Eat well to be well!": a healthy, 100% home-made breakfast, online tutorials including balanced recipes, advice and tips on keeping fit and lastly a real and remote conference on "How to eat properly in a sedentary job", presented by Cédric Thomas, a qualified dietician and nutritionist in the Lille area.

At the end of 2018, CMNE concluded a third **agreement on the Quality of Working Life**, covering many subjects such as achieving a better work/life balance, mobility, organizing working time, the right to disconnect, health in the workplace, management of antisocial behavior, sexism, harassment and violence in the workplace, etc.

Teleworking forms part of the work/life balance and contributes to a better quality of employee working life. CMNE has been testing teleworking with nearly 100 employees since November 2016, and 91% of them found it a positive experience. This, coupled with recent events such as rail strikes, has shown that these new ways of working are compatible with certain activities within CMNE on the one hand, and have a positive effect on the appropriation of digital tools and achieving a better work/life balance for employees, on the other. As a result, an **agreement on teleworking** was signed in December 2018. It now offers Federal Services employees the option of teleworking or relocated working.

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 assist them, share information on employment rights, and monitor and support employees and their families. The confidentiality of this relationship is guaranteed by law.

CMNE is highly engaged and innovative when it comes to public health initiatives, with the launch of a **depression prevention** process in collaboration with a psychiatrist. Several briefings were organized in 2017 to openly discuss this sometimes taboo subject. These measures were supplemented by an approved questionnaire (based on the CES-D scale) in 2018, firstly for the approximately 700 employees working in the Lille area and later for all CMNE employees. Once they have submitted their questionnaire, depending on the result the employee may be directed to a specialist call center to start receiving personalized support.

At the beginning of 2019, **Beobank** received the "**Top Employer Belgium 2019"** award. This label is awarded by the Top Employer Institute, the world's leading certification authority for recognizing attractive employers. The Top Employer Institute awards this title to companies that have shown that they offer excellent working conditions and environment and for which talent development is a top priority.

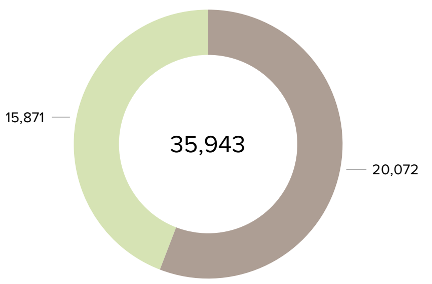
Employee wellbeing is also important to the **La Française Group**. It achieves this with the help of completely redesigned relaxation and work spaces.

A simple restaurant has become an inspirational setting for discussions over coffees and meals but also an unusual place for collaborative working.

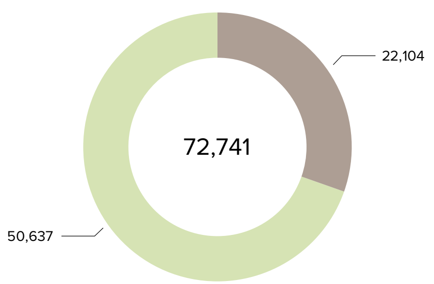
The La Française Group has deployed **Sociabble**, a collaborative tool for creating links and fostering personal exchanges. It serves as a digital platform on which all employees can express themselves and find information. The platform contains many articles published on subjects relating to global warming and the energy transition, proof of the interest shared by all Group employees.

Absenteeism (in calendar days)

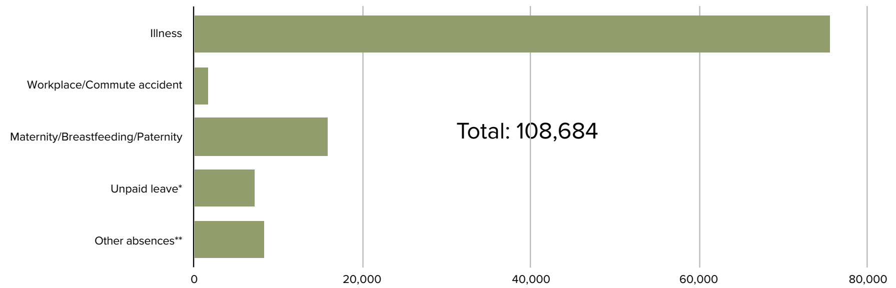
2018	Men			Women			Total
	Managers	Technicians	Total	Managers	Technicians	Total	
Illness	16,860	13,273	**30,133**	13,677	31,790	**45,467**	**75,600**
Workplace/Commute accident	439	168	**607**	110	909	**1,019**	**1,626**
Maternity/Breastfeeding/Paternity	428	337	**765**	4,800	10,321	**15,121**	**15,886**
Unpaid leave*	353	1,000	**1,353**	1,268	4,585	**5,853**	**7,206**
Other absences**	1,992	1,093	**3,085**	2,249	3,032	**5,281**	**8,366**
TOTAL DAYS	**20,072**	**15 871**	**35,943**	**22,104**	**50,637**	**72,741**	**108,684**



Total days—Men



Total days—Women



Total days—Split

Managers Technicians

* Unpaid leave includes parental leave, sabbaticals, business creation, etc.

** Other paid or unpaid absences: birth, marriage, child sickness, move, or any other family event provided for in the Collective Bargaining Agreement.

Absenteeism is split as follows: illness (69.6% of days of absence), maternity/paternity (14.6% of days of absence), other absences (7.7% of days of absence), unpaid leave (6.6% of days of absence) and workplace/commute accidents (1.5% of days of absence). The Group's rate of absenteeism for illness was 4.6% in 2018, 0.1 point up on 2017.

Equal Opportunities and Diversity

CMNE promotes diversity and equal opportunity via four key commitments: the diversity charter, the company agreement on gender equality at work, the generational contract on the employment of seniors and the under-30s, and the company agreement on the employment and integration of people with disabilities.

CMNE ensures that its employees are fully informed of all existing arrangements in the company as well as their **parenting-related rights**. In September 2018, all employees were given a **parenting guide** to answer their related questions and discuss certain real-life situations that sometimes face managers. CMNE employees are strongly encouraged to take paternity leave, and 34 took up this offer in 2018.

Because **maternity or adoption leave** must not be seen as a career break, CMNE takes care to maintain contact with the employee during this period. CMNE is committed to ensuring that maternity, adoption or paternity leave or, more generally, parenting leave do not affect the career or wage progression of employees.

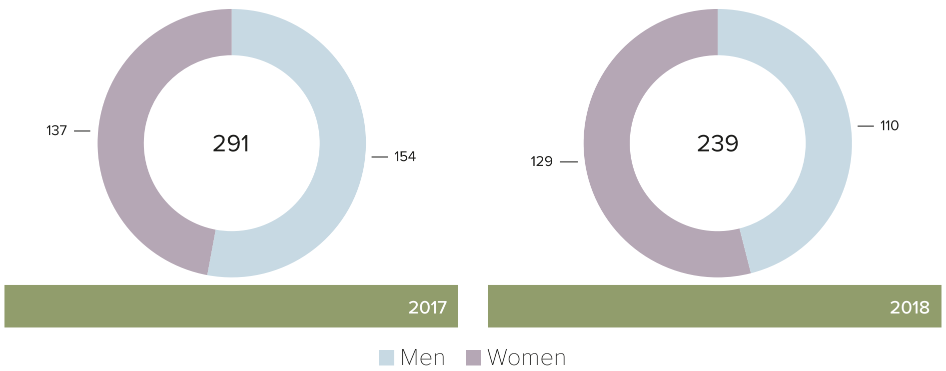
The business is continuing its efforts to increase the proportion of female management. Women occupy 36.9% of all management positions in the Group (27.3% within CFCMNE, 1.8% up on 2017, with the objective fixed at 28% by the end of 2019).

On the occasion of **International Women's Day 2018**, CMNE decided to discuss the question of behavior and stereotypes that help to limit or slow the career development of women within the company. Whether it is a question of their own inhibitions or the conscious or unconscious attitudes of those around them, the videos presented throughout the week on the internal communication website showed that, above and beyond the guidelines fixed in an agreement, daily behavior and mentalities must change.

In 2018, women represented 48.3% of the permanent workforce. This increase is mainly because more women were hired, representing 54% of all permanent hires in 2018. In line with its commitment regarding diversity, a member of the HR team is tasked with supervising labor policy on diversity and equal opportunities.

Permanent Hires

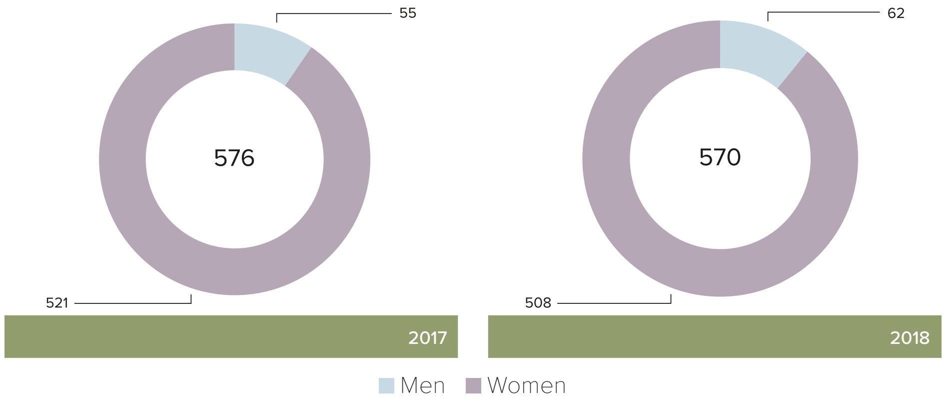
	12/31/2017			12/31/2018		
	Men	Women	Total	Men	Women	Total
Management	81	51	132	64	64	128
Technicians	73	86	159	46	65	111
NUMBER OF PERMANENT HIRES	**154**	**137**	**291**	**110**	**129**	**239**



In 2018, 53.6% of hires were for management positions. The rate of female hires was 54%.

Work Organization—Part-Time Work

In number of employees (CFCMNE scope)			12/31/17			12/31/18
	Men	Women	Total	Men	Women	Total
Management	34	155	189	37	157	194
Technicians	20	363	383	22	350	372
Fixed term	1	3	4	3	1	4
NUMBER OF PART-TIME WORKERS	**55**	**521**	**576**	**62**	**508**	**570**



The main reasons for part-time work are personal leave and parental education leave. The number of part-time workers in 2018 was slightly down (570 employees of which 89.1% were women, compared with 576 in 2017). Part-time employees represent 12.7% of the Group's workforce.

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, the "generational contract" was renewed for a period of three years and included commitments such as the following: 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.
A welcome handbook is available for new hires: this online document (a dynamic digital handbook) is designed to welcome new hires and help them integrate into CMNE.

At the end of their first year in the company, new hires under the age of 30 may meet with the Human Resources Department, with the aim of discussing their integration, the beginning of their career and their planned career path.

CMNE keeps older employees: those over 45 receive a professional interview on the second part of their career. The HR teams also discuss retirement with employees. A face-to-face meeting for employees over 57, broadcast as **a webinar, was organized on the subject of retirement with contributions by CARSAT and CICAS** in order to provide comprehensive information on the State and supplementary pension schemes.

CMNE also pays particular attention **to phased retirement** requests from employees.

Employment and Integration of Workers with Disabilities

Like every year, CMNE actively participates in the **European Disability Employment Week (EDEW)**. In 2018, the theme of this social solidarity week was “Disability & Digital”.

As well as simplifying daily life, digital technologies offer a real opportunity for the social and professional integration of the disabled. This week offered the chance to discover innovations created to help people with disabilities. At CMNE, **conferences were held in Lille and Arras on the topic of “Disability and digital technologies: a surprise pairing”**. Employees could also visit an online presentation of digital innovations that help people with disabilities.

CMNE is currently negotiating the new agreement for 2019–2022: it will be renegotiated in December 2019.

In total, 18 workstations were specially adapted in 2018 for Recognized Disabled Workers (RQTH).

General Resources Department staff regularly involve Ateliers Malécot, **an association reintegrating people with disabilities**.

CMNE also participated in an **inter-company race promoting social solidarity in October 2018**. The aim: to encourage people with disabilities to participate in sporting activities by having employees of partner companies run alongside people with mental disabilities.

La Française has organized **campaigns providing information and awareness regarding disabilities**. The events organized included seated massages by visually impaired professionals. La Française also provides the staff of Responsage, the association providing a bridge between the facilities available and the helper-employees and serving as a single point of contact helping the disabled to find solutions rapidly and without stress.

Employee Commitment

Only a few years ago, employee commitment was considered as “an emotional digression in a highly pragmatic world”. Today, however, civic actions are increasing. Employees are mobilizing for the general interest and address many issues, relating either to brand image, human resources, links to the local community, or innovation. The highly varied formats and the appearance of new arrangements testify to this dynamic, making the employee central to companies’ civic investments. At CMNE, employee commitment takes various forms over the Group’s territories.

Innovation Cube by CMNE: CMNE builds on the talent of its teams, which are central to an innovative approach entitled “The Cube”. This approach challenges employees formed into project groups called “labs” to examine Group-related issues that the company wants to address: chatbots, fintechs, regtechs, digital acculturation, CSR, etc. All participants agree: doing so is an astonishing and positive experience.
CMNE launched the labs in 2016, and 15 were organized by the end of 2018. A dedicated www.cube-byCMNE.fr website is available to all Group employees.

CMNE makes full use of its employees by actively involving them in creating new tools, proposing new customer uses or improving internal processes. It was with this in mind that the **Federal Services 2020 approach** was created and based on a transformation dynamic accompanied by a challenge that rewards the best ideas. One of the Group’s main challenges consists in meeting the demands of both our internal and our final customers.

Mindful of the commitments of its employees in civil society, the CMNE Group allows volunteer employees to request **Social Solidarity Leave** enabling them to give their skills in international field operations (providing educational support, adult training or environmental protection). A partnership was signed in 2010 with the Planète Urgence NGO and since then, 66 such volunteers have been funded including 11 in 2018.

The CMNE Foundation allows employees to **sponsor projects that it supports**. These sponsors follow and assess the project’s progress. The volunteer-employees can become involved in the form of a **skill-based patronage** (currently as part of four partnerships) or **a sponsorship** (of a selected project).

Employees can also volunteer to follow an individual young graduate having difficulty finding work, through the **Squad Emploi** system led by the **Alliances Network**. In 2018, six CMNE managers participated in this wonderful human adventure. CMNE has been part of this network for nine years, and almost 80% of the young people it has supported have found work.

Because students have entrepreneurial ambitions too, CMNE supports **high school and college students’ business creation projects**: six employees in the local bank network partner with Entreprendre Pour Apprendre (EPA) for this purpose.

At **Beobank**, every employee can choose to support a charity by spending **a day performing voluntary work** during their working time. These days are organized individually, as a group or by department.

La Française also supports skills donations with the **SOS Sahel association**.

Projects For 2019

- Increase employee awareness of CSR: CMNE has started a Lab on the subject of CSR and this will produce an action plan at the beginning of 2019 (eco-gestures to implement, etc.).
- Contribute to employee development: increase the digital literacy of employees. Implement the new agreements on the quality of working life and teleworking.
- Define a “digital acculturation” action plan from a Lab on the subject: prepare web-based awareness series (broadcast starting from January 2019), and set up a Digital Skills Certificate.

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Governance

Providing clear governance that respects our corporate values.

Two highly complementary bodies oversee CMNE: a Management Committee and a Board of Directors, thereby sharing responsibility between salaried and elected officers.
In an increasingly fast-moving world, is there any room for mutualism? Some are tempted to say that regulatory developments or changes in consumer behavior have made the mutualist model obsolete. On the contrary, CMNE believes in a modern, digital mutualist model that it develops on a daily basis, mainly drawing on the strength of the Crédit Mutuel Group.
Every day, the mutualist model proves its modernity, resources and flexibility. With no traditional shareholders, the mutualist model's performance is entirely dedicated to its customer-shareholders and its employees.

2 Major Risks Identified

- Insufficient training of elected representatives;
- Noncompliance with regulatory procedures.

2 Key Performance Indicators (KPI)

	2018 values
Total number of hours spent on CMNE elected representatives	2,839
% of CMNE employees trained on combating money laundering	92%

Our Governance

Members and Directors: Working Together Give Meaning to Its Banking Relationship

Every local bank has a Board of Directors representing the customer-shareholders. Customer shareholding is more relevant than ever, meeting a desire for proximity and local roots. CMNE has more than 588,000 customer-shareholders, each a player in all the events occurring in the life of the mutual banking Group. Every customer can become a shareholder by subscribing to shares in the local bank, the basis of the mutual bank structure. However many shares they hold, all shareholders are equal, in accordance with the "One Person, One Vote" principle.

Across CMNE's seven French departments, its 1,433 directors volunteer their time to serve the local banks: two-thirds are employed and one-third are women. In 2018, CMNE welcomed 65 new directors, including 28 women. Representativeness, motivation and discretion of candidates are all important factors in ensuring that the mutualist ethic and code of conduct are respected.

Annual General Meetings

These shareholders' meetings mark the highpoint of mutualism. They provide living proof of the mutualist difference. Above all, they also provide a forum for the shareholders. In this digital era, the AGMs prove that direct encounters are still essential. In 2018, CMNE held 236 open-day AGMs and 12 traditional ones, bringing together 21,115 customer-shareholders (attending or represented). Every year, it makes its AGMs increasingly interactive to encourage its customer-shareholders to participate in the democratic life of the company, mainly by organizing AGMS as open days or at key moments in the Group's life. Specific levels of involvement vary depending on the location of the local bank (rural or urban, age, and local community engagement).

The local bank chairs can also choose to join 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 composed of paired chairpersons and directors;
- 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. In autumn 2018, for example, CMNE consulted its elected representatives on the updating of the 2020 Medium-Term Plan and the Agreement in November 2018.

Federal Board of Directors

This is composed of working or retired representatives of local banks, and independent directors. This diversity clearly reflects CMNE's active involvement in the regional economic fabric. In July 2018, two paid directors joined the Board.

Exactly half of the Board members are women.

Training of Directors

The elected directors are provided with information and training enabling them to perform their duties and contribute to mutualist actions within their territory.
Because the directors are the keystone of CMNE governance and the banking sector's regulatory environment is undergoing radical changes, training is more essential than ever. Training is a key resource to support directors in exercising their duties, to develop their personal skills, enrich their banking knowledge, foster discussion and forge links between elected representatives. This program has dispensed 2,839 hours of training, focused on 18 topics falling under three themes: understanding banking and CMNE's orientations; supporting mutualism and fully performing the duties of an elected director; understanding the contemporary world.

The training provides a thorough grasp and understanding of developments and major issues in the banking sectors. The program enables directors to define the best orientations for the bank and stimulate discussion within the governance bodies for the benefit of all customers and shareholders. In total, 1,100 directors have been trained on combating money laundering (a mandatory course), and 67 have been trained on the French Finance Law of 2018.

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 governing good conduct and the specific duties of CMNE employees. The elected representatives' code of rights and responsibilities reminds directors that they represent the customer-shareholders of their local 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 agreements 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 procedures implemented are consistent.

Crédit Mutuel manages and ensures the security of large numbers of financial transactions, and is conscious of its responsibility as a bank. For this reason, it has made considerable efforts to build customer awareness and set up more robust security measures for customer transactions.

Under the new GDPR, CMNE has made a firm commitment regarding the use of customer data via its charter on personal data management security, available on the cmne.fr website. Its partner Commanders Act, a data collection solution for marketing purposes on behalf of 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.

Its Anti-Money Laundering and Terrorist Financing (AML-TF) training course is followed in the same way as the others, through HR Access. All new hires are required to attend this course. An e-learning session is also available.

Prevention of Corruption—Sapin II Law

Corruption, which is defined as dealings in which a person proposes or grants an unfair advantage to a person in exchange for an action linked with the latter's position, consists of behavior that is fraudulent and unethical and incurs heavy criminal and administrative penalties.

The CMNE Group condemns all forms of corruption and has set up measures to prevent corruption by fighting money laundering and terrorist financing, combating fraud, monitoring Politically Exposed Persons and complying with embargos.

Employees are obliged to obey the rules of ethics and professional conduct by applying the policies on the prevention of conflicts of interest, complying with policies on gifts, invitations and other benefits, and the principles of confidentiality and professional secrecy. Disciplinary measures have been established for breaching the professional rules governing the activities of the Group's companies.

Under the Sapin II law, the CMNE Group has adapted the following tools to prevent and fight corruption:

- ▶ Revised internal code of ethics, risk map, and internal warning system;
- ▶ Training system for all employees, procedures and control systems;
- ▶ Disciplinary measures.

The La Française Group has chosen the most stringent standards on fighting corruption. Its management and employees have an obligation and responsibility to support it in this approach by complying with the system for preventing and fighting corruption. Accordingly, special training on the provisions of the Sapin II law was provided in 2018. A Code of Conduct states the banned types of behavior and the disciplinary measures punishing breaches. The system is completed by the anonymous whistleblower mechanism.

Tax Evasion

In the financial security domain, the CMNE Group is committed to obeying the rules on fighting money laundering and terrorism financing (including tax fraud), the directives on embargos and international financial sanctions, and the fight against corruption. A list of sensitive countries identifies countries that do not meet the financial transparency standards and which are subject to embargo or viewed as a tax haven. Each entity deploys an AML-TF system fitting its activities. The flows to and from tax havens are filtered accordingly, generating ex-post and ex-ante warnings. As soon as any suspicious transactions are identified, they are reported as suspicious to the Financial Intelligence Units.

Projects For 2019

- Present the cooperative auditor's report to the Federal AGM (April 24, 2019).
- Create new training courses for elected representatives and a special path for young elected representatives.
- Corruption: update the code of ethics in accordance with the Sapin II law.

Methodology Note

The Crédit Mutuel Group took steps to produce CSR indicators at an early stage to improve the identification of contributions and the progress made.

The measurement and reporting methodology that covers the Group's entire bankinsurance scope is regularly updated by a national CSR working group. This working group meets at least six times each year, enabling entities to exchange information about internal initiatives and good practices for implementing CSR within each entity. A common set of CSR indicators has been defined.

Main Data Collection Rules

A reporting methodology has been set up so that these indicators can be reported and analyzed. It defines the rules for collecting, calculating and consolidating indicators, including their scope of application and the controls to be performed. It is intended for contributors from CMNE and its subsidiaries that participate in reporting, and may call on experts from various business areas. This methodology defines the audit trail for internal and external verifications, and constitutes a common framework for collecting information within CMNE on an annual basis. Around 50 reporting persons are involved in CSR, particularly with respect to initiatives implemented in the various business lines, but also for reporting activity.

Extra-financial reporting covers the entire CMNE Group, including Caisse Fédérale, the local banks and the subsidiaries (Beobank and La Française). The data is centralized in an Excel file at Caisse Fédérale in Lille by the CSR officer, who collects the data from the different subsidiaries. The role and responsibilities involved in producing this report are clearly identified. The data is taken from information systems. Automated software is preferred, to ensure that the data is reliable. Many controls are performed in order to obtain reliable data.

This Extra-Financial Performance Statement is checked by an Independent Third Party, whose due diligence covers the Statement's compliance with the provisions of article R. 225-105 of the French Commercial Code, the accuracy of the information provided pursuant to paragraph 3 of I and II of article R. 225-105 of the Commercial Code, namely the results of the policies, including key performance indicators, and the actions relating to the main risks.

The data collected comprises more than 260 regularly reviewed items that enable the Group to put together the 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. The information collected, checked and published enhances readers' understanding of the CMNE Group. The qualitative indicators describe or illustrate the actions and commitments of some or all CMNE entities and testify to their constant commitment to corporate social responsibility.

At the end of December 2018, CMNE Group simplified the internal mobilization of the different contribution levels by setting up a CSR strategy, reporting tools, a dedicated "Sustainable development" portal in the intranet for employees and directors, and regular communications on various CSR themes. A motion design video was produced at the end of 2018 in order to clarify the scope of CSR actions within the CMNE Group. In addition, an e-book is produced each year to highlight the main achievements described in the CSR report. In autumn 2018, a group of around ten employees met in an Innovation Lab to study how to make CSR clearer and more accessible within the CMNE Group. An action plan has been approved for 2019 and 2020.

Cross-Reference Table

Certain categories of information are expected in the Extra-Financial Performance Statement (EFPS). The business model, risks and associated KPIs are also presented in this chapter.

	Chapters Concerned
Social and environmental consequences of the business	Investment
Respect for human rights	Human Resources
Fighting corruption	Governance & Fair business practices
Fighting tax evasion	Governance & Fair business practices
Circular economy	Investment
Collective agreements in the company and their impacts upon the company's economic performance as well as the working conditions of employees and actions to fight discrimination and promote diversity	Human Resources
Combating food waste	Investment
Diversity	Human Resources
Disability	Human Resources
Climate change	Investment
Fighting food insecurity; animal welfare; responsible, fairly traded and sustainable food.	Investment

Crédit Mutuel Nord Europe Group

Variable capital limited liability credit cooperative
Registered office: 4 place Richebé - 59000 Lille - France - Lille Trade and Companies Register no. B 320 342 264

Independent Third Party's Report on the Consolidated Extra-Financial Performance Information Contained in the Management Report

Year ended December 31, 2018

To the customer-shareholders,

In our capacity as an Independent Third Party, a member of the Mazars network, the Statutory Auditor of the Crédit Mutuel Nord Europe Group, and accredited by COFRAC Inspection under number 3-1058 (accreditation definition available on the www.cofrac.fr website), we present to you our report on the consolidated extra-financial performance statement for the year ended December 31, 2018 (hereinafter the "Statement") presented in the management report, pursuant to Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

Board of Directors' Responsibility

The Board of Directors is responsible for preparing a Statement that complies with the legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks and a presentation of the policies applied with regard to these risks as well as the results of these policies, including key performance indicators.

This Statement has been prepared by applying the Group's procedures (hereinafter the "Guidelines"), whose significant elements are presented in the Statement and available on request from the Communication Department.

Independence and Quality Control

Our independence is defined by the provisions of article L. 822-11-3 of the French Commercial Code and the professional code of conduct. Moreover, we have developed a quality control system that includes documented policies and procedures to ensure compliance with the applicable rules of professional conduct, professional standards and legal and regulatory provisions.

Independent Third Party's Responsibility

On the basis of our work, we are responsible for delivering a reasoned opinion expressing a limited-assurance conclusion on the following:

- The Statement's compliance with the provisions of article R. 225-105 of the French Commercial Code;
- The accuracy of the information provided pursuant to paragraph 3 of I and II of article R. 225-105 of the Commercial Code, namely the results of the policies, including key performance indicators, and the actions relating to the main risks, hereinafter the "Information".

It is not, however, our responsibility to express an opinion on the following:

- The Group's compliance with the other applicable legal and regulatory provisions, including those relating to the vigilance plan and the fight against corruption and tax evasion;
- Product and service compliance with the applicable regulations.

Nature and Scope of Our Work

Our work described below was carried out pursuant to articles A. 225-1 et seq. of the French Commercial Code determining how the independent third party conducts its task and in accordance with the professional standards of the national institute of statutory auditors (Compagnie Nationale des Commissaires aux Comptes) regarding this work as well as with the international standard ISAE 3000—Assurance engagements other than audits or reviews of historical financial information.

We have carried out the following to enable us to assess whether the Statement complies with the regulatory provisions and the Information is stated fairly:

- We have familiarized ourselves with the business of the entity and that of all companies included in the consolidation scope, as well as with the presentation of the main social and environmental risks associated with this business;
- We have assessed the appropriateness of the Guidelines as regards their relevance, completeness, reliability, neutrality and clarity, taking into consideration, where applicable, best practices in the sector;
- We have checked that the Statement covers every category of information provided for in III of article L. 225-102-1 on social and environmental matters;

- We have checked that the Statement includes an explanation of the reasons for the lack of the information required by the second subparagraph of paragraph III of article L. 225-102-1;
- We have checked that the Statement presents the business model and the main risks associated with the business of the entity and of all entities included in the consolidation scope, including, when relevant and appropriate, the risks created by its business relationships, products or services as well as its policies, actions and results, including key performance indicators;
- We have checked, when applicable to the principal risks or the policies presented, that the Statement presents the information provided for in paragraph II of article R. 225-105;
- We have assessed the process used to select and validate the main risks;
- We asked about the existence of internal control and risk management procedures set up by the Group;
- We have assessed the consistency of the chosen results and key performance indicators with regard to the main risks and policies presented;
- We have checked that the Statement covers the consolidated scope, consisting of all companies within the consolidation scope pursuant to article L. 233-16 with the limits specified in the Statement;
- We have assessed the data collection process set up by the entity to ensure the completeness and accuracy of the Information;
- We have performed the following to obtain the key performance indicators and the other quantitative results[1] that we judged the most important:
  - Analytical procedures consisting in checking that the data collected is consolidated properly and its changes are consistent;
  - Detailed, sample-based tests to check that the definitions and procedures have been applied properly and reconcile the information to supporting documents. This work was performed on a selection of contributing entities and covers 60% of the personnel, which is considered to be representative of the labor aspect and between 39% and 100% of the other information;
- We have consulted the source documents and conducted interviews to corroborate the qualitative information (actions and results) that we considered most important;
- We have assessed the consistency of the entire Statement relative to our knowledge of the Group.

