2018

REGISTRATION DOCUMENT

including the annual financial report

Building the future in a changing world

CONTENTS

(1) *For additional information about the Management Report, please refer to point 2 «Management Report» of the cross-reference table on pages 392 and following*

Building the future in a changing world

2018 REGISTRATION DOCUMENT

including the annual financial report

A leading bank both in France and abroad,
CIC promotes a universal banking model that combines businesses covering all areas of finance and insurance, financial solidity and a long-term growth strategy.

A technologically advanced bank within reach of its customers,
CIC listens to its customers to provide products and services best tailored to their needs
Flexible tools and adaptable products and services combined with the proximity of the networks allow CIC to offer the responsiveness that customers expect, regardless of their location.

Through its commitment to the economy and society, and with a strong corporate governance system, CIC acts as a responsible bank in a rapidly changing world.

High entrepreneurial standards with operations built around five areas of activity:

RETAIL BANKING,
CORPORATE BANKING,
CAPITAL MARKETS,
PRIVATE BANKING,
PRIVATE EQUITY.

This registration document was filed with the *Autorité des marchés financiers* (AMF – French Financial Markets Authority) on June 11, 2019, pursuant to Article 212-13 of the AMF's General Regulations. It may be used in support of a financial transaction if it is accompanied by a memorandum approved by the AMF. This document was prepared by the issuer and is binding on its signatories.

CHAIRMAN'S STATEMENT

Nicolas Théry

CIC wants to be at the forefront of change. New business lines are emerging while others are being transformed or reassessed.

Innovation and a multiservice strategy to support entrepreneurs

The digital revolution continues. The digitalization of the economy, sustained competitive pressure, the low interest rate environment and new regulations have helped change work habits, business lines and modes of consumption. New business lines are emerging while others are being transformed or reassessed with the main goal of satisfying the needs of more than five million customers (+ 1.9%[1]).

In this constantly changing economic and technological environment, CIC, driven by the dynamics of *Crédit Mutuel Alliance Fédérale* and by its capacity to innovate and anticipate, continues to transform its model successfully. At the end of the fiscal year, it posted a net profit of €1,395 million, up 8% and a CET1 solvency ratio of 13.0%, which reflect both strengthened profitability and financial structure. Its net banking income was stable at €5,021 million and progressed in all activities, with the exception of capital markets, heavily penalized in 2018 by a turbulent environment.

In terms of activity, the results attest to a strong commercial dynamic and the vitality of a network of almost 2,000 branches complemented by a digital offer adapted to needs and at the cutting edge of innovation. Accounting deposits grew by 5.5%, total outstanding customer loans by 10.0%. The long anticipated diversification strategy is also reflected in significant growth in all sectors. The insurance portfolio increased 5.5%, like the service activities, whether it concerns online banking (+10.8%), telephony (+6.1% of contracts), theft protection (+3.9% of contracts), electronic payment terminals (+3.3%)... It's also thanks to these attributes that CIC, the bank for people with an entrepreneurial spirit, continues to support one out of every three companies in France, bringing them solutions to most closely meet their world of needs by combining the tools of online banking with face-to-face relationships.

CIC owes these results to its employees' constant involvement in the company's business plan. The importance given to training (6% of payroll) coupled with the adoption by employees of new tools and their desire to make them known to customers are all factors contributing to the success of the transformation.

Anticipating changes in the modern world, placing technology at the service of humans, continuing the same search for efficient and development, CIC has all the attributes to achieve the ambitions set by the *ensemble#nouveaumonde* strategic plan launched at the end of 2018. This plan is based on a +3% increase in the NBI per year and an increase of one-third of the net profit of Crédit Mutuel Alliance Fédérale in 5 years.

Nicolas Théry

CIC, the bank for people with an entrepreneurial spirit, supports one out of every three businesses in France by combining the tools of online banking with the proximity of 2,000 CIC branches.

(1) Banking network.

CIC'S PROFILE

2018

CIC, a holding and retail banking network in the Paris region, brings together 5 regional banks and specialized subsidiaries in all the finance and insurance business lines, in France and internationally.

5,138,230 customers*

4,138,450
INDIVIDUALS

119,693
ASSOCIATIONS

741,741
PROFESSIONALS

138,346
BUSINESSES

19,926
EMPLOYEES**

1,911
BRANCHES IN FRANCE

4
FOREIGN BRANCHES

34
REPRESENTATION OFFICES

17
PRIVATE BANKING LOCATIONS ABROAD

Figures as of December 31, 2018.

* *Banking network.*

** *Full-time equivalent.*

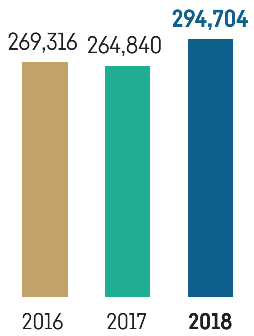
KEY CONSOLIDATED FIGURES

CAPITAL IN MILLIONS OF EUROS

	2018	2017	2016
Net banking income	**5,021**	4,991	4,985
Operating income	**1,664**	1,685	1,729
Net profit/(loss) attributable to the group	**1,385**	1,275	1,352
Cost/income ratio[1]	**63.1%**	62.2%	61.6%

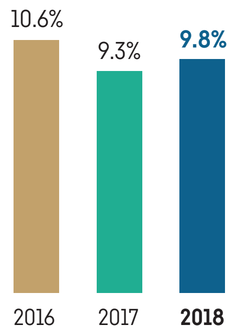
(1) Overheads as a percentage of net banking income.

TOTAL ASSETS

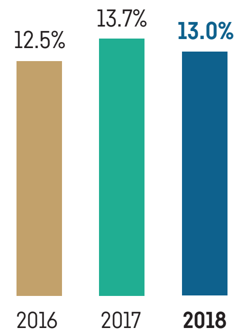


SHAREHOLDERS' EQUITY (incl. non-controlling interests)

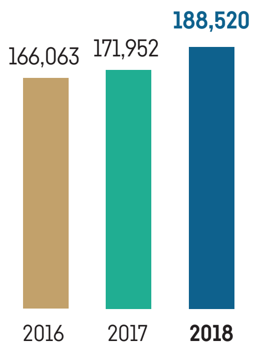
RETURN ON EQUITY[1]



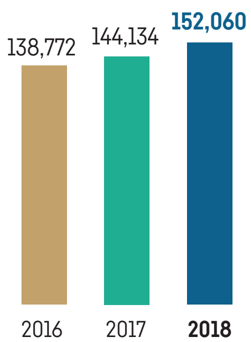
SOLVENCY RATIO COMMON EQUITY TIER 1 - BASEL 3[2]



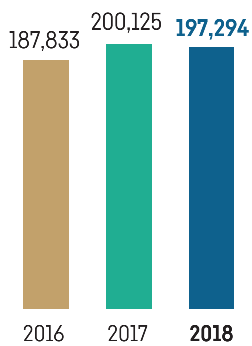
CUSTOMERS LOANS



CUSTOMER DEPOSITS



SAVINGS MANAGED AND HELD IN CUSTODY[3]



LIFE INSURANCE[4]

(1) Net income attributable to the company as a percentage of opening equity less dividends paid.
(2) 2017 and 2018: Excluding net income.
(3) Managed savings (life insurance, employee savings plans and UCITS) and customers' securities in custody allocated to operational activities.
(4) Amounts outstanding at the end of the month.

2018 SIMPLIFIED ORGANIZATION CHART

CIC

- HOLDING COMPANY AND HEAD OF THE BANK NETWORK
- REGIONAL BANK IN ILE-DE-FRANCE
- INVESTMENTS, FINANCING AND CAPITAL MARKETS

BANKING NETWORK

Banking network

- 100% CIC Nord Ouest
- 100% CIC Ouest
- 100% CIC Sud Ouest
- 100% CIC Est
- 100% CIC Lyonnaise de Banque

SPECIALIZED BUSINESSES BY BUSINESS LINE

Private Banking

- 100% Banque Transatlantique
- 100% Banque CIC Suisse
- 100% Banque de Luxembourg

Private Equity

- 100% CM-CIC Investissement

Specialized business lines

- 23.5% CM-CIC Asset Management
- 99.9% CM-CIC Épargne Salariale
- 100% CM-CIC Bail
- 54.1% CM-CIC Lease
- 95.5% CM-CIC Factor
- 100% CM-CIC Aidexport

Insurance

- 18.5% Groupe des Assurances du Crédit Mutuel

SHARED-SERVICE COMPANIES

- 12.5% Euro Information
- No capital GIE CM-CIC Titres
- No capital GIE Centre de Conseil et de Services - CCS

The percentages indicate how much is controlled by CIC within the meaning of Article L.233-3 of the French Commercial Code.
Companies not controlled by CIC (less than 50%) are also held by Crédit Mutuel. They are therefore controlled within the meaning of the same article by the Crédit Mutuel Group.

CIC CONSISTS OF:

- **CIC** (*Crédit Industrial et Commercial*), the holding and head-of-network bank, which is also a regional bank in Île-de-France, which carries out investment, financing and market activities for all of *Crédit Mutuel Alliance Fédérale*;
- **5 regional banks**, each which conduct business within a fixed geographic area;
- **institutions specialized by business line** and **shared-service companies** in the group.

CRÉDIT MUTUEL'S INTERESTS BY BUSINESS LINE:

SPECIALIZED BUSINESS LINES

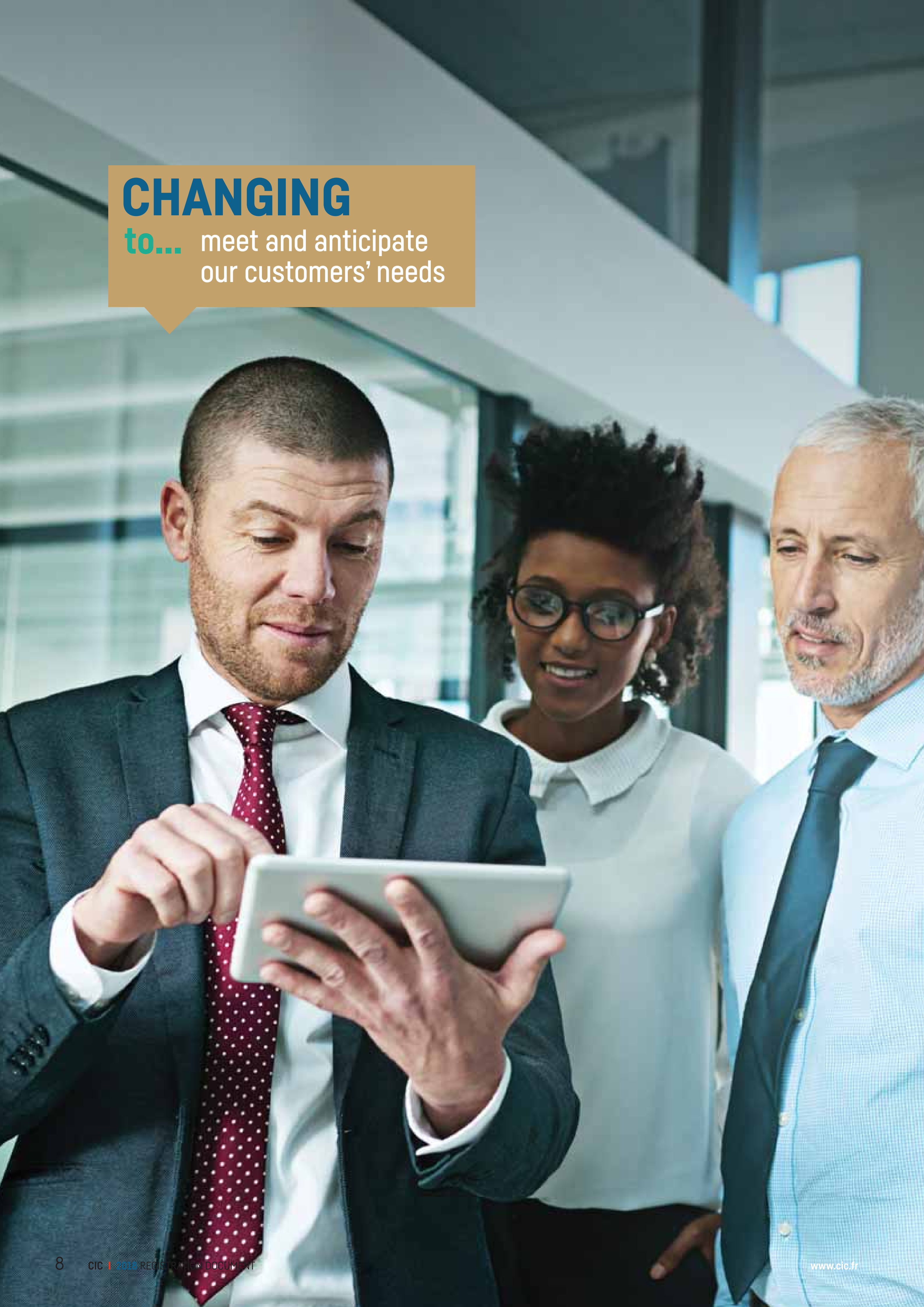
- CM-CIC Asset Management: **76.5%**
- CM-CIC Lease: **45.9%**
- CM-CIC Factor: **4.5%**

INSURANCE

- Groupe des Assurances du Crédit Mutuel: **81.5%**

SHARED-SERVICE COMPANIES

- Euro Information : **87.5%**



CHANGING

to... meet and anticipate our customers' needs

1

PRESENTATION OF CIC

1.1 BUSINESS LINES

1.1.1 Retail banking[1]

Retail banking continued to grow in 2018. With a Net Banking Income (NBI) of €3,650 million, general operating expenses of €2,328 million and a cost of risk of €182 million, profit before tax from retail banking stood at €1,339 million.

Retail banking Key figures *(in € millions)*	2018	2017	2018/2017 Variation
Net banking income	**3,650**	**3,588**	**1.7%**
General operating expenses	-2,328	-2,296	1.4%
Gross operating income	**1,322**	**1,292**	**2.3%**
Cost of risk	-182	-189	-3.7%
Profit/(loss) before tax	**1,339**	**1,231**	**8.8%**
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**908**	**861**	**5.5%**

As CIC's core business, retail banking broadened its growth during the course of 2018 and today has 5,138,230 customers. The number of customers in the banking network comprised of 1,911 branches, increased by 96,109 (+1.9%)

Commitments by the network grew by 6.2% thanks to a production of more than €34.7 billion, rising by 1.7%. Production of investment credits in particular increased by 14.9%, consumer credit by 6.0%.

Customer savings finished up by 3.5% thanks to passbook accounts (+7.6%), mortgage savings (+4.9%), employee savings (+8.2%) and creditor accounts (+11.7%).

Life insurance outstandings rose by +2.1%; unit-linked life insurance by +5.2%.

E-banking business services were strong:

- +4.1% for the stock of cards, of which +7.8% was for high-value-added cards intended for individuals;
- +3.5% for the 143,842 active merchant payment terminals;
- +6.8% for cash flow from credit card payments at merchants and businesses.

In property insurance, the total number of contracts grew by 7.5%, of which 7.2% was for auto insurance and 6.5% for home insurance. The number of mobile telephony contracts reached 498,714 (+6.1%).

1.1.1.1 The network's markets

CIC's retail banking distinguishes between the following customer segments: individuals, professionals, agriculture, Non-profit organizations and businesses.

1.1.1.1.1 Market for individuals

A core activity at CIC, the market for individuals meets the demands of non-professional natural persons. They are offered a range of products and services in terms of checking and savings, and funding solutions through extension of credit.

2018/KEY FIGURES

4.1M CUSTOMERS
€61.3B IN COMMITMENTS
€88.5B IN TOTAL SAVINGS

New Customers

At the end of 2018, the market for individuals counted 4,138,450 customers, or an increase of 63,675 customers over the year (+1.6%). The fastest pace of growth was among 18-25 year-olds (+4.9%). The share of acquisition within customer families is significant: nearly 32% of new relationships are achieved with 0-17 year-olds.

Savings

Overall balances stood at €34.1 billion at the end of 2018. It rose by more than €1.4 billion over the fiscal year (+4.4%). Passbook account balances increased by 7.2%, to €21.9 billion, led by Passbook A and ordinary passbook accounts, whose balances increased respectively by 8.9% and 9.2%. Outstandings of mortgage savings agreements continued to grow with an inflow of €133.9 million in 2018, which was, nevertheless, a slowdown compared to recent years. The outflow of term deposit accounts slowed (-€289 million compared to -€950 million in 2017). Demand deposits continued to rise to nearly €1.5 billion.

Financial savings deposits reached €9.4 billion at balance sheet date. Life insurance outstandings grew moderately, reaching €29.3 billion (+1.5%). The proportion of unit-linked policies (UL) in production was maintained at 32.6%, supported by the success of service offerings, like discretionary management mandates and UL packages.

Loans

Outstanding home loans grew by 4.1% to €52.9 billion. The increase has relied on the growth in conventional loans, which were up by 3.7%; the *prêts Epargne logement* plans saw a downturn in 2018 (-30.3%). The overall amount of refinanced home loans greatly decreased (-67.2%): 2018 returned to a more stable situation than past years. The total amount of early repayments of home loans in the market for individuals was significantly lower than that of 2017 (€3.8 billion compared to €5.6 billion at the end of 2017). Consumer and revolving credit reached €4.4 billion and rose by 3.9% (+€165 million). This increase was mainly driven by outstanding credit in reserve, which grew by 6.5% (+€139 million), reaching €2.3 billion at balance sheet date.

(1) Outstanding amounts are average aggregate amounts and outstanding savings are non-capitalized.

Service contracts and online banking

At the end of 2018, the stock of personal contracts amounted to 1,514,847 contracts, or an increase of 4.7% as compared to the previous fiscal year. It grew faster than the supply of customers (+1.6%) The *Contrat Personnel Global* still represents more than half of the contracts in 2018. The *Contrats Jeunes Parcours J* showed strong growth at 8.1%, bringing their total to nearly 300,000 at the end of 2018. Growth in online banking subscriptions continued: 74.7% of individual customers have access, representing 11.8% growth in stock.

A multichannel and innovative network

New services, new offerings

- From the Customer Area on the website www.cic.fr:
  - Availability of budget management and aggregating accounts
  - Management of bank cards (also available on the mobile app)
  - Possibility of making instant transfers: money is transferred instantaneously between accounts at any time (also available on the mobile app)
- Contactless payment with *Paylib*, a solution accessible from an Android smartphone using the mobile app *Lyf Pay*
- Promotion of the high-security payment card thanks to the dynamic cryptogram and hourly change of security code (launched in November 2017)
- Launch of a green mobility offer with e-bike rentals, and an option to buy.

Branches:

1,911 branches at the end of 2018 to serve customers.

Online banking:

2.7 million subscribers all markets combined.

More than 528 million connections, of which more than half were through apps for smartphones or tablets.

Credit cards:

2,553,093 credit cards held by individuals at the end of 2018, an increase of 3.7% (+90,194 units), mainly driven by high-end cards +7.8% and youth cards +8.2%.

Generalization of contactless payment: more than 3/4 of cards have this feature activated.

Mobile telephony:

498,714 subscribers to the mobile telephony offer, all markets combined, up 6.1% with a prevalence for non-binding offers.

1.1.1.1.2 Market for professionals

The market for professionals offers to professionals (liberal professions, artisans, merchants, etc.) a complete range of solutions to meet their needs in terms of financing, account management and savings. It also offers solutions for executives and employees with regard to employee savings, provident schemes and health plans.

2018/KEY FIGURES

NEARLY 700,000 CUSTOMERS
€36.1B IN COMMITMENTS
€29.6B IN TOTAL SAVINGS

Commercial success driven by a dedicated sales team

In order to respond in an appropriate manner to the needs of various market segments, CIC has 2,329 account managers specialized in the management of professional customers.

In 2018, CIC acquired 66,720 new customers by relying on targeted and suitable commercial operations. The number of professional customers thus stands at 697,398, up by 2.9%

Loans

In 2018, the economic situation allowed entrepreneurs to invest in the tools of work. Consequently, CIC recorded a strong increase in its financing to professionals and an acceleration in the growth of outstandings (+7.2% in 2018, compared to +4.5% between 2016 and 2017). In 2018, this net growth of outstandings was driven in particular by funding earmarked for professional customers, which reached €8,076 million.

The production of investment loans increased by nearly 12%, reaching €3,784.6 million; equipment leasing was also up by more than 10% to €545 million.

Recourse to loans for operating purposes was sustained in 2018, with average aggregate equity standing at €661 million.

Home loans disbursed to professionals represented 23.2% of CIC network's total production of home loans. €3,370.9 million were thus disbursed to professionals.

In 2018, activity in support of business creators generated 5,832 loans benefiting from a Bpifrance guarantee as part of the creation mechanism.

Savings

Here again, the economic situation made it possible to record increases in savings deposits.

Overall deposits grew strongly in 2018 (+7.6%) and reached €29.6 billion. This growth was mainly driven by the increase in demand deposits of 15.6% (+€1.9 billion). Life insurance assets and custody accounts increased respectively by 3.4% (+€165.9 million) and 2.3% (+€57.4 million). Bank savings remained relatively stable at nearly €7 billion. Regarding employee savings, the number of contracts stood at 30,496 at the end of 2018, identical to the stock at the end of 2017.

Furthermore, professionals contributed up to €5,022.9 million (or 13.9%) to the total life insurance assets. 2,697 individual health insurance policies and 18,927 provident scheme contracts were subscribed in 2018, bringing the number of these contracts respectively to 14,899 (+2%) and 90,458 (+7.9%) at balance sheet date. Furthermore, 6,127 new collective health insurance and provident scheme policies were subscribed over the course of 2018.

Retention

The marketing of products and services was active during the fiscal year. 22,299 new online banking contracts were signed, bringing the stock to 345,663 contracts (upswing in stock by 6.9%) 12,657 new professional contracts were subscribed, to reach a stock of 231,936 contracts at balance sheet date (increase in stock by 5.8%)

At the level of the banking network, electronic money movements increased by 6.8%, under the dual effect of active terminals (+3.3%) and the number of transactions conducted (+11.7%)

Communication and partnerships

In 2018, CIC continued its efforts in communication and development of partnerships intended for enterprises.

A radio campaign supported the marketing activity that was rolled out for all professionals. This campaign, in particular, emphasized CIC's support for young talents, on the occasion of Worldskills France 2018, which took place in Caen in November.

As part of its support for the creation of enterprises, CIC partnered with the Union des Auto-Entrepreneurs (Union of Self-Employed Entrepreneurs) and worked alongside them at various trade shows (Paris, Lyon, Nantes, Marseille). CIC is, furthermore, a partner with the Moovje, which it supports with its mentorship activity.

Moreover, CIC participated in several events related to professional clientele (trade shows, conferences, partnerships, etc.).

Lastly, agreements with the retail network (franchises and business partners) continued in 2018.

1.1.1.1.3 The Agricultural Market

CIC responded to the specific needs of grain farmers, stock farmers and winemakers, by providing dedicated offers and products adapted to better meet the needs of their trades and their specific risks.

2018/KEY FIGURES

NEARLY 42,000 CUSTOMERS
€2.9B IN COMMITMENTS
€1.9B IN TOTAL SAVINGS

2018 was a year of consolidation, after an excellent 2017 and a 2016 that was significantly impacted by severe weather.

CIC continued to invest in Human Resources in this segment. On December 31, 2018, the group had some one hundred account managers specialized in the management of agricultural clientele.

With a dedicated offer, CIC captured more than 3,335 new customers in 2018, bringing the number of customers to 41,851, an increase of 3.5%. Savings deposits and commitments also continued to grow, with respective increases of 10.6% and 6.7% over 12 months. Savings deposits thus reached €1.9 billion at the end of 2018 and commitments €2.9 billion.

Two offers, CICAGRI (equipment financing on-site at equipment dealers) and CIC-APPRO (financing the purchase of supplies directly at farm suppliers), implemented with partner organizations (dealers and agro-suppliers), saw continued growth. CICAGRI's production increased by 74%, reaching nearly €30 million. In 2018, the progressive implementation of a dedicated trade center for CIC-APPRO made it possible to secure relationships with partners.

1.1.1.1.4 Market for Non-profit organizations

CIC offers a range of services dedicated to associations, foundations, advisory boards and Non-profit organizations (Non-profits), and adapted to their needs, regardless of their size. CIC also helps customers that wish to financially support associations whose corporate purpose is focused on helping and supporting people in difficulty.

2018/KEY FIGURES

NEARLY 120,000 CUSTOMERS
€914M IN COMMITMENTS

Driven by a dynamic to penetrate the market, notably through developing relations with unions and co-owners, activity in the Non-profit market was sustained. The number of customers in this segment grew overall by 6%, approaching the threshold of 120,000 customers.

In volume of funds managed, 2018 was very positive. Overall savings deposits reached €8.6 billion, rising by 4.7%. Outstanding loans rose to €914 million (+0.8%), with significant growth in the volume of investment loans and lease financing.

With a supportive approach in daily management of these customers, the stock of online banking service contracts realized strong growth of 12.3%.

CIC, a major economic player, also supports its customers who wish to financially help groups whose corporate purpose is to bring aid and support to people in difficulty. The passbook savings account, the *Livret d'Épargne pour les Autres*, continued to see growth in terms of deposits in 2018.

1.1.1.1.5 Market for businesses[1]

Historically, CIC is a partner to businesses. Relying on the strength of Crédit Mutuel Alliance Fédérale, a leading French bank in the ECB's 2018 stress test, CIC provides solutions built specifically around their realm of needs. The online banking offer to businesses allows them, for example, to simplify their administrative processes. Dedicated account managers are central to CIC's penetration and customer retention in this market. Their expertise, innovative abilities and quality monitoring attract more and more businesses to join CIC's network.

2018/KEY FIGURES

MORE THAN 134,000 CUSTOMERS
€41.4B IN COMMITMENTS
€38.1B IN TOTAL SAVINGS

In 2018, economic conditions remained good. Liquidity was very abundant. The level of business cash flow was assessed accordingly. Momentum was strong for cash flows and related commissions, as well as for financing.

The business market benefited from these conditions, but also from strong commercial momentum fueled by having the means and tools in place. 11,781 new businesses joined CIC in 2018, an increase of 3%. Resources grew by 1.7%, bringing outstandings to €38,139 million. Commitments reached a record outstanding amount of €41,403 million, appreciating by 9.1%.

(1) Excluding local collectivities and financial institutions.

The year was also marked by the launch of new offers and innovations that are closely linked to the needs and expectations of business customers.

The range of loans was enriched by *Prêts Transition*: the *Prêt Transition Énergétique*, the *Prêt Transition Numérique* and the *Prêt Transition Numérique*. With this new range of loans, CIC affirms its commitment to support its customers in their transformation to a higher performing, more digital and more responsible economic model.

The year was also marked by the successful launch of a telephony offer for businesses. With this offer, customers have the choice between different existing operators, from which they can pick and choose based on their needs and effective coverage, in France or internationally. This new offer is part of the Mobile Universe linking a company's vehicle fleet financing, telephony for mobile workers, business credit cards and mobile electronic payment terminals to collect receipts remotely. 2018 also saw the evolution of the mobile program, Monético Mobile, with the mobile payment terminal Monético Mobile Plus, which can be connected to a smartphone and transact completely secure payments with mobility. At the end of the year, CIC launched instant payment, a new means of SEPA (account to account) payment, making it possible to transfer money instantaneously (within a maximum of 10 seconds).

Within the rational of support adapted to individual business profiles, in June 2018, CIC rolled out a start-up sector with some forty specialized corporate customer relationship managers located throughout the territory. CIC's commitment to the esport sector was firmly established with the first edition of the CIC Esport Business Awards at the end of October 2018. The three award-winning start-ups in the world of esport received their prizes during Paris Games Week.

Finally, since December 19, 2018, CIC's network benefited from an agreement signed between Crédit Mutuel Alliance Fédérale and the European Investment Bank. This novel partnership aims at accelerating funding for businesses in the innovation sector within EU member nations. The operation makes it possible to catalyze private funding for enterprises, of a total amount between 5 million and €50 million over a minimum period of 4 years, but not to exceed 12 years, with favorable financial terms.

1.1.1.2 Support services for retail banking

CIC's retail banking network relies on a combination of business lines (insurance, collective management, employee savings, financing and management of customer receivables, equipment leasing and real estate loans), which allows it to offer complete services to different customer segments.

1.1.1.2.1 Insurance[1]

2018 KEY FIGURES

Revenue (in € millions)	GACM	2018/2017 Variation	Of which CIC	2018/2017 Variation
Property Insurance	2,117	7.0%	438	9.8%
Personal Insurance	3,044	5.4%	751	6.6%
Life Insurance	6,783	8.6%	2,556	11.5%
TOTAL REVENUE – INSURANCE	**11,944**	**7.5%**	**3,745**	**10.3%**
Number of contracts *(in thousands of contracts)*				
Property Insurance	12,330	4.5%	3,063	7.4%
Of which auto insurance	3,045	4.1%	610	7.2%
Of which home insurance	2,736	4.7%	695	6.5%
Personal Insurance	14,595	3.2%	3,855	3.2%
Of which individual provident scheme (excluding banking prov.)	2,790	2.5%	719	2.9%
Of which credit protection	6,782	3.6%	1,523	3.6%
Life Insurance	3,970	1.2%	921	1.8%
TOTAL NUMBER OF CONTRACTS	**30,895**	**3.5%**	**7,838**	**4.6%**

CIC markets all of the insurance product lines designed and managed by the Groupe des Assurances du Crédit Mutuel (GACM), in which it has an 18.5% stake. The proposed offerings meet the insurance needs for property and private individuals, professionals and businesses and also present solutions for life insurance.

GACM's life insurance revenue in 2018 amounted to €11,944 million, including €3,745 million realized within CIC's network. On January 1st, 2018, the GACM integrated the insurance holding company of Crédit Mutuel Nord Europe, the absorption operation having been approved by the competent supervisory authorities, particularly by the ACPR, in a decision published in the *Journal Officiel* of June 27, 2018. The pro forma growth in revenue of 7.5% is the result of an increase supported by premium income in savings and a significant rise in all the risk insurance portfolios.

The number of contracts in the portfolio, 30.9 million on December 31, 2018, represents pro forma growth of 3.5%. CIC's network, with 7.8 million contracts, registered an increase of 4.6%. This progress is, in particular, the result of excellent production in property insurance, at a level similar to the record year of 2017. In personal insurance, individual supplemental health insurance underwent a product line overhaul, resulting in a notable upturn in business.

The premium income for life insurance also increased substantially, +8.6%, after a down year in 2017. The GACM holds 4.7% of the market in France[2]. Supported by the change in the product mix, the share of unit-linked policies in premium income is stable at 28.4% (28.9% pro forma at the end of December 2017) and similar to the market[2] (28.2%).

Property Insurance

In 2018, auto and home insurance benefited from the enhancement of on-line services such as insurance claims, estimates and, at year's end, home insurance underwriting.