We feel that the work we have done by exercising our professional judgment enables us to provide a limited-assurance conclusion; a higher degree of certainty would have required more extensive checking.

Means and Resources

Our verification work involved the skills of five people between January and April 2019 for a total duration of three weeks.

We conducted around fifteen interviews with the people responsible for preparing the Statement, including the General Management, Training Department, Human Resources Department, Logistics and Purchasing Department, Financial Security Department, Social Solidarity Bank (Caisse Solidaire) Department, Communication Department, Legal Department, Information System Department, Customer Relations Department, CSR Department and the Foundation.

Conclusion

Based on our work, we have not identified any material anomalies that could call into question the fact that the Extra-Financial Performance Statement complies with the applicable regulatory provisions and the Information, taken as a whole, is presented fairly, based on the Guidelines.

Paris La Défense, April 9, 2019

Independent Third Party

Nicolas DE LUZE

Partner

Edwige REY

CSR & Sustainable Development Partner

MAZARS SAS — 61 Rue Henri Regnault — 92400 Courbevoie - France

SOCIÉTÉ PAR ACTIONS SIMPLIFIÉE (SIMPLIFIED JOINT-STOCK COMPANY) — SHARE CAPITAL OF 37,000 EUROS — NANTERRE TRADE AND COMPANIES REGISTER NO. 377 505 565

1 Number of executive and non-executive male and female employees on permanent contracts in France; Number of executive and non-executive male and female employees on temporary contracts in France, Men and women with management responsibilities Abroad, Men and women without management responsibilities Abroad; Total number of hires; Total number of employees with permanent contracts who left the organization, including dismissals; Churn rate trend; Total number of days' absence; Absenteeism rate trend; Amount of payroll costs invested in training; Percentage of payroll costs dedicated to training; Number of employees who have attended at least one course; Total number of hours dedicated to training the employees; Total gross annual remuneration of employees on permanent contracts – management and non-management; Total energy consumption by type of energy; Overall paper consumption; Outstandings managed by the management company; SRI assets under management; Solidarity-based employee savings scheme outstandings; Number of customer NPOs; Overall budget dedicated to patronage and sponsorships; Overall system availability rate; Average response time for customer complaints; Number of microloans granted; Number of local banks; Number of new local bank directors – women; Total number of hours of training given to local bank directors; Percentage of employees trained on AML-TF

FINANCIAL REPORT

Statement of financial position: Assets at 12/31/2018

In € thousands

	Note	12/31/2018	1/1/2018	Change	% change	12/31/2017
Cash and amounts due from central banks - Assets	1	982,127	832,387	149,740	17.99%	832,387
Financial assets at fair value through profit or loss	6, 9	1,376,364	1,949,483	(573,119)	-29.40%	839,144
• Government securities and similar instruments - Trading		-	-	-	-	-
• Government securities and similar instruments - FVO		355,508	352,118	3,390	0.96%	-
• Government securities and similar instruments - Other at FVPL		15,814	15,757	57	0.36%	-
• Bonds and other fixed-income securities - Trading		23,423	122,661	(99,238)	-80.90%	-
• Bonds and other fixed-income securities - FVO		-	-	-	-	-
• Bonds and other fixed-income securities - Other at FVPL		833,149	1,252,200	(419,051)	-33.47%	-
• Equities and other variable-income securities - Trading		-	-	-	-	-
• Equities and other variable-income securities - Other at FVPL		-	2,326	(2,326)	-100,00%	-
• Investments in non-consolidated companies and other LT investments - Other at FVPL		3,951	3,619	332	9.17%	-
• Investments in subsidiaries and associates - Other at FVPL		-	31,531	(31,531)	-100.00%	-
• Derivative instruments and other financial assets - Trading	6C	144,519	169,271	(24,752)	-14.62%	-
Hedging derivative instruments - Assets	7	15,223	26,315	(11,092)	-42.15%	26,315
Available-for-sale financial assets	4	-	-	-	-	3,859,673
Financial assets at fair value through other comprehensive income (OCI)	4, 5, 9	2,755,190	2,762,417	(7,227)	-0.26%	-
• Government securities and similar instruments – at fair value through recyclable OCI		501,401	502,830	(1,429)	-0.28%	-
• Bonds and other variable-income securities - at fair value through recyclable OCI		2,186,519	2,205,269	(18,750)	-0.85%	-
• Equities, participating interests and other variable income securities - at fair value through non-recyclable OCI		3,837	867	2,970	342.56%	-
• Investments in non-consolidated companies and other LT investments - at fair value through non-recyclable OCI		25,920	29,018	(3,098)	-10.68%	-
• Investments in associates - at fair value through non-recyclable OCI		37,513	24,433	13,080	53.53%	-
Securities at amortized cost	2, 5	146,606	65,710	80,896	123.11%	-
• Government securities and similar instruments		-	-	-	-	-
• Bonds and other fixed-income securities		146,606	65,710	80,896	123.11%	-
Loans and receivables due from credit institutions	2, 5	3,592,807	3,238,814	353,993	10.93%	3,066,696
Loans and receivables due from customers at amortized cost	2, 5	16,579,721	16,070,445	509,276	3.17%	16,126,376
• Loans due from customers		15,116,157	14,669,313	446,844	3.05%	-
• Finance leases as lessor - finance leases		1,096,832	1,083,239	13,593	1.25%	-
• Finance leases as lessor - operating leases		366,732	317,893	48,839	15.36%	-
• Factoring		-	-	-	-	-
Remeasurement adjustment on interest-rate risk hedged investments	7	28,370	22,236	6,134	27.59%	22,236
Held-to-maturity financial assets	2					77,089
Insurance business investments	8	-	-	-	-	-
Current tax assets	11	102,468	97,030	5,438	5.60%	97,030
Deferred tax assets	11	49,798	60,278	(10,480)	-17.39%	44,885
Accruals and other assets	12	458,752	362,654	96,098	26.50%	537,519
• Other assets		252,411	223,641	28,770	12.86%	-
• Accruals – Assets		206,341	139,013	67,328	48.43%	-
Non-current assets held for sale	12	86,309	16,058,679	(15,972,370)	-99.46%	16,058,679
Deferred profit sharing		-	-	-	-	-
Investments in associates	13	1,436,320	145,545	1,290,775	886.86%	145,545
Investment property	14	32,876	47,697	(14,821)	-31.07%	47,697
Property, equipment and finance leases as lessee	15	243,427	182,964	60,463	33.05%	182,964
• Property and equipment		243,427	182,964	60,463	33.05%	-
• Finance leases – lessee		-	-	-	-	-
Intangible assets	15	28,842	28,042	800	2.85%	28,042
Goodwill	16	193,103	197,275	(4,172)	-2.11%	197,275
TOTAL ASSETS		28,108,303	42,147,971	(14,039,668)	-33.31%	42,189,552

Statement of financial position: Liabilities at 12/31/2018

In € thousands

	Note	12/31/2018	1/1/2018 adjusted*	Change	% change	12/31/2017 adjusted*
Central banks - Liabilities	3	-	-	-	-	-
Financial liabilities at fair value through profit or loss	6, 9	670,301	240,972	429,329	178.17%	240,972
• Due to credit institutions - FVO	-	-	-	-	-	
• Due to customers - FVO	-	-	-	-	-	
• Debt securities - FVO		547,236	110,724	436,512	394.23%	-
• Subordinated debt - FVO		-	-	-	-	-
• Derivative instruments and other financial liabilities - Trading	6C	123,065	130,248	(7,183)	-5.51%	-
Hedging derivative instruments - Liabilities	7	69,119	83,840	(14,721)	-17.56%	83,840
Due to credit institutions	3	1,947,293	1,907,674	39,619	2.08%	1,754,486
Due to customers	3	17,554,832	16,719,027	835,805	5.00%	16,717,813
• Customer credit accounts ESRB - Demand		9,830,753	9,538,650	292,103	3.06%	-
• Customer credit accounts - ESRB - Term		2,396,046	2,267,580	128,466	5.67%	-
• Customer credit accounts - Other - Demand		5,058,698	4,605,221	453,477	9.85%	-
• Customer credit accounts - Other - Term		269,335	307,576	(38,241)	-12.43%	-
Debt securities	3	2,931,919	3,102,947	(171,028)	-5.51%	3,102,947
• Debt securities - Certificates		39,752	40,007	(255)	-0.64%	-
• Debt securities - Interbank instruments & negotiable debt securities		1,790,856	1,745,217	45,639	2.62%	-
• Debt securities – Bonds		1,101,266	1,265,519	(164,253)	-12.98%	-
• Debt securities - Other		45	52,204	(52,159)	-99.91%	-
Remeasurement adjustment on interest-rate hedged portfolios	7	-	2,320	(2,320)	-100.00%	2,320
Current tax liabilities	11	64,504	63,869	635	0.99%	63,869
Deferred tax liabilities	11	751	18,505	(17,754)	-95.94%	18,320
Accruals and other liabilities	12	860,433	957,046	(96,613)	-10.09%	1,111,446
• Other liabilities		535,662	732,156	(196,494)	-26,84%	-
• Accruals - Liabilities		324,771	224,890	99,881	44.41%	-
• Other insurance liabilities		-	-	-	-	-
Liabilities associated with assets held for sale	12	47,436	15,099,491	(15,052,055)	-99.69%	15,099,491
Liabilities relating to insurance contracts		-	-	-	-	-
Provisions	17	146,287	143,410	2,877	2.01%	147,241
Subordinated debt	3	821,072	812,845	8,227	1.01%	812,845
Shareholders' equity	18	2,994,356	2,996,025	(1,669)	-0.06%	3,033,962
Shareholders' equity attributable to owners of the company		2,994,361	2,886,961	107,400	3.72%	2,924,905
• Subscribed capital		1,304,266	1,275,080	29,186	2.29%	1,275,080
• Share premiums		2,750	2,750	-	-	2,750
• Consolidated reserves - Group		1,479,422	1,335,439	143,983	10.78%	1,310,669
• Net income - Group		134,069	253,288	(119,219)	-47.07%	253,288
• Unrealized gains or losses - Group		73,854	20,404	53,450	261.96%	83,118
Shareholders' equity attributable to non-controlling interests		-5	109,064	(109,069)	-100.00%	109,057
• Consolidated reserves - Non-controlling interests		-18,304	83,399	(101,703)	-121.95%	83,377
• Consolidated net income - Non-controlling interests		18,299	23,335	(5,036)	-21.58%	23,335
• Unrealized gains or losses - Non-controlling interests		-	2,330	(2,330)	-100.00%	2,345
TOTAL		28,108,303	42,147,971	(14,039,668)	-33.31%	42,189,552

* Adjusted to reflect the impact of the restatement of the put options held by the non-controlling interests in Groupe La Française

Income statement: Net income at 12/31/2018

In € thousands

	Note	12/31/2018	12/31/2017	Change	% change
Interest and similar income	**20**	**1,226,902**	**1,029,957**	**196,945**	**19.12%**
• Int. and similar income - Op. with credit institutions		27,377	24,567	2,810	11.44%
• Int. and similar income - Op. with customers		503,540	536,179	(32,639)	-6.09%
• Int. and similar income - Financial assets at FVOCI		23,046	28,183	(5,137)	-18.23%
• Int. and similar income - Securities at amortized cost		-	2,250	(2,250)	-100.00%
• Income on leasing and similar transactions		327,924	321,105	6,819	2.12%
• Income from lease financing arrangements		104,095	102,131	1,964	1.92%
• Hedging derivative instruments - Income		13,030	15,542	(2,512)	-16.16%
• Int. and similar income - Financial assets at FVPL		559	-	559	Immaterial
• Int. and similar income - Trading financial instruments		222,772	-	222,772	Immaterial
• Int. and similar income - Financial assets, other at FVPL		4,559	-	4,559	Immaterial
Interest expense	**20**	**(888,594)**	**(609,464)**	**(279,130)**	**45.80%**
• Int. and similar expenses - Op. with credit institutions		(10,023)	(6,296)	(3,727)	59.20%
• Int. and similar expenses - Op. with customers		(111,707)	(109,212)	(2,495)	2.28%
• Int. and similar expenses - Debt securities		(47,809)	(61,046)	13,237	-21.68%
• Int. and similar expenses - Subordinated debt		(1,715)	(2,014)	299	-14.85%
• Expenses on leasing and similar transactions		(302,179)	(292,062)	(10,117)	3.46%
• Expenses from lease financing agreements		(100,031)	(96,658)	(3,373)	3.49%
• Hedging derivative instruments - Expenses		(44,114)	(42,176)	(1,938)	4.60%
• Int. and similar expenses - Financial liabilities at FVPL		(10,095)	-	(10,095)	Immaterial
• Int. and similar expenses - Trading financial instruments		(260,921)	-	(260,921)	Immaterial
Fee and commission income	**21**	**310,496**	**196,574**	**113,922**	**57.95%**
Fee and commission expense	**21**	**(70,774)**	**(51,650)**	**(19,124)**	**37.03%**
Net gain (loss) on financial instruments at fair value through profit or loss	**22**	**47,612**	**25,211**	**22,401**	**88.85%**
• Net gain (loss) on trading securities		2,799	495	2,304	465.45%
• Net gain (loss) on foreign exchange transactions		430	933	(503)	-53.91%
• Net gain (loss) on derivative instruments held for trading		31,627	24,220	7,407	30.58%
• Net gain (loss) - Ineffective portion of hedging derivatives		(95)	115	(210)	-182.61%
• Net gain (loss) on financial assets FVO		7,732	6,420	1,312	20.44%
• Net gain (loss) on financial assets - Other at FVPL		(14,045)	-	(14,045)	Immaterial
• Net gain (loss) on financial liabilities FVO		19,164	3,398	15,766	463.98%
• Int. and similar income - Financial assets FVO		-	4,858	(4,858)	-100.00%
• Int. and similar expenses - Financial liabilities FVO		-	(15,228)	15,228	-100.00%
Net gain (loss) on financial assets at FVOCI	**23**	**3,270**	**143,416**	**(140,146)**	**-97.72%**
• Income from variable-income securities - at FVOCI		1,604	15,510	(13,906)	-89.66%
• Bonds and other fixed-income securities (of which EP) - at FVOCI		1,666	2,168	(502)	-23.15%
• Other gains and losses on financial assets - at FVOCI		-	22,887	(22,887)	-100.00%
• Investments, other LT investments, PEL		-	102,851	(102,851)	-100.00%
Gains/losses on financial assets at amortized cost	24	-	-	-	-
Other income and expense	25, 26	155,938	335,795	(179,857)	-53.56%
• Income from other activities		297,573	394,623	(97,050)	-24.59%
• Expenses on other activities		(141,635)	(58,828)	(82,807)	140.76%
• Net income from the Insurance businesses		-	-	-	-

	Note	12/31/2018	12/31/2017	Change	% change
Net banking income (IFRS)		784,850	1,069,839	(284,989)	-26.64%
General operating expenses (IFRS)	27	(772,165)	(794,008)	21,843	-2.75%
• Payroll costs		(413,199)	(436,216)	23,017	-5.28%
• Other operative expenses		(332,032)	(320,518)	(11,514)	3.59%
• Depreciation, amortization and impairment of non-current operating assets		(26,934)	(37,274)	10,340	-27.74%
Gross operating income (IFRS)		12,685	275,831	(263,146)	-95.40%
Net additions to/reversals from provisions for loan losses	28	(1,889)	(9,150)	7,261	-79.36%
Operating income (IFRS)		10,796	266,681	(255,885)	-95.95%
Share of profit or loss of associates	13	49,676	11,707	37,969	324.33%
Net gains (losses) on other assets	29	46,338	1,705	44,633	Immaterial
• Net value after adjustment of property and equipment and intangible assets		1,072	1,843	(771)	-41.83%
• Net income on consolidated entities (disposal, etc.)		45,266	(138)	45,404	Immaterial
Change in value of goodwill	30	-	81	(81)	-100.00%
Net income before tax (IFRS)		106,810	280,174	(173,364)	-61.88 %
Corporate income tax	31	(22,427)	(83,624)	61,197	-73.18%
Post-tax gain/(loss) on discontinued operations	12	67,985	80,073	(12,088)	-15.10%
Total net income (IFRS)		152,368	276,623	(124,255)	-44.92%
Consolidated net income - Non-controlling interests		18,299	23,335	(5,036)	-21.58%
NET INCOME		**134,069**	**253,288**	**(119,219)**	**-47.07%**

Statement of net income and gains and losses recognized directly in shareholders' equity

In € thousands

	Note	12/31/2018	12/31/2017	Change	% change
Net income (loss)		152,368	276,623	(124,255)	-44.92%
Translation adjustments		(332)	(1,024)	692	-67.58%
Remeasurement of available-for-sale financial assets		-	(77,222)	77,222	-100.00%
Remeasurement of financial assets at fair value through other comprehensive income - debt instruments		(10,614)	-	(10,614)	Immaterial
Reclassification of financial assets from at fair value through other comprehensive income to at fair value through profit or loss		-	-	-	-
Remeasurement of Insurance business investments		769	-	769	Immaterial
Remeasurement of hedging derivative instruments		4,025	2,956	1,069	36.16%
Share of unrealized or deferred gains and losses of equity-accounted entities		(13,839)	(187)	(13,652)	Immaterial
Total recyclable gains and losses recognized directly in OCI	32, 33	(19,991)	(75,477)	55,486	-73.51%
Remeasurement of financial assets at fair value through other comprehensive income - equity instruments at closing date		(6,034)	-	(6,034)	Immaterial
Remeasurement of financial assets at fair value through other comprehensive income - equity instruments sold during the year		(31)	-	(31)	Immaterial
Remeasurement of non-current assets		-	-	-	-
Actuarial gains and losses on defined benefit plans		(2,708)	5,892	(8,600)	-145.96%
Share of unrealized or deferred gains and losses of equity-accounted entities		(7,004)	(7)	(6,997)	Immaterial
Total non-recyclable gains and losses recognized in OCI	32, 33	(15,777)	5,885	(21,662)	-368.09%
Impact of merger of Insurance businesses (not deemed to be income)		86,888	-	86,888	Immaterial
COMPREHENSIVE INCOME		**203,488**	**207,031**	**(3,543)**	**-1.71%**
Attributable to owners of the company		*187,519*	*184,137*	*3,382*	*1.84%*
Attributable to non-controlling interests		*15,970*	*22,894*	*(6,924)*	*-30.25%*

Changes in shareholders' equity at 12/31/2018

In € thousands

	Subscribed capital and associated reserves		Consolidated reserves	Unrealized or deferred gains and losses (net of CIT)				Net income (loss) attributable to owners of the company	Shareholders' equity		
						Changes in value of financial instruments					
	Capital	Capital reserves [1]		Relating to translation adjustments	Relating to remeasurement of actuarial gains and losses	Changes in FV of financial assets at FVOCI	Changes in FV of hedging derivative instruments		attributable to owners of the company	attributable to non-controlling interests	Consolidated total
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 OCI [2][3]				(981)	5,892	(76,809)	2 956		(68,942)	(441)	(69,383)
Net income at 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			(74,521)		-	-	-		(74,521)	(61,602)	(136,123)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2017	**1,275,080**	**2,750**	**1,310,669**	**(2,227)**	**(11,980)**	**112,082**	**(14,757)**	**253,288**	**2,924,905**	**109,057**	**3,033,962**
Change of accounting methods - Application of IFRS 9			24,770	1	(1)	(62,714)	-		(37,944)	7	(37,937)
SHAREHOLDERS' EQUITY AT JANUARY 1, 2018	**1,275,080**	**2,750**	**1,335,439**	**(2,226)**	**(11,981)**	**49,368**	**(14,757)**	**253,288**	**2,886,961**	**109,064**	**2,996,025**
Change in capital	29,186		-						29,186		29,186
Elimination of treasury shares									-		-
Issuance of preference shares									-		-
Equity component of hybrid instruments									-		-
Equity component of share-based payment plans									-		-
Appropriation of 2017 earnings			232,293					(232,293)	-		-
Distribution in 2018 in respect of fiscal year 2017								(20,995)	(20,995)		(20,995)
Sub-total: movements arising from shareholder relations	29,186	-	232,293	-	-	-	-	(253,288)	8,191	-	8,191
Changes in gains and losses recognized directly in OCI [2][3]				(323)	(2,759)	(15,275)	4,025		(14,332)	(2,330)	(16,662)
Realized non-recyclable gains and losses on financial assets at FVOCI			304,546						304,546		304,546
Net income at December 31, 2018								134,069	134,069	18,299	152,368
Sub-total	-	-	304,546	(323)	(2,759)	(15,275)	4,025	134,069	424,283	15,969	440,252
Impact of acquisitions and disposals on non-controlling interests			165,389			87			165,476	(122,750)	42,726
Change in accounting methods			-						-		-
Share of changes in equity of equity accounted associates and joint ventures			19,368			(21,480)			(2,112)		(2,112)
Impact of merger of insurance entities			(588,307)	(1,868)	(8)	91,049			(499,134)	(2,288)	(501,422)
Other movements			10,694		2	-	-		10,696		10,696
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2018	**1,304,266**	**2,750**	**1,479,422**	**(4,417)**	**(14,746)**	**103,749**	**(10,732)**	**134,069**	**2,994,361**	**(5)**	**2,994,356**

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 share 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 bonuses.

[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.

Net cash flows at 12/31/2018

In € millions

	IFRS 12/31/2017	IFRS 12/31/2018
Net income (loss)	277	152
Corporate income tax	84	23
Income before corporate income tax	**361**	**175**
+/- Net depreciation/amortization expense on property, equipment and intangible assets	39	27
- Impairment of goodwill and other non-current assets	0	6
+/- Net additions to/reversals from provisions and impairment losses	310	(28)
+/- Share of net income/loss of associates	(12)	(50)
+/- Net loss/gain from investing activities	(105)	(1)
+/- Income/expense from financing activities	0	0
+/- Other movements	(194)	(419)
= Total non-monetary items included in income before tax and other adjustments	**38**	**(465)**
+/- Cash flows relating to interbank transactions (a)	241	(94)
+/- Cash flows relating to loans and receivables due from customers (b)	442	391
+/- Cash flows relating to other transactions affecting financial assets and liabilities (c)	(1,130)	980
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	(233)	(214)
- Corporate income tax paid	(68)	(32)
= Net decrease/increase in assets and liabilities from operating activities	**(748)**	**1,031**
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	(349)	741
+/- Cash flows relating to financial assets and investments in non-consolidated companies (d)	299	(89)
+/- Cash flows relating to investment property (e)	0	4
+/- Cash flows relating to property, equipment and intangible assets (f)	(12)	(84)
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	287	(169)
+/- Cash flows relating to transactions with shareholders (g)	(21)	8
+/- Other cash flows relating to financing activities (h)	(209)	(173)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	(230)	(165)
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)	**(293)**	**407**
Net cash flows from (used in) operating activities (A)	(349)	741
Net cash flows from (used in) investing activities (B)	286	(169)
Net cash flows from (used in) financing activities (C)	(230)	(165)
Impact of movements in exchange rates on cash and cash equivalents (D)	0	0
Cash and cash equivalents at beginning 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
Cash and cash equivalents at end of period	1,003	1,410
Cash and balances with central banks (assets and liabilities)	832	982
Demand loans and deposits with credit institutions (assets and liabilities)	171	428
CHANGE IN CASH AND CASH EQUIVALENTS	**(293)**	**407**

In € millions

	IFRS 12/31/2017	IFRS 31/12/18
(a) Cash flows relating to transactions with credit institutions break down as follows:		
+/- Cash inflows and outflows on receivables due from credit institutions (excluding items included under Cash), excluding accrued interest	34	1,103
+/- Cash inflows and outflows on amounts due to credit institutions, excluding accrued interest	207	(1,197)
(b) Cash flows relating to transactions with customers break down as follows:		
+/- Cash inflows and outflows on receivables due from customers, excluding accrued interest	7	(382)
+/- Cash inflows and outflows on amounts due to customers, excluding accrued interest	435	773
(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	(183)	512
+/- Cash inflows and outflows on financial liabilities recognized at fair value through profit or loss	(4)	437
- Cash outflows on acquisitions of available-for-sale fixed-income financial assets	(637)	(17)
+ Cash inflows on sales of available-for-sale fixed-income financial assets	0	48
+/- Cash inflows and outflows on hedging derivative instruments	0	0
+/- Cash inflows and outflows on debt securities	(306)	0
(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	(1)	(315)
+ Cash inflows on sales of shares in equity accounted companies	1	1
+ Cash inflows from dividends received	0	0
- Cash outflows on acquisitions of held-to-maturity financial assets	(1,200)	(929)
+ Cash inflows on sales of held-to-maturity financial assets	1,335	848
- Cash outflows on acquisitions of available-for-sale variable-income financial assets	(2)	(11)
+ Cash inflows on sales of available-for-sale variable-income financial assets	166	317
+/- 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	(3)	(12)
+ Cash inflows on sales of investment property	3	16
(f) Cash flows relating to property, equipment and intangible assets break down as follows:		
- Cash outflows on acquisitions of property, equipment and intangible assets	(19)	(99)
+ Cash inflows on sales of property, equipment and intangible assets	7	15
(g) Cash flows relating to transactions with shareholders break down as follows:		
+ Cash inflows on the issuance of capital instruments	(2)	29
+ Cash inflows on the sale of capital instruments	0	0
+ Cash outflows relating to dividends paid	(19)	(21)
+ 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	291	167
- Cash outflows relating to debt repayments and debt securities	(500)	(332)
+ Cash inflows from the issuance of subordinated debt	0	0
- Cash outflows relating to subordinated debt repayments	0	(8)

Note: Variations in technical provisions relating to life insurance contracts are neutralized in the restatement of net additions to/reversals from provisions and are included under cash inflows/outflows on acquisitions of financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared in accordance with IFRS, as adopted by the European Union)

I General Information

Crédit Mutuel is a cooperative bank governed by the French Act of September 10, 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 2017-02 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.

The Group has, since January 1, 2018, applied the following standards:

IFRS 9

IFRS 9 replaces 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 instruments (phase 2);
- Hedge accounting, excluding macro-hedging (phase 3).

Classification and measurement, as well as the new impairment model under IFRS 9, are applied retrospectively by adjusting the opening balance sheet as of January 1, 2018 (the adjustment affects shareholders' equity). There is no requirement to restate fiscal periods presented as comparative statements. The Group therefore presents 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 are included in Note 0 (Section IV - Notes to the statement of financial position and income statement). The Group is not applying phase 3, which is optional; hedging therefore continues to be accounted for in accordance with IAS 39 as adopted by the European Union.

Implementation of IFRS 9 affects all the Group's businesses except the Insurance division, which is governed by the Financial Conglomerates Directive and benefits 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 which could lead to a derecognition of the instrument. The only exception is in the case of financial instruments recognized at fair value through profit or loss in both sectors.

The principles of IFRS 9 applied by the Group are presented in detail below (section III - Accounting principles).

IFRS 15

This standard replaces 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 reflects 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.

After analyzing the standard and identifying its potential effects, it was determined that the standard had no material impact for the Group.