The auto insurance offers continue to perform very well. Sales grew by 1.5% at the level of the GACM and were slightly down (-1.0%) for CIC after very strong growth in 2017. Combined with limited cancellations, the portfolio of contracts continues its sustained growth (+41,000 contracts in 2018 in CIC's network, or +7.2%).

The home insurance sector also posted its highest production. At CIC, the stability of new business volume also occurred after very significant increases in 2017. The number of existing contracts insured by the GACM increased noticeably. More specifically, CIC's portfolio increased by 6.5%.

Furthermore, 2018 was marked by numerous natural disasters (storms, hail, floods, drought, etc.). The GACM incurred more than 80,000 claims for indemnities exceeding €130 million, or €50 million more than over the course of 2017, which itself was already impacted by numerous events, including Hurricane Irma. In 2018, the most significant event was the storm Eleanor, with a cost of €17 million.

Personal Insurance

In personal insurance, the GACM portfolio continued to grow in a sustained manner (+3.2%) and counts nearly 14.6 million contracts at the end of December 2018, including 3.9 million contributed by CIC's network (up by 3.2%).

In April 2018, the GACM rolled out a new offer in individual health insurance comprised of a complete range of supplemental insurance, hospitalization coverage and a product dedicated to prevention and well-being. Simultaneously, a new help tool for sales was made available to the network. It integrates a reimbursement simulator that allows customers to understand with full transparency the level of insurance coverage offered. These improvements energized sales of individual health insurance, which posted growth, excluding hospitalization contracts, of 5.3% at the level of GACM and 4.9% within CIC.

(1) The 2017 figures and the 2018/2017 variations indicated for the GACM are pro forma, following merger-absorption with Nord Europe SA in 2018.
(2) Source: Suivi FFA – Tableau de bord de l'assurance – December 2018. Market share calculated on the level of premium income in 2018.

Regarding individual provident insurance, the marketing advantages from which the personal accident product, Assurances Accidents de la Vie, benefited in 2017 to support growth of the product line and the new sales tool aid, allowed it to reach a new sales record, a level that was sustained in 2018 in CIC's network. Revamping Funeral Insurance offerings in September 2018 was also part of the dynamics.

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

Life Insurance

At the end of 2018, outstandings in life insurance reached €95 billion, an increase of 1.7% pro forma as compared to the end of 2017. Under the combined effect of an increase in gross premium income and a slowdown in surrendered policies, the net premium income stood at €1 billion, a significant increase as compared to the end of December 2017. The strategy of a premium income focus on more unit-linked policies was maintained in 2018, supported by an offer of piloted management, which rounded out the range of financial offerings in September 2018. The share of unit-linked policies in premium income stands at 28.4%, in line with the market. The rate of net return on policies and funds in euros are staggered from 1.40% (*Livret assurance*) to 1.75% (*Plan assurance-vie privilège*), excluding compensation bonus.

Regarding CIC, gross premium income rose to €2.6 billion (+11.5%), of which 30.9% was unit-linked policies. Net premium income was positive, at €284 million.

Insurance for Professionals and Businesses

The market for professionals continues to grow in a sustained fashion, as much in risk insurance as in group health. The multi-risk portfolio for professionals thus grew by nearly 24% in 2018, group health insurance by more than 10%.

In response to the network's strong demand, the insurance offerings for professionals will be strengthened in 2019 with decennial civil liability insurance, which will allow for growth in the Building and Public Works sector.

Online Insurance

Subscribers to Filbanque have access to their insurance policies in a dedicated space on the site, which offers personalized service, in conjunction with branches. Now it is possible, on the Internet (and also through the CIS mobile app), to complete an estimate for auto insurance (estimate with 3 photos), home insurance and an individual provident scheme. Online subscription, by smartphone or Internet, of home insurance policies has been possible since October 2018 and will be expanded to auto insurance in the coming months, as well as the use of electronic signature. Filbanque subscribers may also carry out transfers and arbitration of their life insurance policies. On smartphones, tablets and computers, policyholders also have the possibility of viewing their contracts, coverage, useful numbers and access various functions, like reporting an auto or home insurance claim. In individual health policies, each policyholder can manage his or her health policy from a mobile application, from verifying coverage to sending photo evidence or monitoring reimbursement schedules. Finally, in credit-protection insurance, the e-signature feature allows policyholders to quickly and easily complete the formalities for approval.

Insurance sites are also open to employees of businesses that have underwritten group health or retirement policies.

1.1.1.2.2 Collective Management

CM-CIC Asset Management (CM-CIC AM) is the business center for asset management for Crédit Mutuel Alliance Fédérale and the 4th largest French management company on December 31, 2018[1]. The management company offers a large range of funds and asset management solutions on behalf of third parties, based primarily on a balance between the quest for performance and managing risk. CIC holds a 23.5% stake in CM-CIC AM.

2018/KEY FIGURES

4th LARGEST FRENCH MANAGEMENT COMPANY

NEARLY €59B IN ASSETS UNDER MANAGEMENT

After a promising first semester, CM-CIC AM maintained its position in an uncertain and volatile market in the last quarter and in a context of growth in the sector. Fiscal year 2018 was also marked by several strategic and cross-cutting projects, with the implementation of the MIFID Regulation, which reorganized the roles of producers and distributors of financial income in the service of members and customers. Work on the PACTE law with Assurances du Crédit Mutuel (ACM) and CM-CIC Épargne Salariale also commenced.

On December 31, 2018, CM-CIC AM's assets under management stood at nearly €59 billion, or a 5.09% share of the market among bank branch[1] assets managers. Its revenue amounted to €247.4 million, a slight decrease (-1.9%) as compared to 2017 in the context of a bear market.

Over the fiscal year, despite a positive premium income on Shares of Collective and Diversified Investment Vehicles (+€918 million), managed assets decreased by 6.4% under the primary effect of declining outstandings in money markets. CM-CIC AM's activity made it possible to maintain for the group nearly €185 million of NBI, in line with historical figures, and this notwithstanding a difficult economic and financial environment. These earnings materialized in particular *via* the strong development in UL life insurance packages, arbitration mandates and guided management – the latter having been launched in the last quarter – and in full synergy with the ACMs and all of the group's distributor networks (national and supranational). In particular, internationally, consolidation of the range of funds on the TARGOBANK Allemagne (Germany) network continued and marketing of funds in TARGOBANK Espagne (Spain) branches commenced.

In this context, all of the product line managed by CM-CIC AM held up rather well, and for illustrative purposes:

- equity management reinforced its capabilities in 2018 on valuations such as emerging countries and average values. Aligning with customer expectations, thematic funds such as CM-CIC Global Leaders and CM-CIC Global Innovation were successful;
- organization of diversified management, implemented at the end of last fiscal year bore fruit in 2018, in collaboration with distributor networks, particularly with the UL package Flexigestion launched by ACM outlets;
- the bond team was able to anticipate the pressures of the last quarter and thus enabled holders to benefit from optimal market opportunities (ex: the Union High Yield 2024 fund, launched in November);
- even though the premium income from formula funds was in decline, in line with the overall trend of the market, this foreseen development was compensated by a repositioning of distributor networks across the rest of the proposed range[2].

(1) Source: Six. Network bank categories.
(2) Excluding money market UCITS.

During the period, tenders for a total of nearly €348 million were won. These successes are due to the organization generated by M-CIC AM, which by way of its dedicated team constitutes the unique entry point at the group level for managing tenders in asset management on behalf of third parties, in full synergy with all of Crédit Mutuel Alliance Fédérale's entities.

Development of CM-CIC AM's accounting services for UCITS (Undertakings for Collective Investments in Transferable Securities) activity continued. Nearly 1,200 portfolios added value at the end of 2018 (including 439 portfolios for 85 external management companies) representing total assets under management valued near €80 billion.

Finally, to reinforce its expertise, CM-CIC AM announced at the end of December 2018 an external growth operation aimed at taking over a part of the assets managed by Milleis Investments, a subsidiary of Milleis Banque. This operation, which should be finalized during the first half of 2019, will allow CM-CIC AM to grow its managed assets on UCITS, bond and diversified funds, and to also enrich its offer of what it believes are higher-performing funds with all of the retail, wealth management and private banking markets. This takeover of assets will also allow for the expansion of the scope of CM-CIC AM's know-how available to various entities of Crédit Mutuel Alliance Fédérale, as much in France as abroad, and to various segments of external clientele. Simultaneously, with this operation CM-CIC AM and Milleis Banque should implement a commercial partnership that will make it possible for Milleis Banque customers to have access to a selection from the wealth management and private banking range of funds managed by CM-CIC AM, including, in particular, the funds that were taken over.

In 2018, the quality of CM-CIC AM's management was recognized

Range of diversified funds recognized for the third consecutive year

Le Revenu Golden Trophy
Best range of diversified funds over 3 years[1].

Mieux Vivre Votre Argent Award
Best range of diversified funds over 5 years[2].

Equity and bond funds recognized

Distribution assets[3] for funds:

- CM-CIC Europe Growth;
- CM-CIC Institutional short term (formerly CM-CIC Equivalent Cash).

1.1.1.2.3 Employee Savings

CM-CIC Épargne Salariale, a subsidiary of CIC at 99.9%, is the business center for Crédit Mutuel Alliance Fédérale and CIC, specialized in the holding and management of employee savings accounts. Committed to the values of service and innovation, CM-CIC Épargne Salariale offers solutions to professionals and businesses that are adapted to their environment.

2018/KEY FIGURES

92,498 BUSINESS CUSTOMERS
€8.4B IN COMMITMENTS
1,314,245 EMPLOYEES SAVINGS IN MANAGEMENT

CM-CIC Épargne Salariale has seen an excellent level of activity over 2018. New customer remittances as well premium income from former customers are growing strongly, reaching a new record. After an excellent 2017, the momentum and development was confirmed in 2018:

- premium income grew by 9.7% compared to that of 2017, or €1,342.8 million, an historically high level of premium income;
- sales of policies grew by 1.0%, or 12,883 new policies;
- remittances on new policies represent €265.8 million, an increase of 56.9%.

Despite an outflow that remains high (€919.9 million, or -4.2%), due to profit-taking on the FCPE company investment fund in company shares and the usual transfers of files, the premium income this year is still positive (+€289.1 million, higher by 118.6%).

Total operating revenue stood at €57.5 million, increasing by 1.4%. The overall profitability of activity[4] was €36.1 million. All retrocessions paid to the network amounted to €33.8 million (+9.4%).

The year was particularly busy with training activities and support for networks in the field. Moreover, CM-CIC Épargne Salariale continued its investments in digital (websites, e-learning, robot-advisors, etc.), while maintaining a human and relational dimension with its business customers and investors. It has positioned itself as a major player for its customers and prospects with regard to the opportunities offered by the PACTE law.

Finally, CM-CIC Épargne Salariale helped conclude a partnership between Crédit Mutuel Alliance Fédérale and Edenred for the distribution of a co-branded meal ticket card program, Tickets Restaurant, which, like employee savings, constitutes a motivational and loyalty program for employees.

1.1.1.2.4 Financing and management of customer receivables

As a subsidiary of CIC (95.5% ownership stake), CM-CIC Factor is specialized in the management and financing of customer and vendor trade receivables and payables. It is involved in the short-term financing of businesses and professionals, in France and abroad, with a range of factoring solutions and management of past-due trade debts.

2018/KEY FIGURES

€37.1B OF RECEIVABLES PURCHASED.

In 2018, in a market that remained very dynamic, the volume of receivables processed by CM-CIC Factor posted growth on the order on 9%, relying essentially on the factoring activity.

The growth of outstandings across the segment of small and intermediate-sized enterprise (PME-ETI), fueled by management mandated structured products, contributed to equipping the target clientele brought in by the banking networks. The rise of deconsolidation or international programs also constituted an engine of growth across the segment of large companies or consortiums (GE-GME). In a less pronounced fashion, the growth of outstandings in receivables, particularly for the very small enterprise (TPE) segment, was supported by the ramp up of a dedicated platform, with 7% growth in the number of "Dailly" (selling of receivables) files over the period.

(1) Performance recorded on March 3 , 2018. Source Morningstar. Network Bank Category.
(2) Performances recorded on June 3 , 2018. Source Six. Network Bank Category.
(3) Source Six. Network Bank Category.
(4) Income + commissions paid to the Crédit Mutuel and CIC networks.

Simultaneously, the digital transition initiated by the evolution of offers to dematerialize receivables (e-defact), and online financing (e-mediat) continued with large-scale projects to meet the expectations of customers and respond to market developments. Thus, the recent customer satisfaction[1] survey supports the strategy of investment in new technologies, while keeping the human being as the central focus: 90% of customers questioned expressed satisfaction with the products and services offered.

1.1.1.2.5 Real Estate Leasing

CM-CIC Lease, a subsidiary held at 54.1% by CIC, offers customers of Crédit Mutuel Alliance Fédérale, including CIC (from very small to large companies in all sectors), solutions for financing, in the form of real estate leasing, acquisition or construction of business properties. This method of financing may be considered regardless of the nature of the building or the size of the business.

2018/KEY FIGURES

€5.0B IN TOTAL OUTSTANDINGS
€940M IN FINANCING GRANTED

Total outstandings in real estate leasing continued their growth (+8.8%) and stood at €4,952 million.

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

Through a wide variety of interventions in terms of the nature of buildings, the size of the business or project, covering all of the territory, activity was particularly concentrated, as in 2017, on business premises of all kinds (30% of the production in volume, +8 points) and logistics facilities (22% of the production in volume, a 3 point decline).

The evolution of production over the last years has contributed to gradually balancing the principal outstandings by nature of the building. Therefore, logistical facilities and warehouses represent 21% of the volume of outstandings (identical percentage to that of 2017), commercial properties 25% (+1 point) and industrial buildings 19% (-2 points). The balance of outstandings involves diversified buildings, offices, healthcare facilities and even hotels.

The NII on the interest margin grew by 12% in 2018. The gross financial margin[2] declined by 4% following, in particular, lower exceptional results directly related to the very low number of early contract terminations.

Finders fees and risk commissions paid to the networks rose to €22.4 million, growing by 10.4%. Net profit declined by 12% at €12.7 million.

1.1.1.2.6 Equipment Leasing

Specialized for more than 50 years in the financing of capital equipment and vehicles, CM-CIC Bail, a subsidiary in which CIC holds a 99.2% stake, offers adapted leasing solutions to investment projects by individuals, professionals and companies, in France and internationally. In France, CM-CIC Bail relies on a largely decentralized organization, as close as possible to the networks and its customers, making available cutting-edge technology, thorough appraisals and quality advice. Its bilingual and bi-cultural teams in the Benelux countries, Germany and Spain put their expertise to work for corporate customers thanks to dedicated leasing solutions, and also through framework agreements that meet the needs of the parent company and its subsidiaries.

2018/KEY FIGURES

€8.6B IN OUTSTANDINGS
€4.7B IN OVERALL PRODUCTION
20.3% OF PRODUCTION IN THE INTERNATIONAL MARKET

In a environment that is still very favorable to leasing and with an established trend to favor use of an asset in one's possession CM-CIC Bail continued its development at a very dynamic pace. Overall production was at €4.7 billion, increasing by 13.0% as compared to 2017. In France, production by the Crédit Mutuel and CIC networks alone showed growth of 18.7%, driven by all markets. International activity represented 20.3% of overall activity.

The profitability level remained high thanks to the growth of outstandings, which reached €8.6 billion (+€917 million) and the diversification of offerings and services. Thus, CM-CIC Bail contributed consolidated profit/(loss) before tax in an amount of €20 million, with commissions paid to the networks increasing by 10.8%.

In 2018, CM-CIC Bail expanded its offerings of financing and services across all markets:

- the development of long-term lease financing agreements for company vehicle fleets relied on two operational business lines: first, a dedicated commercial organization and support were put in place; in addition, this offer was integrated into the entire range of products and services offered by the Banque Européenne du Crédit Mutuel (BECM) and CIC's business branches, in order to simplify the daily life of its mobile workforce. A management tool for the vehicle fleet was systematically offered to customers to ensure the smooth and dynamic management of their vehicle fleet;
- commercial offerings intended for financing equipment and industrial vehicles were enhanced, making it possible to propose differentiated and innovative scales, adapted to new financing needs;
- in the context of the *Plan Priorité Client Sociétaire* 2018, CM-CIC Bail participated in the implementation of a new omni-channel customer experience on Cybermut and Filbanque, making it possible to configure, with full autonomy, the vehicle of one's choice and to obtain credit or lease financing, including acquisition of the vehicle at negotiated rates and a range of complementary services. This experience was also available with Crédit Mutuel and CIC's mobile apps;
- to be part of sustainable growth commitments and make the energy transition of the group's customers a success, CM-CIC Bail has specific offers for electrical and hybrid vehicles. CM-CIC Bail also helped with the roll out of electric bikes (e-bikes), integrating insurance and maintenance, in several pilot cities, before a national roll out scheduled for 2019;
- finally, CM-CIC Bail and COFIDIS developed a partnership to offer a complete financing solution for auto dealerships, ranging from credit financing with care and maintenance to comprehensive leasing solutions with or without option to buy.

(1) 2018 Customer's Voice Study.
(2) Sum of NII and exceptional clientele, other products, early exercise of options and administrative fees (refunded to networks in "commissions").

1.1.2 Corporate banking

In 2018, the NBI of corporate banking stood at €369 million and profit before tax was at 269 million. The bank mobilized all its specialized skills and diverse locations in the service of its broad clientele, which it supports over the long term with a complete range of services and a personal touch.

Corporate banking Key figures *(in € millions)*	2018	2017	2018/2017 Variation
Net banking income	**369**	**354**	**4.2%**
General operating expenses	-108	-106	1.9%
Gross operating income	**261**	**248**	**5.2%**
Cost of risk	8	-19	n.a.
Profit/(loss) before taxes	**269**	**229**	**17.5%**
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**202**	**163**	**23.9%**

Source: consolidated financial statements.

1.1.2.1 Large accounts: large companies and investor institutions[1]

Management of large corporates is handled by CIC's directorate in charge of relations with large companies (businesses whose revenue is greater than €500 million) and institutional investors (insurance companies, pension funds, large associations, foundations, etc.). As the entry point and privileged contact for these clients, the directorate also offers solutions adapted to their needs; their care is coordinated with other businesses in the group.

2018/KEY FIGURES

€27B IN COMMITMENTS
€8.2B IN BALANCE SHEET ASSETS

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

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

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

On December 31, 2018, the NBI rose to €145.3 million (+17% compared to the past year), in an environment of negative interest rates. This amount does not include the financial contribution of transactions provided by other entities of the group.

1.1.2.2 Specialized financing[1]

CIC's directorate of specialized financing supports its business customers' projects through three business lines: funding acquisitions, funding projects, funding of assets and securitization. The activity offers support solutions adapted to each type of transaction, in France and internationally.

2018/KEY FIGURES

€12.7B IN COMMITMENTS[2]
NEARLY €2B IN ASSETS UNDER MANAGEMENT FOR CM-CIC PRIVATE DEBT

Despite a still very competitive environment, 2018 was a good year in regards to activity and profits.

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

(1) Numbers from Key Accounts and Specialized Financing business lines include those of foreign branches.
(2) Commitments are divided in two: half of them to CIC Paris and the other half to foreign branches.
Excluding "acquisition funding" housed in the network of CIC and the BECM (about €5 billion additional).

Despite this context, and thanks to good commercial activity by teams and, in a small measure, a positive currency effect, total commitments (€12.7 billion) are up slightly compared to 2017 (€12.1 billion). The NBI (€211 million) and the gross operating income excluding tax credits (€147.5 million) increased and reached historically high levels. The overall cost of risk is negative at €8.7 million of net writebacks, compared to €3.1 million of net provisions in 2017. The cost of risk is negative across the three business lines. The net profit before tax of the business line, by including in terms of the NBI tax credits and the contribution of CM-CIC Private Debt, shows significant improvement over 2017 (€172.8 million as compared to €168.1 million in 2017).

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

1.1.2.2.1 Funding of Acquisitions

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

1.1.2.2.2 Funding Projects

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

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

Production in 2019 boosted the predominate share in the electricity sector, which represented about half of the approvals at the end of 2018. It was followed by infrastructures of up to almost a third, the balance being spread between natural resources and telecom.

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

1.1.2.2.3 Assets and Securitization Financing

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

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

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

The activity of various desks was balanced in 2018 with a production that was geographically well distributed. Optimized financial transactions conducted in Paris once again contributed significantly to the department's profit.

1.1.2.3 International operations

The international realm being one of the engines of growth of its business customers, CIC, through its office of international activities, made a complete range of products available to address the issues of international development.

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

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

2018/KEY FIGURES

1,600 SMALL TO MEDIUM-SIZED ENTREPRISES ASSISTED FOR EXPORT DEVELOPMENT

200 SMALL- TO MEDIUM-SIZED COMPANIES AND CONSORTIUMS SUPPORTED THROUGH CM-CIC AIDEXPORT

In 2018, more than 1600 small to medium-sized businesses benefited from "International Development" standard services and nearly 200 small to medium-sized businesses and consortiums were supported in the context of consulting services by CM-CIC Aidexport, CIC's specialized subsidiary. CIC was involved with nearly 44% of French companies that conduct international business (2018 company estimate). Fiscal year 2018 was marked by the pursuit of the development of buyer credits, documentary operations, issuances of guarantees, for import and export, in a context of high geopolitical risks.

1.1.2.4 Foreign branches and representation Offices around the world

Worldwide, CIC has four commercial branches, and a network of 34 representation offices.

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

2018/KEY FIGURES

4 COMMERCIAL BRANCHES
34 REPRESENTATION OFFICES

London

The London branch has as its primary mission the financing of subsidiaries of French groups in the United Kingdom, specialized financing, business consulting services on how to approach the British market and the group's refinancing. Even if in 2018 the British economy evolved in an uncertain environment marked by weak economic growth, the branch pursued its expansion thanks in particular to cross-selling with many of the group's entities. In 2018, net profit[1] stood at €23 million.

New York

The New York branch delivered good financial and operational performances in 2018, driven by the powerful synergies between many of the group's entities, a dynamic year in the domain of specialized financing, active and prudent management of commitments and good contributions from capital markets. The economic environment remains favorable and liquidity is still plentiful. Refinancing, however, puts pressure on margins. Net profit[1] from the branch in 2018 amounted to €56 million.

Singapore, Hong Kong

After the termination of private banking activity in Singapore and Hong Kong, the corporate and specialized financing business lines fueled the growth of the Asia-Pacific branches. In 2018, the flow of business diversified in a market that remains competitive. The contribution of the French Desk, in charge of relations with the group's customers, bolstered its contribution. In Hong Kong, sales teams pursued the expansion of activity in Northern Asia. The net profit[1] of the Singapore and Hong Kong branches reached 26 million and €2 million, respectively.

1.1.3 Capital markets[2]

In 2018, capital markets realized a NBI of €244 million. The profit before tax was €31 million. CM-CIC Market Solutions, in charge the market's commercial activity, helps expand and improve market offers.

Capital Markets and Cash Flow Key figures *(in € millions)*	2018	2017	2018/2017 Variation
Net banking income	**244**	**383**	**-36.3%**
General operating expenses	-212	-212	0.0%
Gross operating income	**32**	**171**	**-81.3%**
Cost of risk	-1	8	n.a.
Net profit/(loss) before tax	**31**	**179**	**-82.7%**
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**14**	**105**	**-86.7%**

Source: consolidated financial statements.

Market transactions taken on by CIC are exercised in accordance with safe and prudent management norms, as much for its own financing and investment needs as for the clientele. Teams are located primarily in France, but also in the New York, London and Singapore branches.

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

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

The commissions paid by capital markets amounted to €82 million, an increase of 40%, reflecting an excellent business dynamic.

(1) Contribution of CIC's consolidated net profit/(loss).
(2) The group's cash management business is managed by the Banque Fédérative de Crédit Mutuel for all of Crédit Mutuel Alliance Fédérale branches, including CIC. Being a matter of management of the banks' balance sheet, the profits/(losses) are included in those of the group's other activities or, failing that, in that of the holding company. Refer to the registration document of Crédit Mutuel Alliance Fédérale for more information.

1

1.1.3.1 Capital market activities

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

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

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

2018/KEY FIGURES

NEARLY 130 REGISTERED MANAGEMENT COMPANIES
€5.3B IN EMTN CIC OUTSTANDINGS
NEARLY 130 SECURITIES COVERED BY THE OFFICE OF STOCK RESEARCH

2018 was marked by the implementation of MIFID II and the uncertainty in financial markets, which were rising over the fiscal year.

As for Primary Market Solutions, the primary bond team participated in 27 bond issues in 2018. In the context of a complicated market, 2018 was mixed for primary equity activity (one initial public offering and four capital increases). Initiated in 2017, the roll out of the internal commercial mechanism Focus GE-GME continued in 2018.

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

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

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

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

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

1.1.3.2 Rates-Equities-Credit Investments

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

2018/KEY FIGURES

NEARLY €125B IN OVERALL NBI FOR THE INVESTMENT BUSINESS LINE

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

Fiscal year profits/(losses), in France and abroad, held up well overall, but ended a bit below budgetary forecasts and down in comparison to 2017, with the widening credit spreads at year's end reverberating on valuations at the market's cost. Observed over an average of several years, profits were very satisfying. The goal remains to obtain a positive performance by limiting the volatility of financial results from these activities and with this knowledge to focus on business growth by advising the investment strategies of Cigogne Management SA.

The performance of alternative management products, coming from expertise in the investment sector and offered to the clientele, is down, but compares favorably to the competition over the period. The performance of the Stork Alternative Investment Fund, the primary investment support, is thus higher than comparable indexes with low volatility. The overall outstandings marketed by Cigogne Management SA stand at €2.8 billion at the end of the year.

1.1.4 Private banking

In 2018, the commercial performance of private fund management remained well oriented. The consolidated NBI is up by 4.6% at constant perimeter, and profit before tax stands at €186 million.

Private banking Key figures *(in € millions)*	2018	2017	2018/2017 Variation	2017 restated*	2018/2017 Variation restated*
Net Banking Income	**551**	**509**	**8.3%**	**527**	**4.6%**
General operating expenses	-375	-354	5.9%	-365	2.7%
Gross operating income	**176**	**155**	**13.5%**	**162**	**8.6%**
Cost of risk	-16	-5	x 3	-5	x 3
Profit before tax	**186**	**154**	**20.8%**	**161**	**15.5%**
NET PROFIT ATTRIBUTABLE TO THE GROUP	**139**	**141**	**-1.4%**	**143**	**-2.8%**

** Restatement of the Banque de Luxembourg Investments SA entry in consolidated perimeter.*

Source: consolidated financial statements. Data excluding CIC Private Banking included in the figures from retail banking.

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

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

The private banking activity[1] totaled €134 billion in assets under management, €21 billion of loans and nearly 2,000 employees.

1.1.4.1 Private banking in France

1.1.4.1.1 CIC Private Banking

With 384 employees spread out across 50 cities in France, CIC Private Banking works with wealthy estates households and business leaders at those key moments in their business life: opening capital needs, external growth, transfer of family assets. Working with wealth engineers, more than 200 private bankers meet with business owners to identify their needs and determine appropriate entrepreneurial and asset management strategy. All of the group's skills, particularly international, are mobilized to offer the best solutions, specifically adapted to the needs of its customers.

2018/KEY FIGURES

€7.1B IN OUTSTANDING LOANS
€23.7B IN TOTAL SAVINGS

In 2018, the number of transfers of businesses remained high. The skill and synergy measures put in place by CIC Private Banking made it possible to attract a number of these transactions, especially those of significant size. In this context, customer savings deposits reached €23.7 billion at the end of 2018 and the profit/(loss) before tax for CIC Private Banking – integrated for accounting purposes into the profit of CIC's regional banks – stood at €98.1 million, an increase of 3.4% as compared to last year.

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

1.1.4.1.2 Groupe Banque Transatlantique

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

2018/KEY FIGURES

€3.3B IN OUTSTANDING LOANS
€30.9B IN TOTAL SAVINGS

Despite the falling financial markets at the end of the year, the Groupe Banque Transatlantique performed well in 2018, exceeding its budgetary forecasts. In particular, the premium income from capital markets saw very strong growth, reaching €4.4 billion. The consolidated NBI stood at €143.0 million, profit before tax reached €48.7 million and net profit was €30.9 million.

(1) Data on all activity of private banking (CIC Banque Privée, Groupe Banque Transatlantique, Banque de Luxembourg and CIC Suisse).

In France, the three business lines (Wealth Management, French Abroad and Shareholding Manager) contributed to this financial performance. The NBI thus stood at €87.6 million and net profit at €18.7 million, supported in particular by the NBI. The cost of risk recovered by €0.9 million. In 2018, the Banque Transatlantique Paris once again won a significant number of tenders for management of stock-option and free share award plans.

Outside of France, the NBI of Banque Transatlantique Belgium reached €14.8 million for a net profit of €3.9 million, with €2.2 billion of managed assets. Banque Transatlantique Luxembourg realized a NBI of €8.2 million, a net profit of €1 million, for €1.1 billion of managed assets.

The fiscal year 2018 was marked by the merger of the two of Banque Transatlantique's fund management companies, Dubly Douillet Gestion and Transatlantique Gestion. The new group, located in Paris, Lille and Nancy is henceforth called Dubly Transatlantique Gestion. The NBI of the new group reached €31.4 million in 2018 and €10.4 million in net profit.

1.1.4.2 International network

1.1.4.2.1 Banque de Luxembourg[1]

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

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

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

2018/KEY FIGURES

€3.6B IN OUTSTANDING LOANS
€693B IN TOTAL SAVINGS

The year 2018 was significantly marked by the entry into force of MIFID II, with profound implications for investment advice given by the bank and the related fee model. Simultaneously, the bank tackled the challenge of digital transformation of its activity, in order to offer customers a better banking experience, maximize integration of regulatory complexity and make business processes more fluid and efficient. The bank employed more than 900 employees at the end of 2018. It realized net banking income of €265 million (+2.9%) and a net profit of €64 million (+1%). On December 31, 2018, private banking outstandings amounted to €21.5 billion. The activities of professional banking grew over the fiscal year with total assets of €64 billion, or €56.7 billion of net assets for investment funds and €7.3 billion for outstandings in the "external asset manager" activity (account holder – custodian activity).

1.1.4.2.2 Banque CIC Suisse

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

2018/KEY FIGURES

€6.5B IN OUTSTANDING LOANS
€10.0B IN TOTAL SAVINGS

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

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

Thanks to the effectiveness of its strategy and the economic environment, the volume of business[2] increased by 7.8%. The volume of credit transactions[3] also grew by 10.6% as compared to 2017. Operating income grew by 25% and stood at 29.3 million Swiss francs at balance sheet date.

(1) Financial data in LUXGAAP.
(2) Outstandings comprised of customer assets (customer deposits, equity portfolio, fiduciary deposits) and customer loans.
(3) Outstanding customer loans.

1.1.5 Private equity

The leading operator of French investment capital with banking equity, CM-CIC Investissement is a tool of Crédit Mutuel Alliance Fédérale to support enterprise with shareholders' equity. It has a portfolio of €2.5 billion of equity invested in more than 350 investments.