Other amendments

Other amendments do not have a material impact for the Group and concern:

- Clarifications regarding disclosures under IFRS 12 when an interest in a subsidiary, joint venture or associate is classified as an asset held for sale;
- Application of the fair value through profit or loss option by venture capital/private equity entities to their associates and joint ventures. The amendment to IAS 28 specifies that this option may be exercised on an entity-by-entity basis;
- Information regarding transfers to or from the investment category (IAS 40);
- The treatment of advance consideration in connection with foreign currency transactions (IFRIC 22);
- Share-based payment transactions under IFRS 2. The changes involve:
  - The recognition of vesting conditions for the measurement of cash-settled transactions;
  - Transactions that include a net settlement feature related to tax withheld at source;
  - Change in the terms of a share-based payment that results in a change in the classification of the transaction, which is settled in equity instruments rather than in cash.

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 in the income statement 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 fair value of financial instruments not listed on an active market 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 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 2018

The two main significant events during 2018 were as follows:

- The merger of BCMNE with Caisse Fédérale du CMNE;
- The merger of the insurance entities with Crédit Mutuel Alliance Fédérale, which was planned in late 2017 and completed during the first semester of 2018.

The impacts were as follows:

- These entities, which had been fully consolidated in the Insurance division, were deconsolidated, resulting in a gain on disposal of €11,239 thousand,
- The first-time consolidation, under the equity method, of GACM, generating goodwill of €273,691 thousand.

II 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 IAS 28R.

- 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. These entities are fully consolidated;
- 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 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. The share capital of the entities in which the Group exercises a significant influence is consolidated using the equity method.

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 pro rata share of the net assets of the entity in the event of liquidation, and other equity instruments issued by the subsidiary.

  Consolidated 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 to all entities over which the Group exercises significant influence.

Scope

Details of the consolidation scope of the CMNE Group as at December 31, 2018 are provided in the following tables, which show the contribution by each entity to the Group’s results.

Consolidation scope	Closing date	Closing date	Percent		Contribution to net income (in € thousands)	Consolidation method [1]	Closing date	Percent		Contribution to net income (in € thousands)	Consolidation method [1]
			control	interest				control	interest		
Bankinsurance France division											
Caisses de Crédit Mutuel + Caisse Fédérale du CMNE + Fédération du CMNE	France	12/17	100.00	100.00	118,709	Parent	12/18	100.00	100.00	8,541	Parent
Bail Actéa - 4 place Richebé - 59800 Lille	France						12/18	100.00	100.00	4,759	FC
CMNE Home Loans FCT - 4 Place Richebé - 59000 Lille	France	12/17	100.00	100.00	0	FC	12/18	100.00	100.00	0	FC
FCP Richebé Gestion - 128 Boulevard Raspail - 75006 Paris	France	12/17	100.00	100.00	2,060	FC	12/18	100.00	100.00	(3,986)	FC
Foncière et Immobilière Nord Europe - 4 Place Richebé - 59000 Lille	France	12/17	100.00	100.00	0	FC	12/18	100.00	100.00	(413)	FC
GIE CMN Prestations - 4 Place Richebé - 59000 Lille	France	12/17	100.00	100.00	0	FC	12/18	100.00	100.00	0	FC
Immobilière BCL Lille - 128 Boulevard Raspail - 75006 Paris	France	12/17	0.00	0.00	0	NC	12/18	55.00	55.00	(34)	FC
Immobilière du CMN (+ total real estate investments trusts - SCI) - 4 Place Richebé - 59000 Lille	France	12/17	100.00	100.00	2,607	FC	12/18	100.00	100.00	3,700	FC
Nord Europe Lease - 4 place Richebé - 59800 Lille	France						12/18	100.00	100.00	3,357	FC
Nord Europe Partenariat - 2 Rue Andréï Sakharov - BP148 - 76135 Mont-Saint-Aignan	France						12/18	99.65	99.65	1,353	FC
SFINE Propriété à vie - 4 Place Richebé - 59000 Lille	France	12/17	0.00	0.00	0	NC	12/18	100.00	100.00	(81)	FC
SFINE Bureaux - 4 Place Richebé - 59000 Lille	France	12/17	0.00	0.00	0	NC	12/18	100.00	100.00	(1)	FC
THEIA Viager - 455 Promenade des Anglais - 06299 Nice	France	12/17	80.00	80.00	664	FC	12/18	66.67	66.67	248	FC
Total Bankinsurance France					124,040					17,443	
Bankinsurance Belgium division											
CMNE Belgium - Boulevard de Waterloo, 16 - 1000 Brussels	Belgium	12/17	100.00	100.00	(165)	FC	12/18	100.00	100.00	9,137	FC
BKCP Immo IT SCRL - Boulevard de Waterloo, 16 - 1000 Brussels	Belgium	12/17	96.01	96.01	866	FC	12/18	97.24	97.24	189	FC
Beobank Belgique - Boulevard Général Jacques, 263G - 1050 Brussels	Belgium	12/17	100.00	100.00	1,310	FC	12/18	100.00	100.00	10,203	FC
Immo W16 - Boulevard de Waterloo, 16 - 1000 Brussels	Belgium	12/17	100.00	100.00	946	FC	12/18	0.00	0.00	581	NC
OBK SCRL - Graaf Van Vlaanderenplein, 19 - 9000 Ghent	Belgium	12/17	100.00	99.99	318	FC	12/18	0.00	0.00	0	NC
Total Bankinsurance Belgium					3,275					20,110	
Insurance Division											
GACM - 34 Rue Frédéric-Guillaume Raiffeisen - 67906 Strasbourg	France	12/17	0.00	0.00	0	NC	12/18	10.22	10.22	36,568	EM
Nord Europe Assurances - 9 Boulevard Gouvion-St-Cyr - 75017 Paris	France	12/17	100.00	100.00	(3,973)	FC	12/18	0.00	0.00	30,868	NC
ACMN IARD - 4 Place Richebé - 59000 Lille	France	12/17	51.00	51.00	8,789	FC	12/18	0.00	0.00	0	NC
ACMN-Vie - 9 Boulevard Gouvion-St- Cyr - 75017 Paris	France	12/17	100.00	100.00	62,564	FC	12/18	0.00	0.00	0	NC
Courtage Crédit Mutuel Nord Europe - 4 Place Richebé - 59000 Lille	France	12/17	0.00	0.00	(71)	FC	12/18	0.00	0.00	0	NC
CP-BK Reinsurance SA - Avenue de la Gare, 65 - 1611 Luxembourg	Luxembourg	12/17	100.00	100.00	(2,155)	FC	12/18	0.00	0.00	0	NC
Nord Europe Life LUXEMBOURG - Rue Charles Martel 62 - 2134 Luxembourg	Luxembourg	12/17	100.00	100.00	3,286	FC	12/18	0.00	0.00	0	NC
Nord Europe Retraite - 4 Place Richebé - 59000 Lille	France	12/17	100.00	100.00	48	FC	12/18	0.00	0.00	0	NC
North Europe Life Belgium - 11 Boulevard de la Plaine - 1050 Brussels	Belgium	12/17	51.00	51.00	1,514	FC	12/18	0.00	0.00	0	NC
SA Partners Assurances - Avenue Gustave Demey, 66 - 1160 Auderghem	Belgium	12/17	49.00	49.00	101	EM	12/18	0.00	0.00	0	NC
SPV Jarna - 9B Boulevard Prince Henri - 1724 Luxembourg	Luxembourg	12/17	100.00	97.05	2	FC					
Total Insurance					70,105					67,436	

[1] EM: Equity method; FC: Full Consolidation

Consolidation scope	Closing date	Closing date	Percent		Contribution to net income (in € thousands)	Consolidation method [1]	Closing date	Percent		Contribution to net income (in € thousands)	Consolidation method [1]
			control	interest				control	interest		
Corporate division											
Banque Commerciale du Marché Nord Europe - 4 Place Richebé - 59000 Lille	**France**	**12/17**	**100.00**	**100.00**	**5,655**	**FC**					
Bail Actéa - 19 Avenue le Corbusier - 59800 Lille	France	12/17	100.00	100.00	5,927	FC					
Nord Europe Lease - 19 Avenue le Corbusier - 59800 Lille	France	12/17	100.00	100.00	3,483	FC					
Nord Europe Partenariat - 2 Rue Andréï Sakharov - BP148 - 76135 Mont-Saint-Aignan	France	12/17	99.65	99.65	1,520	FC					
Total Corporate					16,585						
Third-party management division											
Groupe La Française - 128 Boulevard Raspail - 75006 Paris	**France**	**12/17**	**97.05**	**97.05**	**(13,085)**	**FC**	**12/18**	**100.00**	**100.00**	**(18,622)**	**FC**
2A - 5 Boulevard de la Madeleine - 75008 Paris	France	12/17	20.00	19.41	(132)	EM	12/18	20.00	20.00	125	EM
Alger Management Ltd - 50 Broadway - London	UK	12/17	50.00	48.52	(191)	EM	12/18	50.00	50.00	(280)	EM
CD Partenaires - 16 Place de la Madeleine - 75008 Paris	France	12/17	74.87	72.66	52	FC	12/18	74.87	74.87	1,009	FC
FCT LFP Créances Immobilières - 128 Boulevard Raspail - 75006 Paris	France	12/17	58.37	58.37	0	FC	12/18	27.09	27.09	0	EM
Groupe Cholet-Dupont - 16 Place de la Madeleine - 75008 Paris	France	12/17	33.73	32.73	1,142	EM	12/18	33.73	33.73	1,183	EM
Inflection Point by La Française - 125 Old Broad Street - London	UK	12/17	100.00	97.05	(1,348)	FC	12/18	100.00	100.00	(168)	FC
JKC Capital Management Ltd - 34-37 Connaught Road Central - Hong Kong SAR	Hong Kong	12/17	50.00	48.52	754	EM	12/18	50.00	50.00	2	EM
La Française AM - 128 Boulevard Raspail - 75006 Paris	France	12/17	100.00	97.05	8,759	FC	12/18	100.00	100.00	4,385	FC
La Française AM Finance Services - 128 Boulevard Raspail - 75006 Paris	France	12/17	100.00	97.05	2,838	FC	12/18	100.00	100.00	3,891	FC
La Française AM Iberia - C/ Joaquin Costa 26 - 28002 Madrid	Spain	12/17	66.00	64.05	180	FC	12/18	66.00	66.00	766	FC
La Française AM International - 4A Rue Henri Schnadt - 2530 Luxembourg	Luxembourg	12/17	100.00	97.05	295	FC	12/18	100.00	100.00	(83)	FC
La Française Forum Securities Limited - 1700 E Putnam Ave, Old Greenwich, CT 06870 - 1366, Delaware	USA	12/17	100.00	97.05	(1,310)	FC	12/18	100.00	100.00	(1,526)	FC
La Française Global Investments - 128 Boulevard Raspail - 75006 Paris	France	12/17	100.00	98.23	(1,509)	FC	12/18	100.00	100.00	2,829	FC
La Française Global Real Estate Investment Management Limited - 12 Berkeley St. - London	UK	12/17	100.00	97.05	1,091	FC	12/18	100.00	100.00	977	FC
La Française Inflection Point - 128 Boulevard Raspail - 75006 Paris	France	12/17	100.00	97.05	644	FC	12/18	0.00	0.00	0	NC
La Française Investment Solutions - 128 Boulevard Raspail - 75006 Paris	France	12/17	56.04	46.17	9,007	FC	12/18	56.04	47.57	7,635	FC
La Française Real Estate Managers - 128 Boulevard Raspail - 75006 Paris	France	12/17	95.96	93.12	10,646	FC	12/18	95.96	95.96	11,550	FC
La Française Real Estate Partners - 128 Boulevard Raspail - 75006 Paris	France	12/17	60.00	55.87	852	FC	12/18	60.00	57.57	1,445	FC
LFF Real Estate Partners Limited - 16 Berkeley Street - London	UK	12/17	100.00	93.12	1,193	FC	12/18	100.00	95.96	(83)	FC
LFP Multi Alpha - 128 Boulevard Raspail - 75006 Paris	France	12/17	100.00	97.05	(1,418)	FC	12/18	100.00	100.00	(1,585)	FC
New Alpha Asset-Management - 128 Boulevard Raspail - 75006 Paris	France	12/17	85.00	82.49	2,097	FC	12/18	58.75	58.75	564	FC
Nouvelles EXpertises et Talents AM - 128 Boulevard Raspail - 75006 Paris	France	12/17	100.00	97.05	6,137	FC	12/18	100.00	100.00	714	FC
Siparex Proximité Innovation - 128 Boulevard Raspail - 75006 Paris	France	12/17	26.50	25.72	287	EM	12/18	26.50	26.50	525	EM
SPV Jarna - 9B Boulevard Prince Henri - 1724 Luxembourg	Luxembourg	12/17	0.00	0.00	0	FC	12/18	100.00	100.00	(1)	FC
Tages Capital LLP - 39 St James' Street - London	UK	12/17	25.00	24.26	928	EM	12/18	19.00	19.00	250	EM
UFG PM - 128 Boulevard Raspail - 75006 Paris	France	12/17	0.00	0.00	(13)	FC	12/18	0.00	0.00	0	NC
Union Générale des Placements - 128 Boulevard Raspail - 75006 Paris	France	12/17	63.33	29.24	211	FC	12/18	63.33	30.13	1,008	FC
Veritas Portfolio GmbH KG - Mainbuilding, Taunusanlage 18 - 60325 Frankfurt am Main	Germany	12/17	0.00	0.00	0	NC	12/18	100.00	100.00	0	FC
Total Third-party management					28,107					16,510	

[1] EM: Equity method; FC: Full Consolidation

Consolidation scope	Closing date	Closing date	Percent		Contribution to net income (in € thousands)	Consolidation method [1]	Closing date	Percent		Contribution to net income (in € thousands)	Consolidation method [1]
			control	interest				control	interest		
Services and Other Activities division											
Actéa Environnement - 5/7 Rue Frédéric Degeorge - 62000 Arras	France	12/17	100.00	100.00	(18)	FC	12/18	100.00	100.00	(26)	FC
Euro-Information - 34 Rue du Wacken - 67000 Strasbourg	France	12/17	10.15	10.15	10,026	EM	12/18	10.15	10.15	11,302	EM
Financière Nord Europe - 4 Place Richebé - 59000 Lille	France	12/17	100.00	100.00	(382)	FC	12/18	100.00	100.00	(53)	FC
Fininmad (realtor)	France	12/17	100.00	100.00	(25)	FC	12/18	100.00	100.00	(58)	FC
Nord Europe Participations et Investissements - 4 Place Richebé - 59000 Lille	France	12/17	100.00	100.00	(576)	FC	12/18	100.00	100.00	(533)	FC
SCI Centre Gare	France	12/17	100.00	100.00	2,252	FC	12/18	100.00	100.00	2,134	FC
Transactimmo - 1 Rue Arnould de Vuez - 59000 Lille	France	12/17	100.00	100.00	(101)	FC	12/18	100.00	100.00	(196)	FC
Total Services and Other Activities					11,176					12,570	

Liste des SCI consolidées											
SCI CMN	FRANCE	12/17	100.00	100.00		FC	12/18	100.00	100.00		FC
SCI CMN 1	FRANCE	12/17	100.00	100.00		FC	12/18	100.00	100.00		FC
SCI CMN 2	FRANCE	12/17	100.00	100.00		FC	12/18	100.00	100.00		FC
SCI CMN 3	FRANCE	12/17	100.00	100.00		FC	12/18	100.00	100.00		FC
SCI CMN Location	FRANCE	12/17	100.00	100.00		FC	12/18	100.00	100.00		FC
SCI RICHEBE INKERMAN	FRANCE	12/17	100.00	100.00		FC	12/18	100.00	100.00		FC

[1] EM: Equity method; FC: Full Consolidation

Changes in consolidation scope during the period

Inclusions	Company name
Acquisition	Veritas Portfolio GmbH KG
Creations	SFINE Propriété à vie
	SFINE Bureaux
	Immobilière BCL Lille
Merger	GACM
Removals	**Company name**
Sale	Immo W16 (deconsolidated as of July 20)
Transfer of assets or merger	Banque Commerciale du Marché Nord Europe
	Nord Europe Assurances (deconsolidated as of June 30)
	ACMN IARD
	ACMN Vie
	CP - BK Reinsurance
	Nord Europe Life Luxembourg
	Nord Europe Retraite
	North Europe Life Belgium
	SA Partners Assurances
	OBK
	La Française Inflection Point
Change of name	**Company name**
Inflection Point Capital Managment Ldt	*becomes* Inflection Point by La Française

Entities consolidated using the simplified method in the context of the application of IFRS 10	Country	12/31/2017		12/31/2018	
		% owned	Non-controlling interests (in € thousands)	% owned	Non-controlling interests (in € thousands)
BEOBANK FUNDS - BEOBANK Dynamic Fund	Luxembourg	44.13%	7,977		
CONVICTIONS MULTIFAC	Luxembourg	39.37%	50,530		
CROWN MULTIFUND SEL	Luxembourg	85.14%	6,041		
DIADEME GLOBAL SELEC	Luxembourg	89.26%	846		
EUROPIMMO MARKET	France	86.93%	1,165		
FERI IV	France	99.00%	606	57.50%	4,048
FORUM GLB INVEST SCS	Luxembourg	99.40%	536	36.90%	9,911
INVESTCORE 2021	Luxembourg	93.42%	755		
JKC Fund - La Française JKC Asia Equity (Classe GP EUR-HEDGED)	France	47.92%	19,489		
La Française Actions Euro Couvertes (C units)	France	96.96%	3,226		
La Française Actions Monde	France	57.76%	15,005		
La Française Allocation - F units	France	40.56%	126,154		
La Française Euro Inflation- B units	France	52.26%	89,684		
La Française Index Variable - C units	Luxembourg	57.69%	74,947		
La Française Inflection Point Multi Trends	France	46.02%	11,213		
La Française LUX - Absolute Emerging Debt - F (C) EUR	France	42.95%	85,196		
La Française LUX - Forum Global Real Estate Securities - I (C) CHF	France	65.55%	20,643		
La Française LUX - Inflection Point European Equity - B (C) EUR	France	69.03%	24,401		
La Française LUX - Inflection Point Leaders Emergents - B (C) EUR	France	99.06%	145		
La Française LUX - Inflection Point Zero Carbon - Class I EUR	France	46.68%	79,393		
La Française LUX - JKC Asia Bond - Class I (C) EUR	France	92.55%	4,531		
La Française LUX - JKC Asia Bond 2023 - Class I (C) USD	Luxembourg			37.05%	6,816
La Française LUX - Multi-Asset Income - R (C) EUR	France	93.93%	2,861		
La Française LUX - Global Credit Duration Hedged - I (C) EUR	Luxembourg			86.63%	4,960
La Française Multistratégies Obligataires - I units	France	48.07%	106,254		
La Française Patrimoine Flexible - F units	Luxembourg	74.55%	57,826		
La Française Profil Performance - I units	Luxembourg	75.06%	15,267		
La Française Rendement 4X4 - I units	France	60.50%	4,185		
La Française Séréni Flex - I units	France	60.25%	105,424		
La Française Tages Event	France	51.62%	116		
La Française Tages Stratégie Actions	France	95.48%	1,218		
LF EUROPIMMO	France	94.96%	232		
LF Grands Vignobles De France	France	57.72%	9,941		
LF LUX SU ES SEC. S	Luxembourg	85.85%	3,316		
LF PREMIUM EM R	France	63.67%	5,215		
LF REAL ESTATE VALUE ADDED	France				
LF REND GLOB 2018	France	40.29%	6,426		
LF TAGES MULT ARB II	France	77.33%	186		
LFIS Vision - Credit Opportunities	Luxembourg	65.64%	72,396		
LFIS Vision UCITS - Credit	Luxembourg	38.51%	85,775		
LFIS Vision UCITS - Equity Defender	Luxembourg	96.60%	3,548		
LFISVISION UCITS PREMIA ACCESS	Luxembourg	89.48%	3,577		
LFP Coussin Opportunites	Luxembourg	99.73%	16		

Entities consolidated using the simplified method in the context of the application of IFRS 10	Country	12/31/2017		12/31/2018	
		% owned	Non-controlling interests (in € thousands)	% owned	Non-controlling interests (in € thousands)
LFP European Fund of Funds	Luxembourg	91.97%	1,027		
LFP Pierre	France	51.90%	344,159		
LFP S&P Capital IQ Fund - LFP R2P Global Credit (Class GP C USD)	Luxembourg	76.56%	10,326		
LFP S&P Capital IQ Fund - LFP R2P Global High Yield	Luxembourg	91.66%	4,951		
MULTIMARK SPP OPCI	France	36.54%	106,689		
MULTIMMOBILIER 2	France	85.66%	7,007		
Newalpha Opportunites Entrepreneurs - I units	France			49.11%	9,289
NEXT INVEST	France			50.00%	17,089
QUILVEST EUROPEAN	France	38.00%	2,437		
TAGES ANAVON GB EQ	Luxembourg	35.13%	48,349		
TAGES INT FUNDS UC	Luxembourg	63.00%	21,405		
TRANSITION ENERGETI	France	61.97%	28,316		
UFG IC FUND	Luxembourg	41.36%	29,495		
BEOBANK FUNDS - BEOBANK Dynamic Fund - A Class	BELGIUM			37.12%	8,551
TOTAL CONSOLIDATION USING SIMPLIFIED METHOD			**1,710,423**		**60,665**

Consolidation principles

Restatements and eliminations

Significant transactions between fully-consolidated entities are eliminated. 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.

Gains and losses on 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 adjustments”. Income and expenses are translated at the average rate over the period and the resulting differences are recorded under “Translation adjustments”.

Business combinations 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 IFRS 9 and based on the appropriate standards for debt not covered by IFRS 9. 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 Executive 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.

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.

III Accounting principles

Financial instruments under IFRS 9

Classification and measurement of financial assets

Under IFRS 9, the classification and measurement of financial assets depends on the business model and contractual characteristics of the instruments.

Loans, receivables and debt securities acquired

The asset is classified:

- **At amortized cost**, if it is held with a view to collecting contractual cash flows and if its characteristics are similar to those of a so-called basic agreement (hold to collect model);
- **At fair value through other comprehensive income**, if the instrument is held with a view to both collecting contractual cash flows and selling the asset based on opportunities, but not for trading purposes, and if its characteristics are similar to those of a so-called basic agreement that implicitly entails a high predictability of the related cash flows (hold to collect and sell model);
- **At fair value through profit or loss**, if:
  - > It is not eligible for the two previous categories (because it does not meet the "basic" criterion and/or is managed according to the "other" business model), or
  - > The Group makes an irrevocable election at initial recognition to classify it in this way. This option is used to reduce an accounting mismatch relative to another related instrument.

Cash flow characteristics

The contractual cash flows, which represent only repayments of principal and payments of interest on the principal balance, are compatible with a so-called basic agreement.

In a basic agreement, interest mainly represents consideration for the time value of money (including in case of negative interest) and credit risk. Interest may also include liquidity risk, administrative fees to manage the asset and a profit margin.

All the contractual clauses must be analyzed, including those that could change the repayment schedule or the amount of the contractual cash flows. The option under the agreement, on the part of the borrower or the lender, to repay the financial instrument early is compatible with the SPPI (Solely Payment of Principal and Interest) nature of the contractual cash flows insofar as the amount repaid essentially represents the principal balance and accrued interest and, where applicable, a reasonable compensatory payment.

The early repayment penalty is considered reasonable if, for example:

- It is expressed as a percentage of the principal repaid and is less than 10% of the nominal amount repaid;
- It is determined using a formula whose aim is to offset the change in the benchmark interest rate between the loan's grant date and its early repayment date.

An analysis of the contractual cash flows may also require comparing them with those of a benchmark instrument when the time value of money component included in the interest can be changed as a result of the instrument's contractual clauses. This is the case, for example, if the interest rate of the financial instrument is revised periodically, but there is no correlation between the frequency of the revisions and the term for which the interest rate is defined (monthly revision of a one-year rate, for example), or if the interest rate of the financial instrument is revised periodically based on an average interest rate.

If the difference between the undiscounted contractual cash flows of the financial asset and those of the benchmark instrument is or may become significant, the financial asset cannot be considered basic.

Depending on the case, the analysis is either qualitative or quantitative. The materiality or immateriality of the difference is assessed for each fiscal year, and cumulatively over the life of the instrument. The quantitative analysis takes into account a set of reasonably possible scenarios. For this the Group has used yield curves since 2000.

In addition, a specific analysis is conducted in the case of securitizations insofar as there is a payment priority order between the holders and concentrations of credit risk in the form of tranches.

In this case, the analysis requires an examination of the contractual characteristics of the tranches in which the Group has invested and the underlying financial instruments, as well as the credit risk of the tranches relative to the credit risk of the underlying financial instruments.

It should be noted that:

- Derivatives embedded in financial assets are no longer recognized separately, which implies that the entire hybrid instrument is then considered non-basic and recognized at fair value through profit or loss;
- Units in UCITS or UCIs are not basic instruments and are also classified as at fair value through profit or loss.

Business model

The business model represents the way in which instruments are managed in order to generate cash flows and revenue. It is based on observable facts and not simply on management's intention. It is not assessed at the entity level, or on an instrument-by-instrument basis, but rather on a higher level of aggregation that reflects the way in which groups of financial assets are managed collectively. It is determined at initial recognition and may be reassessed only in the event of a change in model (exceptional case).

To determine the model, all available information must be observed, including:

- The way in which the business's performance is reported to decision-makers;
- The way in which managers are remunerated;
- The frequency, schedule and volumes of sales in previous periods;
- The reasons for the sales;
- Future sales forecasts;
- The way in which risk is assessed.

Under the hold to collect model, certain examples of authorized sales are explicitly indicated in the standard:

- In relation to an increase in credit risk;
- Close to maturity and for an amount close to par;
- Exceptional (in particular, related to liquidity stress).

These "authorized" sales are not included in the analysis of the significant and frequent nature of the sales carried out on a portfolio. Frequent and/or significant sales would not be compatible with this business model. Moreover, sales related to changes in the regulatory or fiscal framework will be documented on a case-by-case basis to demonstrate the "infrequent" nature of such sales.

For other sales, thresholds have been defined based on the maturity of the securities portfolio, for example 2% for an average maturity of eight years (the Group does not sell its loans).

The Group has mainly developed a model based on the collection of contractual cash flows from financial assets, which applies in particular to the customer financing activities.

It also manages financial assets in accordance with a model based on the collection of contractual cash flows from financial assets and on the sale of these assets, and a specific model for other financial assets, including trading assets.

Within the Group, the hold to collect and sell model applies primarily to the proprietary cash management and liquidity portfolio management activities.

Finally, financial assets held for trading include securities acquired at inception with the intention of selling them within a short period of time, as well as securities that are part of a portfolio of securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets at amortized cost

These mainly include:

- Cash and cash equivalents, which include cash accounts, deposits and demand loans and borrowings with central banks and credit institutions;
- Other loans to credit institutions, as well as those to customers (granted directly or the share in syndicated loans), not measured at fair value through profit or loss;
- A portion of the securities held by the Group.

Financial assets included in this category are initially measured at fair value, which is usually the net amount disbursed. The interest rates applied to loans granted are deemed to represent market rates, since they are constantly adjusted in line with the interest rates applied by the vast majority of competitor banks.

The assets are subsequently carried at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts future cash payments or receipts over the expected life of the financial instrument in order to obtain the net carrying amount of the financial asset or liability. It includes estimated cash flows, without taking into account future credit losses, as well as commissions paid or received when they are treated as interest, directly related transaction costs and all premiums and discounts.

For securities, the amortized cost includes amortization of the premiums and discounts and acquisition costs, if material. Purchases and sales are recognized at the settlement date.

Income received is presented in “Interest and similar income” in the income statement.

Commissions received or paid that are directly related to setting up the loan and 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. The restructuring of a loan due to the borrowers’ financial problems, as this concept has been defined by the European Banking Authority, has been integrated into the information systems to ensure consistency between the accounting and prudential definitions.

The fair value of assets at amortized cost is disclosed in the notes to the financial statements at the end of each reporting period and corresponds to the net present value of future cash flows estimated using a zero-coupon yield curve that includes an issuer cost inherent to the debtor.

Financial assets at fair value through other comprehensive income

Since the Group does not sell its loans, this category includes only securities. These are recognized at fair value at the time of acquisition, on the settlement date, and at subsequent reporting dates until their disposal. Changes in fair value are shown on the “Unrealized or deferred gains and losses” line within a specific equity account, excluding accrued income. These unrealized or deferred gains and losses recognized through other comprehensive income are only transferred to the income statement in the event of disposal or a lasting impairment in value.

Income received or accrued is recognized in the income statement under “Interest and similar income” using the effective interest rate method.

Financial assets at fair value through profit or loss

These are recognized at fair value on initial recognition and at subsequent reporting dates until their disposal. Changes in fair value and interest received or accrued on assets 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 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.

Equity instruments acquired

Equity instruments acquired (mainly shares) are classified::

- At fair value through profit or loss; or
- At fair value through other comprehensive income, at initial recognition, if the Group irrevocably elects to do so.

Equity instruments which the Group has elected to be classified in this category correspond, generally, to strategic holdings.

Financial assets at fair value through other comprehensive income

Shares and other equity instruments are carried at fair value at the time of acquisition and at subsequent reporting dates until their disposal. Changes in fair value are shown on the “Unrealized or deferred gains and losses” line within a specific other comprehensive income account. These unrealized gains and losses recognized through other comprehensive income are never taken to profit or loss, including in case of disposal. Only dividends received on variable-income securities are recognized in the income statement under “Net gains/(losses) on financial assets at fair value through other comprehensive income”.

Purchases and sales are recognized at the settlement date.

Financial assets at fair value through profit or loss

Equity instruments are recognized in the same way as debt instruments at fair value through profit or loss (see above).

Classification and measurement of financial liabilities

Financial liabilities are included in one of the following two categories:

Financial liabilities at fair value through profit or loss

- Those incurred for trading purposes, which by default include derivative liabilities that do not qualify as hedging instruments; and
- Non-derivative financial liabilities which the Group designated at inception to be measured at fair value through profit or loss (under the fair value option). This includes:
  - Financial instruments containing one or more separable embedded derivatives,
  - Instruments showing, without application of the fair value option, inconsistent accounting treatment in relation to another related instrument,
  - Instruments belonging to a group of financial assets measured and managed at fair value.

The changes in fair value, resulting from the own credit risk for liabilities designated under the fair value through profit or loss option, are recognized in unrealized or deferred gains and losses in OCI, that may not be recycled to profit or loss.

The Group is marginally affected by the own credit risk issue.

Financial liabilities at amortized cost

These include other non-derivative financial liabilities, such as amounts due to customers and credit institutions, debt securities (certificates of deposit, interbank instruments, bonds, etc.) and subordinated debt (term or perpetual) not classified as at fair value through profit or loss (fair value option).

Subordinated debt is separate from other debt securities since, in case of liquidation of the debtor's assets, it could only be repaid after payment is made to the other creditors. Debt securities include the non-preferred senior securities created by the Sapin 2 law.

These liabilities are initially recognized at fair value and then measured at amortized cost using the effective interest rate method at subsequent reporting dates. The initial fair value of issued securities is the issue value less transaction costs, where applicable.

Regulated savings

Liabilities at amortized cost include home savings accounts ("CEL") and home savings plans ("PEL"). These are government-regulated retail products sold in France. 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 customer statistical behavior 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 based on homogeneous generations of regulated terms for the PEL and the CEL. The impact on the income statement is recognized as "Interest paid to customers".

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, where there is a contractual obligation for the Group to provide cash to the security holders. This is in particular the case for all the subordinated securities issued by the Group.

Foreign exchange 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 as at fair value through profit or loss under "Net gain (loss) on financial instruments at fair value through profit or loss", or under "Unrealized or deferred gains and losses" if they are classified as financial assets at fair value through other comprehensive income.

Derivatives and 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 Nord Europe Group has elected to continue to apply the provisions of IAS 39. Additional information will be included in the notes or in the management report, 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, continue to apply.

Derivatives are instruments that have the following three characteristics:

- Their value changes according to the change in an underlying (interest rates, exchange rates, shares, indexes, commodities, credit ratings, etc.);
- They require little or no initial investment;
- They are settled at a future date.

The Crédit Mutuel Nord Europe Group uses simple derivatives (swaps, plain vanilla options, etc.), mainly interest rate derivatives classified mostly in level 2 of the fair value hierarchy.

All derivatives are recognized at fair value on the statement of financial position under financial assets or liabilities. They are recognized by default as trading instruments unless they can be classified as hedging instruments.

Determining the fair value of derivatives

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). The valuations given by these models are adjusted to take into account the 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:

- Intra-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 derivatives and hedge accounting

Derivatives classified as financial assets or financial 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 hedge 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 combined instrument in a way similar to that of a standalone derivative.

Embedded derivatives are separated from the host contract and accounted for as a derivative at fair value through profit or loss provided that they meet the following conditions:

- They correspond to the definition of a derivative;
- The hybrid instrument hosting the embedded derivative is not measured at fair value through profit or loss;
- The economic characteristics 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.

Under IFRS 9, only derivatives embedded in financial liabilities may be detached from the host contract in order to be recognized separately.

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

Risks hedged

The Crédit Mutuel Nord Europe Group hedges only interest rate risk for accounting purposes, through micro-hedges or more globally through macro-hedges.

Micro-hedging is the hedging of part of the risks incurred by an entity on the assets and liabilities it holds. It applies specifically to one or more assets and liabilities with regard to which the entity hedges the risk of a negative change in a given type of risk, using derivatives.

Macro-hedging aims to protect all the Group's assets and liabilities against unfavorable trends, particularly in interest rates.

Overall interest rate risk management is described in the management report, together with the other risks (currency risk, credit risk, etc.) that may give rise to economic hedging through natural matching of assets/liabilities or the recognition of derivatives transactions.

Micro-hedges are implemented in particular via asset swaps and are generally aimed at synthetically converting a fixed-rate instrument into a variable-rate instrument.

Three forms of hedging relationship are possible. 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 variability in 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;
- The hedging of net investments in foreign currencies is recognized in the same way as cash flow hedging. The Group has not used this form of hedging.

Hedging derivatives must meet the various criteria set out in IAS 39 in order to qualify as instruments eligible for hedge accounting. In particular:

- 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 when the hedge is 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 demonstrated at the inception of the hedge and throughout the life of the hedge, as a minimum at the end of each reporting period. The ratio of change in value or gain or loss on 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 remeasured 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 with 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 debt instrument classified within "Financial assets at fair value through other comprehensive income". The changes in fair value of the hedging instrument and the hedged risk component offset each other partially or fully and only the ineffective portion of the hedge is recognized in profit or loss. This can result from:

- The "counterparty risk" component included in the value of the derivatives;
- The use of different valuation curves for the hedged items and the hedging instruments. Swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve.

The portion corresponding to the rediscounting of 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 other comprehensive income are reclassified to the income statement under the "Interest income/expense" heading, at the same rate as the cash flows of the hedged item affect the income statement.

The hedged items continue to be 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 other comprehensive income as a result of the remeasurement of a hedging derivative remain recognized in other comprehensive income until the hedged transaction affects profit or loss 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 other comprehensive income are immediately transferred to profit or loss.

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-statement of financial position 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 IFRS 9. These guarantees are thus treated as derivatives.

Financing commitments that are not regarded as derivatives within the meaning of IAS 9 are not shown in the statement of financial position. However, a provision is made in accordance with IFRS 9.

Derecognition of financial assets and liabilities

The Group derecognizes all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows of the asset expire (in the case of commercial renegotiations) or when the Group has transferred the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards related to ownership of the asset.

At the time of derecognition of a:

- Financial asset or liability at amortized cost or at fair value through profit or loss, a gain or loss on disposal is recorded in the income statement in an amount equal to the difference between the carrying amount of the asset or liability and the amount of the consideration received or paid;
- Debt instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized in other comprehensive income are taken to profit or loss, as are the capital gains and losses on disposal;
- Equity instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized in other comprehensive income and the capital gains and losses on disposal are recognized in consolidated reserves with no impact on the income statement.

The Group derecognizes a financial liability when the obligation specified in the contract is extinguished, is cancelled or expires. A financial liability may also be derecognized in case of a substantial change in its contractual terms and conditions or an exchange with the lender for an instrument whose contractual terms and conditions are substantially different.

Measurement of credit risk

The impairment model under IFRS 9 is based on an "expected losses" approach while the IAS 39 model was based on incurred credit losses, for which the recognition of credit losses was considered to be too little too late at the time of the financial crisis.

Under the IFRS 9 model, impairment provisions are recognized for financial assets for which there is no objective evidence of losses on an individual basis, based on past losses observed and reasonable and justifiable cash flow forecasts.

The impairment model under IFRS 9 therefore applies to all debt instruments measured at amortized cost or at fair value through other comprehensive income, as well as to financing commitments and financial guarantees.

These are divided into three categories:

- Status 1 - non-downgraded performing loans: 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 - downgraded performing loans: 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, and
- Status 3 - non-performing loans: category comprising the financial assets for which there is objective evidence of impairment related to an event that has occurred since the loan was granted. The scope of this category is the same as that for loans impaired individually under IAS 39.

For statuses 1 and 2, the basis of calculation of interest income is the gross value of the asset before impairment while, for status 3, it is the net value after impairment.

Governance

The models for allocation to the segments, the forward-looking scenarios and the methodologies for calculating the parameters constitute the methodological basis for the impairment calculations. They are approved at the highest level within the Group and the intention is that they will be applied within all entities, according to the portfolios concerned.

The entire methodological basis, any subsequent changes to the methodology, scenario weightings or parameter calculations, as well as the provision calculations, must be approved by the Crédit Mutuel Group's managing bodies.

The managing bodies are the supervisory and executive bodes as defined by Article 10 of the decree of November 3,2014 on internal control. Given the specific characteristics of the Crédit Mutuel Group's decentralized structure, there are two levels of supervisory and management bodies: national and regional.

The principle of subsidiarity in force within the Crédit Mutuel Group governs the allocation of the responsibilities as regards the asset impairment calculation procedures between the national and regional levels. This applies to both the project stage and the long-term implementation of the procedures.

- At national level, the Basel III work group approves the national procedures, models and methodologies to be applied by the regional groups;
- At regional level, the regional groups are responsible for calculating their IFRS provisions within their entities, under the responsibility and control of their respective executive and supervisory bodies.

Definition of the boundary between statuses 1 and 2

The Group uses the models developed for prudential purposes and has therefore applied a similar breakdown of its outstanding loans:

- Low default portfolios (LDP), for which the rating model is based on an expert assessment: large accounts, banks, local governments, sovereigns and specialized financing. These portfolios consist of products such as operating loans, short-term operating loans, current accounts, etc.
- High default portfolios (HDP, which present a sufficient number of defaults to enable a statistical rating model to be drawn up): mass corporate, retail. The main components of these portfolios are home loans, consumer credit, revolving credit facilities, current accounts, etc.

A significant increase in credit risk, which entails transferring a loan out of status 1 into status 2, is 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, where the counterparty rating system is common to the entire Group. All the Group's counterparties eligible for internal approaches are rated by the system. This system is 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 (HDP);
- Rating grids developed by experts (LDP).

Change in risk since initial recognition is measured on a contract-by-contract basis. Unlike status 3, transferring a customer's contract into status 2 does not entail transferring all the customer's outstanding loans or those of related parties (absence of contagion).

It should be noted that the Group reclassifies immediately as status 1 any performing exposure that no longer meets the criteria (both qualitative and quantitative) for inclusion in status 2.

The Group has demonstrated that a significant correlation exists between the probabilities of default at 12 months and at termination, which allows it to use 12-month credit risk as a reasonable approximation of the change in risk since initial recognition, as the standard permits.

Quantitative criteria

For LDP portfolios, the boundary is based on an allocation matrix that relates the internal ratings at origination and at the reporting date.

For HDP portfolios, a continuous and growing boundary curve relates the probability of default at origination and the probability of default at the reporting date. The Group does not use the operational simplification offered by the standard, which allows outstanding loans with low risk at the reporting date to be maintained in status 1.

Qualitative criteria

As well as the above quantitative data, the Group uses qualitative criteria such as payments not made or overdue by more than 30 days, the notion of restructured loans, etc.

Methods based exclusively on qualitative criteria are used for entities or small portfolios that are classified for prudential purposes under the standardized approach and do not have a rating system.

Statuses 1 and 2 - calculation of expected credit losses

Expected credit losses are measured by multiplying the outstanding amount of the loan, discounted at the contract rate, by its probability of default (PD) and by the loss given default (LGD). The off-statement of financial position exposure is converted to an on-statement of financial position equivalent based on the probability of a drawdown. The one-year probability of default is used for status 1 and the probability curve at termination (one to ten years) for status 2.

These parameters are based on a framework common to the prudential models, with the formulae being adapted to IFRS 9 requirements. They are used for both assignment to the statuses and the calculation of expected losses.

Probability of default

This is based:

- For high default portfolios, on the models approved under the IRB-A approach;
- For low default portfolios, on an external probability of default scale based on a history dating back to 1981.

Loss given default

This is based:

- For high default portfolios, on the flows of collections observed over a long period of time, discounted at the interest rates of the contracts, segmented by type of product and type of guarantee;
- For low default portfolios, on fixed levels (60% for sovereign portfolios and 40% for other portfolios).

Conversion factors

For all products, including revolving credit facilities, these are used to convert off-statement of financial position exposure to an on-statement of financial position equivalent and are mainly based on the prudential models.

Forward-looking aspect

To calculate expected credit losses, the standard requires that reasonable and justifiable information, including forward-looking information, be taken into account. The development of the forward-looking aspect requires anticipating changes in the economy and relating these anticipated changes to the risk parameters. This forward-looking aspect is determined at the Group level and applies to all the parameters.

For high default portfolios, the forward-looking aspect included in the probability of default takes into account three scenarios (optimistic, neutral, pessimistic), which will be weighted based on the Group's view of changes in the economic cycle over five years (validated by the Chief Executive Officers of the various regional groups and of the Crédit Mutuel Group). The Group relies mainly on macroeconomic data (GDP, unemployment rate, inflation rate, short-term and long-term interest rates, etc.) supplied by the OECD. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

- They are recent, meaning they occurred a few weeks before the reporting date;
- They cannot be included in a scenario: for example, regulatory changes that will certainly have a significant effect on the risk parameters and whose impact can be measured by making certain assumptions.

The forward-looking aspect for maturities other than one year is derived in particular from the forward-looking aspect for the one-year maturity.

The forward-looking aspect is also included in the LGD by incorporating information observed over a historical period similar to current conditions.

For low default portfolios, forward-looking information is incorporated into the large accounts and bank models, and not into the local governments, sovereigns and specialized financing models. The approach is similar to that used for high default portfolios.

Status 3 – Non-performing loans

Under status 3, impairment is recognized when there is objective evidence of a measurable 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 the end of each reporting period. 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, taking into account any guarantees, discounted at the original effective interest rate. For variable-rate loans, the last known contractual interest rate is used.

Originated credit-impaired financial assets

These are contracts for which the counterparty is non-performing on the date of initial recognition or acquisition. If the borrower is non-performing at the reporting date, the contracts are classified into status 3; otherwise, they are classified as performing loans, identified in an "originated credit-impaired assets" category, and provisioned based on the same method used for exposures in status 2, i.e. an expected loss over the residual maturity of the contract.

Recognition

Impairment charges and provisions are recorded in net 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 "provisions" in liabilities for financing and guarantee commitments. In the case of assets at fair value through other comprehensive income, the impairment provision is recognized in net additions to provisions for loan losses, with the corresponding entry to "Unrealized or deferred gains and losses".

Loan losses are recorded in losses and the corresponding impairments and provisions are written back.

Calculation of the fair value of financial instruments

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 actual and regular arm's length transactions.

Instruments not traded in an active market

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 in 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 inclusion of risks that are not 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.

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 three contributors and derivatives quoted on an organized market;
- **Level 2**: data other than the level 1 quoted prices, which are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. data derived from prices).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 end of the reporting period.
- **Level 3**: data relating to the assets or liabilities that are not observable market data (non-observable data). The main constituents of this category are investments in non-consolidated companies held in venture capital entities or otherwise and, in the capital markets activities, debt securities quoted by a single contributor and derivatives using mainly non-observable parameters.

The instrument is classified at the same level of the hierarchy as the lowest level of the input having an important bearing on fair value considered as a whole. Given the diversity and volume of the instruments valued at level 3, the sensitivity of the fair value to changes in parameters would be immaterial.

Insurance businesses

The Group's insurance divisions governed by the Financial Conglomerates directive may defer the application of IFRS 9 until 2021, as provided by the amendment to IFRS 4 as adopted by the European Union. Their financial instruments will therefore continue to be measured and recognized under IAS 39. In terms of presentation, the Group has chosen to adopt an “IFRS” approach, which allows all financial instruments to be grouped under IAS 39 on lines specific to the asset or liability, rather than strictly applying Recommendation 2017-02 of the French accounting standards authority (Autorité des Normes Comptables - ANC), which involves presenting on certain lines instruments under IAS 39 and under IFRS 9. Therefore, all financial instruments of the insurance divisions are combined, under assets, on the line “Investments by the insurance businesses and reinsurers’ share of technical reserves” and, under liabilities, on the line “Liabilities related to policies of the insurance businesses”, including technical reserves.

The reclassification also affects investment property. The impact of financial instruments and technical reserves on the income statement is included in the line “Net income from the insurance businesses”. Other assets/liabilities and income statement items are presented under the common "bankinsurance” headings. When they are relevant, the disclosures under IFRS 7 are provided separately for the insurance divisions.

In accordance with the regulation on adoption of November 3, 2017, the Group ensures that there are no transfers of financial instruments between the insurance sector and the other sectors of the conglomerate that would lead to a derecognition of the instruments. The only exception is in the case of financial instruments recognized at fair value through profit or loss in both sectors.

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 effected, and to financial contracts that have a discretionary profit-sharing clause.

Aside from the above cases, the other assets held and liabilities issued by insurance companies follow the rules common to all of the Group’s assets and liabilities.

Non-financial instruments

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

An operating lease is a lease other than a finance lease.

Finance leases - lessor accounting

In accordance with IAS 17, finance lease transactions with non-Group companies are included in the consolidated statement of financial position in an amount corresponding to the net investment in the lease.

In the lessor’s financial statements, the analysis of the economic substance of the transaction results in:

- The recognition of a financial receivable due from the customer, reduced in line with the lease payments received;
- The breakdown of the lease payments between principal repayments and interest, known as financial amortization;
- The recognition of an unrealized reserve, equal to the difference between:
  - > The net financial outstanding amount, being the debt of the lessee in the form of the outstanding principal and the interest accrued at the end of the financial year;
  - > The net carrying amount of the leased non-current assets;
  - > The deferred tax provision.

Credit risk related to financial receivables is measured and recognized under IFRS 9.

Finance leases - lessee accounting

In accordance with IAS 17, assets acquired under finance leases are included in property and equipment and an amount due to credit institutions is recorded as a liability. Lease payments are broken down between principal repayments and interest.

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:

- Operational risks;
- 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-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 other comprehensive income.

Post-employment defined benefits

These benefits include retirement plans, early retirement pensions, and additional 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 awarding 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 over 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 real or estimated date of entry in the working life and assumptions related to the retirement reform legislation (Fillon law), with a maximum ceiling at age 67;
- The mortality according to INSEE (the French National Institute for Statistics and Economic Studies) TH/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 their fair value, and affect the income statement for the expected yield. The difference between the real and expected yield is also an actuarial variance.

Actuarial variances are recognized as unrealized or deferred gains or losses in other comprehensive income. Any reductions in terms or liquidation of the plan generate changes in the obligation, which are recognized in income for the year.

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 gains or losses are recognized as "Unrealized or deferred gains and losses" under equity.

Any reductions in terms or liquidation of the plan generate changes in the obligation, which are recognized in income for the year.

Defined contribution post-employment benefits

The Group's entities contribute to a number of pension plans managed by organizations that are independent from the Group, for which the entities have no additional formal or implicit payment obligation, in particular if the assets in the pension plans are not sufficient to meet liabilities.

As these plans do not represent obligations of the Group, they are not subject to a provision. The related expenses are recognized in the fiscal year in which the contributions are due.

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.

Non-current assets and depreciation/ amortization

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 assets held to earn rentals or for capital appreciation, or both. Investment property is accounted for 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 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. The components approach has been adopted for property used in operations and investment property. The depreciable amount is cost less residual value, net of costs to sell. 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. Depreciation and amortization is calculated over the estimated useful life of the assets, based on the manner in which the economic benefits embodied in the assets are expected to be consumed by the entity. Intangible assets that have an indefinite useful life are not amortized.

Depreciation and amortization of assets used in operations is recognized in "Depreciation, amortization and impairment of non-current operating assets" in the income statement.

Depreciation and amortization relating to investment properties is recognized in "Expenses on other activities" in the income statement.

The depreciation and amortization periods are:

Property and equipment	
Buildings - structural work (Depending on the type of building in question)	10 - 30 years
Construction - equipment	10 - 25 years
Fixtures and installations	5 - 15 years
Office equipment and furniture	5 - 10 years
Safety equipment	3 - 10 years
Vehicles and movable equipment	3 - 5 years
Computer equipment	3 - 5 years
Intangible assets	
Software bought or developed in-house	1 - 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 loss is recognized in income, and the depreciable amount is adjusted prospectively. The impairment loss 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 loss 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 operating assets".

Impairment losses relating to investment properties are recognized in "Expenses on other activities" (for additional impairment losses) 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.

Commission income and expense

The Group recognizes in profit or loss commission income and expenses on services depending on the type of services to which they relate.

Commissions directly linked to setting up a loan are recognized in accordance with the effective interest rate method.

Commissions paid as consideration for an ongoing service are accounted for over the duration of the rendered service.

Commissions representing consideration for the execution of a material deed are taken to profit or loss in full when the deed is executed.

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.

Current and deferred taxes are recognized as tax income or expense in the income statement, except deferred taxes relating to unrealized or deferred gains and losses recognized in other comprehensive income, for which the corresponding deferred tax is taken directly to other comprehensive income.

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.

They are not discounted.

Interest paid by the French Government on some 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 low 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 and similar income" line and spread over the life of the corresponding loans, pursuant to IAS 20.

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 loss 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. All gains and losses related to discontinued operations are shown separately in the income statement, on the line "Post-tax gain/(loss) on discontinued operations".

IV Notes to the statement of financial position and income statement

(Les notes sont présentées en milliers d'euros)

NB! As this is the first year in which IFRS 9 has been applied, the notes include a comparison between the position at December 31, 2018 and the position at January 1, 2018 (i.e. the position at December 31, 2017 restated in accordance with IFRS 9).

1. Notes to the statement of financial position

NOTE 0: Impacts of the first-time application of IFRS 9

Reclassification of assets and liabilities and impact on their measurement

	Amount at 12/31/2017	Financial assets at fair value through profit or loss		Hedging derivatives	Financial assets at FVOCI		Financial assets at amortized cost		Accruals and other assets	
		Amount reclassified/ retained	IFRS 9 impact	Amount reclassified/ retained	Amount reclassified/ retained	IFRS 9 impact	Amount reclassified/ retained	IFRS 9 impact	Amount reclassified/ retained	IFRS 9 impact
Financial assets at fair value through profit or loss	**839,144**	**839,144**			**0**	**0**	**0**	**0**		**0**
- Trading	291,932	291,932								0
- Equity and debt instruments	547,212	547,212			0	0				0
Hedging derivatives	**26,315**			**26,315**						**0**
Available-for-sale financial assets	**3,859,673**	**1,094,582**	**714**	**0**	**2,761,278**	**1,138**	**3,812**	**(148)**		**0**
- Government securities, bonds and similar instruments	2,822,813	114,714	714		2,708,099	0	0	(148)		0
- Equities and other variable-income securities	944,718	944,718	0		0	867				0
- Investments in non-consolidated companies, subsidiaries and associates and other LT investments	92,142	35,150	0		53,179	271	3,812	0		0
Of which impairment provision	*(5,790)*					*(930)*		*(148)*		
Loans and receivables due from credit institutions	**3,066,696**	**0**	**0**	**0**	**0**	**0**	**3,066,696**	**0**		**0**
- Loans due from credit institutions	3,066,696	0	0				3,066,696	0		0
- Bonds and other fixed-income securities not listed on an active market - credit institutions	0	0	0		0	0	0	0		
Of which impairment provision	*0*		*0*					*(45)*		
Loans and receivables due from customers	**16,126,376**	**0**	**0**	**0**	**0**	**0**	**16,126,376**	**(58,678)**		**0**
- Loans due from customers	14,717,253	0	0		0	0	14,717,253	(50,687)		0
- Bonds and other fixed-income securities not listed on an active market - CL	1,409,123	0	0		0	0	1,409,123	(7,991)		
Of which impairment provision	*(600,242)*					*0*	*(600,242)*	*(58,633)*		
Held-to-maturity financial assets	**77,089**	**15,043**	**0**		**0**	**0**	**62,046**	**0**		**0**
Deferred tax										**15,208**
Miscellaneous receivables reclassified	**537,519**						**174,865**		**362,654**	**0**
	24,532,812	1,948,769	714	26,315	2,761,278	1,138	19,433,795	(58,826)	362,654	15,208
STATEMENT OF FINANCIAL POSITION AT 1/1/2018			**1,949,483**	**26,315**		**2,762,416**		**19,374,969**	**362,654**	**15,208**

	Amount at 12/31/2017	Financial liabilities at fair value through profit or loss	Due to credit institutions		Due to customers		Debt securities/ Subordinated debt		Accruals, other liabilities and provisions	
		Amount reclassified/ retained	Amount reclassified/ retained	IFRS 9 impact	Amount reclassified/ retained	IFRS 9 impact	Amount reclassified/ retained	IFRS 9 impact	Amount reclassified/ retained	IFRS 9 impact
Financial liabilities at fair value through profit or loss	240,972	240,972								0
Of which financial liabilities - FVO	*110,724*	*110,724*								*0*
Debt securities at amortized cost	3,102,947						3,102,947	0		0
Due to credit institutions at amortized cost	1,754,486		1,754,486	0						0
Due to customers at amortized cost	16,717,813				16,717,813	0				0
Accruals, other liabilities and provisions	1,258,687		153,188		1,214				1,104,287	(3,829)
Subordinated debt at amortized cost	812,845						812,845	0		0
STATEMENT OF FINANCIAL POSITION AT 1/1/2018	**23,887,750**	**240,972**	**1,907,674**	**0**	**16,719,027**	**0**	**3,915,792**	**0**	**1,104,287**	**(3,829)**

Impact on shareholders' equity

	Reported shareholders' equity	Of which consolidated reserves	Of which OCI
At 12/31/2017 excluding IFRS 9 impacts	3,033,962	1,394,046	85,463
• Impact of reclassifications to FVPL	0	78,680	(78,680)
• Impact of reclassifications to FVOCI	2,068	0	2,068
• Impact of reclassifications to amortized cost	0	0	0
Reversal of IAS 39 collective impairment provision	23,682	23,682	0
Other impairment provisions	18,562	18,562	0
S1 Impairment provisions	(50,693)	(50,693)	0
S2 Impairment provisions	(47,747)	(47,747)	0
Other	983	983	0
Deferred tax impact	15,208	1,325	13,883
AT 1/1/2018 AFTER APPLICATION OF IFRS 9	**2,996,025**	**1,418,838**	**22,734**

NOTE 1 - Cash and amounts due to and from central banks (assets and liabilities)

	12/31/2018	1/1/2018	Change	% change
Cash and amounts due from central banks - assets				
Due from central banks	890,326	747,673	142,653	19.08%
including reserve requirements	*0*	*397,594*	*(397,594)*	*-100.00%*
Cash	91,801	84,714	7,087	8.37%
TOTAL	**982,127**	**832,387**	**149,740**	**17.99%**

NOTE 2 - Financial assets at amortized cost

	12/31/2018	1/1/2018	Change	% change
Loans and receivables due from credit institutions	3,592,807	3,238,814	353,993	10.93%
Loans and receivables due from customers	16,579,721	16,070,445	509,276	3.17%
Securities at amortized cost	146,606	65,710	80,896	123.11%
TOTAL	**20,319,134**	**19,374,969**	**944,165**	**4.87%**

2a - Loans and receivables due from credit institutions at amortized cost

	12/31/2018	1/1/2018	Change	% change
Performing loans (S1/S2)	3,569,361	3,219,924	349,437	10.85%
Crédit Mutuel network accounts(1)	2,089,023	1,895,448	193,575	10.21%
Other current accounts	378,506	144,867	233,639	161.28%
Loans	500,000	529,184	(29,184)	-5.51%
Other receivables	243,550	293,823	(50,273)	-17.11%
Resale agreements	358,282	356,602	1,680	0.47%
• Accrued interest	23,456	18,935	4,521	23.88%
• Impairment provisions on performing loans (S1/S2)	(10)	(45)	35	-77.78%
TOTAL	**3,592,807**	**3,238,814**	**353,993**	**10.93%**

(1) Mainly outstanding CDC (Caisse des Dépôts et Consignations) repayments relating to LEP, LDD and Livret bleu and Livret A passbook savings accounts.