Corporate banking Key figures *(in € millions)*	2018	2017	Variation 2018/2017
Net banking income	**278**	**259**	**7.3%**
General operating expenses	-49	-47	4.3%
Gross operating income	**229**	**212**	**8.0%**
Cost of risk	1	-	n.a.
Profit/(loss) before tax	**230**	**212**	**8.5%**
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**231**	**213**	**8.5%**

Source: consolidated financial statements.

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

CM-CIC Investissement is one of the rare players to articulate a complete integrated range of offerings (risk capital, private equity, transfer of capital, advice in mergers-acquisitions), allowing it to advise and invest long term in corporate capital for a unit amount from 1 to €150 million, or more if necessary.

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

2018/KEY FIGURES

MORE THAN 350 INVESTMENTS
€1.9B IN INVESTMENTS OVER 5 YEARS
€2.5B OF EQUITY INVESTED FOR PROPRIETARY TRADING

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

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

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

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

The principal divestments concerned:

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

On December 31, 2018, this portfolio represented €2.5 billion (of which 109.4 million in innovation equity) with nearly 350 well-diversified investments, including a significant share in private equity (more than 69%). The portfolio's assets generated dividends, vouchers and financial income worth €69.2 million.

In third-party management, CM-CIC Capital Privé, which suspended issuance of Proximity Investment Funds (FIP) and innovation-focused mutual funds (FCPI) since 2015, continued management of existing funds. The assets of funds under management amounted to €156.9 million at the end of 2018, after reimbursement of €46.7 million to their subscribers.

CM-CIC Conseil completed 19 consulting transactions in 2018, which allowed it to complete a record year in commissions.

CM-CIC Investissement and its subsidiaries contributed €231 million to CIC's net consolidated earnings.

1.2 NETWORK CONTACT INFORMATION

1.2.1 Regional banks

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Executive Officer and Effective Manager:
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Deputy Chief Executive Officer and Effective Manager: Philippe Vidal

Deputy Chief Executive Officers:
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Oceania

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KC Lim

1.2.4 Specialized network

France

Private banking

Banque Transatlantique
26, avenue Franklin D. Roosevelt
75008 Paris
Tel.: +33 (0)1 56 88 77 77
www.banquetransatlantique.com
Chairman of the Executive Board:
Bruno Julien-Laferrière
Member of the Executive Board
Hubert Veltz

Private equity

CM-CIC Investissement
28, avenue de l'Opéra
75002 Paris
Tel.: +33 (0)1 53 48 53 10
www.cmcic-investisement.com
Chairman of the Executive Board:
Antoine Jarmak
Members of the Executive Board:
Alain Benisty – Christophe Tournier

Belgium

Private banking

Banque Transatlantique Belgium
Rue De Crayer, 14
1000 Brussels
Tel.: +32 2 626 02 70
Email: btb@banquetransatlantique.be
Contacts: Fabrice de Boissieu
Michel de Villenfagne

Canada

Representation Office

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Canada
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David Eap

Spain

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Mihaï Lezius-Doncel

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Representation Office

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105 | USA
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Xavier Volatier

Representation Office

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Pascal Le Coz

Great Britain

Private banking

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Tel.: (44) 203 618 97 50
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Gwenolé Le Blévennec

Hong Kong

Representation Office

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Email: bthongkong@banquetransatlantique.com
Hervé Guinebert

Luxembourg

Private banking

Banque de Luxembourg
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L 2449 Luxembourg
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Email: banquedeluxembourg@bdl.lu
Chairman:
Philippe Vidal
Deputy Executive:
Pierre Ahlborn

Banque Transatlantique Luxembourg
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Didier Huard - Mériadec Portier

Singapore

Representation Office

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Cédric Figliolini

Switzerland

Private banking

Banque CIC Suisse
11-13 place du Marché
Boîte postale 216
4001 Bâle
Tel.: (41) 61 264 12 00
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29 avenue de Champel
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Christophe Lustenberger

1.3 HISTORY OF CIC

CIC is the oldest depository bank in France. It grew internationally and in France before associating the insurance business with its banking business.

CIC, the oldest French depository bank

1859. La Société Générale de Crédit Industriel et Commercial was created on May 7, by imperial decree of Napoleon III.

1864. CIC participated in a significant way to the capital in creating banks such as the Société Lyonnaise.

1895. Inauguration of the first foreign branch in London.

1896. Le CIC participated in the creation of several banks around the world: Bank of Romania, of Madrid, of New Caledonia, of Reunion of Madagascar,...

1917. The shares of regional subsidiaries appear on CIC's balance sheet.

A policy of equity participation in regional banks

1918-1927. CIC acquires equity shares in regional banks: Banque Dupont, Banque Scalbert, Crédit Havrais, Crédit de l'Ouest,...

1927. Inception of the banking group: Groupe des Banques Affiliées (GBA).

1929. Creation of the Union des Banques Régionales pour le Crédit Industriel (UBR), which grouped 18 regional and local banks around CIC. The same year, CIC founded the Société de Secours Mutuels.

1948-1970. The regional banks are in expansion phase.

1968. The Suez-Union des Mines group takes control of CIC.

1971-1982. The majority of CIC's share capital (72%) is held by the Compagnie Financière de Suez. During this period, the bank opens foreign offices.

From nationalization to privatization

1982. CIC is nationalized, as well as nine regional banks grouped within the Groupe des Banques Affiliées.

1983. CIC is restructured: 51% of the equity of regional banks is henceforth held by the "parent company."

1984. Restructuring continues with the creation of CIC Union Européenne, International et Cie and the Compagnie Financière de CIC.

1985. The insurance company, GAN, gains a 34% equity stake in the Compagnie Financière.

1987. Regional banks are now held 100% by the Compagnie Financière.

1989. GAN's interest grows from 34% to 51%.

1990. Merger of the Compagnie Financière de CIC and of the Banque de l'Union Européenne, giving rise to the Union Européenne de CIC, a bank and holding company of CIC with 100% equity in the regional banks.

1991. The GAN holds 81.92% of the equity in the Union Européenne de CIC.

1993. The GAN holds 92.64% of the equity in the Union Européenne de CIC.

1996. The State decides on privatization of CIC as per an agreed procedure, aborted in December of this same year.

1997. The State resumes the privatization process based on the same principle.

Takeover of CIC by Crédit Mutuel

1998. The government announces that the Banque Fédérative du Crédit Mutuel (holding company of the Fédération du Crédit Mutuel Centre Est Europe) is now the majority shareholder of the Union Européenne de CIC with a 67% equity stake. The GAN maintains a 23% stake and more than 7% is held by employees. Capital grows from 2,864,359,400 francs to 3,500,883,600 francs (€436,668,775 to €533,706,264). Michel Lucas, Chief Executive Officer of the Fédération du Crédit Mutuel Centre Est Europe (CMCEE), becomes Chairman of CIC's Executive Board, and Étienne Pflimlin, Chairman of the CMCEE, Chairman of the Supervisory Board.

1999. The merger of the Union Européenne de CIC (the group's holding company) with CIC Paris (the regional bank in Île-de-France) gives rise to the Crédit Industriel et Commercial (CIC), a new structure and name, both the bank's head of network and a regional bank.

2000. A new organization is launched: established with a single IT system and a joint corporate base, creation of new branches and joint business line centers at the Crédit Mutuel and CIC.

Beginning in 2000. Growth of the group internationally

2001. The Crédit Mutuel buys back GAN's shares (23%).

2004. Culmination of several projects: a single shared IT tool for Crédit Mutuel and CIC, a single CIC brand in Île-de-France, a densified network.

2006-2008. Consolidation of regional banks:

- CIC Banque Scalbert Dupont, CIC Banque CIN and CIC Crédit Fécampois form a new entity: CIC Banque BSD-CIN;
- CIC Banque CIO and CIC Banque BRO form a new entity: CIC Banque CIO-BRO.
- CIC Banque SNVB and CIC Banque CIAL form a new entity: Banque CIC Est.
- CIC Lyonnaise de Banque integrates CIC Bonnasse Lyonnaise de Banque.

2010:

- Banque BSD-CIN changes its legal name to Banque CIC Nord Ouest;
- Banque CIO-BRO changes its corporate name to Banque CIC Ouest;
- Banque Société Bordelaise changes its corporate name to Banque CIC Sud Ouest.

2011. The combined shareholders' meeting changes governance from a *société anonyme* (French limited company) with an Executive Board and Supervisory Board to a classic joint stock company. Michel Lucas becomes Chairman of the Board of Directors and Chief Executive Officer and Alain Fradin becomes Deputy Chief Executive Officer.

2014. On December 11, Nicola Théry is named Chairman of the Board of Directors; Alain Fradin, Chief Executive Officer; Daniel Baal and Philippe Vidal, Deputy Chief Executive Officers.

2015. CM-CIC Capital Finance, subsidiary of CIC, becomes CM-CIC Investissement (corporate finance activities).

2016. The 1st of January, following the merger-absorption of CM-CIC Securities, CIC integrates the business lines under the CM-CIC Market Solutions brand.

2017. On June 6, the Board of Directors approves the simplified public tender offer on CIC's shares by the Banque Fédérative du Crédit Mutuel (BFCM) and Mutuelles Investissement, a company held at 90% by the BFCM and 10% by Assurances du Crédit Mutuel Vie. The tender offer targets all of CIC's outstanding shares not held, directly or indirectly, by the BFCM at a price of €390 per share, or 6.86% of CIC's equity. On July 18, the AMF declares the offer filed on June 8 is in compliance.

The tender offer is open from July 20 to August 2 inclusive. The AMF's notification of the results of the bid is published on August 7, 2017, the squeeze-out procedure and the withdrawal from listing occurred on August 11, 2017.

Furthermore, on June 16, 2017, the Crédit Industriel et Commercial announced the start of exclusive discussions with the Crédit Agricole Indosuez Wealth Management group for the transfer of its private banking activity in Asia (located in Singapore and Hong Kong). After obtaining approval of the group's Works Council in July 2017, and Asian regulators in November 2017, the transaction was finalized on Saturday December 2, 2017.

1

1.4 EQUITY

Share Capital

On December 31, 2018, CIC's share capital stood at €608,439,888 and was comprised of 38,027,493 fully paid up shares at a par value of €16.

The share capital has seen no changes over the last three fiscal years.

Delegations of authority to the Board of Directors: There are no delegations of authority to the Board of Directors currently in use concerning capital increases.

CIC has no non-equity securities.

CIC's articles of association include no stipulation that would delay, defer, impede or prevent a change of control, nor that would impose conditions more stringent than those required by law on changes in share capital.

EVOLUTION OF CAPITAL OVER THE LAST 5 FISCAL YEARS

	2014		2015		2016		2017		2018	
	Number of shares	Amount in euros	Number of shares	Amount in euros	Number of shares	Amount in euros	Number of shares	Amount in euros	Number of shares	Amount *in euros*
Situation on January 1st	38,027,493	606,439,888	38,027,493	606,439,888	38,027,493	606,439,888	38,027,493	606,439,888	38,027,493	606,439,888
Increase in cash										
Of which issue premiums										
TOTAL EQUITY ON DECEMBER 31	**38,027,493**	**606,439,888**	**38,027,493**	**606,439,888**	**38,027,493**	**606,439,888**	**38,027,493**	**606,439,888**	**38,027,493**	**606,439,888**

Share Ownership

On June 6, 2017, the BFCM and the Mutuelles Investissement company made a simplified tender offer on CIC's shares. The proposed price of €390 allowed shareholders to profit from immediate liquidity. During the period of the offer 2,294,043 CIC shares were tendered, or 6.03% of the equity and as many voting rights.

Following the acquisition of shares, the co-initiators, holding 99.17% of CIC's equity, proceeded to implement a mandatory withdrawal. This occurred on August 11, 2017.

CAPITAL ALLOCATION AT THE CLOSE OF THE LAST 3 FISCAL YEARS, IN SHARES AND IN VOTING RIGHTS

	Situation on 12/31/2016				Situation on 12/31/2017				Situation on 12/31/2018			
	Number of shares	%	Voting rights	%	Number of shares	%	Voting rights	%	Number of shares	%	Voting rights	%
Banque Fédérative du Crédit Mutuel	27,657,888	72.73	27,657,888	73.18	35,417,871	93.14	35,417,871	93.71	35,417,871	93.14	35,417,871	93.71
Ventadour Investissement 1	7,759,983	20.41	7,759,983	20.53								
Mutuelles Investissement					2,377,911	6.25	2,377,911	6.29	2,377,911	6.25	2,377,911	6.29
Caisse Centrale du Crédit Mutuel	384,436	1.01	384,436	1.02								
Crédit Mutuel Nord Europe	375,289	0.99	375,289	0.99								
Crédit Mutuel Arkéa (Suravenir)	263,585	0.69	263,585	0.70								
Crédit Mutuel Maine-Anjou, Basse-Normandie	256,186	0.67	256,186	0.68								
Crédit Mutuel Océan	266,292	0.70	266,292	0.70								
Crédit Mutuel du Centre	219,458	0.58	219,458	0.58								
Crédit Mutuel Loire-Atlantique et Centre Ouest	135,329	0.36	135,329	0.36								
Crédit Mutuel Normandie	26,626	0.07	26,626	0.07								
Public, other shareholders	451,365	1.19	451,365	1.19								
Treasury shares (and liquidity agreement)	231,056	0.60		-	231,711	0.61	-	0.00	231,711	0.61	-	0.00
TOTAL	**38,027,493**	**100**	**37,796,437**	**100**	**38,027,493**	**100**	**37,795,782**	**100**	**38,027,493**	**100**	**37,795,782**	**100**

The 231,711 shares held by CIC on December 31, 2018, are non-voting shares, but do not create any significant changes between the allocation of capital and those of voting rights among shareholders such as stated above.

Mention of the natural or legal persons who alone, jointly or in collaboration may exercise control over CIC

At December 31, 2018, BFCM (Banque Fédérative du Crédit Mutuel), a 93% subsidiary of the Caisse Fédérale de Crédit Mutuel, directly held 93.14% of CIC's capital. The company Mutuelles Investissement (a company whose share capital is 90% owned by BFCM and 10% by ACM VIE MUTUELLE, a mutual insurance company with fixed contributions) holds 6.25% of CIC's capital. The 0.61% balance corresponds to the treasury shares held, which have no voting rights.

BFCM's business activity is built around the following divisions:

- holding company of Crédit Mutuel Alliance Fédérale, it owns all the group's subsidiaries in the banking and financial sector, insurance, real estate and technology;
- financial management, cash and refinancing of the group;
- lending services, financial packages, flow management and trading room for large corporate and institutional clients;
- securities retention and custodial activities.

At December 31, 2018, with a total consolidated balance sheet of €667.4 billion, Crédit Mutuel Alliance Fédérale managed and retained €584.5 billion in savings, including €304.3 billion in accounting deposits, €185.1 billion in financial banking savings and €95.1 billion in insurance savings. Its outstanding loans amount to €370.9 billion.

Its shareholders' equity was €43.6 billion and its Common Equity Tier 1 ratio was 16.6% excluding transitional measures.

Regarding methods for preventing any abusive control, it should be noted that all transactions between BFCM and CIC are concluded at market conditions.

The Chairman of CIC's Board of Directors is also the Chairman of BFCM's Board of Directors, and CIC's CEO is also BFCM's CEO.

BFCM has a seat on CIC's Board of Directors that to date includes 5 directors appointed by the General Shareholders' Meeting and 2 directors elected by the employees.

1.5 DIVIDENDS AND NON-VOTING LOAN STOCK

Dividends and distribution policy

	2014	2015	2016	2017	2018
Number of shares	38,027,493	38,027,493	38,027,493	38,027,493	38,027,493
Net dividends of shares *(in euros)*	8	8.5	9	25	26.3
TOTAL DISTRIBUTED *(in millions of euros)*	**304**	**323**	**342**	**951**	**1,000**
Consolidated net profit/(loss) attributable to the group *(in millions of euros)*	1,116	1,111	1,352	1,275	1,385
Distribution rate	27%	29%	25%	75%	72%

The share capital is divided into 38,027,493 shares, including 231,711 treasury shares. The dividend allocated to treasury shares is recognized directly under «retained earnings».

Non-voting loan stock

The non-voting loan stock issued in 1985 by Compagnie Financière de Crédit Industriel et Commercial, which has since become Crédit Industriel et Commercial, entitles holders to an annual coupon made up of fixed and variable components.

This coupon, payable on May 28 of each year, cannot be less than 85% or more than 130% of the average (TAM + TMO)/2.

- The fixed-rate bond index (TMO) is the arithmetic mean of the monthly average yields on the settlement dates for subscriptions of government-guaranteed bonds and equivalents. It is established by France's national Institute of statistics and Economic studies (INSEE) for the period from April 1 to March 31 prior to each maturity date.
- The annual monetary reference rate (TAM) is the compound yield that would be earned on a monthly investment reinvested at the end of each month at the average monthly money market rate during the 12 months up to but not including March.

Since January 1, 1999, this rate has been calculated by compounding the Eonia (Euro overnight Index Average) instead of the average monthly money market rate.

The fixed component of the coupon is 40% of the annual monetary reference rate (TAM), as defined above. The variable component is 43% of this same annual monetary reference rate (TAM), multiplied by the «participation ratio» (PR).

The participation ratio used to calculate the variable component of the coupon due in May 2018 – 2018 PR – is equal to:

$$2018\text{ PR} \times \frac{\text{2018 income as defined in the issue contract}}{\text{2017 income as defined in the issue contract}}$$

The contract stipulates that consolidated earnings are adjusted for changes in shareholders' equity, CIC's scope of consolidation and consolidation methods.

CIC's adjusted net profit for 2018, as determined by applying identical accounting procedures and consolidation methods at constant scope, amounted to €1,366,729 thousands compared to €1,322,756 thousands for 2017.

The 2018 PR is therefore equal to:

$$2018\text{ PR} \times \frac{\text{1,366,729 thousands of euros}}{\text{1,322,756 thousands of euros}}$$

or 17.655 x 1.03324 = 18.242

Compensation

The compensation calculated from the income shown above, including both the fixed and variable components, came to -3.033%, which is lower than the floor provided for in the issue contract.

Accordingly, under the terms of the issue contract, the compensation paid to holders of non-voting loan stock in May 2019 will be 85% of (TAM +TMO)/2.

The rate will be 0.237% on the basis of a TAM of -0.3679% and an average TMO of 0.9250%. This means that the gross coupon due in May 2019 will amount to €0.36 per share with a par value of €152.45.

COMPENSATION PAID SINCE 2015 (YEAR OF PAYMENT)

	PR	TAM %	TMO %	Rate used %	Gross coupon paid
2015	16.457	0.0414	1.4900	0.651	€0.99
2016	16.373	-0.1612	1.0875	0.394	€0.60
2017	18.751	-0.3476	0.7975	0.191	€0.29
2018	17.655	-0.3614	1.0058	0.274	€0.42
2019	18.242	-0.3679	0.9250	0.237	€0.36

NON-VOTING LOAN STOCK PRICE MOVEMENTS SINCE 2014

	+ high €	+ low €	last euro price
2014	148	140	147.45
2015	154.90	143.50	154.50
2016	149	119.65	119.65
2017	141	106.20	129.75
2018	152.07	95.26	96.00

Since October 18, 1999, CIC's 1,000 franc nominal value non-voting loan stock was converted to securities with €152.45 nominal value.

1.6 STATUTORY AUDITORS' REPORT ON THE INTEREST DUE ON NON-VOTING LOAN STOCK

Fiscal year ended December 31, 2018

Shareholders' Meeting of May 10, 2019

To the holders of non-voting loan stock,

In our capacity as statutory auditors of Crédit Industriel et Commercial - CIC, and pursuant to the duties set forth in Article L. 228-37 of the French Commercial Code, we present below our report on the data used to determine the interest due on non-voting loan stock for 2018.

On April 18, 2019, we prepared our reports on the annual financial statements and the consolidated financial statements for the year ended December 31, 2018.

The data used to calculate the interest due on non-voting loan stock was determined by the company's management. It is our responsibility to comment on its conformity with the issue contract and its consistency with CIC's consolidated financial statements.

The data used in the calculations, as disclosed to us, provided for at the time of the issue of non-voting loan stock in May 1985, is as follows:

The annual interest is determined as follows and includes:

- a component equal to 40% of the annual monetary reference rate or «TAM»; and
- a component equal to 43% of the TAM multiplied by a participation ratio (PR) which, for the interest due on May 28, 2019, is as follows:

$$2019\ \text{PR} = 2018\ \text{PR} \times \frac{\text{Adjusted consolidated net income for 2018}}{\text{Adjusted consolidated net income for 2017}}$$

The issue contract sets a cap and a floor on interest payments, as follows:

- floor: 85% x (TAM + fixed-rate bond index or «TMO»)/2;
- cap: 130% x (TAM + TMO)/2.

The contract further stipulates that the participation ratio (PR) corresponding to the ratio between the 2017 and the 2018 consolidated earnings will be adjusted to take into account changes in equity, group structure or consolidation methods between the two years.

Since 2005, CIC has published its financial statements under IFRS. In accordance with the resolution submitted for your approval, the calculation of interest was based on net profit attributable to the group for 2017 and 2018, as determined by applying the same accounting procedures and consolidation methods based on comparable group structure and comparable equity, giving a participation ratio (PR) of 18.242 for 2017 versus 17.655 for 2018.

The interest rate obtained by applying the above formula comes to -3.033% before application of the floor and cap rates, which are 0.24% and 0.36% respectively.

Therefore, in accordance with the provisions of the issue contract, the gross interest paid in 2019 in respect of 2018 will amount to €0.36 per stock unit.

We carried out the work we considered necessary in view of the professional standards of the French statutory auditors' association (Compagnie nationale des commissaires aux comptes) related to this assignment. These standards require that we carry out the necessary procedures to verify the conformity and consistency of the data used to calculate the interest due on non-voting loan stock with the issue contract and the audited annual and consolidated financial statements.

We have no matters to report concerning the conformity and consistency of the data used to calculate the interest due on non-voting loan stock.

Paris La Défense and Neuilly-sur-Seine, April 18, 2019

The Statutory Auditors

KPMG S.A.	PricewaterhouseCoopers Audit	ERNST & YOUNG et Autres
Arnaud Bourdeille	Jacques Levi	Hassan Baaj

COMMITTING

to...

promoting a common entrepreneurial spirit

2

CORPORATE GOVERNANCE

2.1 CORPORATE GOVERNANCE REPORT

2.1.1 Composition of management bodies as of December 31, 2018

Board of Directors

Nicolas Théry, Chairman

Éric Charpentier

Banque Fédérative du Crédit Mutuel,
represented by Catherine Allonas-Barthe

Jean-François Jouffray

Catherine Millet

Ségolène Denavit,
Director, representing employees

William Paillet,
Director, representing employees

Non-voting directors

Luc Chambaud

Guy Cormier

Gérard Cormorèche

Damien Lievens

Lucien Miara

Works Council representative

Gérard Fubiani

Executive Management

Daniel Baal,
Chief Executive Officer and Effective Manager

Philippe Vidal,
Deputy Chief Executive Officer and Effective Manager

René Dangel,
Deputy Chief Executive Officer

Claude Koestner,
Deputy Chief Executive Officer

Statutory auditors

ERNST & YOUNG et Autres

KPMG S.A

Pricewaterhouse Coopers et Autres

2.1.2 Conditions of preparation and organization of the Board

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

This report gives an account of the composition of the Board and the application of the principle of balanced representation of women and men within it, the conditions of preparation and organization of its work, and any limitations that the Board of Directors may make to the powers of the Chief Executive Officer.

CIC complies with the corporate governance regulations applicable to credit institutions. However, it does not refer to the Afep-Medef Code, which is not suited to its situation for a certain number of recommendations given the structure of its shareholding (100% owned by Crédit Mutuel group entities, of which 93.14% Banque Fédérative Crédit Mutuel and 6.25% Mutuelles Investissement, with the remaining 0.61% being treasury shares).

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

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

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

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

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

This corporate governance report explains how CIC has implemented these guidelines.

2.1.3 Preparation and organization of the work of the Board

2.1.3.1 Composition of the Board

Rules of operation of the Board of Directors

The functioning of the Board of Directors is governed by Articles 10 to 16 of the Articles of Association.

Composition of the Board of Directors

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

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

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

Age limit

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

Cumulative validity with an employment contract

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

Application of the principle of balanced representation of women and men on the Board of Directors

The Copé-Zimmermann Act (law 2011-103 of January 27, 2011, as amended in 2014 and in force as of January 1, 2017) is applicable to CIC. If the Board of Directors is composed of eight members or fewer, the difference between the numbers of directors of each gender may not be greater than two[1]. At CIC, appointments have caused the Board to consist of two male directors and three female directors.

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

Director skills and training

CIC attaches great importance to the skills of its directors. A special module for the training of directors has been put in place under the impetus of the Interfederal Committee for the Training of Elected Officials to consolidate the knowledge and skills of CIC voting and non-voting directors with regard to the regulatory skills required since the transposition into French law of the CRD4 Directive.

Conflicts of interest concerning the administrative, management and supervisory bodies

To date, there has been no mention of potential conflicts of interest for the members of the Board of Directors and the Chief Executive Officer with respect to CIC. The code of conduct applicable to CIC aims to prevent and, if necessary, manage conflict of interest situations.

2.1.3.2 Work of the Board in 2018

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

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

In 2018, the Board of Directors met three times. The meeting attendance rate ranged from 50% to 71% (61% on average).

Meeting of February 21, 2018

The Board meeting of February 21, 2018 was devoted mainly to the examination and approval of the financial statements and to the preparation of the ordinary and extraordinary general meetings held on May 4. After it heard the report of the Group auditing and accounting committee of February 16, 2018, the Board reviewed the 2017 financial statements, heard the conclusions of the statutory auditors and reviewed control and monitoring activities. It reviewed action items and approved the limits and thresholds for risk management. The Board took note of the opinions of the works council regarding the strategic orientations, economic and financial position and social policy of the company. It authorized the issue of bonds or equivalent or similar securities. It took note of the reports of the regulatory committees and of the presentation of the annual internal control report and points of contact with supervisors. During that meeting, the risk appetite framework was approved, along with the set of rules relating to the group's market and central treasury activities. The Board approved the corporate governance report and the collective evaluation of the Board. A delegation was formalized for the Group Auditing and Accounting Commitee to examine the supplemental report on the annual financial statements prepared by the statutory auditors. The Board reviewed and authorized the continuation of the regulated agreements.

Meeting of July 26, 2018

On July 26, the Board of Directors approved CIC's consolidated financial statements for the first half of 2018, after reviewing the opinion of the Group auditing and accounting committee of July 25 and hearing input from the statutory auditors. The Board reviewed the activity of the past six months and updated the asset/liability management limits. The Board approved Crédit Mutuel Alliance Federal's market activity and central treasury rules. It authorized the increase in the ceiling for CIC bond issues from €5 billion to €6 billion and the increase in the ceiling for the Crédit Mutuel-CIC Home Loan SFH secured bond issue. The Board authorized the proposed opening of two branches in Sydney and Brussels. The risk appetite framework, ICAAP report and ILAAP procedures were approved. An update was given on relationships with supervisors. The Board took note of the reports of the regulatory committees and decided to grant an additional incentive corresponding to 1.6653% of payroll in addition to the rate calculated in the incentive agreement signed on June 19, 2015.

(1) Determination of this difference shall not include employee directors.

Meeting of November 16, 2018

At its meeting on November 16, 2018, the Board of Directors reviewed the third quarter 2018 situation and the budget. The Board reviewed the reports of the Group auditing and accounting committee and the Group risk monitoring committee. The proposal to upgrade CIC's activity license in Dubai was approved. The interest rate risk limits at the end of September were approved. An exemption was granted to Factofrance for the declaration of prudential requirements. An update was given on relationships with supervisors. The Board approved an issue of US commercial paper by the New York branch for US$20 billion. A commitment policy for fragile or vulnerable customers was adopted. In addition, rewarding Pierre Eckly's retirement, the Board appointed Michel Guillemin as Group Inspector General for Crédit Mutuel Alliance Fédérale and approved the procedure for appointing inspectors general in CIC regional banks.

2.1.3.3 Executive Management

Composition and prerogatives

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

Composition of Executive Management

CIC's executive management is comprised of:

- Daniel Baal, Chief Executive Officer and Effective Manager;
- Philippe Vidal, Deputy Chief Executive Officer and Effective Manager;
- René Dangel, Deputy Chief Executive Officer;
- Claude Koestner, Deputy Chief Executive Officer.

Prerogatives of Executive Management

The Board meetings of December 11, 2014 and May 24, 2017 did not limit the powers of the two Effective Managers as defined by law and the articles of association and internal rules.

2.1.3.4 Membership in the regulatory committees of Crédit Mutuel Alliance Fédérale

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

All of the Board of Directors of those Crédit Mutuel Alliance Fédérale subsidiaries delegate their appointment and compensation powers to the "umbrella" committees of Caisse Fédérale de Crédit Mutuel. The delegations of the Board of Directors took effect starting January 1, 2018.

The Board of Directors of Caisse Fédérale de Crédit Mutuel also set up a Group risk monitoring committee and a Group auditing and accounting committee. All of these committees form the regulatory committees of Caisse Fédérale de Crédit Mutuel, which must make proposals to the Board of Directors or Supervisory Board of Crédit Mutuel Alliance Fédérale institutions in their areas of expertise.

The "umbrella" committees report on their work:

- for the Group risk monitoring committee and a Group auditing and accounting committee, to the Board of Directors of Caisse Fédérale de Crédit Mutuel and the Crédit Mutuel Alliance Fédérale federations;
- for the Appointment Committee and the Compensation Committee, and for the information that concerns them, to the Board of Directors of Caisse Fédérale, the Board of Directors of the federations or the Board of Directors of the subsidiaries.

As a result, on November 17, 2017, CIC's Board of Directors approved the membership of Caisse Fédérale de Crédit Mutuel and, more generally, all regulatory committees of Crédit Mutuel Alliance Fédérale on the appointments committee and the compensation committee.

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

2.1.3.5 Ethics

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

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

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

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

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

Persons possessing inside information are regularly reminded of their obligations.

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

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

2.1.5 Principles for determining the compensation granted to corporate officers

2.1.5.1 Guiding principles

Non-executive corporate officers, i.e., all directors other than the Chairman of the Board of Directors, are subject to the provisions of the charter governing the exercise of office of members of the Board of Caisse Fédérale de Crédit Mutuel.

2.1.5.2 Implementation

The officers concerned are the Chairman of the Board and the Chief Executive Officer officer.

The employment contract between the Chairman of the Board of Directors and Banque Fédérative du Crédit Mutuel has been suspended since November 14, 2014 and contract between it and the Chief Executive Officer has been suspended since June 1, 2017.

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

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

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

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

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

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

Group executives also benefited from Credit Mutuel Alliance Fédérale retirement savings plans and supplementary pension plan during the fiscal year.