2b - Loans and receivables due from customers at amortized cost

	12/31/2018	1/1/2018	Change	% change
Performing loans (S1/S2)	14,837,053	14,391,884	445,169	3.09%
• Commercial loans	3,442	11,862	(8,420)	-70.98%
• Other customer loans	14,804,234	14,349,761	454,473	3.17%
- Home loans	8,344,759	8,019,096	325,663	4.06%
- Other loans and receivables	6,459,475	6,330,665	128,810	2.03%
• Accrued interest	29,377	30,261	(884)	-2.92%
Gross receivables subject to individual impairment (S3)	861,175	916,763	(55,588)	-6.06%
Gross receivables	15,698,228	15,308,647	389,581	2.54%
Impairment provisions on performing loans (S1/S2)	(86,742)	(85,929)	(813)	0.95%
Other impairment provisions (S3)	(495,329)	(553,405)	58,076	-10.49%
Loans due from customers	15,116,157	14,669,313	446,844	3.05%
Finance leases (net investment)	1,435,514	1,370,517	64,997	4.74%
• Furniture and movable equipment	1,079,903	975,050	104,853	10.75%
• Real estate	355,611	395,467	(39,856)	-10.08%
Gross receivables subject to individual impairment (S3)	47,519	50,156	(2,637)	-5.26%
Impairment provisions on performing loans (S1/S2)	(9,087)	(7,991)	(1,096)	13.72%
Other impairment provisions (S3)	(10,382)	(11,550)	1,168	-10.11%
Finance leases	1,463,564	1,401,132	62,432	4.46%
TOTAL	**16,579,721**	**16,070,445**	**509,276**	**3.17%**
Of which subordinated notes(1)	*150,000*	*0*	*150,000*	*Immaterial*

(1) Subordinated loan granted to ACMN VIE previously eliminated due to said entity's full consolidation

Finance leases with customers

	1/1/2018	Additions	Disposals	Other	12/31/2018
Gross carrying amount	1,420,673	176,299	(111,591)	(2,348)	1,483,033
Impairment of irrecoverable rent	(19,541)	(9,211)	8,856	427	(19,469)
Net carrying amount	1,401,132	167,088	(102,735)	(1,921)	1,463,564

2c -Securities at amortized cost

	12/31/2018	1/1/2018	Change	% change
Securities	146,802	65,827	80,975	123.01%
•- Government securities	0	0	0	Immaterial
•- Bonds and other debt securities	146,802	65,827	80,975	123.01%
-- Quoted	0	0	0	Immaterial
-- Not quoted	146,802	65,827	80,975	123.01%
Accrued interest	0	31	(31)	-100.00%
GROSS TOTAL	146,802	65,858	80,944	122.91%
Of which impaired assets (S3)	*0*	*0*	*0*	*Immaterial*
Impairment provisions on performing loans (S1/S2)	(196)	(148)	(48)	32.43%
Other impairment provisions (S3)	0	0	0	Immaterial
NET TOTAL	**146,606**	**65,710**	**80,896**	**123.11%**

NOTE 3 - Financial liabilities at amortized cost

3a - Due to central banks and credit institutions

	12/31/2018	1/1/2018	Change	% change
Due to central banks	0	0	0	Immaterial
Due to credit institutions	1,947,293	1,907,674	39,619	2.08%
Other current accounts	26,691	53,950	(27,259)	-50.53%
Borrowings	702,613	513,712	188,901	36.77%
Other liabilities	56,071	181,244	(125,173)	-69.06%
Resale agreements	1,158,281	1,156,603	1,678	0.15%
Accrued interest	3,637	2,165	1,472	67.99%

3b - Due to customers at amortized cost

	12/31/2018	1/1/2018	Change	% change
Regulated savings accounts	12,222,350	11,801,184	421,166	3.57%
• Demand	9,828,003	9,537,480	290,523	3.05%
• Term	2,394,347	2,263,704	130,643	5.77%
Accrued interest	4,449	5,046	(597)	-11.83%
Sub-total	12,226,799	11,806,230	420,569	3.56%
Current accounts	5,058,541	4,605,119	453,422	9.85%
Term deposits and borrowings	264,977	304,996	(40,019)	-13.12%
Accrued interest	3,530	1,468	2,062	140.46%
Other liabilities	985	1,214	(229)	-18.86%
Sub-total	5,328,033	4,912,797	415,236	8.45%
TOTAL	**17,554,832**	**16,719,027**	**835,805**	**5.00%**

3c - Debt securities at amortized cost

	12/31/2018	1/1/2018	Change	% change
Retail certificates of deposit	39,345	39,716	(371)	-0.93%
Interbank instruments and money market securities	1,777,993	1,781,744	(3,751)	-0.21%
Bonds	1,100,701	1,263,438	(162,737)	-12.88%
Accrued interest	13,880	18,049	(4,169)	-23.10%
TOTAL	**2,931,919**	**3,102,947**	**(171,028)**	**-5.51%**

3d - Subordinated debt at amortized cost

	12/31/2018	1/1/2018	Change	% change
Subordinated debt	663,801	660,749	3,052	0.46%
Non-voting loan stock	0	0	0	Immaterial
Perpetual subordinated loan stock	150,000	144,986	5,014	3.46%
Other liabilities	0	0	0	Immaterial
Accrued interest	7,271	7,110	161	2.26%
TOTAL	**821,072**	**812,845**	**8,227**	**1.01%**

Characteristics of the main components of subordinated debt

In € millions

Type	Issue date	Amount issued	Amount at end of year	Maturity
CFCMNE perpetual deeply subordinated notes	2004	150,000	150,000	-
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			3,052	
Accrued interest			7,271	
TOTAL			**821,072**	

NOTE 4 - Financial assets at fair value through other comprehensive income

4a - Financial assets at fair value through other comprehensive income by type of product

	12/31/2018	1/1/2018	Change	% change
Government securities	497,267	498,481	(1,214)	-0.24%
Bonds and other debt securities	2,176,047	2,190,560	(14,513)	-0.66%
• Quoted	1,563,364	1,749,446	(186,082)	-10.64%
• Not quoted	612,683	441,114	171,569	38.89%
Accrued interest	15,396	20,259	(4,863)	-24.00%
Gross subtotal debt securities	2,688,710	2,709,300	(20,590)	-0.76%
Of which impaired debt securities (S3)	0	0	0	Immaterial
Impairment provisions on performing loans (S1/S2)	(790)	(1,201)	411	-34.22%
Other impairment provisions (S3)	0	0	0	Immaterial
Net subtotal debt securities	2,687,920	2,708,099	(20,179)	-0.75%
Shares and other equity instruments	3,837	867	2,970	342.56%
• Quoted	0	0	0	Immaterial
• Not quoted	3,837	867	2,970	342.56%
Long-term investments	63,433	53,451	9,982	18.68%
• Investments in non-consolidated companies	19,301	24,729	(5,428)	-21.95%
• Other long-term securities	6,619	4,289	2,330	54.33%
• Investments in subsidiaries and associates	37,513	24,433	13,080	53.53%
Subtotal equity instruments	67,270	54,318	12,952	23.84%
TOTAL	**2,755,190**	**2,762,417**	**(7,227)**	**-0.26%**
Of which unrealized gains and losses recognized in OCI	*3,134*	*71,290*	*(68,156)*	*-95.60%*
Of which listed investments in non-consolidated companies.	*0*	*0*	*0*	*Immaterial*

4b -List of main investments in non-consolidated companies

		% held	Shareholders' equity	Total assets	NBI or revenue	Net income
CCCM Paris	Not listed	13%	661,087	4,700,419	16,307	8,610

Data at 12/31/2018.

NOTE 5 - Gross value and impairment analysis

5a. Gross values subject to impairment

	1/1/2018	Acquisition / production	Sale/repayment	Amendment of flows**	Transfer	Other**	12/31/2018
Financial assets at amortized cost - loans and receivables due from credit institutions subject to	**3,238,859**	**135,476**	**(948,343)**	**(8,893)**	**(504)**	**1,176,222**	**3,592,817**
• 12-month expected losses (S1)	3,238,709	132,859	(948,343)	(8,893)	(504)	1,176,222	3,590,050
• expected losses to termination (S2)	150	2,617	0	0	0	0	2,767
• expected losses on impaired assets (S3) at end of period but not impaired at origination	0	0	0	0	0	0	0
• expected losses on impaired assets (S3) at end of period and at origination	0	0	0	0	0	0	0
Financial assets at amortized cost - loans and receivables due from customers subject to	**16,729,320**	**4,067,394**	**(3,021,463)**	**(712,376)**	**160,990**	**(42,604)**	**17,181,261**
• 12-month expected losses (S1)	14,611,650	3,852,149	(2,360,537)	(733,837)	65,571	(242,944)	15,192,052
• expected losses to termination (S2)	1,150,751	192,112	(608,474)	82,640	22,593	240,893	1,080,515
-- of which trade receivables within the scope of IFRS 15	*0*	*0*	*0*	*0*	*0*	*0*	*0*
• expected losses on impaired assets (S3) at end of period but not impaired at origination	965,546	22,364	(51,241)	(60,487)	72,826	(41,312)	907,696
• expected losses on impaired assets (S3) at end of period and at origination	1,373	769	(1,211)	(692)	0	759	998
Financial assets at amortized cost - securities subject to	**65,858**	**143,089**	**(62,140)**	**0**	**0**	**(5)**	**146,802**
• 12-month expected losses (S1)	65,710	143,089	(62,140)	148	0	(5)	146,802
• expected losses to termination (S2)	148	0	0	(148)	0	0	0
• expected losses on impaired assets (S3) at end of period but not impaired at origination	0	0	0	0	0	0	0
• expected losses on impaired assets (S3) at end of period and at origination	0	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income - debt securities	**2,763,618**	**759,019**	**(758,006)**	**0**	**0**	**(8,651)**	**2,755,980**
• 12-month expected losses (S1)	2,763,618	759,019	(758,006)	0	0	(8,651)	2,755,980
• expected losses to termination (S2)	0	0	0	0	0	0	0
• expected losses on impaired assets (S3) at end of period but not impaired at origination	0	0	0	0	0	0	0
• expected losses on impaired assets (S3) at end of period and at origination	0	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income - Loans	**0**	**0**	**0**	**0**	**0**	**0**	**0**
• 12-month expected losses (S1)	0	0	0	0	0	0	0
• expected losses to termination (S2)	0	0	0	0	0	0	0
• expected losses on impaired assets (S3) at end of period but not impaired at origination	0	0	0	0	0	0	0
• expected losses on impaired assets (S3) at end of period and at origination	0	0	0	0	0	0	0
TOTAL	**22,797,655**	**5,104,978**	**(4,789,952)**	**(721,269)**	**160,486**	**1,124,962**	**23,676,860**

* Amendment of flows not giving rise to derecognition

** Of which transfer of buckets

5b. Impairment analysis

	1/1/2018	Additions	Reversals	Transfer	Other	12/31/2018
Financial assets at amortized cost - loans and receivables due from credit institutions	(45)	(8)	4	0	39	(10)
Financial assets at amortized cost - loans and receivables due from customers	(658,875)	(83,653)	155,710	(37,625)	22,903	(601,540)
Financial assets at amortized cost - securities	(148)	(49)	0	0	1	(196)
Financial assets at FVOCI - debt securities	(1,201)	(35)	447	0	(1)	(790)
Financial assets at FVOCI - Loans	0	0	0	0	0	0
TOTAL	**(660,269)**	**(83,745)**	**156,161**	**(37,625)**	**22,942**	**(602,536)**

IFRS 9	1/1/2018	Additions	Reversals	Transfer	Other	12/31/2018
Loans and receivables due from credit institutions	(45)	(8)	4	0	39	(10)
• 12-month expected losses (S1)	(45)	0	4	0	39	(2)
• Expected losses to termination (S2)	0	(8)	0	0	0	(8)
Loans and receivables due from customers	(658,875)	(83,653)	155,710	(37,625)	22,903	(601,540)
- of which originated credit-impaired assets (S3)	*(4)*	*(58)*	*0*		*0*	*(62)*
• 12-month expected losses (S1)	(47,831)	(21,183)	13,457	3,295	5,071	(47,191)
• Expected losses to termination (S2)	(46,089)	(16,501)	13,979	(8,771)	8,744	(48,638)
- of which trade receivables within the scope of IFRS 15	*0*	*0*	*0*	*0*	*0*	*0*
• Expected losses on impaired assets (S3) at end of period but not impaired at origination	(564,955)	(45,969)	128,274	(32,149)	9,088	(505,711)
Financial assets at amortized cost - securities	(148)	(49)	0	0	1	(196)
- of which originated credit-impaired assets (S3)	*0*	*0*	*0*		*0*	*0*
• 12-month expected losses (S1)	0	(49)	0	0	(147)	(196)
• Expected losses to termination (S2)	(148)	0	0	0	148	0
Financial assets at FVOCI - debt securities	(1,201)	(35)	447	0	(1)	(790)
• 12-month expected losses (S1)	(1,201)	(35)	447	0	(1)	(790)
Financial assets at FVOCI - Loans	0	0	0	0	0	0
TOTAL	**(660,269)**	**(83,745)**	**156,161**	**(37,625)**	**22,942**	**(602,536)**

NOTE 6 - Financial assets and liabilities at fair value through profit or loss

6a - Financial assets at fair value through profit of loss

	12/31/2018				1/1/2018			
	Held for trading	Fair value option	Other at FVPL	Total	Held for trading	Fair value option	Other at FVPL	Total
Securities	23,423	355,508	852,914	1,231,845	122,661	352,118	1,305,433	1,780,212
• Government securities	0	355,508	15,814	**371,322**	0	352,118	15,757	**367,875**
• Bonds and other debt securities	23,423	0	833,149	**856,572**	122,661	0	1,252,200	**1,374,861**
-- Quoted	0	0	681	**681**	0	0	1,330	**1,330**
-- Not quoted	23,423	0	832,468	**855,891**	122,661	0	1,250,870	**1,373,531**
Of which mutual funds	*23,423*		*615,376*	***638,799***	*122,661*		*1,057,908*	***1,180,569***
• Shares and other equity instruments	0		0	**0**	0		2,326	**2,326**
- Quoted	0		0	**0**	0		2 146	**2 146**
- Not quoted	0		0	**0**	0		180	**180**
• Long-term investments			3,951	**3,951**			35,150	**35,150**
- Investments in non-consolidated companies			3,922	**3,922**			3,604	**3,604**
- Other long-term securities			0	**0**			0	**0**
- Investments in subsidiaries and associates			0	**0**			31,531	**31,531**
- Other long-term investments			29	**29**			15	**15**
Derivatives	144,519			144,519	169,271			169,271
Loans and receivables		0	0	0		0	0	0
Of which resale/repurchase agreements		*0*		***0***		*0*		***0***
TOTAL	**167,942**	**355,508**	**852,914**	**1,376,364**	**291,932**	**352,118**	**1,305,433**	**1,949,483**

The maximum exposure to credit risk on assets classified as at fair value through profit or loss (using the fair value option) totaled €356 million during the year.

6b - Financial liabilities at fair value through profit or loss

	12/31/2018	1/1/2018	Change	% change
Financial liabilities held for trading	123,065	130,248	(7,183)	-5.51%
Financial liabilities at fair value by option through profit or loss(1)	547,236	110,724	436,512	394.23%
TOTAL	**670,301**	**240,972**	**429,329**	**178.17%**

(1) Including a €361 million increase related to issues by SPV Jarna acquired by the insurance companies that are not eliminated due to the merger.

Financial liabilities held for trading

	12/31/2018	1/1/2018	Change	% change
Trading derivative instruments	123,065	130,248	(7,183)	-5.51%
TOTAL	**123,065**	**130,248**	**(7,183)**	**-5.51%**

Financial liabilities at fair value by option through profit or loss

	12/31/2018			1/1/2018		
	Carrying amount	Amount due on maturity	Difference	Carrying amount	Amount due on maturity	Difference
Securities issued (1)	547,236	527,611	19,625	110,724	94,238	16,486
TOTAL	**547,236**	**527,611**	**19,625**	**110,724**	**94,238**	**16,486**

(1) Including a €361 million increase related to issues by SPV Jarna acquired by the insurance companies that are not eliminated due to the merger.

6c - Analysis of trading derivative instruments

Trading derivative instruments	12/31/2018			1/1/2018		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Interest-rate derivative instruments	**6,985,798**	**143,100**	**123,065**	**7,347,343**	**169,271**	**130,248**
• Swaps	6,199,097	84,557	113,599	6,448,343	153,086	89,149
• Other forward contracts	786,701	590	0	899,000	0	0
• Options and conditional transactions	0	59,133	9,466	0	16,185	41,099
Foreign exchange derivative instruments	**0**	**0**	**0**	**0**	**0**	**0**
Derivative instruments other than interest-rate and foreign exchange	**13,921**	**239**	**0**	**0**	**0**	**0**
• Options and conditional transactions	13,921	239	0	0	0	0
TOTAL	**6,999,719**	**144,519**	**123,065**	**7,347,343**	**169,271**	**130,248**

NOTE 7 - Hedging

7a - Hedging derivative instruments

Hedging derivative instruments	12/31/2018			1/1/2018		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Fair value hedges	**2,960,950**	**15,094**	**51,763**	**3,295,050**	**26,175**	**60,697**
• Swaps	1,980,850	15,094	51,763	2,304,850	26,175	60,697
• Other forward contracts	980,100	0	0	990,200	0	0
• Options and conditional transactions	0	0	0	0	0	0
Cash flow hedges	**615,700**	**129**	**17,356**	**645,700**	**140**	**23,143**
• Swaps	615,700	129	17,356	645,700	140	23,143
• Other forward contracts	0	0	0	0	0	0
• Options and conditional transactions	0	0	0	0	0	0
TOTAL	**3,576,650**	**15,223**	**69,119**	**3,940,750**	**26,315**	**83,840**

The ineffectiveness recognized in profit or loss has a negative impact on the accounts (-€95 thousand recognized under “Net gains on financial instruments at fair value through profit or loss”), see Note 22.

7b - Remeasurement adjustment on interest-rate risk hedged investments

Fair value of interest rate risk by investment category	12/31/2018	1/1/2018	Change	% change
Financial assets	28,370	22,236	6,134	27.6%
Financial liabilities	0	2,320	(2,320)	-100.0%

7c - Items subject to a micro fair value hedge

Assets hedged

	12/31/2018			
	Carrying amount	Of which remeasurement related to hedging	Of which remeasurement during the year*	Total of FV adjustments remaining in the statement of financial position (hedged item that has ceased to be adjusted))
Financial assets at FVOCI	28,270	13,421	(3,026)	0
TOTAL	**28,270**	**13,421**	**(3,026)**	**0**

* For recognition of the hedge ineffectiveness during the year

Liabilities hedged

	12/31/2018			
	Carrying amount	Of which remeasurement related to hedging	Of which remeasurement during the year*	Total of FV adjustments remaining in the statement of financial position (hedged item that has ceased to be adjusted)
Debt securities	228,847	9,847	(6,163)	0
TOTAL	**228,847**	**9,847**	**(6,163)**	**0**

* For recognition of the hedge ineffectiveness during the year

7d - Items subject to a micro cash flow hedge

Hedges related to assets

	12/31/2018		
	Cash flow hedge reserve	Of which remeasurement during the year*	Of which cash flow hedge reserves related to the termination of the hedging
Loans and receivables due from credit institutions	0	0	0
Loans and receivables due from customers	0	0	0
Financial assets at FVOCI	0	0	0
TOTAL	**0**	**0**	**0**

* For recognition of the hedge ineffectiveness

Hedges related to liabilities

	12/31/2018		
	Cash flow hedge reserve	Of which remeasurement during the year*	Of which cash flow hedge reserves related to the termination of the hedging
Debt securities	(14,468)	5,425	0
TOTAL	**(14,468)**	**5,425**	**0**

* For recognition of the hedge ineffectiveness

NOTE 8 - Investments/assets and liabilities related to insurance business contracts (IAS 39)

This note is not relevant due to the reclassification at December 31, 2017 of these items pursuant to IFRS 5. .
At December 31, 2018, insurance is included in the headings relating to equity accounting.

NOTE 9 - Fair value hierarchy of financial instruments measured at fair value in the statement of financial

12/31/2018	Level 1	Level 2	Level 3	Total
IFRS 9 financial assets				
Fair value through other comprehensive income	**2,069,870**	**621,887**	**63,433**	**2,755,190**
• Government securities and similar instruments	501,401	0	0	501,401
• Bonds and other debt securities	1,568,469	618,050	0	2,186,519
• Shares and other equity instruments	0	3,837	0	3,837
• Investments in non-consolidated companies and other LT investments	0	0	25,920	25,920
• Investments in subsidiaries and associates	0	0	37,513	37,513
Held for trading/Fair value option/Other	**479,341**	**892,398**	**4,625**	**1,376,364**
• Government securities and similar instruments - FVO	355,508	0	0	355,508
• Government securities and similar instruments - Other at FVPL	15,814	0	0	15,814
• Bonds and other debt securities - Trading	23,423	0	0	23,423
• Bonds and other debt securities - Other at FVPL	84,596	747,678	875	833,149
• Investments in non-consolidated companies and other LT investments - Other at FVPL	0	201	3,750	3,951
• Derivative instruments and other financial assets - Held for trading	0	144,519	0	144,519
Hedging derivative instruments	**0**	**15,223**	**0**	**15,223**
TOTAL	**2,549,211**	**1,529,508**	**68,058**	**4,146,777**
IFRS 9 financial liabilities				
Held for trading/Fair value option (FVO)	**0**	**739,420**	**0**	**739,420**
• Debt securities - FVO	0	547,236	0	547,236
• Derivative instruments and other financial liabilities - Trading	0	123,065	0	123,065
Hedging derivative instruments	**0**	**69,119**	**0**	**69,119**
TOTAL	**0**	**739,420**	**0**	**739,420**

There were no transfers between levels 1 and 2 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.

Fair value hierarchy - breakdown of level 3

12/31/2018	Jan. 1, 2013	Purchases	Issues	Sales	Redemptions	Transfers	Gains and losses recognized in profit	Other movements	Dec. 31, 2012
IFRS 9 financial assets									
Fair value through other comprehensive income	**91,537**	**28,444**	**2,028**	**(14,104)**	**0**	**(3,698)**	**0**	**(40,774)**	**63,433**
• Investments in non-consolidated companies and other LT investments	35,574	9,660	1,500	(14,104)	0	(3,698)	0	(3,012)	25,920
• Investments in subsidiaries and associates	55,963	18,784	528	0	0	0	0	(37,762)	37,513
Held for trading/Fair value option/Other	**0**	**15**	**0**	**(1,190)**	**(3)**	**4,497**	**1,306**	**0**	**4,625**
• Bonds and other debt securities - Other at FVPL	0	0	0	0	(3)	878	0	0	875
• Investments in non-consolidated companies and other LT investments - Other at FVPL	0	15	0	(1,190)	0	3,619	1,306	0	3,750
Hedging derivative instruments	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL	**91,537**	**28,459**	**2,028**	**(15,294)**	**(3)**	**799**	**1,306**	**(40,774)**	**68,058**

NOTE 10 - Offsetting of financial assets and liabilities

				Associated amounts not offset			
12/31/2018	Gross amount of financial assets	Gross amount of financial liabilities offset	Net amount shown	Effect of offset framework agreements	Financial instruments received in guarantee	Cash collateral received	Net amount
Financial assets							
Derivatives	169,916	(10,174)	159,742	(113,049)	0	(38,026)	8,667
Resale agreements	365,493	0	365,493	(358,580)	0	(6,849)	64
TOTAL	**535,409**	**(10,174)**	**525,235**	**(471,629)**	**0**	**(44,875)**	**8,731**

				Associated amounts not offset			
12/31/2018	Gross amount of financial liabilities	Gross amount of financial assets offset	Net amount shown	Effect of offset framework agreements	Financial instruments given in guarantee	Cash collateral paid	Net amount
Financial liabilities							
Derivatives	202,358	(10,174)	192,184	(113,039)	0	(44,166)	34,979
Resale agreements	1,158,509	0	1,158,509	(358,581)	(800,000)	0	(72)
TOTAL	**1,360,867**	**(10,174)**	**1,350,693**	**(471,620)**	**(800,000)**	**(44,166)**	**34,907**

				Associated amounts not offset			
12/31/2017	Gross amount of financial assets	Gross amount of financial liabilities offset	Net amount shown	Effect of offset framework agreements	Financial instruments received in guarantee	Cash collateral received	Net amount
Financial assets							
Derivatives	195,586	0	195,586	(96,453)	0	(58,703)	40,430
Resale agreements	360,560	0	360,560	(175,294)	0	0	185,266
TOTAL	**556,146**	**0**	**556,146**	**(271,747)**	**0**	**(58,703)**	**225,696**

				Associated amounts not offset			
12/31/2017	Gross amount of financial liabilities	Gross amount of financial assets offset	Net amount shown	Effect of offset framework agreements	Financial instruments given in guarantee	Cash collateral paid	Net amount
Financial liabilities							
Derivatives	214,088	0	214,088	(96,453)	0	(74,650)	42,985
Resale agreements	1,156,826	0	1,156,826	(175,294)	(800,000)	0	181,532
TOTAL	**1,370,914**	**0**	**1,370,914**	**(271,747)**	**(800,000)**	**(74,650)**	**224,517**

NOTE 11 - Tax

11a - Current tax

	12/31/2018	1/1/2018	Change	% change
Asset (through income statement)	102,468	97,030	5,438	5.6%
Liability (through income statement)	64,504	63,869	635	1.0%

11b - Deferred tax

	12/31/2018	1/1/2018	Change	% change
Asset (through income statement)	43,883	60,187	(16,304)	-27.1%
Asset (through shareholders' equity)	5,915	91	5,824	Immaterial
Liability (through income statement)	703	18,989	(18,286)	-96.3%
Liability (through shareholders' equity)	48	(484)	532	(109.9 %)

Breakdown of deferred income tax by major categories

	12/31/2018		1/1/2018	
	Assets	Liabilities	Assets	Liabilities
Temporary differences on:	**52,841**	**3,794**	**70,012**	**28,239**
• Deferred gains (losses) on available-for-sale securities	0	3,091	0	9,250
• Other unrealized or deferred gains and losses	8,958		9,825	0
• Provisions	45,510	(9)	44,764	0
• Unrealized finance lease reserve		1,591	0	5,803
• Other timing differences	(1,627)	(879)	15,423	13,186
Netting	**(3,043)**	**(3,043)**	**(9,734)**	**(9,734)**
TOTAL DEFERRED TAX ASSETS AND LIABILITIES	**49,798**	**751**	**60,278**	**18,505**

NOTE 12 - Accruals and other assets and liabilities

12a - Accruals and other assets

	12/31/2018	1/1/2018	Change	% change
Accruals - assets				
Collection accounts	12,995	24,472	(11,477)	-47%
Currency adjustment accounts	1	0	1	Immaterial
Accrued income	30,359	19,463	10,896	56%
Other accruals	162,986	95,078	67,908	71%
Sub-total	206,341	139,013	67,328	48%
Other assets				
Miscellaneous receivables	217,759	221,368	(3,609)	(2%)
Inventories	2,301	2,272	29	1%
Other	32,351	0	32,351	Immaterial
Sub-total	252,411	223,641	28,770	13%
TOTAL	**458,752**	**362,654**	**96,098**	**26%**

12b - Accruals and other liabilities

	12/31/2018	1/1/2018	Change	% change
Accruals - liabilities				
Accounts unavailable due to collection procedures	172	2,886	(2,714)	(94%)
Currency adjustment accounts	250	34	216	635%
Accrued expenses	124,963	91,868	33,095	36%
Deferred income	51,252	66,503	(15,251)	-23%
Other accruals	148,134	63,599	84,535	133%
Sub-total	324,771	224,890	99,881	44%
Other liabilities				
Outstanding amounts payable on securities	235,558	283,019	(47,461)	-17%
Other payables	300,104	449,137	(149,033)	-33%
Sub-total	535,662	732,156	(196,494)	-27%
TOTAL	**860,433**	**957,046**	**(96,613)**	**-10%**

The amount reported under “Outstanding amounts payable on securities” in 2017 was €148,508 thousand; the difference of €134,511 thousand is due to the correction of an error concerning the treatment of commitments to the non-controlling shareholders of Groupe La Française.