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

The compensation plan referred to above and the termination indemnities for corporate officers expire on June 1, 2019.

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

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

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

2018 *Amounts in euros (a)*	Origin	Fixed portion	Variable portion (b)	Benefits in kind (c)	Social reintegrations	Total
Nicolas Théry	Crédit Mutuel	475,510		11,531	11,649	498,690
	CIC	250,000			1,189	251,189
Daniel Baal	Crédit Mutuel	709,506		3,881	9,262	722,649

2017 *Amounts in euros (a)*	Origin	Fixed portion	Variable portion (b)	Benefits in kind (c)	Social reintegrations	Total
Nicolas Théry	Crédit Mutuel	475,510		11,393	11,298	498,201
	CIC	250,000			1,059	251,059
Alain Fradin BFCM until 05/31/2017 Caisse Fédérale de Crédit Mutuel	Crédit Mutuel	1,133,333*		2,113	3,678	1,139,124
from 06/01/2017 to 06/30/2018	Crédit Mutuel	250,268**		423	736	251,427
Daniel Baal Caisse Fédérale de Crédit Mutuel until 05/31/2017	Crédit Mutuel	523,595***		1,617	3,678	528,890
BFCM starting 06/01/2017	Crédit Mutuel	413,878		2,264	2,264	421,291

2016 *Amounts in euros (a)*	Origin	Fixed portion	Variable portion (b)	Benefits in kind (c)	Social reintegrations	Total
Nicolas Théry	Crédit Mutuel	450,000		11,226	6,406	467,632
	CIC	250,000				250,000
Alain Fradin	Crédit Mutuel	800,000		5,072	8,688	813,760

(a) These re gross amounts corresponding to amounts paid during the year.

(b) Any variable portion paid to the Chief Executive Officer would be decided by the compensation committee of Caisse Fédérale de Crédit Mutuel following the shareholders' meeting that approves the financial statements for the previous financial year for which it was paid. The variable portion paid in N would therefore be for Year N-1.

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

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

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

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

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

Board of Directors

Nicolas Théry

Born December 22, 1965

Business address:

Crédit Industriel et Commercial 6 avenue de Provence – 75009 Paris (France)

	Start of term	End of term
Chairman of CIC's Board of Directors	2014	2019
Other offices		
Chairman of the Board of Directors		
Confédération Nationale du Crédit Mutuel	2016	2024
Caisse Centrale du Crédit Mutuel	2016	2024
Caisse Fédérale de Crédit Mutuel	2014	2019
Fédération du Crédit Mutuel Centre Est Europe	2016	2020
Banque Fédérative du Crédit Mutuel	2014	2020
Banque CIC Est	2012	2019
Banque CIC Nord Ouest	2017	2021
Assurances du Crédit Mutuel Vie SA	2014	2023
Assurances du Crédit Mutuel Vie SAM	2014	2023
Assurances du Crédit Mutuel IARD	2014	2023
Chairman of the Supervisory Board		
Banque Européenne du Crédit Mutuel	2014	2019
Groupe des Assurances du Crédit Mutuel	2016	2021
Member of the Management Board (representing Fédération du Crédit Mutuel Centre Est Europe)		
Euro Information	2017	2020
Member of the Board of Directors		
Caisse de Crédit Mutuel Strasbourg Vosges	2014	2019
Director (representing Groupe des Assurances du Crédit Mutuel)		
ACM GIE	2015	2021

	Start of term	End of term
Offices held over the past five years		
Member of the Management Board		
Euro Information	2014	2017
Chief Executive Officer		
Banque CIC Est	2012	2016
Chairman of the Executive Board		
Groupe des Assurances du Crédit Mutuel	2015	2016
Member of the Board of Directors		
TARGOBANK Spain	2011	2016
Banque Publique d'investissement	2013	2014
Permanent representative of BECM, director		
Fédération du Crédit Mutuel Centre Est Europe	2013	2016
Deputy Chief Executive Officer		
Caisse Fédérale de Crédit Mutuel	2011	2014
Banque Fédérative du Crédit Mutuel	2011	2014
Groupe des Assurances du Crédit Mutuel	2011	2014
Member of the Board of Directors		
Banque Publique d'Investissement	2013	2014
Permanent representative of GACM, Director of ACM IARD SA	2013	2014
Member of the Supervisory Board		
COFIDIS	2011	2015
COFIDIS Participations	2011	2015

Catherine Allonas Barthe

Born January 18, 1955

Business address:

ACM 42, rue des Mathurins – 75008 Paris (France)

	Start of term	End of term
Director	2017	2023
Other offices		
Chief Executive Officer		
Assurances du Crédit Mutuel Vie SAM, a mutual insurance company	2006	TBD
Chief Operating Officer		
Assurances du Crédit Mutuel Vie SA	2015	TBD
Chairman		
Foncière Massena SA	2015	2021
Mutuelles Investissement	2017	TBD
Member of the Executive Board – Deputy Chief Executive Officer		
Groupe des Assurances du Crédit Mutuel	2015	2021
Crédit Industriel et Commercial	2017	2023
Director (representing ACM VIE SAM)		
GIE ACM	2013	2019
Director (representing ACM VIE SA)		
Sérénis Assurances SA	2014	2020
Covivio SA	2015	2021
Valinvest Gestion	2008	2022
Director (representing ADEPI SA)		
CM-CIC Asset Management	2014	2019
Director (representing Groupe des Assurances du Crédit Mutuel SA)		
GACM Spain SA	2015	TBD

	Start of term	End of term
Offices held over the past five years		
Member of the Board of Directors		
Crédit Industriel et Commercial	2011	2017
Permanent representative		
ACM Vie SAM on the Board of Directors of Foncière de Paris	2014	2015
Pargestion 2 (director of CM-CIC Asset Management)	2013	2014
ACM Vie SAM (member of the Supervisory Board of CM-CIC Asset Management)	2006	2013

Banque Fédérative du Crédit Mutuel

Registered office:

4 rue Frédéric Guillaume Raiffeisen - 67000 Strasbourg

	Start of term	End of term
Director	2011	2023
Other offices		
Chairman		
CM-CIC Immobilier	2012	2020
Bischenberg	2004	2022
Sofedis	2016	2020
Member of the Board of Directors		
ASTREE	2017	2020
Assurances du Crédit Mutuel Vie SAM	2015	2021
Assurances du Crédit Mutuel Vie SA	2017	2023
Assurances du Crédit Mutuel Iard SA	2017	2023
Paysurf	2018	2024
Banque marocaine du commerce extérieur	2008	2020
Banque de Tunisie	2009	2021
Batigère	1996	2021
Caisse de Refinancement de l'Habitat	2007	2019
CM-CIC Epargne Salariale	2008	2020
CM-CIC SCPI Gestion	1990	2020
Crédit Mutuel-CIC Home Loan SFH (formerly CM-CIC Covered Bonds)	2007	2019
Critel	1989	2020
Fédération du Crédit Mutuel Centre Est Europe	1992	Unlimited
Groupe Sofemo	1986	2020
SAEM Mirabelle TV	2009	2020
SAEM Locusem	2010	2023
SEM Caeb - Bischheim	1997	NC
SAEML Caléo - Guebwiller	2005	NC
SEM pour la promotion de la ZAC Forbach sud	1989	NC
SEM Semibi Biesheim	1984	NC
Sibar	1999	NC
Société fermière de la maison de l'Alsace à Paris	1977	NC
Member of the Supervisory Board		
GACM	2018	2021
Quadral SAS	2015	NC
SAEM Mulhouse Expo	2005	NC
Soderec - société d'études et de réalisation pour les équipements collectifs	1978	2020
Sepamail	2012	NC
STET	2004	NC
Member of the Management Board		
Euro Information	2002	2020
Euro Protection Surveillance	2002	2020
Euro Information Epithète	2017	2023
Euro TVS	1979	2020
Euro Information Direct Service	2002	2020
Boréal	1991	2020

	Start of term	End of term
Offices held over the past five years		
Director		
Banco Popular Espagne	2010	2017
Société Alsacienne de Publication	2004	2016
CM-CIC Asset Management	2013	2016
CM-CIC Participations immobilières	1981	2012
CM-CIC Aménagements Fonciers	1981	2012
Caisse centrale du Crédit mutuel	1969	2012
Crédit Mutuel Paiements Electroniques	2003	2012
CM-CIC Covered Bonds (now CM-CIC Home Loan SFH)	2007	2011
SEM Action 70	1990	2013
Crédit Mutuel Habitat Gestion	1990	2014
SEM Destination 70	1990	2014
SEM Euro Moselle Développement	1991	2014
SEM Nautiland	1987	2014
Ventadour Investissement 1	1991	2018
Member of the Supervisory Board		
Crédit Industriel et Commercial	1998	2011
CM-CIC Asset Management	2004	2013
Sofedis	1994	2016

Éric Charpentier

Born October 6, 1960

Business address:

Crédit Mutuel Nord Europe 4, place Richebé – 59800 Lille (France)

	Start of term	End of term
Director	2015	2021
Other offices		
Chief Executive Officer		
Caisse Fédérale du Crédit Mutuel Nord Europe	2006	TBD
Chairman of the Board of Directors		
Beobank	2012	2024
Chairman of the Supervisory Board		
Groupe la Française	2009	2021
Director		
Confédération Nationale du Crédit Mutuel	2017	2022
Caisse Centrale du Crédit Mutuel	2016	2022
Société Foncière et Immobilière Nord Europe	2017	
Euratechnologies	2018	
Director and Chairman of the management committee		
Crédit Mutuel Nord Europe Belgium	2012	
Member of the Supervisory Board (representing CFCM Nord Europe)		
Groupe des Assurances du Crédit Mutuel	2015	2021
Euro-Information	2008	2020

	Start of term	End of term
Offices held over the past five years		
Permanent representative of Caisse Fédérale du Crédit Mutuel Nord Europe, Director		
Caisse Centrale du Crédit Mutuel	2006	2016
Chairman of the Board of Directors		
BKCP Banque (SA-Belgium) - merger of Beobank	2003	2016
Director		
C.M.P.E.	2003	2012
Crédit Mutuel Habitat Gestion	1987	2014
Le Chèque Domicile	2011	2015

Jean-François Jouffray

Born June 18, 1948

Business address:

Crédit Mutuel Île-de-France 18, rue de la Rochefoucauld – 75439 Paris Cedex 09 (France)

	Start of term	End of term
Director	2014	2021
Other offices		
Non-voting director and Chairman of the Group Auditing and Accounting Committee		
Caisse Fédérale de Crédit Mutuel	2001	2020
Chairman of the Board of Directors		
Caisse de Crédit Mutuel Paris Champs de Mars	1995	2022
Vice Chairman		
Fédération des Caisses de Crédit Mutuel Île de France	1998	2022
Director		
Caisse Centrale du Crédit Mutuel	2016	2020
Compagnie Générale Maritime et Financière		

	Start of term	End of term
Offices held over the past five years		
Caisse Maritime d'Allocations Familiales	2011	2016

Catherine Millet

Born July 31, 1960

Business address:

CM-CIC Services 34, rue du Wacken – 67000 Strasbourg (France)

	Start of term	End of term
Director	2017	2023
Other offices		
Sole Director/Chief Executive Officer		
Centre de conseil et de service – CCS	2016	TBD
Chairman		
Filaction	2016	2018
Chairman (representing BFCM)		
Sofedis	2016	2020
Member of the Supervisory Board		
COFIDIS Participations	2017	2021
COFIDIS SA	2017	2021
Member of the Management Board (representing BFCM)		
Euro Information	2010	2020
Member of the Management Board (representing CM-CIC Services)		
Euro-Information Épithète	2017	2023
Director (representing IMPEX FINANCE)		
CIC Est	2017	2023
Director		
AXXES	2013	TBD

	Start of term	End of term
Offices held over the past five years		
Chair of the Management Board		
CM-CIC Centre de Services et de Traitement	2013	2017
Member of the Management Board		
Euro Télé Services	2010	2017
Euro Information Développements	2010	2017
Member of the Supervisory Board		
Euro Information Production	2010	2017
Member of the Board of Directors		
Cemcice Servicios Espana (CSE)	2014	2017
Euro Automatic Cash	2014	2017

Ségolène Denavit

Born July 27, 1980

Business address:

CIC Lyonnaise de Banque 80, cours de la Liberté – 69003 Lyon (France)

	Start of term	End of term
Director, representing employees	2017	2023
Other offices		
None.		

	Start of term	End of term
Offices held over the past five years		
None.		

William Paillet

Born April 3, 1958

Business address:

CIC Est 3, rue des Coutures – 77200 Torcy (France)

	Start of term	End of term
Director, representing employees	2011	2023
Other offices		
Employee director		
CIC Est	2009	2023

	Start of term	End of term
Offices held over the past five years		
None.		

Executive Management

Daniel Baal

Born December 27, 1957

Business address:

CIC 6, avenue de Provence – 75009 Paris (France)

	Start of term	End of term
Chief Executive Officer and Effective Manager	2017	2020
Other offices		
Chief Executive Officer		
Fédération du Crédit Mutuel Centre Est Europe	2017	2021
Caisse Fédérale de Crédit Mutuel	2017	2020
Banque Fédérative du Crédit Mutuel	2017	2020
Chairman of the Supervisory Board		
COFIDIS	2017	2021
COFIDIS Participations	2017	2021
Euro Information Production	2017	2020
Vice Chairman of the Supervisory Board		
Targo Deutschland GmbH	2017	2022
TARGOBANK AG	2018	2022
Member of the Executive Board		
GACM	2017	2021
Vice Chairman of the Board of Directors		
Banque de Luxembourg	2017	2023

	Start of term	End of term
Offices held over the past five years		
Chairman		
SAS Les Gâtines	2010	2017
Chairman of the Board of Directors		
CIC Sud Ouest	2016	2018
CIC Ouest	2017	2018
Chairman of the Supervisory Board		
CIC Iberbanco		2017
Vice Chairman of the Supervisory Board		
Targo Management AG (merged into TARGOBANK AG on May 2)	2017	2018
Member of the Board of Directors		
Fivory SA	2014	2017
Fivory SAS	2015	2017
Permanent representative of CCCM		
At Centre International de Crédit Mutuel		2017

Philippe Vidal

Born August 26, 1954

Business address:

CIC 6, avenue de Provence – 75009 Paris (France)

	Start of term	End of term
Chief Executive Officer and Effective Manager	2014	TBD
Other offices		
Chairman of the Board of Directors		
Lyonnaise de Banque	2013	2023
CM-CIC Factor	2014	2018
CM-CIC Gestion	2006	2019
Banque CIC Suisse	2007	2018
Banque de Luxembourg	2010	2023
Chairman of the Supervisory Board		
CM-CIC Investissement	2012	2023
Director (representing Crédit Industriel et Commercial)		
CM-CIC Asset Management	2014	2019
Member of the Board of Directors		
Saint-Gobain PAM	1994	2019
Batipart Invest	2012	2018
Director (representing CM-CIC Investissement)		
Lanson-BCC	2013	2019

	Start of term	End of term
Offices held over the past five years		
None.		

2

2.2 STATUTORY AUDITORS' REPORT ON THE BOARD'S CORPORATE GOVERNANCE REPORT

The observations required by Article L.225-235 of the French Commercial Code are included in the Statutory Auditors' report on the annual financial statements on page 314.

2.3 SPECIAL REPORT OF THE STATUTORY AUDITORS ON REGULATED AGREEMENTS AND COMMITMENTS

Fiscal year ended December 31, 2018

At the Shareholders' Meeting of the Crédit Industriel et Commercial or "CIC",

In our capacity as Statutory Auditors of your company, we hereby report to you on the regulated agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, about the main terms and conditions as well as the reasons that justify the interest for the company of the agreements and commitments that have been disclosed to us or that we identified during the audit, without commenting on their relevance or substance or seeking to identify any other agreements and commitments. Under the provisions of Article R.225-31 of the French Commercial Code, it is the shareholders' responsibility to determine whether the agreements and commitments are appropriate and should be approved.

Furthermore, it is our responsibility, if applicable, to provide you with the information set forth in Article R.225-31 of the French Commercial Code relating to the performance, during the year under review, of agreements and commitments already approved by the Shareholders' Meeting.

We carried out the work we considered necessary in view of the professional standards of the French statutory auditors' association (Compagnie nationale des commissaires aux comptes) related to this assignment. This included procedures to verify that the information given to us agrees with the underlying documents.

Agreements and commitments submitted to the Shareholders' Meeting for approval

Pursuant to Article L.225-38 of the French Commercial Code, we hereby inform you that we have not been given any authorized agreements and commitments during the fiscal year under review, to be submitted for approval at the Shareholders' Meeting.

Agreements and commitments already approved by the Shareholders' Meeting

Pursuant to Article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, already approved by Shareholders' Meetings during previous years, remained in force during the year under review.

With Nicolas Théry, Chairman of CIC's Board of Directors

Nature and purpose

Termination indemnity for Nicolas Théry.

Terms and conditions

A termination indemnity agreement was submitted to the Board of Directors for approval on December 11, 2014. This agreement concerns the establishment of termination benefits for Nicolas Théry, Chairman of CIC's Board of Directors, as compensation for his appointment as Chairman of your company's Board of Directors.

This indemnity is set at one year of gross salary calculated on the basis of the average of the last 12 months preceding the end of his term of office. Payment of this indemnity will be subject to the achievement of the following performance objective: the Crédit Mutuel CM11 group's (today Crédit Mutuel Alliance Fédérale) consolidated total equity in accordance with IFRS, excluding any capital contributions or reductions, excluding any accounting impacts from Crédit Mutuel federations joining Crédit Mutuel CM11 subsequent to December 31, 2014, and excluding changes in revenue that may be «recycled», will have to have increased on average by at least €1 billion per year during the period from January 1, 2015 to the date of termination.

This agreement was approved with immediate effect by the Board of Directors at its meeting of December 11, 2014.

This agreement had no effect on CIC's income statement for 2018.

With Cigogne Fund for the functioning of Cigogne Fund accounts opened by Banque de Luxembourg with Euroclear

Person concerned

Philippe Vidal, Deputy Chief Executive Officer of CIC and Chairman of the Board of Directors of Banque de Luxembourg.

Nature and purpose

Guarantee issued by CIC to Euroclear in respect of the functioning of Cigogne Fund accounts opened by Banque de Luxembourg with Euroclear.

Terms and conditions

Cigogne Fund is a Luxembourg-based fund. Banque de Luxembourg, in its capacity as custodian of Cigogne Fund, opened an account with Euroclear Bank.

At its meeting on December 14, 2006, CIC's Supervisory Board authorized the signing of an agreement with Euroclear with a view to:

- opening a credit line for $1 billion USD in favor of Cigogne Fund;
- granting a guarantee to Euroclear for the same amount, for the functioning of Cigogne Fund accounts opened by Banque de Luxembourg with this sub-custodian.

This agreement had no effect on CIC's income statement for 2018.

Neuilly-sur-Seine and Paris-La Défense, April 18, 2019

The Statutory Auditors

KPMG S.A.	**PricewaterhouseCoopers Audit**	**ERNST & YOUNG et Autres**
Arnaud Bourdeille	Jacques Levi	Hassan Baaj

STRENGTHENING THE BUSINESS

to... build a long-term future

3

FINANCIAL INFORMATION

3.1 RISKS AND CAPITAL ADEQUACY

3.1.1 Internal control and risk monitoring procedures

Risk management

This chapter includes the information required by IFRS 7 on risks arising from financial instruments. The figures appearing here are audited, except those expressly marked with an asterisk (*), which were checked for accuracy and consistency per Article L.823-10 of the French Commercial Code, as was the rest of the management report.

The use of periodic, permanent and compliance controls provides added security to the processes employed by all business lines.

The risk department consolidates the overall monitoring of risks and limits them to the fullest extent possible, particularly by measuring the shareholders' equity allocated to each business line and analyzing the return on that equity.

Internal control procedures

CIC's internal control and risk management system is incorporated in that of Crédit Mutuel Alliance Fédérale. As a reminder, Crédit Mutuel Alliance Fédérale includes the entities placed under a single banking authorization, that of the Caisse Fédérale de Crédit Mutuel (the entities of Crédit Mutuel Centre Est Europe, Île-de-France, Sud-Est, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique et Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranéen and Anjou) together with all the subsidiaries and companies included in its consolidated financial statements, including CIC, the head of the network, and its regional banks.

The purpose of internal control and risk management work is to ensure compliance with all rules defined by supervisory authorities for the conduct of the group's operations, by using the internal and professional standards, tools, guidelines and procedures put in place to that end.

3.1.1.1 Crédit Mutuel Alliance Fédérale's internal control and risk monitoring system

3.1.1.1.1 General framework

The internal control and risk management system is fully integrated into the group's organization with the aim of ensuring compliance with regulatory requirements and proper risk control and operational security, as well as improved performance.

Regulatory framework

As the basis of sound management of banking activities, the principles and methods applicable in the area of internal control and risk measurement are governed by numerous French and European legislative and regulatory provisions, supplemented by a number of international standards.

In this respect, the main regulatory text applicable to the Crédit Mutuel Alliance Fédérale's internal control system is the ministerial Decree of November 3, 2014. This Decree defining the conditions applicable to the implementation and monitoring of internal control of credit institutions and investment firms brings French regulations into line with the requirements of European Directive 2013/36/EU of July 26, 2013 (known as the CRD IV directive).

These rules lay down the principles relating to control systems for transactions and internal procedures, accounting systems and information processing, risk and performance measurement systems, risk supervision and control systems, and documentation and reporting systems, as well as tracking funds flows.

A shared system

In accordance with the four basic principles set by the Basel Committee (universality, independence, impartiality and allocation of adequate resources) and reiterated in the above-mentioned Decree, the group ensures that its internal control system is suited to its size and operations.

In the same way, it ensures that it is adapted to the size of the risks incurred by its activities and that the employees involved in internal control can carry out their work under the best possible conditions.

Within the group, the principles governing internal control are reflected in the guidelines issued by general management and rolled out using shared methods and tools that ensure the development of quality standards.

The internal control and risk measurement system is designed in particular to:

- fully cover the full range of the group's banking and insurance operations;
- list, identify, aggregate and track risks on a consolidated basis in a consistent manner;
- communicate clear and reliable information (particularly accounting and financial information), both internally and externally;
- ensure compliance with applicable laws and regulations, internal standards, and instructions and guidelines established by executive management;
- ensure the proper operation of internal processes and the safeguarding of assets.

More broadly, the system in place is aimed at helping to ensure proper control of activities while at the same time improving the effectiveness of processes and organization.

A structured system

One of the key purposes of the organization is to ensure the quality and completeness of the internal control system. Both for itself and the businesses it controls, the group ensures that this system is underpinned by a set of procedures and operational limits that match regulatory requirements and applicable internal and professional standards. To ensure the high quality of its internal control system, the group implements a policy of ongoing improvement, which is also, designed to adapt it to regulatory developments.

The identification and control of key risks by means of benchmarks, mapping of controls and monitoring of risks using appropriate limits, formal procedures and dedicated tools are constant objectives for the group's internal control and risk management departments. Analytical tools and tracking dashboards make it possible to perform regular reviews of the various risks to which the group is exposed, including counterparty, market, asset and liability management and operational risks. In accordance with regulatory requirements, the group issues an annual report in the format recommended by the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority), on internal control and on risk measurement and oversight, in light of which a detailed review of control processes is carried out.

An integrated and independent system

In line with the group's values, the control system put in place is designed to develop a prudent and top quality risk management culture throughout the group.

Within this framework, the first level of risk management and control is performed by the operational managers, who are responsible for the operations they carry out. As the first level of control, operational management is an integral part of the system with responsibility for preventing risks as well as for putting in place the corrective measures designed to remedy the dysfunctions identified.

The group's entities also have a second level of control, identified within dedicated teams. To ensure the necessary independence of these second-level controls, employees assigned to control tasks have no operational responsibilities and report directly to the central staff departments, which thereby ensures their independent judgment and assessment.

The central staff departments are responsible for defining, overseeing and coordinating all the local and cross-group systems. They also organize and supervise the control work. In addition, they use their expertise and independence to help define standard controls and supervise these controls.

In the same way, periodic control is performed on an independent basis (see below).

3.1.1.1.2 The Crédit Mutuel Alliance Fédérale system

The process has a threefold objective:

- to separate the periodic, permanent and compliance controls into distinct functions in accordance with regulatory requirements;
- to standardize internal control work throughout the group by creating an organization based on standardized methods and tools, and on the same principles of complementarity, subsidiarity, and independence of controls;
- to obtain a comprehensive and cross-functional view of all risks to ensure reliable, consistent and comprehensive reporting to general management and the deliberative body of the group and of each entity.

Organization of controls

In accordance with the Decree of November 3, 2014, the system comprises three functions:

- periodic control;
- permanent control;
- compliance.

The last two, which have reported to a joint risk, control and compliance department since the end of 2017, are subject to periodic control by the first. The consistency of the overall system is ensured by a control and compliance committee chaired by an Effective Manager. This committee reports to the group audit and accounts committee, which represents the group's supervisory bodies.

Note that as of January 1, 2019, the periodic control, under a single department, will cover the activities of the business lines and networks under the direction of a new general inspector appointed on that date.

To perform their functions, the control departments have permanent and unrestricted access to individuals, premises, hardware, software and information of any kind useful to the performance of their work throughout the group.

Breakdown by type of control

Independently of the controls performed by management teams as part of their operational activities, controls are performed by:

- periodic control staff, for in-depth, audit-style assignments, carried out in cycles spanning several years;
- permanent control staff, for all work of a recurring nature using mainly remote applications;
- compliance staff, in particular for the application of regulations and internal and professional standards including those designed to combat money laundering and the financing of terrorism.

The periodic control department is responsible for supervising the overall quality of the internal control system, the effectiveness of risk monitoring and management as well as the smooth workings of permanent control and compliance.

Split between network and business lines

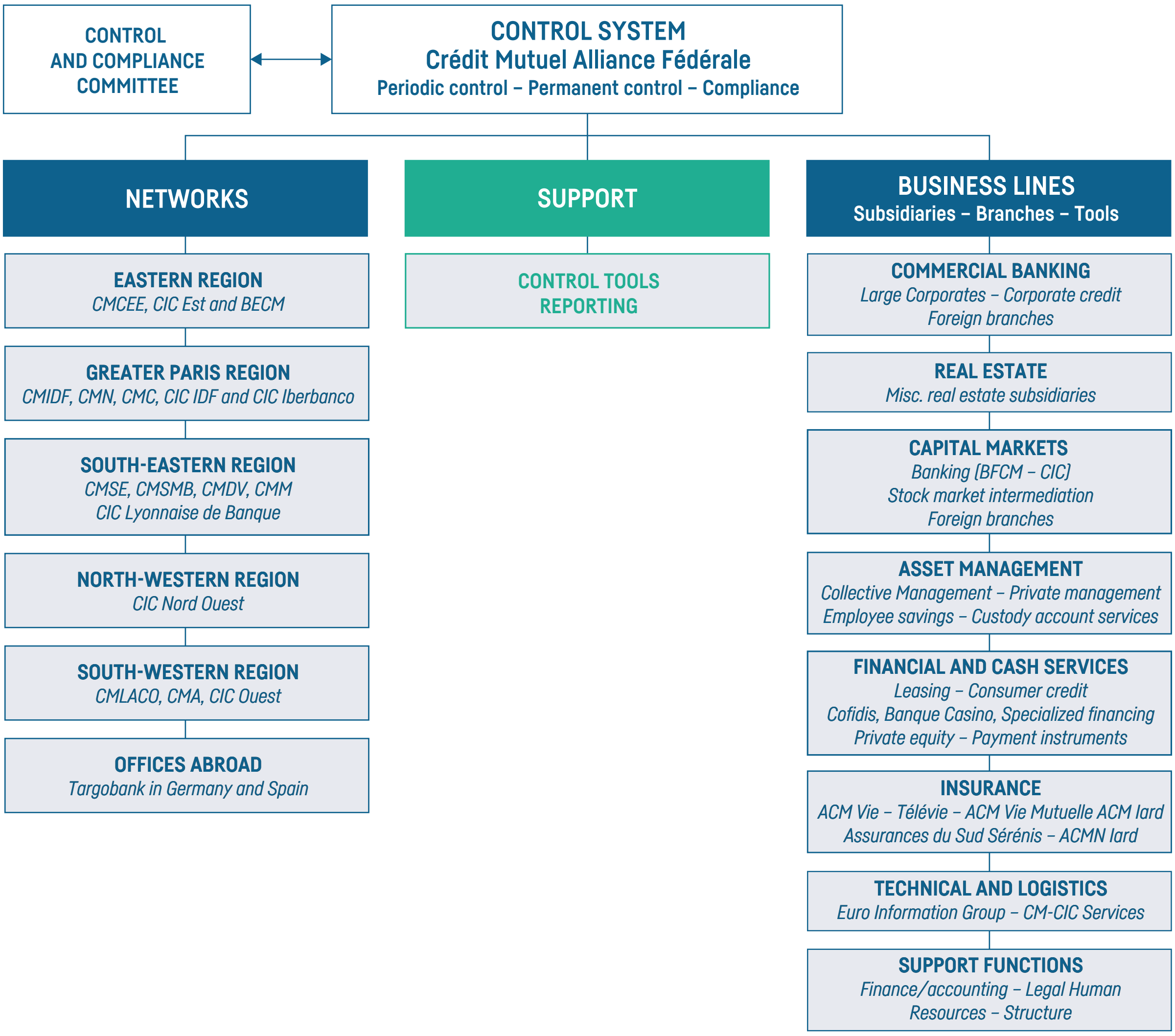
Control functions have been split into two structures, one dealing with the retail banking network and the other with the business lines (corporate banking, capital markets activities, asset management, financial services, cash management, etc.), with managers appointed for both at the group level. The network and business line permanent control structures both report to a single manager at the national level.

A common support unit for the various kinds of control

The periodic control, permanent control and compliance functions are assisted by a common support unit which is responsible for:

- developing the tools and keeping them up to date and in good working order;
- preparing the reporting instruments needed for monitoring control operations and assignments, and centralizing information for the management bodies, at the central and local (regional and subsidiary) levels;
- ensuring that control tools are complementary between the various functions so as to provide optimal cover of group risks.

BROAD OUTLINE OF THE INTERNAL CONTROL ORGANIZATION



Oversight of internal control processes

Group control and compliance committee

Chaired by the Chief Executive Officer, the compliance committee holds regular meetings with the staff responsible for periodic, permanent and compliance controls and risk management, with the following objectives:

- coordinating the system and ensuring that the work and assignments of the various parties involved are complementary, such that all risks are covered;
- establishing control plans and reviewing the outcomes of assignments carried out by the periodic control units as well as the work done by the permanent control and compliance functions and proposing any improvements that might be required to the executive body;
- analyzing the conclusions of external inspections, in particular those carried out by the supervisory authorities;
- monitoring the implementation of the resulting recommendations.

The control and compliance committee also reviews a certain number of activities and documents that serve as points of reference. It met four times during the year under review (March 12, June 22, October 5, and December 10).

Group audit and accounts committee

In order to meet regulatory requirements and rules of governance, the Crédit Mutuel Alliance Fédérale has an auditing and accounting committee. The auditing and accounting committee consists of directors representing the federations of Crédit Mutuel that belong to the Caisse Fédérale de Crédit Mutuel (in principle, one per federation), a representative of the BFCM and two members of CIC's Board of Directors. The committee elects its Chairman for a three-year term, which can be renewed once. Several of its members have particular skills in accounting and finance.

The executive body, the control departments and the finance division are represented on it. Training seminars help members to keep up to date with new developments.

This committee:

- examines the provisional internal control schedule;
- is informed of the conclusions of inspections carried out by the periodic control function and of the results of the permanent and compliance controls;
- takes due note of the conclusions of external controls, particularly of any recommendations made by the supervisory authorities;

- is informed of actions carried out to give effect to the main recommendations issued in internal and external control reports;
- assesses the effectiveness of the internal control systems;
- receives up-to-date information on the group's risk position;
- proposes to the various deliberative bodies such improvements as it deems necessary in view of the findings of which it has been made aware.

In the area of financial reports, it:

- is responsible for monitoring the process for preparing financial information;
- examines the annual and consolidated financial statements;
- assesses the manner in which they have been drawn up and satisfies itself as to the appropriateness and consistency of the accounting principles and methods applied;
- participates in the selection of statutory auditors;
- supervises the statutory audit of the accounts.

The group audit and accounts committee met four times in 2017 (February 16, April 25, July 25 and September 19) and a sub-committee of this committee met on July 10. Minutes of these meetings were drawn up and sent to the deliberative bodies of the various federations and of CIC.

It examined the annual financial statements for the year ended December 31, 2018 in its meeting of February 18, 2019 and had no particular observations to make.

Remuneration committee

In accordance with Articles L.511-89, 102 and 103 of the French Monetary and Financial Code and with Article 104 of the Decree relating to internal control, the group has set up a group-wide remuneration committee. It give its opinions on the proposals made by the Board of Directors after consulting the risk and compliance department and reviews and approves the compensation policy on an annual basis. This committee also verifies that the principles defined by the deliberative body have been effectively implemented. The remuneration committee reports regularly to the deliberative body.

The group ethics and compliance committee

Created within the scope of consolidation of the Crédit Mutuel Alliance Fédérale, this committee has been instrumental in establishing a code of ethics for the group. Each year it draws up a report on the group's implementation of and compliance with ethical principles and the code of conduct.

3.1.1.1.3 Risk oversight system

Risk Management function (group risk department)

The group risk department (GRD) covers the operations of all the French and foreign entities and subsidiaries of Crédit Mutuel Alliance Fédérale. It is responsible for risk management, as defined in the Decree of November 3, 2014 concerning the internal control of banking institutions, for every organizational unit.

It has the authority to fulfill all of its duties directly or by means of risk officers appointed pursuant to local regulations or of business lines in the operating departments. It works closely with the risk department of the Confédération Nationale du Crédit Mutuel (CNCM).

As defined in the Decree of November 3, 2014, the group risk department reports to the Risk, permanent control and compliance department. Thus the GRD stands independent of the line managers and is charged with detecting, measuring, and monitoring risks group-wide and with reporting to Executive Management and the Board of Directors.

It therefore analyzes and conducts a regular and exhaustive review of all risks (credit, market, interest rate, operational, liquidity, refunding, insurance, etc.) and presents a summary to general management and the deliberative body.

In 2018, the risk department again improved its consolidated risk reporting which took an operational, comprehensive and prudential approach with regard to regulatory capital allocation and regulatory changes in progress, particularly in terms of the implementation of the new Basel 3 rules. As an example, the risks of non-compliance and a summary of the work done in terms of permanent and periodic controls have been incorporated into the performance indicators used by management.

It participated in many cross-functional projects including those relating to crisis recovery (the Prevention and Recovery Plan) and to resolution (special workshops with the Single Resolution Board) and to the ICAAP and ILAAP processes for monitoring compliance with capital and liquidity requirements applicable to the group and its subsidiaries. It has also overseen the drafting of the group's risk appetite statement and the preparation of a special-purpose risk map for detecting and evaluating the risks to which Crédit Mutuel Alliance Fédérale is, or could be, exposed. The GRD is responsible for applying the risk map at the subsidiary level and assists them in that process.

In addition, it has coordinated projects regarding applying the requirements of the BCBS 239 principles on data quality and risk reporting, and regarding Brexit.

In addition to monitoring the quality of its risk control procedures, the risk department, which is the main interface with the regulatory authorities such as the ACPR and the ECB, oversees the monitoring of the their various audits, coordinates the monitoring and implementation of their recommendations and reports to the regulators on their progress.

In that regard, it worked to implement the ECB's recommendations to strengthen its powers, clarify its governance and closely monitor the activities of the French and foreign subsidiaries.

Group risk monitoring committee (French acronym CSRG)

Make-up

It is made up of directors representing all the Crédit Mutuel federations that belong to the Caisse Fédérale de Crédit Mutuel. Besides the members appointed by the deliberative bodies, others taking part in the work of the CSRG are the Chairman of the Caisse Fédérale de Crédit Mutuel, the Chief Executive Officer, the Chief Financial Officer, the Chief Lending Officer and the Chief Risk Officer of Crédit Mutuel Alliance Fédérale.

Operation

The CSRG is a specialized committee of the Board of Directors. It assists the deliberative body in the examination of risks in all activities, banking or non-banking. The Chief Risk Officer prepares the documents, files and performance indicators submitted to the committee for review and leads the meetings. The members of the CSRG have all the sources of information and documentation that they need from the bank auditors, internal and external control staff, statutory auditors and finance and risk departments.

The members of the CSRG report to their respective deliberative body, with assistance from the GRD, on the information and decisions that come out of their meetings. A report detailing the main monitored risk indicators is presented and discussed at each meeting. The summaries of the risk committee meetings are sent to the secretaries of the Board of Directors.

Frequency

It meets at least four times a year and whenever necessary.

Group risk committee (GRC)

Make-up

It is chaired by the Chief Executive Officer and is made up of the senior operating managers and the Chief Executive Officer of Crédit Mutuel Alliance Fédérale.

Operation

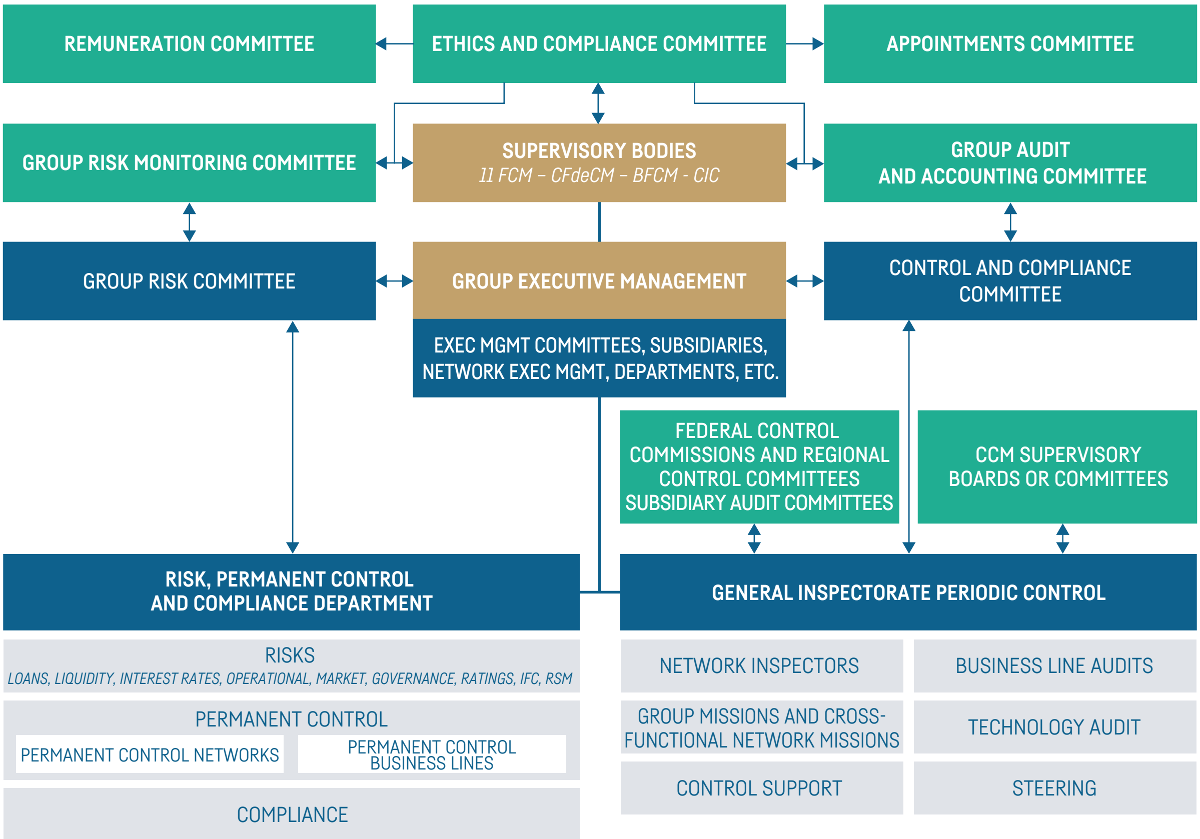
The GRC helps the executive body to examine the risks in all banking and non-banking activities consolidated with the Caisse Fédérale de Crédit Mutuel. It provides both a posteriori and prospective risk monitoring.

This independent monitoring is done through standardized, periodic reporting on credit, market, operational, interest rate and liquidity risks based on accounting figures taken from the Basel 2 calculator and from information supplied by the business lines and branches.

Frequency

It meets at least every three months and as often as necessary.

THE GROUP'S RISK CONTROL AND MONITORING SYSTEM



3.1.1.2 CIC's risk control and monitoring system

This section mentions only CIC's in-house oversight bodies. It should be noted that CIC must also report on its work on a company basis to the supervisory authorities, which regularly conduct on-site audits.

3.1.1.2.1 Control system

General Organization

Board of Directors

In accordance with regulatory requirements, a report on internal control work is submitted to CIC's Board of Directors twice a year. CIC's annual internal control report is also submitted to it.

Levels of control

These are identical to those set up at the group level, and are totally integrated within the system. Designated teams perform periodic, permanent and compliance controls at CIC. They report to CIC and are linked on a functional level to the central group control division.

CIC teams not only perform controls within the bank, but also take part in work and assignments throughout the Crédit Mutuel Alliance Fédérale at the request of central divisions.

The internal control system specific to CIC

CIC Marchés is an integral part of CIC, housing the interest rate/equity/lending activities of the investment business line and the commercial business line CM-CIC Market Solutions. Monitoring methods, procedures and trading limits are incorporated into a set of rules. CIC's Board of Directors approves the strategy of each business line (sales, investment), capital allocation, the monitoring of limits and the budgets.

Within this mechanism, capital markets activities are managed by various bodies:

- CIC Marchés' management defines the strategy, analyzes the business, results, risks and compliance with limits and coordinates the operational aspects (information system, budget, human resources and procedures);
- the market risk committee meets once a month to monitor compliance with the rules and the decisions of CM-CIC Marchés' management and approves the operating limits within the overall limits set by CIC's management;
- CIC Marchés credit committee meets weekly to decide on applications for credit lines within the scope of powers granted by the Crédit Mutuel Alliance Fédérale commitments committee.

The internal control system relies partly on the work of the post-market departments, in charge of controlling risks, results, accounting and regulatory control, and secondly on a team dedicated to monitoring market activities, which reports to the head of permanent controls for business lines as well as on the group compliance function.

There is also an internal control system dedicated to commercial banking activity for large corporates, specialized lending and international activities, with a control staff in operational management and supervised by the business lines' permanent control function.

Control work

Control work, carried out in all areas in which the bank operates, draws on group level methods and tools as well as formal procedures. The results of these controls are used to generate recommendations, whose implementation is monitored.

Basel 2/Basel 3 system

The risk, permanent control and compliance department manages the system applying regulatory constraints.

In conjunction with the Confédération Nationale du Crédit Mutuel, an organization has been put in place within the group that enables regular control of the system. A procedural framework details the distribution of tasks among the various entities involved.

For managing operational risks, the group has been authorized by the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) since 2010 to use the advanced approach.

Methods and shared applications

CIC benefits from the shared applications developed by the group support unit, which in particular include specific oversight functionalities.

Periodic control applications

These are aimed at providing a mapping of network risks, by consolidating all types of assignments based on a common catalog of points of control. They are regularly updated. Access to the information necessary for carrying out the controls is provided by the IT system.

Given the group's growth, software has been created for monitoring the implementation of recommendations issued in their audits by the group's various periodic control departments and the supervisory authorities. A new version of this software will be introduced in the first half of 2019.

Permanent control applications

Permanent controls on the branch network are performed remotely, essentially by using data from the information system. They complete the first level controls carried out on a daily basis by the heads of the operational units (branches, in the case of CIC), the Headquarters support staff (lending, litigation, etc.) and the regional coordination, assistance and control functions (CIC branch network permanent control). They involve "internal control portals" in the group software which plan and structure the various tasks to be carried out with regard to hedging risks.

The automated detection of cases in "risk alert" status, in accordance with predetermined anomaly criteria, is an essential part of good credit risk management. Other types of controls or software allow the quality of results of controls performed in the branches and to deploy resources or guide inspections accordingly.

Compliance applications

Work continued on the implementation of systems for legal and regulatory surveillance and monitoring of compliance risk. The compliance function also has its own control areas within the "internal control portals" allowing it to check that regulatory provisions are being applied, in particular with regard to business and professional ethics, protecting customers' interests, performing investment services and combating money laundering and the financing of terrorism. In 2014 a new application, Comply, was developed to monitor the implementation of the duties imposed by the US FATCA regulation. In 2016 applications were implemented that help combat laundering and the financing of terrorism.

Procedures

These are posted on the corporate intranet and are accessible at all times by all employees with the help of search engines. The control tools refer to them, and links have been created to make it easier to look up and apply procedures. "Framework procedures" established at group level (central control functions) in a number of areas, in particular compliance, are applied within CIC.

3.1.1.2.2 Risk oversight system

Risk management

Credit risk management is organized around two structures: one focusing on the granting of loans and the other on risk measurement and the monitoring of commitments.

A set of commitments guidelines summarizes the internal procedures of the lending arm of Crédit Mutuel Alliance Fédérale in accordance with applicable statutory, organizational and regulatory provisions. It describes in particular the systems for granting loans, for measuring and overseeing commitments and for managing total assets at risk. It contains attachments relating to capital markets activities as well as to the subsidiaries directly concerned.

Liquidity and interest rate risk management for the group's banks is centralized (decisions of CIC's former Executive Board and BFCM's Board of Directors). Hedges are allocated to the entities concerned, in accordance with their needs. They are no longer authorized to make hedging decisions individually.

Overall measurement of market risk is based on the regulatory framework. Capital market activities are monitored in accordance with procedures that are formally recorded and independent in terms of organization and control.

The management of operational risk is performed and controlled in accordance with group procedures, coordinated by dedicated units. In particular, the security of the information systems and the putting in place of business continuity plans form part of the work carried out in this area.

Risk oversight

This is carried out by dedicated, independent teams, which have at their disposal tools designed on the one hand to provide a comprehensive aggregate overview of commitments, and on the other to carry out ongoing monitoring of risk, in particular by means of an advance detection system for anomalies and monitoring of adherence to limits as well as changes in internal ratings.

Information for assessing trends in credit, market, ALM and operational risks is provided regularly to the management bodies and other responsible persons concerned. The risk department carries out general management with regard to the regulatory capital consumed by each activity by reference to the risks incurred and the return obtained.

3.1.13 Accounting data and control at CIC and group levels

CIC's and Crédit Mutuel Alliance Fédérale's finance departments, which are responsible for producing and validating the financial statements, are organized into two functional sections: networks and specialized businesses. The latter deals with financial accounting and consolidation, as well as accounting controls.

The information used for financial reporting is produced and validated by this department before being presented to the audit and accounts committee.

3.1.13.1 Controls on the bank's financial statements

The accounting system

Accounting architecture

This is based on an IT platform shared throughout 15 Crédit Mutuel federations and CIC's regional banks, which includes accounting and regulatory functions, in particular for:

- the chart of accounts, the structure of which is identical for all institutions of the same type managed through this platform;
- defining the automated templates and procedures shared by all the banks (means of payment, deposits and credits, day-to-day transactions, etc.);
- reporting tools (SURFI, consolidation software input, etc.) and oversight tools (management control).

Administration of the shared accounting information system is handled by the "accounting procedures and templates" divisions, which form independent units, either within the "Network" finance department or the "Specialized Businesses" finance department.

More specifically, the latter are responsible for:

- managing the shared chart of accounts (creating accounts, defining the characteristics of the accounts, etc.);
- drawing up shared accounting procedures and templates, in accordance with tax and regulatory requirements; if necessary, the division concerned consults the tax department, and the templates are validated by a procedure involving various operational managers.

The "accounting procedures and templates" divisions do not report to, nor are they linked to, the departments that handle the actual accounting production. As such, the divisions involved in designing and administering the system architecture are separate from the other operational departments.

All accounts within CIC must be allocated to an operational department, which is responsible for maintaining and verifying the accounts. Therefore, an account cannot be "unallocated". The organization and procedures in place provide assurance of compliance with the Decree of November 3, 2014 and the existence of an audit trail.

Chart of accounts

This is divided into two broad sections: third-party captions showing payables and receivables for individual third parties, and the general accounting captions.

Dedicated accounts are used for third party deposits and loans, enabling them to be monitored. For custody of negotiable securities, a "stock" accounting system distinguishes between securities owned by third parties and those owned by the bank. The chart of accounts for all the credit institutions using the shared IT platform contains unique identifiers and is managed by the "accounting procedures and templates" divisions.

The chart of accounts defines the following account properties:

- regulatory characteristics (link to the official chart of accounts of credit institutions (PCEC), link to the item in the publishable financial statements, etc.);
- certain tax aspects (VAT position, etc.);
- management characteristics (whether compulsory or not, link with the consolidated chart of accounts, length of time online transactions are stored, presence at headquarters/branch, etc.)

Processing tools

The accounting information processing tools rely primarily on internal applications designed by the group's IT divisions. There are also a number of specialized internal and external applications, particularly production software for management reporting and for balances and accounting reports, a file query processing utility, consolidation software, regulatory report processing, property and equipment management and filing of tax declarations.

Procedure for data aggregation

In accordance with the model defined by the Crédit Mutuel Alliance Fédérale, accounting data is aggregated for the following entities:

- the group (e.g. CIC);
- the federation made up of one or more banks or other legal entities;
- the bank belonging to a federation.

The bank (branches and central departments) is broken down into branches, which represent the basic unit of the accounting system. It is at this level that accounting entries are recorded.

Accounting consistency of management data

Each branch comprises an external branch for recording financial accounting data and an internal one that records cost accounting data. At the individual branch level, the figures used for management accounting purposes are obtained by combining the internal and external data. The group result is obtained by adding together the balances of the branches. Links are established between financial accounting captions and the codes attributed to the products marketed by the bank. Cost accounting data is used to determine the results by business segment.

Control methods

Automated controls

A series of automated controls is carried out when accounting records are processed and before transactions are allocated to ensure that records are balanced and valid, and to update the audit trail of the captions affected by the transaction.

In-house tools are used to control accounting transactions on a daily basis and to detect any discrepancies.

Closing process controls

At each closing date, financial accounting results are compared with forecast management data and data from the previous year, for purposes of validation. The forecast management data is generated by the management accounting department and the budget control department, both of which are independent from the production of financial statements.

This analysis particularly concerns:

- interest margins: for interest-rate instruments, including deposits, loans and off-balance-sheet transactions, the management accounting department calculates expected yields and costs based on average historical data. These are then compared with the interest rates actually recognized, for validation business segment by business segment;
- commission levels: based on business volume indicators, the management accounting department estimates the volume of commissions received and payable, compared with recognized data;
- overhead (personnel costs and other general operating expenses);
- net additions to provisions for loan losses (level of provisioning and recognized losses).

Procedures put in place

Accounting procedures and templates are documented. For the network, procedures are posted on the bank's intranet.

Levels of control

Daily accounting controls are performed by the appropriate employees within each branch.

The accounting control departments (controls/procedures and "specialized businesses" management accounting) also perform more general responsibilities involving regulatory controls, monitoring supporting evidence for internal and branch accounting data, control of the foreign exchange position, and of net banking income by business segment, accounting procedures and templates with Crédit Mutuel Alliance Fédérale, and the interface between back offices and the statutory auditors for the half-yearly and annual closings.

Furthermore, the control departments (periodic, permanent, compliance) also perform accounting work. A dedicated accounting control portal has been put in place.

Applying controls

Automated accounting controls

An automated daily control procedure based on the bank's daily balance allows the verification of the balance sheet and off-balance sheet positions, asset/liability balances by branch and by currency, and the monitoring of technical accounts. This procedure is also applied to the general ledger at the end of each month.

Evidencing the accounts

All balance sheet accounts are evidenced either by means of an automated control or account validation by the department responsible for them. Reports by department evidencing accounts contain the results of checks carried out.

3.1.1.3.2 Controls on the consolidated financial statements

Accounting policies and methods

Adapting to regulatory developments

The system is periodically updated in line with regulatory developments (IFRS) or to improve the reliability of financial statement preparation.

IFRS compliance

IFRS accounting principles have been applied in group entities since January 1, 2005. The consolidated financial statements include a summary of them.

CIC and the Crédit Mutuel Alliance Fédérale jointly define the French (CNC) and international (IFRS) accounting principles and methods to be applied by all group entities in their company-only financial statements. The foreign subsidiaries take these principles and methods into account when converting from their local accounting standards to French and international standards in the consolidation packages and financial reporting. The accounting principles used to consolidate the accounts conform to those of the Crédit Mutuel group.

The accounting managers of the various Crédit Mutuel Alliance Fédérale entities meet twice a year to prepare the half-yearly and annual closings.

Individual company financial statements in accordance with IFRS are prepared for the relevant entities in the central IT system, using the same organization and team as for those drawn up in accordance with French (CNC) standards.

Reporting and consolidation

Consolidation process

The group uses a consolidation chart of accounts. Within the shared information system, each account in the chart of accounts is linked to the consolidation chart of accounts, in an identical way for all companies using the shared chart. This link is unique to each account, with regard to all companies managed under this plan.

The consolidated financial statements are prepared in accordance with a timetable distributed to all the subsidiaries and the statutory auditors, which includes, where applicable, changes in procedures and standards to be incorporated. Each consolidated subsidiary has one person in charge of its closing process and another in charge of reporting intercompany transactions between fully consolidated companies. In accordance with their professional standards, the statutory auditors for the consolidation also give the statutory auditors of the consolidated companies instructions aimed at ensuring that the subsidiary complies with the various rules.

A dedicated software package, one of the main standard tools on the market, is used to consolidate the accounts. Data input (consolidation packages) is partially automated, using an interface developed on the accounting information system. This system makes it possible to automatically retrieve balances and ensure that company-only and consolidated data are consistent.

Reporting and data control

Companies cannot submit their consolidation package before a number of consistency checks that are programmed into the input software have been carried out. These control checks (currently more than 600); established by the consolidation departments, cover a large number of aspects (changes in equity, provisions, fixed assets, cash flows, etc.). "Blocking" controls prevent a package from being transmitted by the subsidiary and can only be overridden by the central consolidation departments.

Consistency checks against company-only data are also performed by the consolidation department upon receipt of the consolidation packages (level of results, intermediate balances, etc.). Finally, systematic reconciliation statements between company-only and consolidated data are generated for equity and earnings. This process, which ensures consistency in the transition between the statutory and consolidated series, is carried out without using the consolidation software, thus leading to validation of the consolidated data.

Analysis of accounting and financial information

The consolidated financial statements are analyzed in relation to the previous year, to the budget and to quarterly accounting and financial reports. Each analysis covers a specific area, such as provisions for loan losses, trend in outstanding loans and deposits, etc. Observed trends are corroborated by the departments concerned, such as the lending and management control divisions of the various entities.

Each entity's contribution to the consolidated financial statements is also analyzed.

Each time a closing involves the publication of financial data; this information is presented to CIC's general management and Board of Directors by the finance department. This report presents the breakdown of income, the balance sheet position and the current business situation, including the reconciliation of non-accounting data (rates, average capital, etc.).

The accounting work gives rise to a regular presentation to the group audit and accounts committee.

3.1.1.4 Conclusion

Drawing on common methods and tools, CIC's internal control and risk oversight mechanism fits into Crédit Mutuel Alliance Fédérale's system of controls, forming a coherent whole, appropriately adapted to the group's different activities in France and internationally. It meets banking and finance regulatory requirements and conforms to the operational principles established by the group. It is our ongoing objective to consolidate and further improve efficiency.

3.1.2 Risk management

3.1.2.1 Risk factors

The group is exposed to a certain number of risks related to its retail banking, insurance business, corporate banking, private banking, capital markets activities, private banking and private equity activities. Crédit Mutuel Alliance Fédérale, of which CIC is a subsidiary, employs a process for identifying and measuring the risks related to its activities that calls for mapping its most significant risks at least once a year. The degree of significance comes out of a gross risk rating system that uses risk indicators and the judgments of experts, factoring in the point in the business cycle and the outlook for growth as well as the group's risk appetite. The risk mapping is submitted for approval by the group's Board of Directors. Presented hereafter are the main factors that can have a significant influence on the main risks of the group.

3.1.2.1.1 Credit risk

The economic outlook for the euro zone, particularly in France, worsened in the first part of 2018. The impact of a downturn similar to 2008 on the group's profitability and solvency through deteriorated loan portfolios could be significant. The probability of such as occurrence is considered to be low.

Because of its business model, CIC's primary risk is in fact credit risk. Gross exposures to credit risk (on and off-balance sheet, derivatives and repos) represented €335.8 billion at December 31, 2018 and call for approximately 87.6% of the group's capital requirements per Pillar I of the Basel 3 regulation.

A sharp downturn in economic conditions, not to say a crisis as great as the one in 2008, could have four types of significant impact on the group's credit risk exposure.

1.1. The first impact would be on the **risk of financial loss due to the inability of counterparties to meet their contractual obligations** (*risk of default*). The counterparties could be banks, financial institutions, industrial or commercial enterprises, central governments, investment funds or natural persons. This risk involves financing activities (appearing on CIC's balance sheet) and guarantee activities (appearing off-balance sheet) as well as various other activities where the group is exposed to the risk of counterparty default, such as its trading activities and the settlement and delivery of financial instruments on the capital markets and insurance. The risk of default would immediately take the form of more non-performing loans (NPL, an indicator of default risk) and also a major point of concern to European regulators and supervisors. It would also be reflected in a higher cost of risk due to the provisioning of those non-performing loans. At December 31, 2018 CIC's NPL ratio (NPL/gross loans to customers) was 2.6% and the cost of customer risk €166 million (0.09% of gross customer loans). However, at December 31, 2009 after the 2008 crisis, the group's NPL ratio was 3.8%, creating a spike in the cost of customer risk of €639 million, or 0.52% of gross loans at the time.

1.2. The second impact would depend on the **method used to calculate weighted risks in the denominator of the solvency ratio.** Under the standard method, the change in credit quality has little impact on the calculation of weighted risks and therefore on the solvency ratio. But if the credit portfolios have been authorized by the supervisor to use internal models to calculate weighted risks, any deterioration of the affected portfolios increase the denominator of the solvency ratio. At CIC nearly 75% of total exposures to credit risk are given an internal rating[1] the quality of which affects the calculation of credit risk-related capital requirements under Basel 3 and therefore the group's solvency ratio. Lower ratings on all or part of the portfolio would consequently entail lower solvency of the group in terms of risk of changed ratings.

(1) According to the level of risk associated with a counterparty, the latter is given an internal rating which will have an influence on the capital requirements for credit risk.

1.3. Because of the large size of its real estate loans (45% of customer loans), primarily in France (€79 billion), the group exposed to a **decline in the real estate sector.** A scenario of that type would impact its cost of risk through higher defaults and also, in terms of mortgage-backed financing, if the value of dwellings given as collateral should be significantly affected for a considerable period of time by a decline in the real estate market. The branch network's cost of risk in its residential loan book as a fraction of balance sheet commitments was 0.02% in 2018.

1.4. CIC has relatively large single exposures to certain central governments, banking counterparties and large corporations, mostly French. **Default by one or more of the group's largest customers could have a negative impact on its profitability.** With central governments, the group is principally exposed in France, primarily the Banque de France, a member of the Eurosystem, and the Caisse des Dépôts et Consignations, which is considered French sovereign risk due to the centralization of deposits from regulated savings accounts. Besides central governments, at December 31, 2018 the single on- and off-balance sheet exposures exceeding €300 million on banks represented €1.9 billion to three counterparties, and on corporates they represented €21.5 billion to 37 counterparties. The probability of seeing several of these counterparties deteriorate or even default simultaneously cannot be ruled out and would impact the profitability of the group.

3.1.2.1.2 Regulatory/prudential risk

The group is subject to a great many banking regulations, some of which are not reflected in its ratios but could have a significant effect on them.

As indicated in 1.2, for the great majority of the group's exposures the supervisor has approved in-house methods for calculating weighted risk. As it happens, changes in the regulation known as "Basel 3 finalization" are going to have an unfavorable impact on the calculation of weighted risks and thus on the group's solvency ratio. The likelihood of this risk occurring is nearly certain but it will occur gradually between 2022 and 2027.

2.1 The **finalization of the Basel 3 agreements** provides that in low-default portfolios approved for IRBA (primarily the calculation of the probability of default and loss given default) the internal "loss given default" parameter may no longer be used to calculate weighted risks. It will be replaced by a standard value set at 40% for all institutions starting January 1, 2022, which will increase the capital requirements for exposures. For the group, the counterparties this will concern are "banks" and "large corporates" (corporations with over €500 million of consolidated revenue), or about €64 billion of on- and off-sheet exposures at December 31, 2018.

2.2 **Starting in 2022 an output floor will also be put in place**, the purpose of which is to limit the gains in equity resulting from internal models in calculating weighted risks in the denominator of the solvency ratio. As indicated in 1.2, about 75% of the group's exposures are weighted using internal models, which in most cases is much less than the weighting using the standard approach. The output floor will be applied in gradual stages between 2022 (50%) and 2027 (72.5%) and will have an unfavorable impact on the solvency ratio.

2.3 As indicated in 1.3, the group's real estate exposures are significant. They will also be unfavorably impacted by the **regulation when the new standard method is applied in 2022**. This new approach will use the Loan-to-Value indicator (LTV) to weight exposures by risk. The higher the LTV, the higher the risk weighting, up to 100%, whereas weighting under the current internal method for exposures secured by a mortgage or equivalent collateral, i.e. nearly €69.4 billion at December 31, 2018, is 16.6%. This new methodology will also have the effect making capital requirements for real estate loan portfolios more sensitive to declines in real estate prices (portfolios under the standard method and portfolios using an internal method through the output floor mechanism mentioned in 2.2.).