12c - Non-current assets/liabilities held for sale

	12/31/2018	1/1/2018	Change	% change	12/31/2017
ASSETS					
Financial assets at fair value through profit or loss	5,078		5,078	Immaterial	12,333,448
Available-for-sale financial assets			0	Immaterial	3,337,760
Loans and receivables due from credit institutions	50,259		50,259	Immaterial	217,848
Loans and receivables due from customers	3		3	Immaterial	62,832
Investments by the insurance businesses and reinsurers' share of technical reserves		16,033,688	(16,033,688)	-100.00%	
Accruals	20,855		20,855	Immaterial	81,800
Investments in associates		17,594	(17,594)	-100.00%	17,594
Property and equipment and intangible assets	10,114	1,757	8,357	475.64%	1,757
Goodwill		5,640	(5,640)	-100.00%	5,640
ASSETS HELD FOR SALE	**86,309**	**16,058,679**	**(15,972,370)**	**-99.46%**	**16,058,679**
LIABILITIES					
Due to credit institutions	17,773		17,773	Immaterial	2,331
Due to customers	3,498		3,498	Immaterial	85,413
Accruals and other liabilities	26,098		26,098	Immaterial	1,962,417
Technical provisions on insurance policies			0	Immaterial	12,895,389
Liabilities relating to insurance contracts		15,095,565	(15,095,565)	-100.00%	
Provisions	67	3,926	(3,859)	-98.29%	3,926
Subordinated debt			0	Immaterial	150,015
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	**47,436**	**15,099,491**	**(15,052,055)**	**-99.69%**	**15,099,491**

	12/31/2018	12/31/2017 reclassified under IFRS 5	Change	% change
NET INCOME				
Interest and similar income	79	10,764	(10,685)	-99.27%
Interest and similar expenses	(10)	(7,231)	7,221	-99.86%
Net gain (loss) on portfolio at fair value through profit or loss	(610)	17,496	(18,106)	-103.49%
Net gain (loss) on available-for-sale financial assets		(3,103)	3,103	-100.00%
Income from other activities	81,548	1,467,057	(1,385,509)	-94.44%
Expenses on other activities	(18,857)	(1,287,420)	1,268,563	-98.54%
General operating expenses	(30,530)	(63,592)	33,062	-51.99%
Net income on consolidated entities (disposal, etc.)	11,239	0	11,239	Immaterial
Share of net income (loss) of associates	35,631	101	35,530	Immaterial
Corporate income tax	(10,505)	(53,999)	43,494	-80.55%
POST-TAX GAIN/(LOSS) ON DISCONTINUED OPERATIONS	**67,985**	**80,073**	**(12,088)**	**-15.10%**

The information on statement of financial position items related, in 2017, to the insurance entities. In 2018, it reflected the upcoming disposals of entities in the Third-party management division (CD Partenaires, LFIS and UGP) as well as that of Theia.

As regards net income, in 2017 the information also related to the insurance entities. In 2018, it related to the net income of the NEA division until control of it was lost at the end of June 2018, the gain on the disposal from the merger with GACM and the income or losses of the entities the Group intends to sell during the coming year.

NOTE 13 - Investments in associates

13a - Share of net income (loss) of associates

12/31/2018	Country	% interest	Investment value	Share of net income (loss)	Dividends received[1]	Fair value of the investment (if listed)
Entities over which significant influence is exercised						
GACM	France	10.22%	1,005,981	36,568	34,362	N/A
2A	France	20.00%	(62)	125	0	N/A
Alger Management Ltd	Great Britain	50.00%	68	(280)	0	N/A
FCT LFP Créances Immobilières	France	27.09%	237	0	0	N/A
Groupe Cholet-Dupont	France	33.73%	14,203	1,183	613	N/A
JKC Capital Management Limited	Hong Kong	50.00%	1,789	2	0	N/A
Siparex Proximité Innovation	France	26.50%	2,576	525	265	N/A
Tages Capital LLP	Great Britain	19.00%	755	250	922	N/A
Euro Information SAS	France	10.15%	135,022	11,303	315	N/A
La Française AM (goodwill relating to Tages and Alger)[2]			447			N/A
Groupe La Française (goodwill relating to 2A)[2]			356			N/A
Nouvelles Expertises et Talents AM (goodwill relating to JKC CM Ltd)[2]			1,257			N/A
Caisse Fédérale du Crédit Mutuel Nord Europe (goodwill relating to GACM)[2]			273,691			N/A
TOTAL			**1,436,320**	**49,676**	**36,477**	

1/1/2018	Country	% interest	Investment value	Share of net income (loss)	Dividends received [1]	Fair value of the investment (if listed)
Entities over which significant influence is exercised						
Euro Information	France	10.15%	124,040	10,026	315	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)	Great Britain	97.05%	0	(1,193)	0	N/A
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]			447			N/A
Nord Europe Assurances (goodwill relating to Partners Assurances SA)[2]			0			N/A
Nouvelles Expertises et Talents AM (goodwill relating to JKC CM Ltd)[2]			1,257			N/A
Groupe La Française (goodwill relating to 2A)[2]			356			N/A
TOTAL			**145,545**	**11,707**	**1,884**	

(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.

13b - Data on the main associates

12/31/2018	Total assets	NBI or revenue	Gross operating income	Net income (loss)	OCI	Shareholders' equity in foreign currency
Entities over which significant influence is exercised						
GACM	116,087,666	1,719,754	1,166,829	805,660	948,189	10,274,033
2A	10,534	11,113	601	626	-	(308)
Alger Management Ltd	1,990	3,917	(495)	(495)	-	122
FCT LFP Créances Immobilières	95,078	615	-	-	-	875
Groupe Cholet-Dupont	277,756	22,613	6,645	3,508	-	42,110
JKC Capital Management Limited	38,932	21,780	103	31	-	32,085
Siparex Proximité Innovation	16,697	14,176	2,585	1,981	-	9,717
Tages Capital LLP	7,111	9,155	1,318	1,318	-	3,973
Euro Information SAS	1,494,765	1,278,865	164,249	111,640	-	1,288,167

1/1/2018	Total assets	NBI or revenue	Gross operating income	Net income (loss)	OCI	Shareholders' equity in foreign currency
Entities over which significant influence is exercised						
Euro Information	1,364,883	1,123,808	165,073	98,694	90,108	1,179,631
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	-	40,536
JKC Capital Management Ltd	50,100	33,220	15,622	13,675	-	32,054
Tages Capital LLP	12,087	13,485	3,826	3,826	-	6,343
2A	7,998	10,203	(690)	(678)	-	(934)
Alger Management Ltd	1,536	3,329	(345)	(345)	-	617

NOTE 14 - Investment property

	1/1/2018	Additions	Disposals	Other	12/31/2018
Historical cost	83,255	12,412	(23,373)	(9,283)	63,011
Accumulated amortization and impairment provisions	(35,558)	(2,047)	6,808	662	(30,135)
NET AMOUNT	**47,697**	**10,365**	**(16,565)**	**(8,621)**	**32,876**

The fair value of the property, recognized at cost, was €78,288 thousand at December 31, 2018, compared to €107,892 thousand at December 31, 2017. It is determined based on expert valuations.

NOTE 15 - Property, equipment and intangible assets

15a - Property and equipment

	1/1/2018	Additions	Disposals	Other	12/31/2018
Historical cost					
Land used in operations	14,904	0	(2,499)	10	12,415
Buildings used in operations	187,328	3,419	(17,574)	54,602	227,775
Other property and equipment	285,157	90,147	(2,958)	(52,238)	320,109
Total	487,389	93,566	(23,031)	2,374	560,299
Accumulated amortization and impairment provisions					
Buildings used in operations	(111,914)	(12,044)	8,642	(40,330)	(155,646)
Other property and equipment	(192,511)	(12,056)	1,829	41,512	(161,226)
Total	(304,425)	(24,100)	10,471	1,182	(316,872)
NET AMOUNT	**182,964**	**69,466**	**(12,560)**	**3,556**	**243,427**

Including buildings under finance leases

	1/1/2018	Additions	Disposals	Other	12/31/2018
Gross carrying value	202,232	3,419	(20,073)	54,612	240,190
Accumulated depreciation and impairment provisions	(111,914)	(12,044)	8,642	(40,330)	(155,646)
TOTAL	**90,318**	**(8,625)**	**(11,431)**	**14,282**	**84,544**

15b - Intangible assets

	1/1/2018	Additions	Disposals	Other	12/31/2018
Historical cost					
Internally developed intangible assets	77,804	0	0	(73,342)	4,462
Purchased intangible assets	70,683	4,939	(6,136)	78,035	147,521
• Software	40,012	189	(625)	76,491	116,067
• Other	30,671	4,750	(5,511)	1,544	31,454
Total	148,487	4,939	(6,136)	4,693	151,983
Accumulated amortization and impairment provisions					
Internally developed intangible assets	(75,244)	(958)	0	74,410	(1,792)
Purchased intangible assets	(45,201)	(1,857)	4,993	(79,285)	(121,350)
• Software	(36,293)	(1,298)	625	(76,138)	(113,104)
• Other	(8,908)	(559)	4,368	(3,147)	(8,246)
Total	(120,445)	(2,815)	4,993	(4,875)	(123,142)
NET AMOUNT	**28,042**	**2,124**	**(1,143)**	**(182)**	**28,841**

NOTE 16 - Goodwill

	1/1/2018	Additions	Disposals	Other	12/31/2018
Goodwill, gross	199,190	8,311	(12,483)	0	195,018
Impairment provisions	(1,915)	0	0	0	(1,915)
GOODWILL, NET	**197,275**	**8,311**	**(12,483)**	**0**	**193,103**

Breakdown of goodwill

Cash Generating Units (CGU)	Goodwill at 1/1/2018	Additions	Disposals	Other	Goodwill at 12/31/2018
Bankinsurance Belgium	2,343	0	(316)	0	2,027
Insurance	12,167	0	(12,167)	0	0
Third-party management	182,041	8,311	0	0	190,352
Services and Other	724	0	0	0	724
TOTAL	**197,275**	**8,311**	**(12,483)**	**0**	**193,103**

A multi-methodological approach was used to carry out impairment testing of the goodwill of the Third-party management division (which represents 99% 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 €333 million and €1,099 million.

NOTE 17 - Provisions and contingent liabilities

17a - Provisions

	1/1/2018	Additions	Reversals (provisions used)	Reversals (provisions not used)	Change in fair value	Other movements	12/31/2018
Provisions for risks	13,506	9,677	(29)	(4,797)	0	(311)	18,046
Guarantee commitments	1,830	398	0	(603)	0	0	1,625
Of which 12-month expected losses (S1)	*900*	*240*	*0*	*(333)*	*0*	*(154)*	*653*
Of which expected losses to termination (S2)	*1,152*	*259*	*0*	*(1,032)*	*0*	*0*	*379*
Financing commitments	924	0	0	0	0	(924)	0
Of which 12-month expected losses (S1)	*716*	*796*	*0*	*(451)*	*0*	*68*	*1,129*
Of which expected losses to termination (S2)	*358*	*202*	*(3)*	*(327)*	*0*	*2*	*232*
On country risks	0	0	0	0	0	0	0
Provision for taxes	1,200	2,300	0	0	0	92	3,592
Provisions for claims and litigation	2,002	5,043	(26)	(923)	0	(1,202)	4,894
Provisions for risks on miscellaneous receivables	4,424	439	0	(1,128)	0	1,807	5,542
Other provisions	25,413	2,826	(5,331)	(3,155)	0	236	19,989
Provisions for home savings accounts and plans	12,264	2,310	0	0	0	2	14,576
Provisions for miscellaneous contingencies	5,787	137	(147)	(977)	0	(137)	4,663
Other provisions	7,362	379	(5,184)	(2,178)	0	371	750
Provision for retirement benefits	104,491	3,538	(417)	(1,705)	3,240	(895)	108,252
TOTAL	**143,410**	**16,041**	**(5,777)**	**(9,657)**	**3,240**	**(970)**	**146,287**

	12/31/2016	Additions	Additions	Reversals (Provisions 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
Of which 12-month expected losses (S1)	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Of which expected losses to termination (S2)	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Financing and guarantee commitments	3,176	0	0	(2,892)	0	640	924
Of which 12-month expected losses (S1)	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Of which expected losses to termination (S2)	*0*	*0*	*0*	*0*	*0*	*0*	*0*
On country risks	0	0	0	0	0	0	0
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**

The change in the fair value is related to the change in the actuarial variances in respect of retirement bonuses.

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	1,489,787	327,324	271,825	2,088,936
Amount of provisions for PEL	12,070	2,098	47	14,214
Amount managed in respect of CEL during the saving phase				226,016
Amount of provisions for CEL				194
Additions to home savings provisions				2,312
Reversals of home savings provisions				0
Amount of outstanding loans granted in respect of PEL/CEL				11,821
Amount of provisions for PEL/CEL loans				166

Retirement and similar benefits

	1/1/2018	Additions	Reversals	Change in fair value	Other movements	12/31/2018
Retirement benefits - defined benefit and equivalent, excluding pension funds						
Retirement bonuses	99,679	3,538	(1,737)	3,240	(1,163)	103,557
Supplementary retirement benefits	1,784	0	(228)	0	268	1,824
Long service awards (other long-term benefits)	3,028	0	(157)	0	0	2,871
TOTAL AMOUNT RECOGNIZED	**104,491**	**3,538**	**(2,122)**	**3,240**	**(895)**	**108,252**

	12/31/2016	Additions	Reversals	Change in fair value	Other movements	12/31/2017
Retirement benefits - defined benefit and equivalent, excluding pension funds						
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**

The change in the fair value resulted from actuarial variances (see provisions table above).

Defined benefit scheme: Main actuarial assumptions	12/31/2018	1/1/2018
Discount rate [1]	1.50%	1.20%
Expected salary increase rate	1.73%	1.51%

[1] The discount rate, determined by reference to the market yield on long-term corporate bonds, is estimated using the IBoxx index.

Retirement bonuses

Change in the actuarial liabilities	1/1/2018	Interest expense	Cost of services rendered during the period	Contributions to the scheme	Actuarial variances due to changes in demographic assumptions	Actuarial variances due to changes in financial assumptions	Payments to beneficiaries	Other (business combinations, liquidations)	12/31/2018
Commitments	193,654	1,234	10,279		(5,485)	3,805	(8,710)	(46)	194,732
Non-Group insurance contracts and assets managed externally	93,975	1,145	0	6,314		(4,920)	(5,340)		91,174
PROVISION	**99,679**	**88**	**10,279**	**(6,314)**	**(5,485)**	**8,725**	**(3,370)**	**(46)**	**103,557**

Change in the actuarial liabilities	12/31/2016	Interest expense	Cost of services rendered during the period	Contributions to the scheme	Actuarial variances due to changes in demographic assumptions	Actuarial variances due to changes in financial assumptions	Payments to beneficiaries	Other (business combinations, liquidations)	12/31/2017
Commitments	202,293	1,974	9,081		(11,494)	4,006	(11,151)	(1,055)	193,654
Non-Group insurance contract and assets managed externally	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**

A change of plus or minus 50 basis points in the discount rate would result in, respectively, a fall of €12.45 million/an increase of €12.18 million in the commitment.

Change in the fair value of plan assets	1/1/2018	Impact of discounting	Return on plan assets in addition to the interest income	Contributions to the scheme	Payments to beneficiaries	12/31/2018
Fair value of plan assets	93,975	(4,920)	1,145	6,314	(5,340)	91,174

Change in the fair value of plan assets	12/31/2016	Impact of discounting	Return on plan assets in addition to the interest income	Contributions to the scheme	Payments to beneficiaries	12/31/2017
Fair value of plan assets	89,452	2,921	1,069	5,788	(5,255)	93,975

Details of the fair value of plan assets at 12/31/2018	Debt securities	Equity instruments	Real estate	Other	Total
Assets listed on an active market	35,052	26,065	0	0	**61,117**
Assets not listed on an active market	0	0	6,328	23,729	**30,057**
TOTAL	**35,052**	**26,065**	**6,328**	**23,729**	**91,174**

Details of the fair value of plan assets at 1//1/2018	Debt securities	Equity instruments	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**

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	14.20

17b - Contingent liabilities

None

NOTE 18 - Shareholders' equity

18a - Shareholders' equity attributable to owners of the company (excluding net income and unrealized gains and losses)

	12/31/2018	1/1/2018	Change	% change
Capital stock and share premiums	1,307,016	1,277,830	29,186	2%
Capital stock	1,304,266	1,275,080	29,186	2%
Share premiums	2,750	2,750	0	0%
Consolidated reserves	1,479,422	1,335,439	143,983	11%
Other reserves (including effects related to first-time application of standards)	1,556,831	1,413,350	143,481	10%
Of which gains and losses on disposals of equity instruments	*(3,391)*	*0*	*(3,391)*	*Immaterial*
Retained earnings	(77,409)	(77,911)	502	-1%
TOTAL	**2,786,438**	**2,613,269**	**173,169**	**7%**

The consolidated reserves reported in 2017 totaled €1,383,578 thousand; adjusted for the impact of IFRS 9, they would have totaled €1,408,348 thousand. The difference was due to the correction of an error identified in the Group's liabilities in the amount of -€72,909 thousand (including -€7,401 thousand relating to the net income attributable to owners of the company for 2017). For information, the impact on non-controlling interests was -€61,602 thousand (including -€8,580 thousand in respect of net income).

18b - Unrealized or deferred gains and losses

	12/31/2018	1/1/2018	Change	% change
Unrealized or deferred gains and losses* relating to:				
Investments made by the insurance businesses (available-for-sale assets)	96,198	145,401	(49,203)	-34%
Financial assets at fair value through recyclable OCI - debt instruments	7,112	(42,994)	50,106	-117%
Financial assets at fair value through non-recyclable OCI - equity instruments	439	(53,039)	53,478	-101%
Hedging derivative instruments (cash flow hedges)	(10,732)	(14,757)	4,025	-27%
Other	(19,163)	(14,207)	(4,956)	35%
TOTAL	**73,854**	**20,404**	**53,450**	**262%**

* Balances net of corporate income tax and after application of shadow accounting.

18 c - Fully-consolidated entities with significant non-controlling interests

12/31/2018	Share of non-controlling interests in the consolidated financial statements				Financial information related to the fully-consolidated entity*			
	Percentage owned	Net income attributable to non-controlling interests	Shareholders' equity attributable to non-controlling interests	Dividends paid to non-controlling shareholders	Total assets	Net income (loss)	Unrealized reserves	NBI
ACMN IARD	0.00%							
North Europe Life Belgium	0.00%							

1/1/2018	Share of non-controlling interests in the consolidated financial statements				Financial information related to the fully-consolidated entity*			
	Percentage owned	Net income attributable to non-controlling interests	Shareholders' equity attributable to non-controlling interests	Dividends paid to non-controlling shareholders	Total assets	Net income (loss)	Unrealized or deferred gains and losses	Net banking income
ACMN IARD	49.00%	8,445	30,422	7,915	223,613	17,234	1,917	0
North Europe Life Belgium	49.00%	1,454	102,004		2,035,161	2,968	2,753	0

* Amounts before elimination of accounts and intercompany 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.

NOTE 19 - Commitments given and received

Commitments given	12/31/2018	1/1/2018	Change	% change
Financing commitments	2,618,385	2,452,629	165,756	6.76%
Commitments given to credit institutions	34,100	48,746	(14,646)	-30.05%
Commitments given to customers	2,584,285	2,403,883	180,402	7.50%
Guarantee commitments	207,773	215,323	(7,550)	-3.51%
Guarantees given on behalf of credit institutions	78,735	36,176	42,559	117.64%
Guarantees given on behalf of customers	129,038	179,147	(50,109)	-27.97%
Securities commitments	647	898	(251)	-27.95%
Optional resale agreements	0	0	0	Immaterial
Other commitments given	647	898	(251)	-27.95%

Commitments received	12/31/2018	1/1/2018	Change	% change
Financing commitments	282,376	380,491	(98,115)	-25.79%
Commitments received from credit institutions	282,376	380,491	(98,115)	-25.79%
Commitments received from customers	0	0	0	Immaterial
Guarantee commitments	7,150,822	8,917,152	(1,766,330)	-19.81%
Commitments received from credit institutions	3,077,230	3,023,554	53,676	1.78%
Commitments received from customers	4,073,592	5,893,598	(1,820,006)	-30.88%
Securities commitments	647	898	(251)	-27.95%
Optional repurchase agreements	0	0	0	Immaterial
Other commitments received	647	898	(251)	-27.95%

Securities sold under repurchase agreements

	12/31/2018	1/1/2018	Change	% change
Assets sold under repurchase agreements	174,880	175,000	(120)	-0.07%
Related liabilities	1,158,281	1,128,545	29,736	2.63%

Other assets given as collateral for liabilities

	12/31/2018	1/1/2018	Change	% change
Loaned securities	273,919	470,456	(196,537)	-41.78%
Security deposits on market transactions	146,776	174,820	(28,044)	-16.04%
TOTAL	**420,695**	**645,321**	**(224,626)**	**-34.81%**

2. Notes to the income statement

NOTE 20 - Interest income and expense

	12/31/2018		12/31/2017	
	Income	Expense	Income	Expense
Credit institutions and central banks	27,377	(10,023)	24,567	(6,296)
Customers	935,559	(513,917)	959,415	(497,932)
Of which finance leases and operating leases	*432,019*	*(402,210)*	*423,236*	*(388,720)*
Hedging derivative instruments	13,030	(44,114)	15,542	(42,176)
Financial assets at fair value through profit or loss	227,890	(271,016)	0	0
Financial assets at fair value through other comprehensive income/Available-for-sale assets	23,046	0	28,183	0
Securities at amortized cost	0	0	2,250	0
Debt securities	0	(47,809)	0	(61,046)
Subordinated debt	0	(1,715)	0	(2,014)
TOTAL	**1,226,902**	**(888,594)**	**1,029,957**	**(609,464)**

NOTE 21 - Commissions

	12/31/2018		12/31/2017	
	Income	Expense	Income	Expense
Credit institutions	7,929	(445)	2,076	(302)
Customers	92,278	(1,686)	83,265	(1,583)
Securities	16,361	(11,062)	18,486	(88)
Of which funds managed for third parties	2,381	0	2,469	0
Derivatives	1	0	1	0
Foreign exchange	1,410	0	174	0
Financing and guarantee commitments	0	(146)	101	(330)
Services provided	192,517	(57,435)	92,471	(49,347)
TOTAL	**310,496**	**(70,774)**	**196,574**	**(51,650)**

NOTE 22 - Net gain (loss) on financial instruments at fair value through profit or loss

	31/12/18	31/12/17	Variation	Variation%
Trading instruments	34,426	24,715	9,711	39.29%
Instruments designated under the fair value option	26,896	(552)	27,448	Immaterial
Ineffective portion of hedging instruments	(95)	115	(210)	-182.61%
• Fair value hedges	(95)	115	(210)	-182.61%
- Change in fair value of hedged items	9,270	(28,676)	37,946	-132.33%
- Change in fair value of hedging items	(9,365)	28,791	(38,156)	-132.53%
Foreign exchange gains (losses)	430	933	(503)	-53.91%
Other instruments at fair value through profit or loss	(14,045)	0	(14,045)	Immaterial
TOTAL CHANGES IN FAIR VALUE	**47,612**	**25,211**	**22,401**	**88.85%**

NOTE 23 - Net gains/(losses) on financial assets at fair value through other comprehensive income (2018)/Available-for-sale assets (2017

	12/31/2018	12/31/2017	Change	% change
Dividends	1,604	15,510	(13,906)	-89.66%
Gains/(losses) on debt instruments	1,666	2,168	(502)	-23.15%
Gains/(losses) on equity instruments (2017)		125,738	(125,738)	-100.00%
TOTAL	**3,270**	**143,416**	**(140,146)**	**-97.72%**

NOTE 24 - Net gain/(losses) on financial assets and liabilities at amortized cost

None

NOTE 25 - Net income from the insurance businessese

None.

The Insurance division contribution is included in “Gains and losses on discontinued operations” due to the application of IFRS 5 until the date control of the NEA division was lost at the end of June 2018. It was then recognized in “Share of profit or loss of associates”.

NOTE 26 - Other income and expense

	12/31/2018	12/31/2017	Change	% change
Income from other activities				
Investment property	0	2,989	(2,989)	-100.00%
• Capital gains on disposals	0	2,989	(2,989)	-100.00%
Rebilled expenses	15,420	14,566	854	5.86%
Other income	282,153	377,068	(94,915)	-25.17%
Sub-total	297,573	394,623	(97,050)	-24.59%
Expenses on other activities				
Investment property	(1,731)	(3,865)	2,134	-55.21%
• Depreciation, amortization and impairment charges	(1,731)	(2,721)	990	-36.38%
• Losses on disposals	0	(1,144)	1,144	-100.00%
Other operating expenses	(139,904)	(54,963)	(84,941)	154.54%
Sub-total	(141,635)	(58,828)	(82,807)	140.76%
NET TOTAL OTHER INCOME AND EXPENSES	**155,938**	**335,795**	**(179,857)**	**-53.56%**

NOTE 27 - General operating expenses

	12/31/2018	12/31/2017	Change	% change
Payroll costs	(413,200)	(436,216)	23,016	-5.28%
Other operating expenses	(358,966)	(357,792)	(1,174)	0.33%
TOTAL	**(772,166)**	**(794,008)**	**21,842**	**-2.75%**

27 a - Payroll costs

	12/31/2018	12/31/2017	Change	% change
Salaries and wages	(263,238)	(267,403)	4,165	-1.56%
Social security contributions	(107,636)	(115,786)	8,150	-7.04%
Incentive bonuses and profit-sharing	(18,642)	(26,558)	7,916	-29.81%
Payroll taxes	(23,911)	(26,219)	2,308	-8.80%
Other	227	(250)	477	-190.80%
TOTAL	**(413,200)**	**(436,216)**	**23,016**	**-5.28%**

Since 2012, seven 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 30 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 table.

		12/31/2018						12/31/2017					
	Allocation date	Number of shares		Repurchase value	Vesting percentage	Charge for the year	Accumulated liability	Number of shares		Repurchase value	Vesting percentage	Charge for the year	Accumulated liability
		Allocated	Vested/ remaining					Allocated	Vested/ remaining				
2012 plan	2/14/2012	20,060	0	223.07	100%	0	0	20,060	19,740	194.9	100%	314	3,847
2013 plan	4/15/2013	18,147	0	223.07	100%	(25)	0	18,147	18,147	194.9	100%	289	3,537
2014 plan	4/1/2014	29,400	0	223.07	100%	(85)	0	29,400	28,086	194.9	100%	447	5,474
2015 plan	9/16/2015	29,710	27,621	223.07	100%	778	6,161	29,710	27,621	194.9	100%	794	5,383
2016 plan*	9/16/2016	30,187	29,179	223.07	92%	2,931	5,973	30,187	30,187	194.9	52%	2,413	3,042
2017 plan*	9/4/2017	30,730	30,317	223.07	53%	2,807	3,582	30,730	30,730	194.9	13%	775	775
2018 plan*	9/6/2018	35,564	35,564	223.07	16%	1,259	1,259						
TOTAL						**7,665**	**16,975**					**5,031**	**22,058**

* The number of shares that have vested has been estimated.