2.4 **The Targeted Review of Internal Models (TRIM)**[1] conducted by the Central European Bank (CEB) in European banking institutions may result in a lower levels of CET1.

3.1.2.1.3 Interest-rate risk

Business model and balance sheet structure: CIC conducts over 93% of its business in the euro zone and is thus subject to the economic risks of that region. In addition, the group is subject to conditions in the French economy in that over 86% of net banking income is generated in France. A not inconsiderable fraction of net banking income is connected with real estate loans (45% of total customer loans).

3.1 **Macroeconomic uncertainties:** Macroeconomic uncertainties such as trade issues between the United States and China, Brexit, the end of ECB monetary easing or the social climate in France have had an influence on markets and can reduce the risk appetite of investors, with a consequent increase in the group's refunding cost.

3.2 **Rise in rates:** Should the ECB raise its prime rates, CIC could experience a higher cost of resources. If rates rise, there is a risk of arbitrage by depositors because of the structure of deposits. These resources could migrate to higher yielding products or to managed asset funds. This situation could increase the cost of resources. Moreover, in the event of deposits on the balance sheet migrating off-balance sheet, the lending ratio (loans to deposits) would be impacted by these changes, which might necessitate greater use of market resources.

(1) Targeted Review of Internal Models.

3.1.2.1.4 Liquidity risk

Liquidity ratios At December 31, 2018 CIC showed a lending coefficient of 124%, up 4.7 points from the prior year. With this ratio one can assess the group's need for refunding on the financial markets. An increase in this ratio necessarily increases dependence on the markets and vice-versa. The LCR, which measures the ability to meet 30-day commitments with one's own resources, is a second major indicator of liquidity for the group. The average LCR in 2018 was 121.4%, level with the prior year. This ratio is tracked monthly, and a sharp decline over several months in a row would be a leading indicator of concern for the group in terms of liquidity.

4.1 Credit rating: Maintaining favorable terms for refunding CIC by the BFCM requires constant attention to the credit ratings given by the credit rating branches. The cost of raising non-secured market refunding by the BFCM is directly dependent on its credit spread. Changes in credit spreads are instantaneous, sensitive to sometimes highly volatile market movements and dependent on factors like the rating of French sovereign debt. These variances in spread are also impacted by the market's and rating branches' perception of the bank's credit quality. A lower rating of the BFCM's credit ratings could potentially have an unfavorable impact on refunding terms.

4.2 Change in benchmark indexes: As regards regulation involving benchmark indexes, it should be noted that certain ones (LIBOR, EURIBOR and EONIA) will be considered non-compliant starting January 1, 2022 and not usable in new financial contracts and instruments. A number of points about the transition to the new indices need to be raised. The first concerns the level of substitute rates whose structure (old vs. new index) differs technically and requires an adjustment margin and whose methodology remains yet undefined by the authorities. The second concerns the transition from the old index to the new, which could potentially create a risk of asymmetrical treatment of the various balance sheet items (assets and liabilities) and their hedges. Lastly, the third issue concerns the liquidity of these new indices such as ESTER (Euro Short-term Rate), whose benchmark levels will not be officially published until sometime in the fourth quarter of 2019.

4.3 Operational profitability: In November 2018 Crédit Mutuel Alliance Fédérale presented its 2019-2023 strategic plan, which is based on growth in net banking income of 3% per year. For CIC, this growth depends in part on a rise in rates and on cost control. Failure to meet these growth or cost-control objectives would have a very negative effect on the cost/income ratio.

3.1.2.1.5 Market risk

This is the risk of loss of value caused by any unfavorable change in market parameters such as interest rates, the prices of marketable securities, exchange rates or commodities prices. Market risk concerns several of the bank's business lines, including the capital markets business of CIC Marchés, asset-liability management (cf. above) and the asset management business of the group's management companies.

The potential impact of market risk on asset-liability management is treated elsewhere in this section (higher rates increase the cost of resources, bearing in mind they also favorably affect net interest margin). The risk involving asset management is due to the fact that the fees received by this business line vary with the valuation of the funds under management, which is set by markets.

The principal risk factors associated with market risks are as follows:

5.1 A poor economic outlook negatively impacts the financial markets inasmuch as they are thought to reflect the financial health of the issuers of the equity and debt traded on the markets. The valuation of securities declines and the volatility of valuations increases. The effect on the activities of CIC Marchés is negative.

The investments business line suffers from adverse conditions on the financial markets to the extent that this line is based on an assumption of improvement in the economy, betting on a rise in equity markets and greater creditworthiness of issuers of debt.

The commercial business line also suffers, for the most part, from poor market conditions. Fees for intermediation decline with transactions for lower amounts as valuations decrease. Also, the number of primary market transactions such as IPOs, equity funding and debt issues, show a downward trend, which implies less commissions.

Given the adverse conditions of the financial markets in 2018, CIC Marchés reported 2018 earnings well down from 2017, although still positive. Early 2019 saw a rebound in the markets, but the same uncertainties persisted that had roiled the markets in S2/2018.

5.2 Monetary policy is another factor with a strong impact on market risks (cf. above, the section on interest rate risk). The easy monetary policy of the ECB influences the bank's net interest margin and consequently heavily impacts its profitability (i.e. keeping it low).

The market risk to which CIC Marchés is exposed is weak. The portion of equity capital allocated to CIC Marchés is €490 million, which is 3.2% of the total equity capital of €15 billion. At the close of 2018, of this limit €325 million were used, versus €645 million in 2008. La Crédit Mutuel Alliance Fédérale VaR was €7.3 million at December 31, 2018.

3.1.2.1.6 Operational risks

These involve the risk of losses due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Operational risks include, among others, the risk of non-compliance and legal risks.

The principal risk factors associated with operational risks are as follows:

7.1 internal or external fraud;

7.2. the legal risks to which the group is exposed and which could have an unfavorable affect on its financial position and earnings;

7.3 failure or delay in putting its operations in full compliance with the rules governing financial and banking activities, whether legislative or regulatory, professional standards and ethics, instructions or rules of professional conduct. This risk is exacerbated by the adoption by different countries of multiple and sometimes contradictory legal and regulatory requirements;

7.4 Any **failure by or attack on the group's information systems** that may lead to missed opportunity, create financial loss or for a time weaken the customer protection system.

At year end 2018, €765 million of equity was devoted to cover the losses generated by this risk. At that same date, the ratio of equity allocated for potential loss to actual losses was 16, i.e. €765 million of equity to cover observed loss of €48 million. The factors having the greatest impact on the actual losses of 2018 were customer policy, commercial products and practices, errors and external fraud.

Lastly, in the past there has been no known case of information system failure or attack that impacted the group's profitability or image or the quality of the customer protection system.

3.1.2.2 Credit risks

3.1.2.2.1. Organization of the lending arm

In accordance with the regulations in effect, the loan management organization separates the following processes:

- originating loans;
- assessing risks, overseeing loans and managing at-risk items.

The organization of the lending arm and loan management employ a single manual that sets the rules and practices adhered to in the group.

The loan origination system

Loan origination is a sequence customer knowledge, risk assessment and the decision to lend.

Customer knowledge

Knowledge of the customer and the targeting of prospects depend on close ties with the economic environment. Market prospecting is guided by customer segmentation and categorization by risk. A credit file supports the decision to lend.

Risk assessment

Risk assessment is based on the analyses conducted at several stages, using formalized processes, including:

- customer ratings;
- risk groups;
- weighting of outstandings in line with the type of product and the collateral taken.

Employees receive regularly repeated training in risk containment.

Customer rating: a single system for the whole group

In accordance with the regulations, the rating is central to the credit risk system: origination, payment, pricing and tracking. Accordingly, all delegations of lending authority rely on rating the counterparty. Generally speaking, the lending arm approves the internal rating of all applications under its purview.

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

This rating system is used throughout the Crédit Mutuel group.

Confédération Nationale du Crédit Mutuel (CNCM) is responsible for defining the rating methodologies for all portfolios. Nevertheless, the regional entities are directly involved in carrying out and approving working parties' assignments on specific subjects and the work related to data quality and applications acceptance tests.

The group's counterparties eligible for internal approaches are rated by a single system.

Models (algorithms or matrices) are used to differentiate and correctly classify risk. The value scale reflects the manner in which the risk changes and is broken down into nine non-default positions (A+, A-, B+, B-, C+, C-, D+, D- and E+) and three default positions (E-, E= and F).

The monitoring of the mass rating models focuses on three main aspects: stability assessment, performance assessment and additional analyses. This monitoring is conducted under the aegis of CNCM for each rating model.

Risk groupings (counterparties)

A "group of related customers" means the natural persons or legal entities who fit together in terms of risk because one of them holds direct or indirect control over the other(s) or because there are connections between them such that it is likely that if one of them ran into financial difficulty, particularly financing or repayment problems, the others would experience financing or repayment problems. The risk groups are put together based on a written procedure that includes the provision of sub-paragraph 39 of paragraph 1 of Article 4 of EU Regulation 575/2013.

Weighting of products and collateral

To assess counterparty risk, a weighting of the face value of the loan may be applied. This combines the type of loan and type of collateral.

The lending decision

The lending decision is principally based on:

- a formal risk analysis of the counterparty;
- a rating of the counterparty or group of counterparties;
- the level of delegations;
- the "four-eyes" principle;
- the not-to-exceed rules of the existing authorizations depending on equity;
- yield suited to the risk profile and the consumption of equity capital.

The decision-making channels are automated and managed in real time, as soon as the investigation phase of a loan request is complete, the electronic application is transmitted to the right decision-making level.

Level of delegations

The customer relationship manager is responsible for the thoroughness, quality and reliability of the information collected. In accordance with Article 107 of the Decree of November 3, 2014, he or she assembles the credit files that formalize all of the quantitative and qualitative information about each counterparty. He or she checks the usefulness of the documents collected either from customers or from available external (industry studies, annual reports, legal disclosures, rating branches) or internal sources. Every customer relationship manager is responsible for the decisions he or she makes or has others make, and has a delegation of authority specific to the person.

For applications whose amount exceeds the individual's specific delegation, the decision goes to a lending decisions committee (LDC), whose operating rules are put into written procedures.

The delegations are based on flexible lending caps that vary with:

- the rating;
- the total amount of loans to one counterparty or risk group, possibly weighted by the type of loan involved or by the eligible security;
- exclusions from the delegation.

Role of the lending arm

Each regional bank has a lending staff reporting to the Executive Management and independent of the operating management. Their duties are mainly of two kinds, and for that reason the staff is divided into two independent teams:

- one in charge of seeing to the appropriateness of lending decisions by means of the second review of credit applications and checking that the yield on the loans are in keeping with the risk taken;
- the other in charge of the performing the prudential oversight and credit risk assessment process, complementing the permanent controls.

System for assessing risks, overseeing loans and managing at-risk items

In accordance with regulatory requirements, loans are monitored by national and regional organizational units.

Risk assessment

To assess risks, CIC has different tools employing an aggregate, static or dynamic approach:

- exposure to one counterparty or group of counterparties;
- production and outstandings along dimensions tailored to the business lines concerned (rating, market, loan products, business segment, yield).

Each commercial entity employs informational software and so can check on a daily basis that caps allocated to each of its counterparties are being respected.

Oversight of outstandings

The lending arm, along with other interested parties, contributes to the formal quarterly oversight of the quality of credit risks in each business line.

The lending arm's oversight system becomes involved independently from loan origination, as a supplement to and in coordination with other actions taken, primarily by first-tier control, permanent control and the risk department. The objective is detect at-risk situations as far in advance as possible, based on criteria defined by customer segment, either computer assisted or through the relevant operating and lending managers.

Under EU Regulation 575/2013, CIC's corporate lending limits are set in relation to regulatory capital and the internal ratings of the counterparties. The regulatory limits are tracked in a specific manner (including as to frequency) defined in the special operating procedures.

Amounts in excess of limits and anomalies in the operation of accounts are tracked with advanced risk-detection software (e.g. for debtor management, sensitive risks or automatic reports in negotiated recovery) based on both internal and external criteria, principally ratings and operation of accounts. These indicators are intended to make it possible to identify and deal with credit files as far in advance as possible. This detection is automated, systematic and exhaustive.

Permanent control of loans

The network permanent control, which is independent of lending, provides second-level control of credit risk. Counterparties that show warning signals are reviewed, and entities accumulating negative indicators are identified. The objective of the control is to see that appropriate risk strategies are applied and that suitable corrective measures are taken.

In this way extra security is added to the management of credit risk.

Management of at-risk items

A unified definition of default in accordance with the requirements of Basel and accounting principles

A unified definition of default has been adopted for the entire Crédit Mutuel group. Based on the alignment of prudential information with accounting information (ANC 2014-07 of November 26, 2014/EU Regulation No. 575/2013), this definition matches the Basel concept of loans in default and the accounting concept of non-performing loans and loans in litigation. The computer software factors in contagion, extending the downgrading to related outstandings.

Detection of at-risk items

The process involves identifying all receivables to be categorized as "at-risk items" and then allocating them to the category corresponding to their situation: sensitive (not downgraded to non-performing), non-performing or in litigation. All receivables are subject to an automated monthly identification process using internal and external indicators that have been configured in the information system. Downgrading, in accordance with the prevailing regulatory criteria, is carried out automatically.

Transfer to non-performing, provisioning and reclassification as performing

Adjustments associated with the transfer to non-performing, provisioning and the reclassification as performing comply with the prevailing prudential rules and are processed automatically monthly, which ensures the process is exhaustive.

Management of customers downgraded to non-performing or in litigation

The manner in which the counterparties concerned are managed depends on the severity of the situation: at the branch by the customer relationship manager or by specific, specialized staff, by market, counterparty type or collection method.

3.1.2.2.2. Quantitative data[1]

Exposures

Total gross exposures were €202 billion, up 11.5% from January 1, 2018. Customer loans were €180.2 billion, up 8.5% from January 1, 2018 and outstandings on credit institutions were up 44.4%.

LOANS AND RECEIVABLES (EXCL. REPURCHASE AGREEMENTS)

(in € millions) *(capital at end of month)*	12/31/2018	1/1/2018	12/31/2017
Loans and receivables			
Financial institutions	21,853	15,134	15,446
Customer	180,160	166,115	166,432
GROSS OUTSTANDINGS	**202,013**	**181,250**	**181,878**
Impairment			
Financial institutions	-2	-4	0
Customer	-2,892	-2,955	-2,589
NET OUTSTANDINGS	**199,119**	**178,291**	**179,289**

Balance sheet outstandings of medium- and long-term loans were up 9.1%, and short-term loans were also up, 8.1%.

Customer loans

(in € millions) *(capital at end of month)*	12/31/2018	1/1/2018	12/31/2017
SHORT-TERM LOANS	**29,461**	**27,243**	**27,243**
Overdrawn current accounts	4,864	4,932	4,932
Commercial loans	7,157	6,391	6,391
Cash loans	16,196	14,856	14,856
Export loans	1,244	1,064	1,064
MEDIUM- AND LONG-TERM LOANS	**145,457**	**133,383**	**133,773**
Equipment loans	54,603	48,583	48,583
Housing loans	78,676	73,565	73,565
Leases	11,558	10,528	10,608
Other loans	620	708	1,017
TOTAL GROSS CUSTOMER LOANS	**174,918**	**160,626**	**161,016**
Doubtful receivables	4,959	5,188	5,188
Receivables on interests	283	300	228
TOTAL CUSTOMER LOANS	**180,160**	**166,115**	**166,432**

(1) Due to the application of IFRS 9 as of January 1, 2018, the changes shown compare the data at December 31, 2018 to those at January 1, 2018.

Commitments given

(in € millions) *(capital at end of month)*	12/31/2018	1/1/2018	12/31/2017
Financing commitments given			
Financial institutions	350	315	315
Customer	36,693	33,066	33,066
Guarantees given			
Financial institutions	2,286	1,224	1,224
Customer	13,881	12,899	12,899
PROVISION FOR RISKS ON COMMITMENTS GIVEN	**180**	**184**	**92**

Close-up on home loans

Home loan outstandings grew 6.9% in 2018. They represented 45.0% of the gross total of customer loans. By their very nature spread among a very great many customers, 89.6% were backed by physical property collateral or first-rate securities.

(in € millions) *(capital at end of month)*	12/31/2018	1/1/2018	12/31/2017
Home loans	78,676	73,565	73,565
o/w with housing credit guarantee	*34,439*	*32,327*	*32,327*
o/w with mortgage or similar 1st-rank security	*36,034*	*33,583*	*33,583*
o/w with other security[1]	*8,203*	*7,655*	*7,655*

(1) Other rank mortgages, pledges and liens.

Quality of portfolio

This heading is treated in the Chapter “Basel 3 Pillar 3 Information”.

Risk of concentration/Exposure by sector

These two headings are treated in the Chapter “Basel 3 Pillar 3 Information”.

Major exposures

This heading is treated in the Chapter “Basel 3 Pillar 3 Information”.

Sovereign risks

Sovereign risks are presented in Note 7b of the appendix to the consolidated financial statements.

At-risk items and cost of risk

At-risk items and the cost of risk are treated in the section “Examination of financial position and income”.

Quality of retail risks

(in € millions) *(capital at end of month)*	12/31/2018	1/1/2018	12/31/2017
Loans impaired individually	4,959	5,188	5,188
Individual provision	-2,345	-2,440	-2,440
IFRS 9 impairment	-546	-514	0
Collective impairment of loans	0	0	-149
Total coverage ratio	**58.3%**	**56.9%**	**49.9%**
Coverage ratio (individual provisions only)	**47.3%**	**47.0%**	**47.0%**

(in € millions) *(capital at end of month)*	12/31/2018	1/1/2018	12/31/2017
Gross customer loans outstanding	180,160	166,115	166,432
Fraction of non-performing in gross customer loans	2.8%	3.1%	3.1%
Overall cost of customer risk	-166	-213	-213
Actual cost of customer risk	-135	-216	-216
Overall cost of customer risk/Gross loans outstanding	**0.09%**	**0.13%**	**0.13%**
Actual cost of customer risk/Gross loans outstanding	**0.08%**	**0.13%**	**0.13%**

Customer loans outstanding in arrears not downgraded to non-performing

2018	< 30 days	> 30 days < 90 days	> 90 days	Total
Debt instruments	**0**	**0**	**0**	**0**
Loans and receivables	**1,285**	**312**	**63**	**1,660**
Central banks	0	0	0	0
Public administration	0	6	0	6
Financial institutions	0	0	0	0
Other financial institutions	30	4	3	37
Non-financial corporate	934	247	57	1,238
Retail clients	321	55	3	379
TOTAL	**1,285**	**312**	**63**	**1,660**

2017	< 30 days	> 30 days < 90 days	> 90 days	Total
Debt instruments[(1)]	**0**	**0**	**0**	**0**
Loans and receivables	**1,260**	**295**	**63**	**1,618**
Central banks	0	0	0	0
Public administration	0	0	0	0
Financial institutions	0	0	0	0
Other financial institutions	14	14	0	28
Non-financial corporate	877	230	56	1,163
Retail clients	369	51	7	427
TOTAL	**1,260**	**295**	**63**	**1,618**

(1) Debt securities available for sale or long-term investment.

Interbank loans

This heading is treated in the Chapter "Basel 3 Pillar 3 Information".

Debt securities, derivatives and repurchase agreements

This heading is treated in the Chapter "Basel 3 Pillar 3 Information".

3.1.2.3 Asset-liability management risk

This section is treated in the Chapter "Basel 3 Pillar 3 Information".

3.1.2.4 Currency risk

This section is treated in the Chapter "Basel 3 Pillar 3 Information".

3.1.2.5 Equities risk

This section is treated in the Chapter "Basel 3 Pillar 3 Information".

3.1.2.6 Capital markets risk*

This section is treated in the Chapter "Basel 3 Pillar 3 Information".

3.1.2.7 Securitization

This section is treated in the Chapter "Basel 3 Pillar 3 Information".

3.1.2.8 Operational risks*

This section is treated in the Chapter "Basel 3 Pillar 3 Information".

3.1.2.9 Other Risks

This section is treated in the Chapter "Basel 3 Pillar 3 Information".

3.1.3 Basel 3 Pillar 3 information

13.1.3.1 Key figures

3.1.3.1.1 Solvency ratios

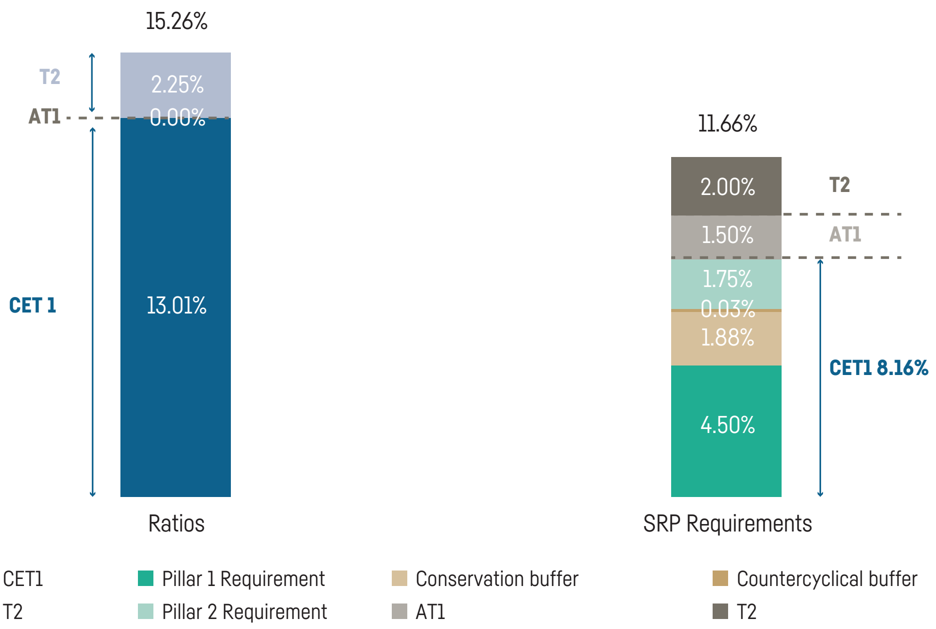
WITH TRANSITIONAL CLAUSES

(in € millions)	12/31/2018	12/31/2017
Common Equity Tier 1 capital (CET 1)	13,056	12,668
Additional Tier 1 capital (AT1)	0	1
Tier 2 capital (T2)	2,254	2,123
TOTAL SHAREHOLDERS' EQUITY	**15,310**	**14,792**
TOTAL RISK-WEIGHTED ASSETS	**100,353**	**92,494**
Common Equity T1 (CET1) ratio	13.01%	13.70%
Tier 1 ratio	13.01%	13.70%
Overall ratio	15.26%	15.99%

WITHOUT TRANSITIONAL CLAUSES

(in € millions)	12/31/2018	12/31/2017
Common Equity Tier 1 capital (CET 1)	13,056	12,689
Additional Tier 1 capital (AT1)	0	1
Tier 2 capital (T2)	2,254	2,105
TOTAL SHAREHOLDERS' EQUITY	**15,310**	**14,795**
TOTAL RISK-WEIGHTED ASSETS	**100,353**	**92,494**
Common Equity T1 (CET1) ratio	13.01%	13.72%
Tier 1 ratio	13.01%	13.72%
Overall ratio	15.26%	16.00%

REGULATORY REQUIREMENTS AND SOLVENCY RATIOS



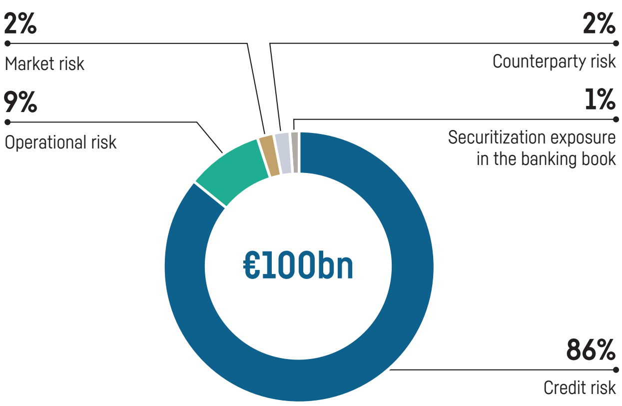
As of March 1, 2019 there will no longer be Pillar 2 requirements for CIC (1.75% in CET1).

As of July 1, 2019 a countercyclical buffer ratio of 0.25% will be calculated for exposures in France.

RISKS WEIGHTED BY TYPE OF RISK

(in € millions)	12/31/2018	12/31/2017
Credit risk	85,910	78,978
Operational risk	9,561	8,313
Market risk	2,426	2,326
Counterparty risk	1,573	1,857
Securitization exposure in the banking book	822	681
Settlement risk	0	0
Amounts less than deduction thresholds (risk weighting of 250%)	61	338
TOTAL RISK-WEIGHTED ASSETS	**100,353**	**92,494**

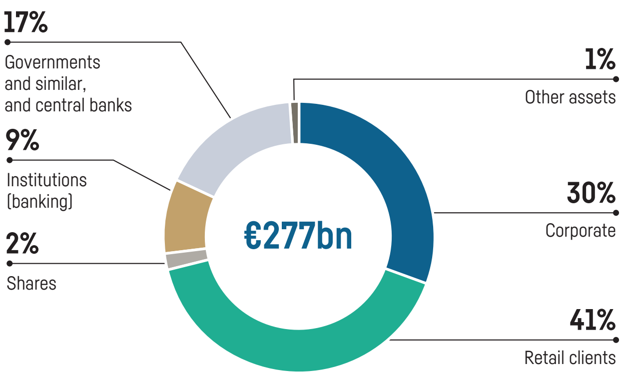
Risks weighted by type of risk at 12/31/2018



CREDIT RISK
EAD BY CATEGORY

(in € millions)	12/31/2018	12/31/2017
Corporate	83,925	76,459
Retail clients	113,919	108,183
Shares	4,833	4,693
Institutions (banks)	23,990	24,406
Governments and similar, and central banks	46,785	41,502
Other assets	3,122	3,030
TOTAL EAD	**276,575**	**258,273**

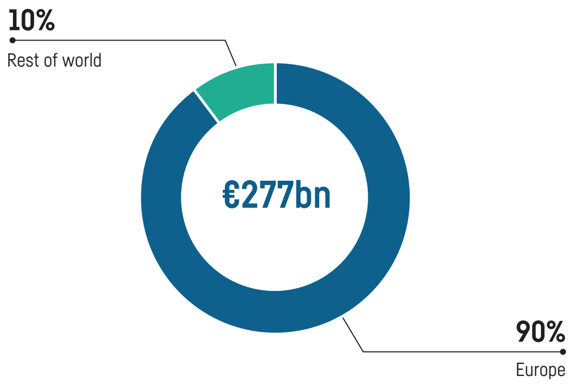
EAD by category at 12/31/2018



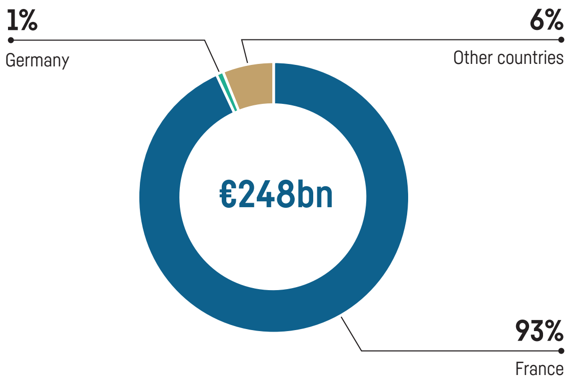
EAD BY GEOGRAPHIC AREA

(in € millions)	12/31/2018	12/31/2017
Europe	**248,380**	**235,549**
France	231,416	216,311
Germany	2,378	2,763
Other countries	14,586	16,475
Rest of world	**28,195**	**22,724**
United States	8,590	6,410
Other countries	19,605	16,314
TOTAL EAD	**276,575**	**258,273**

EAD by geographic area at 12/31/2018



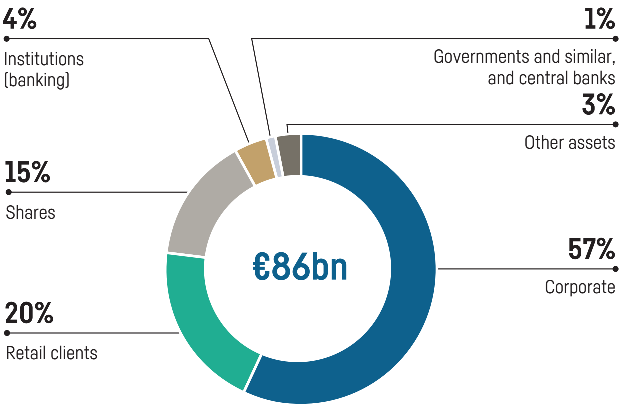
EAD by geographic area in Europe at 12/31/2018



WEIGHTED CREDIT RISK BY CATEGORY

(in € millions)	12/31/2018	12/31/2017
Corporate	49,032	43,431
Retail clients	17,077	17,061
Shares	13,116	12,726
Institutions (banks)	3,589	3,242
Governments and similar, and central banks	438	158
Other assets	2,719	2,698
TOTAL RISK-WEIGHTED ASSETS	**85,971**	**79,316**

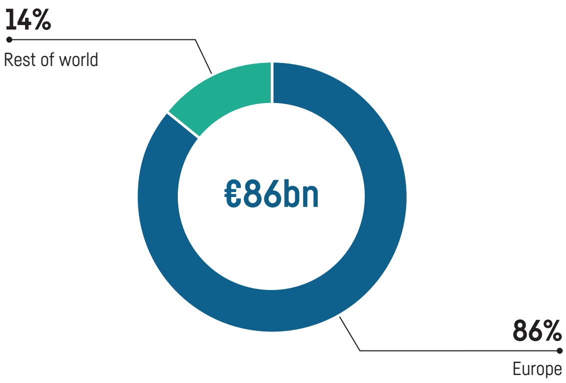
Weighted credit risk by category at 12/31/2018



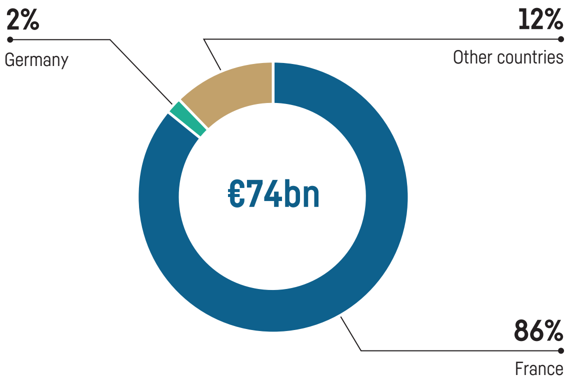
WEIGHTED CREDIT RISK BY GEOGRAPHIC AREA

(in € millions)	12/31/2018	12/31/2017
Europe	**74,055**	**69,471**
France	64,095	60,771
Germany	1,397	1,348
Other countries	8,563	7,352
Rest of world	**11,916**	**9,845**
United States	3,702	2,745
Other countries	8,214	7,100
TOTAL RISK-WEIGHTED ASSETS	**85,971**	**79,316**

Gross exposures to credit risk by geographic area at 12/31/2018



Gross exposures to credit risk by geographic area in Europe at 12/31/2018



3.1.3.1.2 Leverage ratio

WITH TRANSITIONAL CLAUSES

(in € millions)	12/31/2018 Exempting centralized CDC savings	12/31/2018 Not exempting centralized CDC savings	12/31/2017
Tier 1 capital	13,057	13,057	12,669
TOTAL LEVERAGE EXPOSURE *(TOTAL EXPOSURE MEASURE)*	**310,332**	**315,961**	**278,761**
Leverage ratio	4.21%	4.13%	4.54%

WITHOUT TRANSITIONAL CLAUSES *(FULL)*

(in € millions)	12/31/2018 Exempting centralized CDC savings	12/31/2018 Not exempting centralized CDC savings	12/31/2017
Tier 1 capital	13,057	13,057	12,690
TOTAL LEVERAGE EXPOSURE *(TOTAL EXPOSURE MEASURE)*	**310,332**	**315,961**	**278,761**
Leverage ratio	4.21%	4.13%	4.55%

Figures in the 2017 column are given not exempting centralized CDC savings.

3.1.3.1.3 Liquidity Coverage Ratio (LCR)

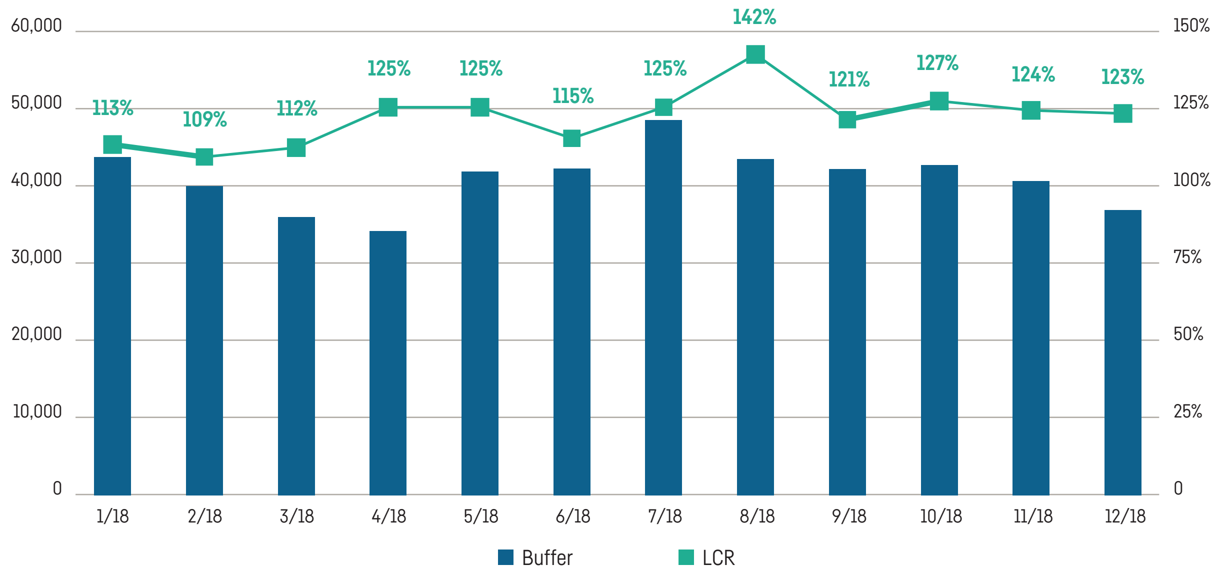
ANNUAL RATIO (END OF MONTH)

(in € millions)	12/31/2018	12/31/2017
Liquidity buffer (after weightings)	**36,714**	**33,750**
o/w Central Bank exposures and collections	28,648	25,868
o/w HQLA (Level 1)	4,362	3,998
o/w HQLA (Level 2)	3,704	3,883
Liquidity Coverage Ratio (LCR)	**123%**	**107%**

AVERAGE QUARTERLY RATIO (END OF MONTH)

(in € millions)	3/31/2018	6/30/2018	9/30/2018	12/31/2018
Liquidity buffer (after weightings)	**42,523**	**40,558**	**41,428**	**40,865**
o/w Central Bank exposures and collections	36,157	33,449	33,683	32,876
o/w HQLA (Level 1)	4,074	4,243	4,270	4,307
o/w HQLA (Level 2)	2,293	2,865	3,475	3,682
Liquidity Coverage Ratio (LCR)	**111%**	**114%**	**118%**	**121%**

LCR (%) AND BUFFER (€M) OF CIC IN 2018



3.1.3.2 Risk management (EU OVA)

The Chapter "CIC Risk Management" describes the risks to which the group is exposed and provides the list of major risks that might have a significant unfavorable effect on our business.

3.1.3.2.1 Risk profile of the institution

CIC is a part of Crédit Mutuel Alliance Fédérale. The group's strategy is based on long-term values which promote controlled, sustainable and profitable growth. Retail banking is its core business, as demonstrated by the share of credit risk in its total capital requirements and the predominance of the retail book in its total exposures. CIC operates mostly in France and in countries of Europe.

CIC strives to maintain and regularly add to the financial strength from which its derives its soundness and durability. Its Common Equity Tier 1 (CET1) solvency ratio is 13.01%.

The group's approach to risk management is designed around its risk profile, its strategy and the appropriate risk management systems.

3.1.3.2.2 Risk appetite

CIC's risk appetite framework evolved from the group's desire to have a general framework setting out its core principles with regard to risk.

In summary, the aim of CIC's risk tolerance policy is to:

- give the Executive Management and the Board of Directors an acceptable level of confidence and comfort as regards the understanding and management of the full range of risks in line with the achievement of the group's objectives;
- be implemented at all levels within the group so as to provide a comprehensive view and enable best practice to be harmonized;
- identify the potential events likely to affect the group and its risk management.

The policy as to risk tolerance establishes a coherent framework in which the group's various businesses can develop in accordance with the values of CIC and its shareholder. It is intended to promote a strong and proactive culture regarding risk management. It is based on a medium- and long-term view and incorporated into our decision-making processes.

The group Audit, Compliance and risk management department monitors and oversees how the risk tolerance principles are applied.

Our risk tolerance policy is taken into account when setting the strategic, financial and marketing objectives to benefit our customers.

The risk tolerance policy follows from the strategic guidelines set by Executive Management and the Board of Directors. It enables the group to:

- conduct business activities for which it has satisfied itself that the risks are adequately understood, controlled and managed;
- aim to achieve a level of profitability within a specified timescale which would not be detrimental to sound risk management;
- present the business lines' and entities' risk profiles with regard to earnings, capital consumption and financing requirements generated;
- identify risks in advance and manage them proactively, always adhering to the company's prudential profile.

The group has based its risk policy on three main foundations:

- ICAAP (Internal Capital Adequacy Assessment Process). At the conclusion of the risk analysis process, the capital level is deemed to be sufficient to cover the risk exposure. The ICAAP report, prepared in accordance with the Confédération Nationale du Crédit Mutuel (CNCM) methodology, and the economic capital projections and capital adequacy ratio over a three-year horizon, are updated annually and presented to the group risk committee and the group risk monitoring committee;
- ILAAP (Internal Liquidity Adequacy Assessment Process). The Crédit Mutuel Alliance Fédérale's liquidity risk tolerance policy is extremely cautious, with the aim of guaranteeing the funding of its activities over the long term; it is monitored by the control committees and the operational committees. To identify, measure and manage liquidity risk while meeting the needs of the entities and business lines, the group's asset-liability management (ALM) and treasury staff have established management indicators together with warning limits and thresholds; the reliability of operating procedures is checked on a regular basis using regulatory and internal stress scenarios.
- A comprehensive limits process. Several limits systems cover the majority of activities and risks, i.e. limits on credit risk (unit concentration limits, sector limits, country, sovereign and geographical limits, limits specific to each special-area loan committee, and as regards the network, uncentralized limits in each regional group), limits on interest rate, liquidity and ALM risks, limits on market activities (specific limits by business line and set of rules, and exhaustive risk indicators and warning levels).

3.1.3.2.3 Risk governance

The group's internal control and risk management system is incorporated in that of Crédit Mutuel Alliance Fédérale. It is described in 3.1.1 and 3.1.2.

3.1.3.2.4 Structure and organization of the risk management function

The structure and organization of the risk management function are described in 3.1.1 and 3.1.2.

3.1.3.2.5 Risk management policy

The Risk management policy is described in 3.1.1 and 3.1.2.

3.1.3.3 Scope of the regulatory framework

Pursuant to EU Regulation 575/2013 of the European Parliament and the European Council relative to capital requirements applicable to credit institutions and investment firms (known as CRR), the accounting and regulatory entities are the same.

The entities making up the grouping appear in Note 2a to the consolidated financial statements.

The make-up of the prudential consolidation as compared to the accounting consolidation at December 31, 2018 looks as follows:

The consolidation methods as between the prudential and accounting consolidations are identical. The EU L13 table is therefore not presented.

DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY CONSOLIDATIONS AND ASSIGNMENT OF ITEMS IN THE FINANCIAL STATEMENTS TO THE REGULATORY RISK CATEGORIES (EU LI1)

			Carrying amounts of items:				
12/31/2018 *(in € millions)*	**Carrying amounts per the published financial statements**	**Carrying amounts per the regulatory consolidation**	**subject to the credit risk framework**	**subject to the counterparty risk framework***	**subject to the securitization provisions**	**subject to the market risk framework***	**not subject to capital requirements or subject to the deduction from equity**
ASSETS							
Caisse, Central banks – Assets	31,709	31,709	31,709	-	-	-	-
Financial assets at fair value through profit or loss	16,760	16,760	3,254	3,064	7	13,500	-
Hedging derivatives – Assets	547	547	-	547	-	-	-
Financial assets at fair value through equity	11,423	11,423	5,257	-	6,190	-	-24
Securities at amortized cost	2,650	2,650	2,650	-	-	-	-
Loans and receivables to credit institutions and similar, at amortized cost	32,180	32,180	21,190	10,454	536	-	-
Loans and receivables to customers at amortized cost	188,520	188,520	177,223	11,252	-	-	45
Revaluation adjustment on rate-hedged books	623	623	-	-	-	-	623
Short-term investments in the insurance business line and reinsurers' share of technical provisions	-	-	-	-	-	-	-
Current tax assets	766	766	766	-	-	-	-
Deferred tax assets	360	360	360	-	-	-	-
Accruals and other assets	5,745	5,745	5,745	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-
Deferred profit-sharing	-	-	-	-	-	-	-
Investments in associates	1,888	1,888	1,834	-	-	-	54
Investment property	46	46	46	-	-	-	-
Property, plant and equipment and finance leases	1,270	1,270	1,270	-	-	-	-
Intangible assets	183	183	-	-	-	-	183
Goodwill	33	33	-	-	-	-	33
TOTAL ASSETS	294,704	294,704	251,304	25,317	6,733	13,500	913

* *Some items may be subject to capital requirements both for the counterparty risk framework and the market risk framework.*

12/31/2018 *(in € millions)*	Carrying amounts per the published financial statements	Carrying amounts per the regulatory consolidation	Carrying amounts of items: subject to the credit risk framework	subject to the counterparty risk framework*	subject to the securitization provisions	subject to the market risk framework*	not subject to capital requirements or subject to the deduction from equity
SHAREHOLDERS' EQUITY AND LIABILITIES							
Central banks – Liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-
Hedging derivatives – Liabilities	-	-	-	-	-	-	-
Due to credit institutions	4,131	4,131	-	2,900	-	4,131	-
Due to customers	1,624	1,624	-	1,624	-	-	-
Debt securities	84,945	84,945	-	18,706	-	-	66,239
Revaluation adjustment on rate-hedged books	152,060	152,060	-	6	-	-	152,054
Current tax liabilities	26,904	26,904	-	-	-	-	26,904
Deferred tax liabilities	8	8	-	-	-	-	8
Accruals and other liabilities	243	243	-	-	-	-	243
Liabilities on assets held for sale	258	258	258	-	-	-	-
Technical provisions	6,163	6,163	-	961	-	-	5,202
Due to credit institutions – OFV	-	-	-	-	-	-	-
Debt securities – OFV	-	-	-	-	-	-	-
Trading *derivatives*	-	-	-	-	-	-	-
Due to credit institutions	-	-	-	-	-	-	-
Hedging derivatives – Liabilities	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Subordinated debt issued by insurance companies	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-
Subordinated debt issued by banks	-	-	-	-	-	-	-
Total shareholders' equity	1,032	1,032	-	-	-	-	1,032
Shareholders' equity – Group share	2,234	2,234	-	-	-	-	2,234
Share capital and related premiums	15,101	15,101	-	-	-	-	15,101
Consolidated reserves – Group	15,052	15,052	-	-	-	-	15,052
Unrealized gains and (losses) recognized directly in equity – Group	1,696	1,696	-	-	-	-	1,696
Net profit – Group	12,001	12,001	-	-	-	-	12,001
Shareholders' equity – Non-controlling interests	-30	-30	-	-	-	-	-30
TOTAL LIABILITIES	**294,704**	**294,704**	**258**	**24,197**	**-**	**4,131**	**269,017**

* *Some items may be subject to capital requirements both for the counterparty risk framework and the market risk framework.*

MAIN SOURCES OF DIFFERENCE BETWEEN THE REGULATORY AMOUNTS OF EXPOSURES AND THE CARRYING AMOUNTS IN THE FINANCIAL STATEMENTS (EU L12)

12/31/2018 *(in € millions)*	Total	Items subject to: credit risk framework	counterparty risk framework	securitization provision	market risk framework
1 - Carrying amount of assets in the regulatory consolidation	**296,854**	**251,304**	**25,317**	**6,733**	**13,500**
2- Carrying amount of liabilities & equity in the regulatory consolidation	**28,586**	**258**	**24,197**	**-**	**4,131**
3 - Net Total per the regulatory consolidation	**268,268**	**251,046**	**1,121**	**6,733**	**9,369**
4 - Off-balance sheet commitments	**56,797**	**56,534**		**263**	
- OBO valuation diff.	**-33,023**	**-33,023**		**-**	
5 - Valuation diff.	*2,131*		*2,131*		*-*
6 - Diff. due to differing rules for offsetting other than those already in line 2	*5,867*		*8,993*		*-3,126*
7 - Diff. due to the inclusion of provisions	*3,167*	*3,167*		*-*	
8 - Diff. due to prudential filters	*-*	*-*			
9 - Other	*-1,320*	*-1,320*	*-*	*-*	*-*
10 - Regulatory amount of exposures	**301,888**	**276,404**	**12,245**	**6,996**	**6,243**

Data given in the column "Counterparty risk framework" equal the net value of the assets and liabilities of derivatives and repurchase agreements.

Counterparty risk: Net credit balances after offsets are excluded from counterparty risk on line 6.

3.1.3.4 Shareholders' equity

3.1.3.4.1 Components of shareholders' equity

Since January 1, 2014, regulatory capital has been determined in accordance with Section 1 of EU Regulation No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending EU Regulation No. 648/2012 (referred to as the "CRR"), supplemented by technical standards (delegated regulations and EU implementing regulations of the European Commission).

Equity is now the sum of:

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

The European regulations allow credit institutions a transitional period to achieve compliance with these requirements. Therefore, transitional provisions apply to certain components of equity.

Tier 1 capital

Common Equity Tier 1 (CET 1) capital consists of share capital instruments and the associated share premiums, reserves (including those relating to accumulate other comprehensive income) and retained earnings. Total flexibility of the payments is required and the instruments must be perpetual.

Additional Tier 1 capital (AT1) consists of perpetual debt instruments with no incentive or obligation to redeem (in particular step-ups in interest rates). AT1 instruments are subject to a loss absorption mechanism which is triggered when the CET1 ratio is below a minimum threshold of 5.125%. The instruments can be converted into shares or reduced in nominal value. Total payment flexibility is required, and coupon payments may be canceled at the issuer's discretion.

Common Equity Tier 1 capital is determined using the shareholders' equity carried on the group's accounting statements[1], calculated on the regulatory consolidation after applying "prudential filters" and a certain number of regulatory adjustments.

Prudential filters:

Beginning January 1, 2018, due to the end of the transitional clauses applied to unrealized gains (excluding shares used as cash flow hedges), those investments are no longer filtered and are now fully incorporated into common equity.

Conversely, unrealized gains and losses recognized for accounting purposes directly in equity due to a cash flow hedge and those relating to other financial instruments, including debt instruments, continue to be eliminated.

The other adjustments to CET1 mainly involve:

- anticipation of dividend distributions;
- deducting goodwill and other intangible assets;
- the negative difference between provisions and expected losses as well as expected losses on equities;
- value adjustments due to requirements for conservative valuation;
- deferred tax assets that rely on future profitability and do not arise from temporary differences net of related tax liabilities;
- gains and losses at fair value on derivatives recognized as liabilities on the institution's statement of financial position and that result from changes in the institution's credit standing.

In addition, direct, indirect and synthetic holdings in CET1 instruments of financial sector entities are included in full in the threshold and are not therefore deducted from CET1.

(1) See Table: "Reconciliation of the financial balance sheet, the regulatory balance sheet and shareholders' equity".

Tier 2 capital

Tier 2 capital consists of subordinated debt instruments with a minimum maturity of 5 years. Incentives for early redemption are prohibited.

The amount of "eligible capital" is more limited. This concept is used to calculate large exposure thresholds and non-financial investments weighted at 1,250%. This is the sum of:

- Tier 1 capital; and
- Tier 2 capital, capped at 1/3 of Tier 1 capital.

RECONCILIATION OF THE FINANCIAL BALANCE SHEET, THE REGULATORY BALANCE SHEET AND SHAREHOLDERS' EQUITY AT DECEMBER 31, 2018

(in € millions)	CET1	AT1	AT2	Total prudential
Shareholders' Equity – Group share				
Capital called up & paid in	608	-	-	608
(-) Indirect investments in CET1 instruments	-	-	-	-
Additional paid-in capital	1,088	-	-	1,088
Prior year earnings not distributed	12,174	-	-	12,174
Profit or loss (Group share)	1,385	-	-	1,385
(-) Share of interim profits or ineligible closing date profits	-1,385	-	-	-1,385
Shareholders' equity – Non-controlling interests	**-**	**-**	**-**	**-**
Eligible non-controlling interests*	13	-	23	37
Other cumulative items in comprehensive income	**-204**	**-**	**-**	**-204**
o/w capital instruments	*-128*	-	-	*-128*
o/w debt instruments	*-59*	-	-	*-59*
o/w cash flow hedges	-	-	-	-
Balance sheet items put into the calculation of equity capital	**-**	**-**	**-**	**-**
(-) Gross amount of other intangible assets, inc. DTL on intangible assets (a-b)	-183	-	-	-183
(-) Goodwill on intangible assets	-112	-	-	-112
(-) DTA that rely on future profitability and do not arise from temporary differences net of related tax liabilities	-	-	-	-
(-)Deductible deferred tax assets dependent on future profits and resultant from temporary differences	-	-	-	-
Subordinated debt	-	-	2,230	2,230
(1) Securitization positions that can, optionally, be weighted 1,250%	-171	-	-	-171
(-) Instruments of relevant entities in which the institution does not have a material investment	-	-	-	-
(-) Instruments of relevant entities in which the institution has a material investment	-	-	-	-
Other adjustments	**-**	**-**	**-**	**-**
Prudential filter: Reserve for cash flow hedges	-	-	-	-
Prudential filter: Value adjustments due to requirements for conservative valuation	-45	-	-	-45
Prudential filter: Cumulative gains or losses due to change in the bank's credit standing and on liabilities measured at fair value	-	-	-	-
Prudential filter: Gains or losses at FV on liability derivatives, resulting from own credit risk	-	-	-	-
Transitional adjustments to capital instruments due to grandfather clauses	-	-	-	-
Transitional adjustments to additional non-controlling interests, due to grandfather clauses	-	-	-	-
Transitional adjustments to capital instruments for capital gains & losses	128	-	-	128
Transitional adjustments to debt instruments for capital gains & losses	58	-	-	58
Other transitional adjustments	-186	-	-	-186
Using the IRB approach, the negative difference between provisions and expected losses	-112	-	-	-112
Using the IRB approach, the positive difference between provisions and expected losses	-	-	-	-
Credit risk adjustments – Standard approach	-	-	-	-
Excess deduction of T2 items impacting AT1	-	-	-	-
Excess deduction of AT1 items impacting CET1	-	-	-	-
TOTAL	**13,056**	**-**	**2,253**	**15,310**

Detailed information on shareholders' equity in the format of Appendix VI to EU implementing regulation 1423/2013 of December 20, 2013 are presented in Appendix 1.

Similarly, the principal characteristics of capital instruments in the format of Appendix 2 to EU implementing regulation 1423/2013 of December 20, 2013 are presented in Appendix 2.

3.1.3.4.2 Capital requirements

OVERVIEW OF RISK-WEIGHTED ASSETS (EU OV1)

	Risk-Weighted Assets		Minimum capital requirements
(in € millions)	2018	2017	2018
Amount omitted from AT1 due to the cap (amount in excess of the cap after repayment and installments)	**85,910**	**78,978**	**6,873**
Current cap applicable to T2 instruments subject to gradual exclusion	14,566	13,977	1,165
Amount omitted from T2 due to the cap (amount in excess of the cap after repayment and installments)	8,142	7,596	651
o/w advanced Internal ratings-based approach	*50,620*	*45,026*	*4,050*
o/w shares using the internal ratings-based approach	*12,582*	*12,380*	*1,007*
Counterparty risk	**1,573**	**1,857**	**126**
o/w market value	*1,160*	*1,469*	*93*
o/w initial exposure	-	-	-
o/w standard approach applied to counterparty risk (SA – CCR)	-	-	-
o/w internal models method (IMM)	-	-	-
o/w amount of risk exposure for contributions to the default fund of an SPC	*149*	*96*	*12*
o/w CVA	*263*	*293*	*21*
Settlement risk	**0**	**0**	**0**
Securitization exposure in the banking book	**822**	**681**	**66**
o/w internal ratings-based approach (IR)	*761*	*630*	*61*
o/w supervisory formula method	-	-	-
o/w internal valuation approach	-	-	-
o/w standard approach (SA)	*61*	*51*	*5*
Market risk	**2,426**	**2,326**	**194**
o/w standard approach (SA)	*2,426*	*2,326*	*194*
o/w approaches based on the internal models method (IMM)	-	-	-
Major exposures	**-**	**-**	**-**
Operational risk	**9,561**	**8,313**	**765**
o/w base indicator approach	*228*	*205*	*18*
o/w standard approach	*79*	*73*	*6*
o/w advanced measurement approach	*9,254*	*8,035*	*740*
Amounts below the thresholds for deduction (subject to 250% risk weight)	**61**	**338**	**5**
Floor adjustment	**-**	**-**	**-**
TOTAL	**100,353**	**92,494**	**8,028**

3.1.3.5 Prudential metrics

3.1.3.5.1 Solvency ratios

CIC's solvency ratios at December 31, 2018 were:

SOLVENCY RATIOS

(in € billions)	2018	2017
COMMON EQUITY TIER 1 CAPITAL (CET 1)	**13.1**	**12.7**
Capital	1.7	1.7
Eligible reserves before adjustments	12.0	12.0
Deductions from Common Equity Tier capital	-0.6	-1.0
ADDITIONAL TIER 1 CAPITAL (AT1)	**0.0**	**0.0**
TIER 2 CAPITAL (T2)	**2.3**	**2.1**
TOTAL SHAREHOLDERS' EQUITY	**15.3**	**14.8**
Risk-weighted assets for purposes of credit risk	88.1	81.6
Risk-weighted assets for purposes of market risk	2.7	2.6
Risk-weighted assets for purposes of operational risk	9.6	8.3
TOTAL RISK-WEIGHTED ASSETS	**100.4**	**92.5**
SOLVENCY RATIOS – TRANSITIONAL METHOD		
Common Equity T1 (CET1) ratio	13.0%	13.7%
Tier 1 ratio	13.0%	13.7%
Overall ratio	15.3%	16.0%

In terms of CCR, the total capital requirement is set at 8% of Risk-Weighted Assets (RWA).

In addition to the minimum CET1 requirement, CIC has since January 1, 2016 gradually become subject to extra capital requirements which take the form of:

- a capital conservation buffer, mandatory for all institutions, equal to 1.875% of weighted risks at December 31, 2018 and 2.5% from January 1, 2019 forward;
- a counter-cyclical capital buffer specific to each institution equal to 0.03% of weighted risks at December 31, 2018.

The countercyclical buffer, established in case of excessive credit growth (particularly a variance in the loans-to-NBI ratio) applies nationally when so decided by a designated authority and, because of reciprocity agreements, covers the exposures located in that country regardless of the nationality of the bank. In France the countercyclical buffer rate is set by the French Financial Stability Board (HCSF). This rate is, in principle, in the range of 0% to 2.5% (and can even be set above this percentage, in certain circumstances).

CIC's specific counter-cyclical capital buffer ratio is calculated as the weighted average of counter-cyclical buffer ratios applied in the countries where the group's relevant credit exposures are located.

CIC is not subject to the OSII (Other Systemically Important Institutions) buffer, which applies solely at the nationally consolidated level.

AMOUNT OF COUNTER-CYCLICAL CAPITAL BUFFER SPECIFIC TO THE INSTITUTION

		2018	2017
010	Total risk-weighted assets	100,353	92,494
020	Counter-cyclical capital buffer specific to the institution	0.0342%	0.0091%
030	Required counter-cyclical capital buffer specific to the institution	34.315	8.418

GEOGRAPHICAL BREAKDOWN OF RELEVANT CREDIT EXPOSURES FOR THE CALCULATION OF THE COUNTERCYCLICAL CAPITAL BUFFER

	General credit exposures		Trading book exposures		Securitization exposures	
12/31/2018 *(in € millions)*	Amount exposed to risk using standard approach	Amount exposed to risk using IR approach*	Sum of long and short positions in the trading book	Amount of trading book exposures per internal models	Amount exposed to risk using standard approach	Amount exposed to risk using IR approach*
United Kingdom	190.324	2,230.305	354.771	0.000	0.000	502.979
Hong Kong	14.228	963.660	98.383	0.000	0.000	81.935
Sweden	35.348	169.038	111.927	0.000	0.000	0.000
Norway	8.288	137.910	49.633	0.000	0.000	5.937
Czech Republic	4.863	7.543	0.000	0.000	0.000	0.000
Slovakia	3.800	1.888	0.000	0.000	0.000	0.000
Lithuania	0.654	0.233	0.000	0.000	0.000	0.000
Iceland	0.348	0.017	9.345	0.000	0.000	0.000

* *IR approach: internal rating approach*

	Capital requirements					
12/31/2018 *(in € millions)*	o/w general credit exposures	o/w Trading book exposures	o/w securitization exposures	Total	Weightings of capital requirements	Counter-cyclical buffer ratio
United Kingdom	113.610	5.631	5.862	125.103	1.83%	1.0000%
Hong Kong	33.360	1.630	0.486	35.476	0.52%	1.8750%
Sweden	11.857	1.691	0.000	13.548	0.20%	2.0000%
Norway	5.746	0.811	0.035	6.592	0.10%	2.0000%
Czech Republic	0.972	0.000	0.000	0.972	0.01%	1.0000%
Slovakia	0.365	0.000	0.000	0.365	0.01%	1.2500%
Lithuania	0.053	0.000	0.000	0.053	0.00%	0.5000%
Iceland	0.029	0.150	0.000	0.178	0.00%	1.2500%

12/31/2017 *(in € millions)*	General credit exposures		Trading book exposures		Securitization exposures	
	Amount exposed to risk using standard approach	Amount exposed to risk using IR approach	Sum of long and short positions in the trading book	Amount of trading book exposures per internal models	Amount exposed to risk using standard approach	Amount exposed to risk using IR approach
Hong Kong	7.141	893.251	0.000	0.000	0.000	0.000
Sweden	15.029	108.117	3.504	0.000	0.000	0.000
Norway	1.004	122.258	3.054	0.000	0.000	0.882
Slovakia	4.937	0.991	0.000	0.000	0.000	0.000
Czech Republic	6.008	5.050	0.000	0.000	0.000	0.000
Iceland	0.308	0.003	0.000	0.000	0.000	0.000

12/31/2017 *(in € millions)*	Capital requirements					
	o/w general credit exposures	o/w Trading book exposures	o/w securitization exposures	Total	Weightings of capital requirements	Counter-cyclical buffer ratio
Hong Kong	28.663	0.000	0.000	28.663	0.45%	1.2500%
Sweden	6.097	0.280	0.000	6.378	0.10%	2.0000%
Norway	5.951	0.031	0.005	5.987	0.09%	1.5000%
Slovakia	0.372	0.000	0.000	0.372	0.01%	0.5000%
Czech Republic	0.313	0.000	0.000	0.313	0.00%	0.5000%
Iceland	0.014	0.000	0.000	0.014	0.00%	1.2500%

3.1.3.5.2 Major risks

Banks must measure and limit their exposures to a single recipient, customer or group of customers.

Article 395 of EU Regulation 575/2013 of June 26, 2013 states that net outstandings to a single recipient may not be greater than 25% of the bank's equity capital.

Article 392 of EU Regulation 575/2013 of June 26, 2013 states that gross outstandings to a single recipient greater than 10% of the bank's equity capital must be reported as a large risk.

CIC does not have gross or net outstandings with a single recipient (customer or group of customers) that reaches the 10% threshold of group equity.

CORPORATE

Concentration of retail risks	12/31/2018	12/31/2017
Loans exceeding €300 million		
Number of counterparty groups	37	32
Total commitments *(in € millions)*	21,547	18,275
o/w Total balance sheet *(in € millions)*	8,356	6,910
o/w Total off balance sheet guarantees & financing *(in € millions)*	13,191	11,365
Loans exceeding €100 million		
Number of counterparty groups	129	112
Total commitments *(in € millions)*	36,107	31,014
o/w Total balance sheet *(in € millions)*	15,844	13,497
o/w Total off balance sheet guarantees & financing *(in € millions)*	20,264	17,517

BANKS

Concentration of retail risks	12/31/2018	12/31/2017
Loans exceeding €300 million		
Number of counterparty groups	3	3
Total commitments *(in € millions)*	1,919	1,603
o/w Total balance sheet *(in € millions)*	1,495	1,074
o/w Total off balance sheet guarantees & financing *(in € millions)*	424	529
Loans exceeding €100 million		
Number of counterparty groups	13	12
Total commitments *(in € millions)*	3,413	2,952
o/w Total balance sheet *(in € millions)*	2,527	2,070
o/w Total off balance sheet guarantees & financing *(in € millions)*	885	883

Commitments: balance sheet + off balance sheet uses.