Average number of employees

	12/31/2018	12/31/2017	Change	% change
Banking staff	2,191	2,355	(164)	-6.96%
Managers	2,258	2,299	(41)	-1.78%
TOTAL	**4,449**	**4,654**	**(205)**	**-4.40%**
Of which, in France	*3,282*	*3,501*	*(219)*	*-6.26%*
Of which, rest of world	*1,167*	*1,153*	*14*	*1.21%*

27 b - Other operating expenses

	12/31/2018	12/31/2017	Change	% change
Taxes and duties	(37,281)	(34,608)	(2,673)	7.72%
External services	(289,806)	(178,686)	(111,120)	62.19%
Other miscellaneous expenses	(4,945)	(107,224)	102,279	-95.39%
TOTAL	**(332,032)**	**(320,518)**	**(11,514)**	**3.59%**

At €3.8 million, the tax credit for competitiveness and employment (Crédit d'impôt pour la compétitivité et l'emploi) was recognized as a decrease in employment-related costs.

27 c - Depreciation, amortization and impairment of property, equipment and intangible assets

	12/31/2018	12/31/2017	Change	% change
Depreciation and amortization:	(26,934)	(37,274)	10,340	-27.74%
• Property and equipment	(24,037)	(26,863)	2,826	-10.52%
• Intangible assets	(2,897)	(10,411)	7,514	-72.17%
TOTAL	**(26,934)**	**(37,274)**	**10,340**	**-27.74%**

NOTE 28 - Cost of credit risk

	12/31/2018	12/31/2017	Change	% change
12-month expected losses (S1)	(4,318)	0	(4,318)	Immaterial
Expected losses to termination (S2)/Collective provision (N-1)	(10,399)	(1,335)	(9,064)	678,95%
Impaired assets (S3)	12,828	(7,815)	20,643	-264.15%
TOTAL	**(1,889)**	**(9,150)**	**7,261**	**-79,36%**

12/31/2018	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	TOTAL
12-month expected losses (S1)	(22,746)	18,428				(4,318)
Loans and receivables due from credit institutions at amortized cost	0	4				4
Loans and receivables due from customers at amortized cost	(21,625)	17,193				(4,432)
Of which finance leases	*(650)*	*1,899*				*1,249*
Financial assets at amortized cost - securities	(49)	0				(49)
Financial assets at fair value through other comprehensive income - debt securities	(36)	447				411
Commitments given	(1,036)	784				(252)
Expected losses to termination (S2)	(28,063)	17,664				(10,399)
Loans and receivables due from credit institutions at amortized cost	(8)	0				(8)
Loans and receivables due from customers at amortized cost	(27,594)	16,302				(11,292)
Of which finance leases	*(2,593)*	*248*				*(2,345)*
Commitments given	(461)	1,362				901
Impaired assets (S3)	(74,815)	124,830	(30,976)	(7,450)	1,239	12,828
Loans and receivables due from credit institutions at amortized cost	0	0	0	(818)	0	(818)
Loans and receivables due from customers at amortized cost	(73,839)	123,065	(30,976)	(6,626)	1,239	12,863
Of which finance leases	*(1,546)*	*3,210*	*(165)*	*(56)*	*0*	*1,443*
- Commitments given	(976)	1,765	0	(6)	0	783
TOTAL	**(125,624)**	**160,922**	**(30,976)**	**(7,450)**	**1,239**	**(1,889)**

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
Expected losses to termination (S2)	(5,521)	4,186				(1,335)
Loans and receivables due from customers at amortized cost	(5,521)	4,186				(1,335)
Impaired assets (S3)	(108,362)	120,532	(16,629)	(5,263)	1,907	(7,815)
Loans and receivables due from credit institutions at amortized cost	0	0	0	(723)	0	(723)
Loans and receivables due from customers at amortized cost	(104,106)	109,886	(16,604)	(4,517)	1,907	(13,434)
Of which finance leases	*(1,151)*	*1,442*	*(231)*	*(34)*	*18*	*44*
Financial assets at amortized cost - securities	0	4,679	0	0	0	4,679
Financial assets at fair value through other comprehensive income - debt securities	0	350	(25)	0	0	325
Commitments given	(4,256)	5,617	0	(23)	0	1,338
TOTAL	**(113,883)**	**124,718**	**(16,629)**	**(5,263)**	**1,907**	**(9,150)**

NOTE 29 - Gains (losses) on other assets

	12/31/2018	12/31/2017	Change	% change
Property, equipment and intangible assets	1,072	1,843	(771)	-41.83%
• Losses on disposals	(343)	(225)	(118)	52.44%
• Capital gains on disposals	1,415	2,068	(653)	-31.58%
Net gain/(loss) on consolidated securities	45,266	(138)	45,404	Immaterial
TOTAL	**46,338**	**1,705**	**44,633**	**IMMATERIAL**

NOTE 30 - Change in value of goodwill

	12/31/2018	12/31/2017	Change	% change
Impairment of goodwill	0	0	0	Immaterial
Negative goodwill taken to income	0	81	(81)	-100.00%
TOTAL	**0**	**81**	**(81)**	**-100.00%**

NOTE 31 - Corporate income tax

Breakdown of income tax expense

	12/31/2018	12/31/2017	Change	% change
Current taxes	(21,138)	(64,851)	43,713	-67.41%
Deferred taxes	(741)	(17,368)	16,627	-95.73%
Adjustments in respect of prior years	(548)	(1,405)	857	-61.00%
TOTAL	**(22,427)**	**(83,624)**	**61,197**	**-73.18%**

Reconciliation between the corporate income tax expense recognized and the theoretical tax expense

		12/31/2018		12/31/2017
Theoretical tax rate	63,798	34.43%	142,625	34.43%
Impact of the reduced rate on long-term capital gains	4,335	2.34%	(29,996)	-7.24%
Impact of different tax rates paid by foreign subsidiaries	(1,297)	-0.70%	(2,924)	-0.71%
Impact of different tax rates paid by French entities	7,996	4.32%	12,731	3.07%
Impact of rate changes on temporary differences	21,990	11.87%	16,586	4.00%
Permanent timing differences	(39,917)	-21.54%	(5,726)	-1.38%
Other	(23,970)	-12.94%	4,328	1.04%
Effective tax rate	32,935	17.77%	137,624	33.22%
Taxable income*	185,299		414,245	
TAX EXPENSE	**32,935**	**17.77%**	**137,624**	**33.22%**

* Including restatement of the corporate income tax related to the assets held for sale.

3. Notes to the statement of net income and gains and losses recognized directly in shareholders' equity

NOTE 32 - Recycling of gains and losses recognized directly in OCI

	12/31/2018	12/31/2017
	Movements	Movements
Translation adjustments		
Reclassification in income	0	0
Other movements	(332)	(1,024)
Sub-total	(332)	(1,024)
Remeasurement of available-for-sale financial assets		
Reclassification in income		(96,094)
Other movements		18,872
Sub-total		(77,222)
Remeasurement of financial assets at FVOCI		
Reclassification in income*	0	
Other movements	(16,679)	
Sub-total	(16,679)	
Remeasurement of hedging derivative instruments		
Reclassification in income	0	0
Other movements	4,025	2,956
Sub-total	4,025	2,956
Remeasurement of insurance business investments (available-for-sale financial assets)	**769**	
Reclassification in income	0	
Impact of the GACM NEA merger	86,888	
Other movements	0	
Sub-total	87,657	
Actuarial gains and losses on defined benefit plans	(2,708)	5,892
Share of unrealized or deferred gains and losses of equity-accounted entities	(20,843)	(194)
TOTAL	**51,120**	**(69,592)**

* On debt instruments

NOTE 33 - Tax on components of gains and losses recognized directly in other comprehensive income

	12/31/2018			12/31/2017		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation adjustments	(332)	0	(332)	(1,024)	0	(1,024)
Remeasurement of financial assets at FVOCI	(22,834)	6,155	(16,679)	(87,337)	10,115	(77,222)
Remeasurement of Insurance business investments	1,555	(786)	769			0
Impact of the GACM NEA merger	109,679	(22,791)	86,888			0
Remeasurement of hedging derivative instruments	5,425	(1,400)	4,025	7,121	(4,165)	2,956
Actuarial gains and losses on defined benefit plans	(3,241)	533	(2,708)	10,365	(4,473)	5,892
Share of unrealized or deferred gains and losses of equity-accounted entities	(20,843)	0	(20,843)	(319)	125	(194)
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME	**69,409**	**(18,289)**	**51,120**	**(71,194)**	**1,602**	**(69,592)**

V 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 five divisions:

- Bankinsurance France;
- Bankinsurance Belgium;
- Insurance;
- Third-party management;
- Services and miscellaneous activities.

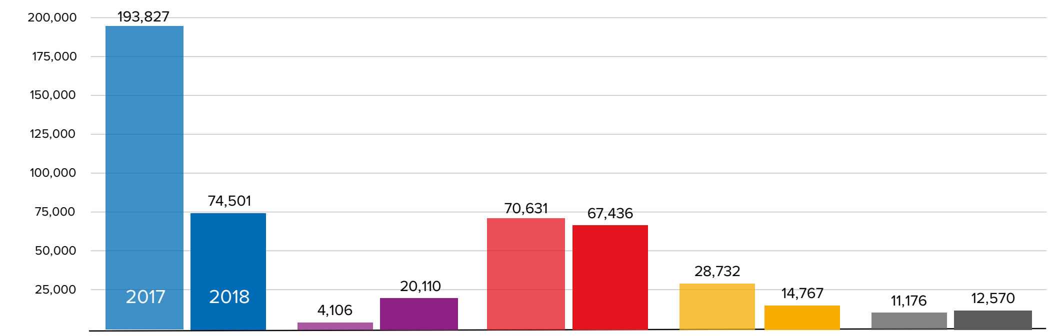
The consolidation scope table provides information about the entities making up each of these divisions.

Summary of contributions by division

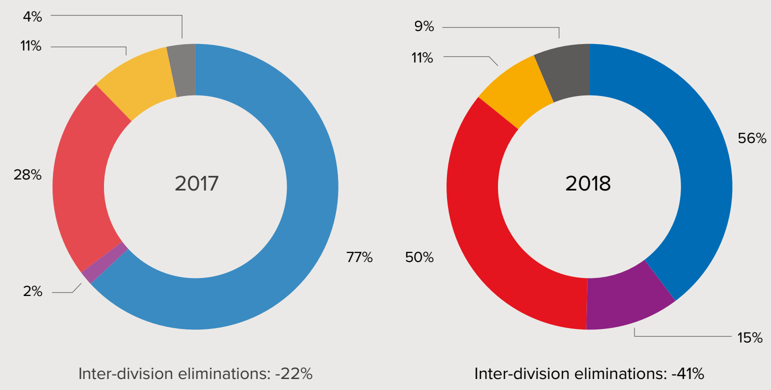
In € thousands

	Net banking income		Gross operating income		Consolidated net income		Total consolidated assets	
	12/2017	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017	12/2018
Bankinsurance France	607,477	438,058	254,366	96,633	193,827	74,501	20,724,555	21,331,981
Bankinsurance Belgium	287,799	253,527	13,529	(29,284)	4,106	20,110	6,407,786	6,753,081
Insurance	199,402	151,680	134,562	102,903	70,631	67,436	16,921,421	11,862,186
Third-party management	229,135	155,919	62,608	9,626	28,732	14,767	1,057,947	1,564,384
Services and miscellaneous activities.	4,889	3,508	3,386	1,871	11,176	12,570	173,448	170,933
Inter-division eliminations	(258,863)	(217,842)	(192,620)	(169,064)	(55,184)	(55,315)	(3,095,605)	(13,574,262)
TOTAL	**1,069,839**	**784,850**	**275,831**	**12,685**	**253,288**	**134,069**	**42,189,552**	**28,108,303**

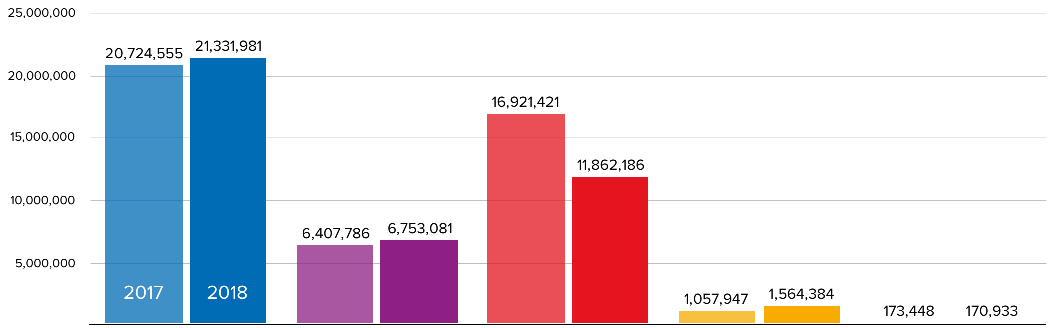
Contribution to net income (in € thousands before inter-division eliminations)



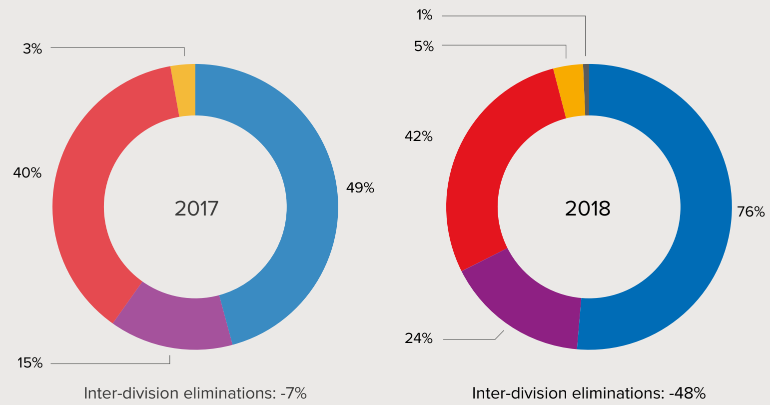
Consolidated net income



Contribution to total assets (in € thousands before inter-division eliminations)



Consolidated assets



● Bankinsurance France ● Bankinsurance Belgique ● Insurances ● Third-party management ● Services and miscellaneous activities

Summary balance sheets and income statements by division

	Bankinsurance France division	Bankinsurance Belgium division	Insurance Division	Third-party management division	Services and miscellaneous activities division	Specific transactions and eliminations	Total
ASSETS at 1/1/2018							
Financial assets at fair value through profit or loss	1,310,166	81,757	-	338,731	18,756	200,073	**1,949,483**
Hedging derivative instruments	49,934	4,189	-	-	-	(27,808)	**26,315**
Financial assets at fair value through other comprehensive income	3,406,975	1,060,755	-	20,872	1,239	(1,727,424)	**2,762,417**
Loans and receivables due from credit institutions	3,557,939	537,755	553,786	212,368	8,836	(799,483)	**4,071,201**
Loans and receivables due from customers	11,825,741	4,556,837	62,832	130,613	-	(505,578)	**16,070,445**
Remeasurement adjustment on interest-rate risk hedged investments	13,208	9,028	-	-	-	-	**22,236**
Securities at amortized cost	65,695	15	-	-	-	-	**65,710**
Insurance business investments	-	-	16,190,625	-	-	(16,190,625)	**-**
Accruals and other assets	326,068	75,903	89,804	127,737	1,603	15,957,526	**16,578,641**
Investments in associates	-	-	17,594	21,506	124,039	(17,594)	**145,545**
Property, equipment and intangible assets	156,334	55,555	1,140	31,598	18,251	(4,175)	**258,703**
Goodwill	-	2,343	5,640	174,793	724	13,775	**197,275**
TOTAL	**20,712,060**	**6,384,137**	**16,921,421**	**1,058,218**	**173,448**	**(3,101,313)**	**42,147,971**

	Bankinsurance France division	Bankinsurance Belgium division	Insurance Division	Third-party management division	Services and miscellaneous activities division	Specific transactions and eliminations	Total
ASSETS at 12/31/2018							
Financial assets at fair value through profit or loss	748,223	78,263	-	669,450	10,811	(130,383)	**1,376,364**
Hedging derivative instruments	37,827	458	-	-	-	(23,062)	**15,223**
Financial assets at fair value through other comprehensive income	3,789,744	947,489	-	33,943	533	(2,016,519)	**2,755,190**
Loans and receivables due from credit institutions	3,934,639	847,288	-	381,249	4,667	(592,909)	**4,574,934**
Loans and receivables due from customers	12,118,815	4,692,808	-	4,176	-	(236,078)	**16,579,721**
Remeasurement adjustment on interest-rate risk hedged investments	17,176	11,194	-	-	-	-	**28,370**
Securities at amortized cost	146,606	-	-	-	-	-	**146,606**
Insurance business investments	-	-	11,736,300	-	-	(11,736,300)	**0**
Accruals and other assets	309,409	147,701	83,474	235,770	1,456	(80,483)	**697,327**
Investments in associates	-	-	14,753	21,627	135,022	1,264,918	**1,436,320**
Property, equipment and intangible assets	229,542	25,853	13,679	35,065	17,720	(16,714)	**305,145**
Goodwill	-	2,027	13,980	183,104	724	(6,732)	**193,103**
TOTAL	**21,331,981**	**6,753,081**	**11,862,186**	**1,564,384**	**170,933**	**(13,574,262)**	**28,108,303**

	Bankinsurance France division	Bankinsurance Belgium division	Insurance Division	Third-party management division	Services and miscellaneous activities division	Specific transactions and eliminations	Total
LIABILITIES at 1/1/2018							
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	-	-	-	(27,808)	**83,840**
Due to credit institutions	1,752,237	235,252	341,870	285,010	7,578	(714,273)	**1,907,674**
Due to customers	11,546,161	5,265,621	89,401	-	415	(182,571)	**16,719,027**
Debt securities	3,129,801	8,388	-	124,794	-	(160,036)	**3,102,947**
Remeasurement adjustment on interest-rate risk hedged investments	-	2,320	-	-	-	-	**2,320**
Accruals and other liabilities	566,110	161,034	1,967,908	326,341	555	13,116,963	**16,138,911**
Liabilities relating to insurance contracts	-	-	12,906,693	-	-	(12,906,693)	**-**
Provisions	88,078	51,949	3,926	1,451	1,932	(3,926)	**143,410**
Subordinated debt	818,710	68,854	307,015	-	-	(381,734)	**812,845**
Non-controlling interests	371	(1,630)	142,326	(32,047)	-	44	**109,064**
Shareholders' equity excluding net income attributable to owners of the company	2,263,386	554,658	1,091,650	171,293	151,792	(1,599,106)	**2,633,673**
Net income attributable to owners of the company	193,827	4,106	70,631	28,732	11,176	(55,184)	**253,288**
TOTAL	**20,712,060**	**6,384,137**	**16,921,421**	**1,058,218**	**173,448**	**(3,101,313)**	**42,147,971**
LIABILITIES at 12/31/2018							
Financial liabilities at fair value through profit or loss	268,411	-	-	472,610	-	(70,720)	**670,301**
Hedging derivative instruments	61,465	30,716	-	-	-	(23,062)	**69,119**
Due to credit institutions	1,847,764	287,417	-	522,092	8,074	(718,054)	**1,947,293**
Due to customers	12,066,664	5,505,516	-	-	404	(17,752)	**17,554,832**
Debt securities	3,002,458	9,502	-	-	-	(80,041)	**2,931,919**
Remeasurement adjustment on interest-rate risk hedged investments	-	-	-	-	-	-	**-**
Accruals and other liabilities	374,053	198,609	100,624	400,124	395	(100,681)	**973,124**
Liabilities relating to insurance contracts	-	-	10,708,423	-	-	(10,708,423)	**(0)**
Provisions	85,758	56,953	3,308	1,644	1,932	(3,308)	**146,287**
Subordinated debt	818,725	96,315	-	-	-	(93,968)	**821,072**
Non-controlling interests	37,323	(334)	43,850	(36,994)	-	(43,850)	**(5)**
Shareholders' equity excluding net income attributable to owners of the company	2,694,859	548,277	938,545	190,141	147,558	(1,659,088)	**2,860,292**
Net income attributable to owners of the company	74,501	20,110	67,436	14,767	12,570	(55,315)	**134,069**
TOTAL	**21,331,981**	**6,753,081**	**11,862,186**	**1,564,384**	**170,933**	**(13,574,262)**	**28,108,303**

	Bankinsurance France division	Bankinsurance Belgium division	Insurance Division	Third-party management division	Services and miscellaneous activities division	Specific transactions and eliminations	Total
INCOME STATEMENT: 2017							
NET BANKING INCOME	607,477	287,799	199,402	229,135	4,889	(258,863)	1,069,839
of which net interest margin	*191,379*	*225,009*	*(2,658)*	*1,390*	*(715)*	*6,088*	*420,493*
of which commissions	*205,507*	*49,392*	*-*	*(2,566)*	*-*	*(107,409)*	*144,924*
General operating expenses	(353,111)	(274,270)	(64,840)	(166,527)	(1,503)	66,243	**(794,008)**
GROSS OPERATING INCOME	254,366	13,529	134,562	62,608	3,386	(192,620)	275,831
Net additions to/reversals from provisions for loan losses	(5,121)	(2,959)	-	(449)	(1,857)	1,236	**(9,150)**
OPERATING INCOME	249,245	10,570	134,562	62,159	1,529	(191,384)	266,681
Share of net income (loss) of associates	-	-	101	1,680	10,026	(100)	**11,707**
Gains (losses) on other assets	482	1,374	-	(151)	-	-	**1,705**
Change in value of goodwill	-	-	-	81	-	-	**81**
NET INCOME BEFORE TAX	249,727	11,944	134,663	63,769	11,555	(191,484)	280,174
Corporate income tax	(55,729)	(7,802)	(54,133)	(21,798)	(379)	56,217	**(83,624)**
Net gain/(loss) on discontinued operations	-	-	-	-	-	80,073	**80,073**
TOTAL NET INCOME	193,998	4,142	80,530	41,971	11,176	(55,194)	276,623
Non-controlling interests	171	36	9,899	13,239	-	(10)	**23,335**
NET LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY	**193,827**	**4,106**	**70,631**	**28,732**	**11,176**	**(55,184)**	**253,288**
INCOME STATEMENT: 2018							
NET BANKING INCOME	438,058	253,527	151,680	155,919	3,508	(217,842)	784,850
of which net interest margin	*178,960*	*207,820*	*-*	*430*	*(155)*	*(48,747)*	*338,308*
of which commissions	*206,525*	*49,106*	*-*	*(8,571)*	*-*	*(7,338)*	*239,722*
General operating expenses	(341,425)	(282,811)	(48,777)	(146,293)	(1,637)	48,778	**(772,165)**
GROSS OPERATING INCOME	96,633	(29,284)	102,903	9,626	1,871	(169,064)	12,685
Net additions to/reversals from provisions for loan losses	(3,702)	2,087	-	(162)	(112)	-	**(1,889)**
OPERATING INCOME	92,931	(27,197)	102,903	9,464	1,759	(169,064)	10,796
Share of net income (loss) of associates	-	-	658	1,806	11,302	35,910	**49,676**
Gains (losses) on other assets	748	44,522	1,020	1,068	-	(1,020)	**46,338**
Change in value of goodwill	-	-	-	-	-	-	**-**
NET INCOME BEFORE TAX	93,679	17,325	104,581	12,338	13,061	(134,174)	106,810
Corporate income tax	(19,449)	2,790	(32,382)	(4,885)	(491)	31,990	**(22,427)**
Post-tax gain/(loss) on discontinued operations	372	-	-	20,743	-	46,870	**67,985**
TOTAL NET INCOME	74,602	20,115	72,199	28,196	12,570	(55,314)	152,368
Non-controlling interests	101	5	4,763	13,429	-	1	**18,299**
NET LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY	**74,501**	**20,110**	**67,436**	**14,767**	**12,570**	**(55,315)**	**134,069**

Segment reporting by geographical area (second level)

Country	Net banking income	Employees 12/2018	Net income
Belgium	253,527	1,097	20,110
Spain	1,903	3	766
USA	949	8	(1,526)
France	511,774	3,282	114,105
Hong Kong	0	0	2
Luxembourg	7,646	32	(84)
UK	9,051	27	696

VI Other information

The following standards and interpretations have been adopted by the European Union but not yet applied:

IFRS 16: Leases

This new standard was published in early 2016, adopted by the European Union on October 31, 2017 and came into force on January 1, 2019. This standard replaces 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 2018, 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. As a result, the Group chose:

- To apply the new definition of a lease to all existing leases. Some equipment will therefore be excluded from the application of IFRS 16 due to its substitutability (computer hardware in particular, with the exception of some material leases which will be capitalized);
- The modified retrospective approach. The Group also elected to adopt the related simplification measures on first-time application of the standard. The Group does not expect the standard to have any impact on shareholders' equity as of January 1, 2019;
- To opt for the short-term exemption and the low-value exemption (set at €5 thousand);
- In the absence of clear guidance in the standard as to whether or not deferred tax should be taken into account, the Group has decided, pending the IASB's future amendments on this matter, to implement the IAS 12 exemptions with the result that it does not recognize deferred tax.

The Group has also carried out the process of identifying its leases, both of property and of equipment (IT equipment, car fleet, etc.). It will capitalize, mainly, its real estate leases, and will use, on first-time application (for those leases that are not automatically renewed), their residual term and corresponding incremental borrowing rate, which are applied to the lease payments excluding tax. In addition, the Group will follow the French accounting standard authority's position on commercial leases: any new lease of this type will be capitalized over a nine-year term.

IFRIC 23: Uncertainty over Income Tax Treatments

IFRIC 23 "Uncertainty over Income Tax Treatments", which was published on June 7, 2017, is applicable as of January 1, 2019.

This interpretation is based on the presumption that the tax authorities:

- Will check all amounts reported to them;
- Have access to all the necessary information and documentation.

An entity has to assess the probability of the tax authority accepting, or not accepting, the tax treatment adopted and determine taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates consistently with said tax treatment. If the tax position is uncertain (i.e. it is probable that the tax authority will not accept the treatment adopted), the amounts payable are assessed on the basis of the most likely amount or the expected value in accordance with the method which provides the best predictions of the amount to be paid or received.

At this stage, the Group's view is that IFRIC 23 applies only to corporate income tax and that therefore no change need be made to the current practice. Currently, a risk is recognized once a revised assessment has been issued. This treatment applies to reassessments concerning the entity itself, a related entity or a third party.

The following standards and interpretations have not yet been 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.

Given the large number of complex problems raised by the various interested parties (25 points have been notified to the IASB), including the French bankinsurance sector, the Board has decided to defer implementation of the standard by a year, i.e. until January 1, 2022.

In the case of insurance companies that have opted for deferral (the Group is included in this category), application of IFRS 9 has also been deferred until January 1, 2022.

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.

	Market value	Carrying amount	Unrealized gains or losses	Level 1	Level 2	Level 3
Assets at 12/31/2018	22,370,224	20,319,134	2,051,090	0	6,444,743	15,925,481
Financial assets at amortized cost - IFRS 9	22,370,224	20,319,134	2,051,090	0	6,444,743	15,925,481
• Loans and receivables due from credit institutions	4,601,762	3,592,807	1,008,955		4,601,762	0
• Loans and receivables due from customers	17,621,734	16,579,721	1,042,013		1,696,253	15,925,481
• Securities	146,728	146,606	122	0	146,728	0
Liabilities at 12/31/2018	23,742,728	23,255,116	487,612	831,194	10,173,155	12,738,379
• Due to credit institutions	2,141,895	1,947,293	194,602		2,141,895	0
• Due to customers	17,775,563	17,554,832	220,731		5,037,184	12,738,379
• Debt securities	2,994,076	2,931,919	62,157		2,994,076	0
• Subordinated debt	831,194	821,072	10,122	831,194	0	0
Assets at 12/31/2017	20,131,532	19,270,161	861,371	16,112	5,083,707	15,031,713
Financial assets at amortized cost	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 receivables due from customers	17,091,450	16,126,376	965,074	0	2,059,737	15,031,713
• Securities	78,191	77,089	1,102	16,112	62,079	0
Liabilities at 12/31/2017	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

Related parties

In € millions

	12/31/2018		1/1/2018	
	Fully-consolidated entities	Entities consolidated using the equity method	Fully-consolidated entities	Entities consolidated using the equity method
STATEMENT OF FINANCIAL POSITION				
Assets	1,102,304	0	1,278,347	0
Financial assets at fair value through profit or loss	20,592	0	16,654	0
Financial assets at FVOCI	0	0	71,574	0
Financial assets at amortized cost	1,081,712	0	870,516	0
Of which current accounts	*19,529*	*0*	*19,028*	*0*
Liabilities	1,035,976	473,755	597,233	0
Due to credit institutions	513,981	0	513,597	0
Of which current accounts	*7,256*	*0*	*7,517*	*0*
Financial liabilities at fair value through profit or loss	440,326	424,177	25,943	0
Due to customers	47,332	32,541	0	0
Debt securities	17,300	0	54,418	0
Subordinated debt	17,037	17,037	3,275	0
INCOME STATEMENT				
Interest received	50,673	5,675	4,929	0
Interest paid	(40,868)	(5,012)	(5,036)	0
Fees and commissions received	106,322	106,322	0	0
Fees and commissions paid	(4,867)	(2,591)	(3,203)	(222)
Net gain (loss) on financial assets at FVOCI and at FVPL	0	0	(9,277)	0
Net income from the Insurance businesses	0	0	10,565	0
Other income (expense)	11,272	(4,366)	0	(1,049)
Net banking income	122,532	0	(2,022)	(1,271)
General operating expenses	(5,839)	(63,370)	(5,765)	(60,848)
OFF-BALANCE SHEET				
Financing commitments given	11,000	0	25,723	0
Guarantee commitments given	8,981	0	8,891	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 €22,843 thousand.

Executive remuneration

Type of remuneration	Main executives	
Amounts due in € thousands	12/31/2018	12/31/2017
Employee benefits - short-term	1,531	1,489
Post employment benefits*		
Other long-term benefits		
Termination benefits		
Share-based payments	n/a	n/a

(*) Caisse Fédérale CMNE and Beobank

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.

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 €75 thousand at December 31, 2018. This estimate does not take into account beneficiaries' length of service and was calculated based on 2018 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.

The amount of €1,529 thousand reported in 2017 was overvalued and has been corrected.

Statutory Auditors' fees

	Members of the Mazars network		Deloitte et Associés		Members of other networks	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
AUDIT						
Statutory audit	375	655	835	1,115	22	75
Ancillary assignments	26	100	19	115	3	0
SUB-TOTAL	401	755	854	1,230	25	75
OTHER SERVICES						
Legal, tax and corporate advisory services	0	0	0	0	472	327
Information technology	0	0	0	0	0	0
Internal audit	0	0	0	0	0	0
Other	0	196	0	8	681	1,103
SUB-TOTAL	0	196	0	8	1,153	1,430
TOTAL	**401**	**951**	**854**	**1,238**	**1,178**	**1,505**

Events after the reporting date

No significant events occurred between December 31, 2018 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 25, 2019.

Crédit Mutuel Nord Europe

Société Anonyme (French limited company)
4, place Richebé - 59000 Lille - France

Report of the Statutory Auditors on the consolidated financial statements

Year ended December 31, 2018

To the Shareholders' Meeting of the Fédération du Crédit Mutuel Nord Europe,

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, 2018.
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, 2018 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, 2018 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 2018 included reviews of compliance with certain regulations and reviews of tax returns;
- **Mazars**: the main assignments carried out during 2018 included reviews of compliance with certain regulations and the report by the independent third party on the consolidated declaration of extra-financial performance included in the management report.

Observations

Without qualifying the opinion expressed above, we draw your attention to the change in accounting method related to the application of accounting standards IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", as described in the notes to the financial statements (sections "I. General information – IFRS 9", "I. General information – IFRS 15", "III. Accounting principles – Financial instruments under IFRS 9" and "IV. Note 0 – Impacts of the first-time application of IFRS 9 – reclassification of assets and liabilities and impact on their measurement").

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.

Impacts of the first-time application of IFRS 9	
Identified risk	**Our response**
Application of IFRS 9 "Financial Instruments" as of January 1, 2018 resulted in significant changes to the rules governing the classification, measurement and impairment of financial assets, which affected the Group's financial position and operations.	
Classification and measurement Under IFRS 9, the classification of a financial asset depends on the business model (collection model, sales model or mixed model) and the characteristics of the contractual cash flows (known as "SPPI"). On the basis of the business model adopted, the characteristics of its cash flows and its type (debt instrument or equity instrument), a financial asset is measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. In light of these criteria, the Group's financial instruments as of January 1, 2018 have been analyzed to enable them to be classified and measured in accordance with the procedures stipulated by this new standard.	**Classification and measurement** Our work on the impacts of first-time application of IFRS 9 focused mainly on: ▶ Obtaining an in-depth understanding of the analyses approved by the Crédit Mutuel Group's internal auditors for determining the classification of the financial assets; ▶ Obtaining and reviewing the documentation on the business models and verifying that they have been complied with; ▶ Verifying, on the basis of a sample of contracts, the quality of the analyses carried out (notably on the characteristics of the contractual cash flows) that are used to classify contracts in the new categories stipulated by the standard. We have also reviewed and assessed the internal control system implemented by the Group to document the analyses and the compliance of the business models with the provisions of the new standard as regards new lending.
Impairment (statuses 1 and 2) In addition to the impairment procedures for incurred credit risk (status 3), which are similar to the impairment procedures for individual loans under the previous standard (IAS 39), the new impairment rules for expected credit losses require the setting up of a first impairment status representing the expected credit losses during the first year after the origination of a new financial asset, and a second status representing the lifetime expected credit losses, in the event of a significant deterioration in the credit risk. To determine these expected credit losses, judgment needs to be exercised to determine, in particular: ▶ The credit risk deterioration criteria; ▶ The measurements of the expected credit losses based on the probabilities of default (PD) and loss given default (LGD); ▶ The procedures for factoring in macro-economic projections in both the deterioration criteria and the measurement of expected credit losses. These parameter components are included in various models developed by the Crédit Mutuel Nord Europe Group for each type of loan portfolio to enable the amount of the expected credit losses to be calculated. Given the scope of this standard, the complexity of its implementation and the materiality of the accounting estimates covered by the "impairment" section, we have taken the view that the first-time application of IFRS 9 as of January 1, 2018 constitutes a key audit matter in respect of fiscal year 2018. Details of the impacts of the first-time application of IFRS 9 are provided in Note 0 "Impacts of the first-time application of IFRS 9" in Section "IV. Notes to the statement of financial position and income statement"; details of the options adopted and the accounting principles are provided in Section "III. Accounting principles". The impact of the first-time application of IFRS 9 on shareholders' equity related to the implementation of the new impairment model was a net-of-tax reduction of €37.9 million.	**Impairment (statuses 1 and 2)** Our work focused mainly on obtaining an in-depth understanding of the findings of the work carried out by the Crédit Mutuel Group's internal auditors who, with their experts and specialists, have carried out: ▶ A review of the segmentation of the loan portfolios and the map of the models for calculating impairment on a scope-by-scope basis; ▶ An analysis of compliance of the calculation methods and calibration procedures with the provisions of IFRS 9, in particular those concerning: > The criteria concerning the significant deterioration in the credit risk (change in rating and probability of default since initial recognition, etc.); > The calculations of the expected credit losses (review of models, of the calibration of the PD, LGD, guarantees, forward-looking assumptions, procedures for discounting at the effective interest rate, backtesting, etc.); ▶ Counter calculations with their own tools; ▶ Controls of the entire IT system implemented by the Crédit Mutuel Group including a review of the general IT controls, the interfaces and the controls built itno the IT systems with regard to the specific data, the purpose of which is to process information relating to IFRS 9. Lastly, our audit work also included a review of the financial impact and of the process for consolidating the data and financial information in respect of the first-time application as of January 1, 2018.

Credit risk - Impairment of loans and receivables (statuses 1, 2 and 3)

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 customer lending activities.

In accordance with the "impairment" section of IFRS 9, your Group recognizes impairment provisions to cover the risks of expected (loans in statuses 1 and 2) and incurred (loans in status 3) credit losses.

As stated in the key audit matter "Impacts of the first-time application of IFRS 9 - Financial Instruments", impairment provisions for expected credit losses (statuses 1 and 2) are determined mainly on the basis of models developed by the Crédit Mutuel Group and including various parameters (PD, LGD, forward looking, etc.), supplemented where relevant by impairment provisions on a sector basis in light of local factors.

In the case of outstanding loans subject to known counterparty risk (status 3), the Group recognizes impairment provisions to cover known risk of loss when there is objective evidence of a 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 the end of each reporting period. 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. 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.

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 in the allocation of outstanding loans to the various statuses and in the determination of the parameters and procedures for calculating impairment provisions for the loans in statuses 1 and 2 and in the assessment of the level of individual provisioning of outstanding loans in status 3.

In particular, in the context of the net additions to/reversals from provisions for loan losses that your Group has maintained at a low level on its main market and the first year of application of IFRS 9, we have taken the view that the assessment of the adequacy of the level of coverage of credit risk by provisions and the associated level of net additions to/reversals from provisions for loan losses constitute areas requiring specific attention as regards 2018.

As set out in Note 5 "Gross value and impairment analysis", exposures to credit risk represent more than 84% of the Crédit Mutuel Nord Europe Group's assets as of December 31, 2018 (€23.7 billion). The accumulated impairment provisions on outstanding loans totaled €603 million, including €48.2 million in respect of status 1, €48.6 million in respect of status 2 and €505.7 million in respect of status 3. Net reversals from provisions for loan losses for 2018 totaled €1.9 million.

For further information on accounting principles and exposures, please refer to Notes "III. Accounting principles – Financial instruments under IFRS 9" and "IV. Note 5: Gross value and impairment analysis".

Our response

Impairment of outstanding loans in statuses 1 and 2

Following on from our audit procedures covering the first-time application of IFRS 9, our work focused mainly on:

- Satisfying ourselves that the Group has an internal control system enabling the ratings of the various outstanding loans to be updated frequently enough;
- A critical review of the work on the consolidation of the Crédit Mutuel Group carried out by the internal auditors who, in collaboration with their experts and specialists:
  - Satisfied themselves that the Group has governance procedures ensuring that it reviews, frequently enough, the consistency of the impairment models and the parameters used to calculate impairment provisions, and analyzes changes in the impairment provisions in light of the new IFRS rules,
  - Assessed the appropriate level of these parameters used to calculate the impairment provisions as of December 31, 2018,
  - Carried out counter calculations on the main loan portfolios.

Impairment of outstanding loans in status 3

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 Bankinsurance 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 Bankinsurance 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 historical 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.

We also reviewed the detailed information in the notes to the financial statements required to comply with the "impairment" section of the new IFRS 9 standard as of December 31, 2018.

Calculating goodwill and testing it for impairment

Identified risk	Our response
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 16 and the Note entitled "Business combinations and goodwill valuation".	
At December 31, 2018, the net value of the goodwill was €193.1 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.	We have examined the compliance of the methodology applied by the Group 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 with the results of these impairment tests.

Merger of GACM and NEA

Identified risk	Our response
By way or reminder, during the fourth quarter of 2017, the Crédit Mutuel Nord Europe Group and the Crédit Mutuel-CM11 Group, which became the Crédit Mutuel Alliance Fédérale on November 9, 2018, began to explore the possibility of merging their insurance entities. Due to the fact that it was highly probable the merger of these Group entities would take place, IFRS 5 was applied and the companies were accounted for as "Operations held for sale".	
The merger took place on June 21, 2018, with the approval of the French prudential supervision and resolution authority (Autorité de contrôle prudentiel et de résolution - ACPR). Since that date, the CMNE Group owns 10.22% of the new GACM entity and has a seat on its Supervisory Board. As a result, CMNE exercises significant influence over GACM and therefore its shareholding in GACM is accounted for using the equity method in CMNE's consolidated financial statements. As detailed in Note 13 "Investments in associates", the main impacts of this merger on the consolidated financial statements for the year ended December 31, 2018 were: ▶ The recognition of goodwill totaling €274 million, which could be allocated to the identifiable assets within the 12 months following the merger; ▶ The recognition of the Group's share of GACM's net income in the amount of €36.6 million.	In connection with this merger, we have: ▶ Reviewed the merger agreements between the two entities; ▶ Assessed the nature of the influence exercised by the CMNE Group over the new GACM entity; ▶ Reconciled the accounting entries in respect of the merger with the legal information and valuations carried out; ▶ Assessed the value of the securities obtained and goodwill resulting from the merger as of the reporting date in the consolidated financial statements; ▶ Evaluated whether the information disclosed in the notes to the financial statements about this transaction is sufficient.

Specific verifications

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.

We certify that the consolidated declaration of extra-financial performance specified by Article L. 225-102-1 of the French Commercial Code has been included in the Group's management report, it being specified that, in accordance with the provisions of Article L. 823-10 of said code, we have not verified that the information contained in said declaration is true and fair or consistent with the consolidated financial statements; said information must be the subject of a report by an independent third party.

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, 2018, Deloitte & Associés was in the twelfth consecutive year of its term of office and Mazars was in its seventh 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' responsibilities 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.

Paris – La Défense et Courbevoie (France), April 9, 2019

Les Commissaires aux Comptes

Deloitte & Associés	Mazars
Sylvie BOURGUIGNON	Nicolas de LUZE
DELOITTE & ASSOCIÉS 6 Place de la Pyramide 92908 Paris – La Défense Cedex - France	**MAZARS SAS** 61 Rue Henri Regnault 92400 Courbevoie - France
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	Simplified joint-stock company *(Société par Actions Simplifiée)* Capital of €37,000 - RCS NANTERRE 377 505 565

LEGAL AND ADMINISTRATIVE INFORMATION

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 19, 2019

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 French Law of July 24, 1867 on variable capital companies, the French Law of September 10, 1947 on cooperative status and the French 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 under 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 is 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.

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 2018, Caisse Fédérale du Crédit Mutuel Nord Europe published five documents containing financial information:

- In April 2018, the annual report for 2017;
- In June 2018, the financial memoranda required by the Banque de France for issuers of short-term (NEU CP) and medium-term negotiable debt securities;
- In August 2018, interim financial information as of June 30;
- In December 2018, the documentation for its bond issuance program (EMTN), authorization for which was obtained at the end of January 2019.

Calendar of financial publications

Schedule (subject to change)	
2018 annual results Interim results	April 25, 2019
Résultats semestriels	August 2019

Fédération du Crédit Mutuel Nord Europe

4, Place Richebé - 59800 LILLE- France

Association governed by the French Law of July 1, 1901

Combined Shareholders' Meeting of April 24, 2019

Resolutions

Ordinary resolutions

First resolution
(Approval of the parent company financial statements)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having examined the reports of the Board of Directors and Statutory Auditors, approves the financial statements for 2018 in both their form and their content, which show surplus income of €2,693.91.

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
(Special report of the Statutory Auditors on regulated agreements and commitments referred to in Articles L. 225-38 et seq. of the French Commercial Code)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, 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, 2018 and falling within the scope of the provisions of Article L. 612-5 of the French Commercial Code.

Third resolution
(Approval of the pro-forma global company financial statements)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having examined the reports of the Board of Directors and the Statutory Auditors, approves the pro-forma global company financial statements of the Crédit Mutuel Nord Europe Group for the year ended December 31, 2018, as presented.

Fourth resolution
(Approval of the consolidated financial statements)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, 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, 2018, as presented.

Fifth resolution
(2019 budget)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, sets the Federation's budget for 2019 at €3,929,000. The share of contributions of each member local bank is set at 0.0171% of the average amount of managed funds.

Sixth resolution
(Reappointment of six directors)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, notes the expiry of the directorships of Christine DEBOUBERT, Vania FOSSAERT, Catherine LAMBLIN-MESSIEN, Nathalie POLVECHE, Fabienne RIGAUT and Jacques VANBREMEERSCH.

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, 2021:

- Christine DEBROUBERT;
- Vania FOSSAERT;
- Catherine LAMBLIN-MESSIEN;
- Nathalie POLVECHE;
- Fabienne RIGAUT;
- Jacques VANBREMEERSCH.

Which persons declare that they accept their appointments.

Seventh resolution
(Appointment of a director)

On the recommendation of the Appointments Committee, the Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, also resolves to appoint as a Director, for a period of three years, i.e. until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2021:

- Luc WYNANT,
  residing at B-1770 Liedekerke, Muilenstraat 10

Which person declares that he accepts his appointment.

Eighth resolution
(Reappointment of the Statutory Auditors)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings,

> Having noted the expiry of the term of office as Principal Statutory Auditor of the company Deloitte,
> Having noted the expiry of the term of office as Alternate Statutory Auditor of the company BEAS,

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, 2024:

- Deloitte, as Principal Statutory Auditor
- BEAS, as Alternate Statutory Auditor

Which persons declare that they accept their appointments.

Ninth resolution
(Powers to carry out formalities)

The Shareholders' Meeting grants all powers to the bearer of a copy or extract of the minutes of this Combined Shareholders' Meeting to carry out all publications and formalities required by law and regulations.

Extraordinary resolutions

First resolution
(Amendment to the bylaws relating to the age limit of the Chief Executive Officer and the Chief Operating Officer(s)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the Board of Directors' report, resolves to amend the relevant article of the bylaws to raise the age limit for the Chief Executive Officer or Chief Operating Officer(s) to 70.

Article 14 of the bylaws

"Article 14 of the bylaws of the Federation - Powers of the Board of Directors

Board of Directors shall have full powers to administer the Federation in order to achieve its objects. Any functions that are not specially reserved for the Shareholders' Meeting by law and in the bylaws shall be within its jurisdiction.

The Board of Directors may grant any general or special delegation of powers to a Chief Executive Officer that it appoints or to one or more of its members, or to any other person including a person outside the Federation with, if necessary, the possibility of substitution.

On the recommendation of the Chief Executive Officer, the Board may also appoint one or more Chief Operating Officers. No one may be appointed or remain a member of executive management if he or she has reached the age of 70. His or her appointment shall expire at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the past year, held after his or her seventieth birthday.
[the rest is unchanged]"

Second resolution
(Amendment to the General Operating Regulations)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, having heard the Board of Directors' report, and having deliberated on it, notes that the proposed amendments to the bylaws concern:

- The removal of references to the Caisse Fédérale, since the GOR are intended for the local banks;
- The removal of the reference to the application for shares in return for a loan (request of the cooperative auditor);
- The incorporation of paperless voting;
- The removal of obsolete words, such as "arrangement";
- Clarification of the notion of session chairman;
- Adaptation to the financial rules;
- Adaptation of compliance and commitments to current Group audit engagements.

Consequently, the Shareholders' Meeting resolves to adopt, article by article, and then as a whole, all of the proposed amendments to the bylaws.

Third resolution
(Powers to carry out formalities)

The Shareholders' Meeting grants all powers to the bearer of a copy or extract of the minutes of this Combined 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- France

Limited Cooperative Credit Company with variable capital

Combined Shareholders' Meeting of April 24, 2019

Draft resolutions

Ordinary resolutions

First resolution
(Approval of the 2018 parent company financial statements)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, 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, 2018 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
(Special report of the Statutory Auditors on regulated agreements and commitments referred to in Articles. L. 225-38 et seq. of the French Commercial Code)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, takes note of the special report drawn up by the Statutory Auditors on the agreements and commitments referred to in Articles L. 225-38 *et seq.* of the French Commercial Code).

Third resolution
(Appropriation of earnings for the year ended December 31, 2018)

On the recommendation of the Board of Directors, the Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, resolves to allocate the profit of €239,841,428.04 for the year ended December 31, 2018 as follows:

- Statutory reserve: €4,030,338.93
- Ordinary reserves: €235,811,089.11

Fourth resolution
(Changes in the share capital)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings notes that the share capital, which was €334,347,600 at the end of 2017, stood at €352,877,400 at December 31, 2018.

Fifth resolution
(Vote on the components of remuneration policy for the Chief Executive Officer)

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 2018.

Sixth resolution
(Vote on the components of the remuneration policy for the Chief Operating Officer)

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 2018.

Seventh resolution
(Vote on the components of the remuneration policy for the Chairman of the Board of Directors)

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 2018.

Eighth resolution
(Vote on the principles and criteria for determining the components of remuneration of the Chief Executive Officer, the Chief Operating Officer and the Chairman of the Board of Directors)

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 by virtue of their appointments to:

- The Chief Executive Officer;
- The Chief Operating Officer;
- The Chairman of the Board of Directors.

Ninth resolution
(Advisory vote on the total amount of remuneration of all kinds paid during 2018 to the effective managers and to certain categories of staff)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having examined the Corporate Governance Report, issues a favorable opinion on the total amount of remuneration of all kinds, which stands at €4,065,727 paid during the past year to 57 employees, namely the effective 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
(Vote on the maximum amount of compensatory allowances for time spent allocated to the members of the Board of Directors)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings resolves, on the recommendation of the Remuneration Committee, to set the maximum amount of annual compensatory allowances for time spent, to be allocated to members of the Board of Directors, at €120,000 for 2019.

This budget may be used in whole or in part, as approved by the Board of Directors

Eleventh resolution
(Cooperative auditor's report)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings and having deliberated on it, takes note of the report drawn up by the cooperative auditor, in accordance with Article 25 of the bylaws of Caisse Fédérale du Crédit Mutuel Nord Europe.

Twelfth resolution
(Reappointment of six directors)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, notes the expiry of the directorships of Christine DEBOUBERT, Vania FOSSAERT, Catherine LAMBLIN-MESSIEN, Nathalie POLVECHE, Fabienne RIGAUT and Jacques VANBREMEERSCH.

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, 2021:

- Christine DEBOUBERT;
- Vania FOSSAERT;
- Catherine LAMBLIN-MESSIEN;
- Nathalie POLVECHE;
- Fabienne RIGAUT;
- Jacques VANBREMEERSCH.

Which persons declare that they accept their appointments.

Thirteenth resolution
(Appointment of a director)

On the recommendation of the Appointments Committee, the Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, also resolves to appoint as a Director for a period of three years, i.e. until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2021:

- Luc WYNANT,
  residing at B-1770 Liedekerke, Muilenstraat 10

Lequel déclare accepter sa fonction.Which person declares that he accepts his appointment.

Fourteenth resolution
(Powers to carry out formalities)

The Shareholders' Meeting grants all powers to the bearer of a copy or extract of the minutes of this Combined Shareholders' Meeting to carry out all publications and formalities required by law and regulations.

Extraordinary resolutions

First resolution
(Amendment to the bylaws relating to the age limit of the Chief Executive Officer and the Chief Operating Officer(s)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the Board of Directors' report, resolves to amend the relevant article of the bylaws to raise the age limit of the Chief Executive Officer or Chief Operating Officer(s) to 70.

Article 18-2 of the amended bylaws is redrafted as follows:

"18-2 – Executive management of the company
1 - Composition of executive management

Executive Management shall consist of a Chief Executive Officer and one or more Chief Operating Officers. They shall be natural persons.

The Chief Executive Officer shall be appointed and dismissed by the Board of Directors. On the recommendation of the Chief Executive Officer, the Board of Directors shall appoint and dismiss the Chief Operating Officer(s).

No one may be appointed or remain a member of Executive Management if he or she has reached the age of 70.

His or her appointment shall expire at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the past year held after his or her seventieth birthday.
[the rest is unchanged]"

Second resolution
(Powers to carry out formalities)

The Extraordinary Shareholders' Meeting grants all powers to the bearer of an original, a copy or an extract of the minutes of this Combined Shareholders' Meeting to complete all publication, filing and other formalities required as a result of the amendments made.

Cross-reference table

Cross-reference table	Pages
Source of financial information contained in the registration document that is not extracted from the company's audited financial statements	/
Date of the most recent audited financial information	31/12/18
Interim financial information	/
• Half-yearly financial information	/
• Interim financial information covering the first six months of the fiscal year, including comparative financial statements, and a review report	/
Legal and arbitration proceedings	/
Material changes in the company's financial position	/
Information about the company	
Persons responsible	
Person responsible for the Registration Document	270
Statement by the person responsible	270
History and development of the company	
Legal and commercial name of the company	271
Place of incorporation and registration number of the company	271
Date of incorporation and length of life of the company	271
Registered office and legal form of the company, legislation under which it operates and its country of incorporation	
Address and telephone number of its registered office	280-281
Recent events particular to the company relevant to the evaluation of its solvency	/
Material contracts	**/**
Third-party information and statements by experts and declarations of any interest	**/**
Documents on display	**/**

Contact details of Group Companies in 2018

Banking

France network

Caisse Fédérale du Crédit Mutuel Nord Europe (CFCMNE)
4 Place Richebé - 59000 Lille (France)
Tel: +33 (0)3 20 78 38 38
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 Bruxelles (Belgium)
Tel: +32 (0)26 26 51 51

- Chairman of the Board of Directors: André HALIPRÉ
- Chairman of the Management Committee: Éric CHARPENTIER

Beobank NV/SA
Boulevard G[al] Jacques, 263 G - 1050 Bruxelles (Belgium)
Tel: +32 (0)26 26 51 51
Website: www.beobank.be

- Chairman of the Board of Directors: Éric CHARPENTIER
- Chairman of the Management Committee: Guy SCHELLINCK

Corporate network

Bail Actéa
4 Place Richebé - 59000 Lille (France)
Tel: +33 (0)3 28 02 57 05
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 (France)
Tel: +33 (0)3 28 02 56 26

- Chairman of the Board of Directors: Christian NOBILI
- Chief Executive Officer: Bernard DUFERMONT
- Chief Operating Officer: Jean-Charles DHAUSSY

Nord Europe PARTENARIAT
4 Place Richebé - 59000 Lille (France)
Tel: +33 (0)2 28 02 56 83

- Chairman of the Board of Directors: Christian NOBILI
- Chief Executive Officer: Philippe AMOURIAUX

Asset Management

Groupe La Française

128 Boulevard Raspail - 75006 Paris (France)
Tel: +33 (0)1 73 00 73 00
Website: www.la-francaise.com

- Chairman of the Supervisory Board: **Éric CHARPENTIER**
- Chairman of the Executive Board: **Xavier LÉPINE**
- Chief Executive Officer: **Patrick RIVIÈRE**

La Française Asset-Management

128 Boulevard Raspail - 75006 Paris (France)
Tel: +33 (0)1 43 12 01 00
Website: www.la-francaise.com

- Chairman of the Supervisory Board: **Xavier LEPINE**
- Chairman of the Executive Board: **Patrick RIVIÈRE**
- Chief Executive Officers: **Jean-Luc HIVERT** and **Laurent JACQUIER-LAFORGE**

La Française Real Estate Managers

128 Boulevard Raspail - 75006 Paris (France)
Tel: +33 (0)1 73 00 73 00
Website: www.la-francaise.com

- Chairman of the Supervisory Board: **Xavier LEPINE**
- Chairman of the Executive Board: **Marc BERTRAND**
- Chief Executive Officers: **Marc-Olivier PENIN** and **Éric ALLARD**

La Française AM International

60 Grand-Rue - L-1660 Luxembourg
Tel: +352 (0)24 83 221

- Chairman of the Supervisory Board: **Patrick RIVIÈRE**
- Chairman of the Executive Board: **Philippe LECOMPTE**

La Française AM Finance Services

128 Boulevard Raspail - 75006 Paris (France)
Tel: +33 (0)1 73 00 73 00
Website: www.la-francaise.com

- Chairman of the Supervisory Board: **Patrick RIVIÈRE**
- Chairman of the Executive Board: **Philippe LECOMTE**
- Chief Executive Officers: **Thierry SEVOUMIANS** and **Thierry GORTZOUNIAN**

La Française Investment Solutions

128 Boulevard Raspail - 75006 Paris (France)
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 (France)
Tel: +33 (0)1 73 00 73 00
Website: www.newalpha.com

- Chairman: **Patrick RIVIÈRE**
- Chief Executive Officers: **Lior DERHY** and **Antoine ROLLAND**

La Française Global Investments

128 Boulevard Raspail - 75006 Paris (France)
Tel: +33 (0)1 73 00 73 00
Website: www.lafrancaise-gis.com

- Chairman of the Supervisory Board: **Pierre LASSERRE**
- Chairman of the Executive Board: **Arnaud SARFATI**
- Chief Operating Officer: **Christophe LESIEUR**

Inflection Point By La Française

78 Brook Street - London W1K5EF (United Kingdom)
Website: www.la-francaise.com

Veritas Portfolio GmbH KG

Mainbuilding
Taunusanlage 18 -60325 Frankfurt am Main (Germany)

Crédit Mutuel
Nord Europe

4 Place Richebé - 59000 Lille - France
Tél. : +33 (0)3 20 78 37 51
www.cmne.fr