3.1.3.5.3 Leverage ratio

The mechanism for managing the risk of excessive leverage in CIC is designed around the following:

- the leverage ratio is one of the key indicators of solvency, and monitoring it is the responsibility of the risk committees covering CIC;
- an internal limit has been defined at CIC level;
- if the limit set by the supervisory body is breached, a specific procedure has been laid out, involving the Executive Management and the Board of Directors of CIC.

LEVERAGE RATIO – JOINT STATEMENT – EULRCOM

Exposures *(in € millions)*	**2018**	**2017**
BALANCE SHEET (EXCLUDING DERIVATIVES AND TEMPORARY SALES OF SECURITIES)		
1 - Balance Sheet items (excluding derivatives, temporary sales of securities, fiduciary assets, but including collateral)	273,698	244,436
2 - (Assets deducted to determine Tier-1)	-112	-493
3 - Total balance sheet exposures (excl. derivatives, temporary sales of securities and fiduciary assets) – sum of lines 1 and 2	273,586	243,943
DERIVATIVES		
4 - Replacement cost for all derivatives (i.e. net of eligible margin calls received)	882	960
5 - *Add-on* for future potential exposures associated with derivatives (mark-to-market method)	2,076	1,903
7 - (deductions of cash margin calls paid as part of transactions in derivatives)	-2,212	-3,285
9 - Effective notional amount adjusted for credit derivatives sold	7,893	5,680
10 - (Adjusted effective notional offsets and *deductions* of add-ons for credit derivatives sold)	-5,534	-4,619
11 - Total exposures from derivatives – sum of lines 4-10	3,105	640
EXPOSURES FROM TEMPORARY SALES OF SECURITIES		
12 - Gross assets equal to temporary sales of securities (without offset) after adjusting for transactions accounted as sales	17,232	12,882
14 - Exposures to counterparty credit risk from assets related to temporary sales of securities	55	961
16 - Total exposures from temporary sales of securities – sum of lines 12 to 15a	17,287	13,842
OTHER OFF BALANCE SHEET EXPOSURES		
17 - Off-balance sheet exposures in gross notional amount	53,226	47,773
18 - (Adjustments and equivalent credit risk amounts)	-31,243	-27,438
19 - Other off-balance sheet exposures – sum of lines 17-18	21,983	20,336
EXEMPT EXPOSURES UNDER ARTICLES 429.7 AND 429.14 OF THE CRR (ON AND OFF BALANCE SHEET)		
EU-19a - (Intragroup exposures (individual basis) exempt under Article 429.7 of the CRR (on and off balance sheet))	-	-
EU 19b - (Exempt exposures under Article 429.14 of the CRR (on and off balance sheet))	-5,630	-
SHAREHOLDERS' EQUITY AND TOTAL EXPOSURE		
20 - Tier 1	13,057	12,669
21 - Total exposures – sum of lines 3, 11, 16, 19, EU-19a and EU-19b	310,332	278,761
LEVERAGE RATIO		
22 - Leverage ratio	4.21%	4.54%
Transitional arrangements chosen and amounts of de-recognized fiduciary items		
EU-23 - Transitional arrangements chosen to define the measurement of equity	YES	YES

3

SUMMARY RECONCILIATION OF CONSOLIDATED ACCOUNTING ASSETS AND EXPOSURES FOR THE PURPOSE OF THE LEVERAGE RATIO – EU LRSUM

Exposures *(in € millions)*	**2018**	**2017**
1 - CONSOLIDATED ASSETS IN THE REPORTED FINANCIAL STATEMENTS	**294,704**	**264,840**
2 - Adjustments for entities in the accounting consolidation but outside the regulatory consolidation	-	-
4 - Adjustments for derivatives	-509	-2,857
5 - Adjustments for temp sales of securities (SFTs*)	-381	-2,341
6 - Adjustments for off-balance sheet items (converted to credit equivalents)	21,983	20,336
EU 6a - (Adjustments for intra-group exposures left out of the leverage ratio calculation, in accordance with Article 429.7 of the CRR)	-	-
EU 6b - (Adjustments for exposures left out of the leverage ratio calculation, in accordance with Article 429.14 of the CRR) – CDC loan	-5,630	-
7 - Other adjustments	165	-1,217
8 - TOTAL LEVERAGE RATIO EXPOSURE	**310,332**	**278,761**

* *Securities financing transactions, also called temporary sale of securities.*

BREAKDOWN OF EXPOSURES ON THE BALANCE SHEET (EXCEPT DERIVATIVES, SFTS AND EXEMPT EXPOSURES) – EU LRSPL

Exposures *(in € millions)*	**2018**	**2017**
EU-1 - TOTAL BALANCE SHEET EXPOSURES, O/W:	**265,856**	**241,151**
EU-2 - Trading *Book* exposures	**13,646**	**9,306**
EU-3 - Banking *book exposures*, o/w	**252,210**	**231,845**
EU-4 - Covered bonds	205	351
EU-5 - Exposures treated as sovereign	40,204	40,683
EU-6 - Exposures from regional governments, multilateral development banks, international organizations and public sector entities not treated as sovereign	345	381
EU-7 - Institutions	22,699	16,518
EU-8 - Real estate mortgages	89,542	80,440
EU-9 - Retail *exposures*	29,148	28,931
EU-10 - Corporate *exposures*	52,985	49,270
EU-11 - Exposures in default	2,395	2,624
EU-12 - Other exposures (stock, securitizations and other assets unrelated to credit exposures)	14,688	12,647

Pursuant to Article R.511-16-1 of the French Monetary and Financial Code, CIC's return on assets (i.e. the net accounting profit divided by the accounting balanced sheet total on a consolidated basis) was 0.47% in 2018 and 0.49% in 2017.

3.1.3.6 Capital adequacy

Pillar 2 of the Basel accord requires banks to carry out their own assessment of their economic capital and to use stress scenarios to assess their capital requirements in the event of an economic downturn. The effect of this pillar is to structure the dialog between the bank and the supervisor on the adequacy of the institution's capital.

The work done by the group to bring it into compliance with the requirements of Pillar 2 fits into the improvements made to the credit risk measuring and monitoring procedures. During 2008, the group introduced its internal capital assessment process in accordance with the Internal Capital Adequacy Assessment Process (ICAAP). This assessment approach has since been gradually enhanced and is now formalized by a national framework process, validated by the Board of Directors of the CNCM on March 2, 2016 as part of the general risk appetite framework and applies at all levels of the Crédit Mutuel group.

The ICAAP approach is fully integrated into the risk governance framework which can be understood as having the following stages:

- identification of the significant risks incurred by the bank and the associated procedures, tied directly to risk monitoring;
- assessment of the capacity of these risks to be absorbed on an ongoing basis by the regulatory capital adequacy requirements in Pillar 1;
- determination of the level of any additional economic capital to be allocated.

The methods for measuring economic need have been broadened; and at the same time, management and control procedures have been written defining the Crédit Mutuel group's risk policy and overall stress program, based on a holistic, forward-looking approach.

The difference between economic capital and regulatory capital constitutes an added margin of safety. This margin depends on the Crédit Mutuel group's risk profile (taking into account its current and future activities) and its degree of risk aversion.

The results of the ICAAP are presented on a regular basis to the Crédit Mutuel group's key executives, demonstrating that the group has adequate capital to cover its exposure to risks in line with its appetite as to solvency.

3.1.3.7 Credit Risk

3.1.3.7.1 General qualitative information on credit risk (EU CRA)

Because of its business model, CIC's primary risk is credit risk. Historically, CIC was originally more oriented to the corporate market but gradually expanded in the individual retail segment. It still remains on the corporate market, however.

A credit policy aimed at prudent growth

The credit risk policy identifies the markets and type of financing with which each network and specialized department of CIC may be involved. It sets the lending criteria by type of customer or product, based mainly on the solvency of the borrowers and explicitly mentions the possible restrictions on the distribution of credit, either through the general policy (including specific or prohibited markets and products, "unbankable" persons, old lawsuits, bad ratings, etc.).

This risk policy supports several objectives:

- help manage the business by keeping loan commitments within limits and in line with the group's risk appetite;
- reduce the cost of risk over the long term;
- measure capital requirements;
- Effective response to Basel 3 and to regulations as to internal control, and a return on the investment made in regulatory compliance.

The risk policy is worked out within the framework of the group's risk appetite as approved by the appropriate Boards of Directors, by means of a system of limits and alert thresholds, particularly as to concentration of loans by borrower, by sector and by geography. These limits use the Crédit Mutuel group rating system described in the "Risk Management" portion of the management report.

The risk policy is circulated through all entities in CIC consolidation by means of an intranet deployed in the group's French and foreign entities.

Risk management system

The credit risk management system is described in part 3.1.

Relationship among the management functions for credit risk, risk monitoring, compliance assurance and internal auditing

They are described in part 3.1.1 "Managing risks to the internal control procedures".

3.1.3.7.2 Exposures

The group has focused on the "advanced" forms of the Basel 2 accord, beginning with its core business, retail clients. The *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) has authorized the group to use its internal ratings system to calculate its regulatory capital requirements in respect of credit risk:

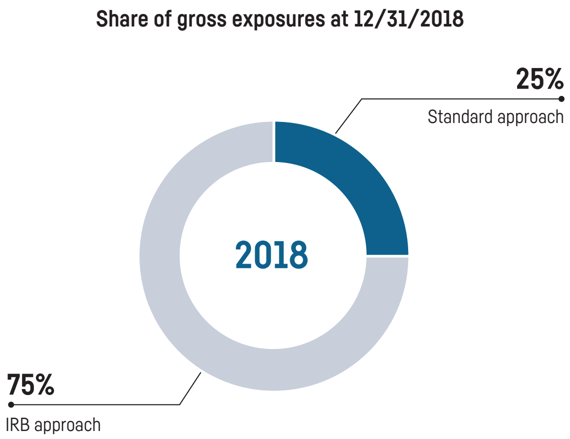
- using the advanced method, as from June 30, 2008, for the retail customer portfolio;
- using the foundation method, as from December 31, 2008, for the bank portfolio;
- using the advanced method, as from December 31, 2012, for the corporate and bank portfolio.
- using the internal method, as from March 31, 2012, for the real estate development portfolio.

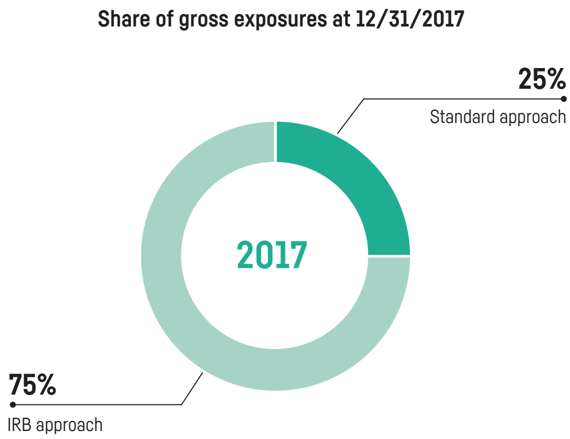
In 2018, as part of the TRIM exercise (Targeted Review of Internal Models); the Central European Bank confirmed the authorization given to the group as to the portfolio of retail customer home loans.

For CIC, the percentage of exposures approved using the advanced internal ratings method for the regulatory, institutional, corporate and retail client portfolios was nearly 68% at December 31, 2018 after obtaining authorization to apply the internal method within the scope of real estate development (4.2% of corporate) at the start of 2018.

The regulatory capital requirements of central governments and central banks portfolios were measured over the long-term using the standard method as allowed by the Secretariat of the ACP. The foreign subsidiaries of CM-CIC Factor have been treated using the standard method since December 31, 2013.

SHARE OF GROSS EXPOSURES IN THE CATEGORIES OF INSTITUTIONS, CORPORATES AND RETAIL CLIENTS





TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES (EU CRB-B)

	2018		2017	
	Net exposures at end of period	Average exposure over the year	Net exposures at end of period	Average exposure over the year
1 - Governments and central banks	**0**	**0**	**0**	**0**
2 - Institutions (banks)	**18,324**	**16,127**	**12,684**	**15,970**
3 - Corporate	**89,416**	**85,577**	**77,923**	**76,055**
*4 - o/w using slotting criteria**	*7,763*	*7,607*	*7,318*	*7,196*
5 - o/w: SME	*18,476*	*18,063*	*17,118*	*16,803*
6 - Retail clients	**114,870**	**112,499**	**108,682**	**107,140**
7 - o/w: Secured by real estate mortgages	*76,437*	*74,497*	*71,540*	*70,082*
*8 - o/w: SME***	*11,940*	*11,605*	*11,083*	*10,795*
9 - o/w: Non-SME	*64,497*	*62,892*	*60,457*	*59,287*
10 - o/w revolving	*6,431*	*6,246*	*5,814*	*5,607*
11 - o/w: Other retail clients	*32,002*	*31,757*	*31,327*	*31,451*
12 - o/w: SME	*17,668*	*17,520*	*17,167*	*16,979*
13 - o/w: Non-SME	*14,333*	*14,237*	*14,160*	*14,472*
14 - Equities	**4,423**	**4,423**	**4,414**	**4,246**
14a - Other assets	**2,730**	**2,695**	**2,579**	**2,667**
15 - TOTAL IRB	**229,763**	**221,321**	**206,281**	**206,078**
16 - Central Governments (sovereign borrowers) and central banks	40,531	42,532	36,106	43,612
17 - Regional or local governments	314	339	391	321
18 - Public sector (public organizations excluding central governments)	6,081	5,777	4,985	4,960
19 - Multilateral development banks	0	0	0	0
20 - International organizations	0	0	0	0
21 - Banks	5,995	5,777	5,127	5,126
22 - Corporate	10,634	9,192	10,065	10,234
23 - o/w: SME	*1,678*	*1,211*	*1,000*	*1,158*
24 - Retail clients	3,235	3,152	3,230	3,873
25 - o/w: SME	*2,263*	*2,245*	*2,318*	*2,197*
26 - Exposures secured by real estate mortgages	5,942	5,649	6,598	6,650
27 - o/w: SME	*0*	*0*	*0*	*73*
28 - Exposures in default	387	330	365	325
29 - Exposures presenting especially high risk	311	335	283	164
30 - Covered bonds	25	35	61	80
31 - Exposures from institutions and companies given a short-term credit evaluation	0	0	0	0
32 - Exposures in the form of UCIT shares or equities	3	1	0	0
33 - Exposures in the form of equities	136	171	161	127
34 - Other assets	531	556	568	614
35 - TOTAL STANDARD	**74,126**	**73,847**	**67,939**	**76,088**
36 - TOTAL	**303,889**	**295,168**	**274,220**	**282,166**

* *Slotting criteria: specialized financing algorithm.*

** *Small and medium-sized enterprises.*

Exposures by geographic area

CIC is fundamentally a French and European firm. The geographic breakdown of gross exposures at December 31, 2018 reflects that, with 93% of commitments in the European region.

GEOGRAPHICAL DISTRIBUTION OF EXPOSURES (EU CRB-C)

12/31/2018 *(in € millions)*	Net value					
	Europe	France	Germany	Belgium	Spain	Luxembourg
1 - Governments and central banks	-	-	-	-	-	-
2 - Institutions (banks)	16,464	14,533	132	68	26	5
3 - Corporate	77,298	67,429	875	792	569	1,507
4 - Retail clients	114,161	112,916	65	239	58	71
5 - Equities	4,418	4,343	-	16	-	57
Other assets	2,705	2,701	-	-	-	-
6 - TOTAL IRB	**215,046**	**201,921**	**1,073**	**1,115**	**653**	**1,640**
7 - Governments (sovereign borrowers) and central banks	33,883	29,533	328	150	9	448
8 - Regional or local governments	304	236	53	0	13	1
9 - Public sector (public organizations excluding central governments)	6,068	6,057	2	-	-	8
10 - Multilateral development banks	-	-	-	-	-	-
11 - International organizations	-	-	-	-	-	-
12 - Banks	5,893	4,710	154	22	7	50
13 - Corporate	10,263	4,969	706	646	216	1,673
14 - Retail clients	3,169	1,676	137	88	61	221
15 - Exposures secured by real estate mortgages	5,894	218	13	68	2	1,059
16 - Exposures in default	355	235	14	3	7	4
17 - Exposures presenting especially high risk	277	207	11	-	-	23
18 - Covered bonds	25	25	-	-	-	-
19 - Exposures from institutions and companies given a short-term credit evaluation	-	-	-	-	-	-
20 - Exposures in the form of UCIT shares or equities	3	-	-	-	-	3
21 - Exposures in the form of UCIT shares or equities	136	16	-	10	-	77
22 - Other assets	531	9	185	132	0	186
23 - TOTAL STANDARD	**66,800**	**47,893**	**1,603**	**1,120**	**315**	**3,754**
24 - TOTAL	**281,846**	**249,814**	**2,676**	**2,235**	**968**	**5,394**

Net value								
Netherlands	Switzerland	United Kingdom	Other	Rest of world	USA	Canada	Other	Total
-	-	-	-	-	-	-	-	-
27	1,077	483	113	1,860	550	218	1,092	18,324
1,666	871	2,102	1,486	12,118	5,636	147	6,335	89,416
19	365	276	151	709	182	29	498	114,870
-	1	0	2	5	5	-	0	4,423
-	-	5	-	24	18	-	6	2,730
1,712	**2,314**	**2,866**	**1,752**	**14,716**	**6,390**	**394**	**7,932**	**229,763**
121	2,934	22	337	6,648	3,753	4	2,891	40,531
-	0	-	0	10	-	10	-	314
-	-	-	-	13	-	13	-	6,081
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
38	60	767	85	102	36	12	54	5,995
26	1,428	135	463	372	58	7	306	10,634
1	862	39	84	67	25	0	41	3,235
3	4,492	28	12	48	0	-	48	5,942
1	76	8	6	32	2	0	30	387
-	35	-	-	34	1	32	1	311
-	-	-	-	-	-	-	-	25
-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	3
-	33	-	-	-	-	-	-	136
-	18	-	-	-	-	-	-	531
191	**9,938**	**999**	**987**	**7,326**	**3,876**	**80**	**3,370**	**74,126**
1,903	**12,252**	**3,865**	**2,739**	**22,043**	**10,266**	**474**	**11,302**	**303,889**

3

12/31/2017 *(in € millions)*	Europe	France	Germany	Belgium	Spain	Luxembourg
1 - Governments and central banks	-	-	-	-	-	-
2 - Institutions (banks)	11,391	9,091	417	56	136	8
3 - Corporate	68,143	59,396	1,021	664	378	1,079
4 - Retail clients	108,058	106,864	68	217	38	85
5 - Equities	4,389	4,238	6	24	-	101
Other assets	2,560	2,550	-	-	-	-
6 - TOTAL IRB	**194,541**	**182,140**	**1,511**	**961**	**553**	**1,272**
7 - Governments (sovereign borrowers) and central banks	32,493	27,772	300	184	9	998
8 - Regional or local governments	354	278	40	-	35	1
9 - Public sector (public organizations excluding central governments)	4,981	4,972	0	0	-	8
10 - Multilateral development banks	-	-	-	-	-	-
11 - International organizations	-	-	-	-	-	-
12 - Banks	5,033	4,693	62	9	2	42
13 - Corporate	9,866	5,956	514	559	92	1,308
14 - Retail clients	3,102	1,569	175	116	96	194
15 - Exposures secured by real estate mortgages	6,546	1,623	14	53	3	868
16 - Exposures in default	343	234	10	3	5	5
17 - Exposures presenting especially high risk	283	283	-	-	-	-
18 - Covered bonds	61	34	-	-	-	-
19 - Exposures from institutions and companies given a short-term credit evaluation	-	-	-	-	-	-
20 - Exposures in the form of UCIT shares or equities	0	-	-	-	-	-
21 - Exposures in the form of UCIT shares or equities	161	13	-	3	-	142
22 - Other assets	568	10	201	124	0	220
23 - TOTAL STANDARD	**63,790**	**47,437**	**1,317**	**1,052**	**242**	**3,788**
24 - TOTAL	**258,331**	**229,577**	**2,828**	**2,013**	**795**	**5,060**

Exposure by type of industry or counterparty

CIC has traditionally shown a good diversity in its exposures. Such great diversity enables it to reduce the risk of concentration that might exist with heavy exposure to one sector. The two most significant sectors are private individuals (30%) and public administrations (15%).

Netherlands	Switzerland	United Kingdom	Other	Rest of world	USA	Canada	Other	Total
-	-	-	-	-	-	-	-	-
0	498	1,138	47	1,293	233	72	988	12,684
1,503	594	2,054	1,454	9,780	4,263	122	5,395	77,923
18	342	281	145	623	165	24	434	108,682
-	16	1	3	26	2	21	3	4,414
-	-	10	-	18	-2	-	20	2,579
1,521	**1,451**	**3,484**	**1,650**	**11,740**	**4,661**	**239**	**6,840**	**206,281**
196	2,225	179	631	3,613	2,544	4	1,065	36,106
-	-	-	0	37	-	37	-	391
-	-	-	-	4	-	4	-	4,985
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
10	56	115	44	94	23	7	64	5,127
6	1,141	86	202	200	63	5	131	10,065
15	733	45	159	127	27	3	97	3,230
4	3,941	25	15	52	0	-	52	6,598
2	74	0	8	22	2	0	19	365
-	-	-	-	-	-	-	-	283
26	-	-	-	-	-	-	-	61
-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	0
-	3	-	-	-	-	-	-	161
-	13	-	-	-	-	-	-	568
259	**8,185**	**450**	**1,060**	**4,149**	**2,661**	**60**	**1,428**	**67,939**
1,780	**9,636**	**3,934**	**2,710**	**15,889**	**7,323**	**299**	**8,267**	**274,220**

3

CONCENTRATION OF EXPOSURES BY TYPE OF INDUSTRY OR COUNTERPARTY (EU CRB-D)

12/31/2018 *(in € millions)*	**Public administration**	**Banks and financial institutions**	**Private individuals**	**Individual business owners**	**Farmers**	**Non-profit organizations**
1 - Governments and central banks	0	0	0	0	0	0
2 - Institutions (banks)	0	18,324	0	0	0	0
3 - Corporate	0	0	0	129	697	669
4 - Retail clients	0	0	87,692	7,488	2,326	181
5 - Equities	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
6 - TOTAL INTERNAL RATING APPROACH	**0**	**18,324**	**87,692**	**7,617**	**3,023**	**850**
Central governments or Central banks	40,531	0	0	0	0	0
Regional or local governments	314	0	0	0	0	0
Public sector (public organizations excluding central governments)	6,081	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0
International organizations	0	0	0	0	0	0
Banks	0	5,995	0	0	0	0
Corporate	0	0	0	0	2	11
Retail clients	0	0	897	6	16	10
Exposures secured by real estate mortgages	0	0	3,082	0	0	0
Exposures in default	24	0	52	1	1	2
Exposures presenting especially high risk	0	0	0	0	0	0
Covered bonds	0	25	0	0	0	0
Exposures from institutions and companies given a short-term credit evaluation	0	0	0	0	0	0
Exposures in the form of UCIT shares or equities	0	0	0	0	0	0
Shares	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
23 - TOTAL STANDARD APPROACH	**46,950**	**6,020**	**4,032**	**7**	**19**	**22**
24 - TOTAL	**46,950**	**24,344**	**91,723**	**7,624**	**3,042**	**871**

* CIC Suisse, Banque de Luxembourg.

Other group subsidiaries*	Travel & leisure	Chemistry	Distribution	Automotive	Construction & Building Materials	Manufacturing goods and services	Healthcare	Other financial activities
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
181	3,828	1,132	6,453	2,377	7,818	6,603	2,436	5,979
0	1,526	42	2,625	490	2,108	1,521	270	1,489
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
181	**5,354**	**1,173**	**9,078**	**2,867**	**9,927**	**8,124**	**2,706**	**7,468**
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
3,809	57	38	1,331	388	356	505	55	33
717	25	7	293	24	544	216	16	13
2,828	0	0	0	0	0	0	0	0
29	5	0	92	7	47	32	2	1
0	3	0	71	3	19	13	1	3
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
7,382	**90**	**46**	**1,786**	**421**	**966**	**767**	**73**	**50**
7,563	**5,444**	**1,219**	**10,864**	**3,288**	**10,893**	**8,891**	**2,779**	**7,518**

12/31/2018 *(in € millions)*	Industrial transportation	Household products	Real estate development	Other real estate (inc. rental and RE Invest. cos.)	Utilities	Food & beverages
1 - Governments and central banks	0	0	0	0	0	0
2 - Institutions (banks)	0	0	0	0	0	0
3 - Corporate	5,428	1,556	3,453	4,705	2,795	4,928
4 - Retail clients	981	270	0	1,046	130	406
5 - Equities	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
6 - TOTAL INTERNAL RATING APPROACH	**6,409**	**1,826**	**3,453**	**5,751**	**2,925**	**5,334**
Central governments or Central banks	0	0	0	0	0	0
Regional or local governments	0	0	0	0	0	0
Public sector (public organizations excluding central governments)	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0
International organizations	0	0	0	0	0	0
Banks	0	0	0	0	0	0
Corporate	212	113	12	100	171	208
Retail clients	67	33	0	35	11	31
Exposures secured by real estate mortgages	0	0	0	0	0	0
Exposures in default	8	5	0	9	6	7
Exposures presenting especially high risk	5	3	0	0	3	4
Covered bonds	0	0	0	0	0	0
Exposures from institutions and companies given a short-term credit evaluation	0	0	0	0	0	0
Exposures in the form of UCIT shares or equities	0	0	0	0	0	0
Shares	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
23 - TOTAL STANDARD APPROACH	**292**	**154**	**13**	**143**	**190**	**249**
24 - TOTAL	**6,701**	**1,980**	**3,466**	**5,894**	**3,116**	**5,583**

Media	Holdings & conglomerates	High technology	Oil & Gas, Commodities	Telecommunications	Miscellaneous	Shares	Other assets	Total
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	18,324
1,871	7,615	4,369	4,848	1,264	8,282	0	0	89,416
125	578	147	87	10	3,334	0	0	114,870
0	0	0	0	0	0	4,423	0	4,423
0	0	0	0	0	0	138	2,591	2,730
1,996	**8,193**	**4,516**	**4,935**	**1,273**	**11,616**	**4,561**	**2,591**	**229,763**
0	0	0	0	0	0	0	0	40,531
0	0	0	0	0	0	0	0	314
0	0	0	0	0	0	0	0	6,081
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	5,995
43	119	312	76	166	2,518	0	0	10,634
29	29	30	11	4	171	0	0	3,235
0	0	0	0	0	32	0	0	5,942
5	4	10	2	0	39	0	0	387
3	3	12	1	29	4	131	0	311
0	0	0	0	0	0	0	0	25
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	3	0	3
0	0	0	0	0	0	136	0	136
0	0	0	0	0	0	0	531	531
80	**156**	**364**	**90**	**199**	**2,765**	**270**	**531**	**74,126**
2,076	**8,348**	**4,880**	**5,025**	**1,472**	**14,381**	**4,831**	**3,122**	**303,889**

12/31/2017 *(in € millions)*	Public administration	Banks and financial institutions	Private individuals	Individual business owners	Farmers	Non-profit organizations
1 - Governments and central banks	0	0	0	0	0	0
2 - Institutions (banks)	0	12,684	0	0	0	0
3 - Corporate	0	0	0	126	678	657
4 - Retail clients	0	0	82,377	7,106	2,144	169
5 - Equities	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
6 - TOTAL INTERNAL RATING APPROACH	**0**	**12,684**	**82,377**	**7,231**	**2,822**	**826**
Central governments or Central banks	41,508	0	0	0	0	0
Banks	0	5,188	0	0	0	0
Corporate	0	0	0	0	2	3
Retail clients	0	0	3,699	8	17	3
Shares	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
23 - TOTAL STANDARD APPROACH	**41,508**	**5,188**	**3,699**	**8**	**19**	**6**
24 - TOTAL	**41,508**	**17,872**	**86,076**	**7,240**	**2,842**	**832**

12/31/2017 *(in € millions)*	Industrial transportation	Household products	Real estate development	Other real estate (inc. rental and RE Invest. cos.)	Utilities	Food & beverages
1 - Governments and central banks	0	0	0	0	0	0
2 - Institutions (banks)	0	0	0	0	0	0
3 - Corporate	4,580	1,553	0	3,764	2,407	4,402
4 - Retail clients	954	278	0	938	131	407
5 - Equities	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
6 - TOTAL INTERNAL RATING APPROACH	**5,534**	**1,831**	**0**	**4,702**	**2,537**	**4,809**
Central governments or Central banks	0	0	0	0	0	0
Banks	0	0	0	0	0	0
Corporate	222	106	3,150	119	171	136
Retail clients	74	37	0	36	10	34
Shares	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
23 - TOTAL STANDARD APPROACH	**296**	**142**	**3,150**	**155**	**181**	**171**
24 - TOTAL	**5,830**	**1,974**	**3,150**	**4,857**	**2,719**	**4,979**

Other group subsidiaries*	Travel & leisure	Chemistry	Distribution	Automotive	Construction & Building Materials	Manufacturing goods and services	Healthcare	Other financial activities
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
936	3,158	991	6,037	2,381	7,187	5,466	2,219	5,426
199	1,458	37	2,633	478	2,018	1,503	280	1,419
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
1,135	**4,616**	**1,028**	**8,669**	**2,859**	**9,205**	**6,969**	**2,499**	**6,844**
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
5,652	64	29	1,289	358	398	446	45	38
509	30	10	317	26	613	255	17	17
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
6,161	**94**	**39**	**1,606**	**384**	**1,011**	**702**	**62**	**54**
7,296	**4,711**	**1,067**	**10,276**	**3,243**	**10,217**	**7,670**	**2,561**	**6,899**

Media	Holdings & conglomerates	High technology	Oil & Gas, Commodities	Telecommunications	Miscellaneous	Shares	Other assets	Total
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	12,684
1,684	6,466	4,085	4,197	906	8,619	0	0	77,923
124	510	141	88	10	3,280	0	0	108,682
0	0	0	0	0	0	4,531	0	4,531
0	0	0	0	0	0	0	2,462	2,462
1,807	**6,976**	**4,226**	**4,284**	**916**	**11,899**	**4,531**	**2,462**	**206,281**
0	0	0	0	0	0	0	0	41,508
0	0	0	0	0	0	0	0	5,188
47	97	293	80	222	1,385	0	0	14,352
32	20	29	12	4	352	0	0	6,162
0	0	0	0	0	0	161	0	161
0	0	0	0	0	0	0	568	568
79	**118**	**322**	**93**	**226**	**1,737**	**161**	**568**	**67,939**
1,887	**7,094**	**4,548**	**4,377**	**1,141**	**13,636**	**4,692**	**3,030**	**274,220**

Maturity of exposures

BREAKDOWN BY RESIDUAL MATURITY

Category of gross exposure at December 31, 2018 *(in € millions)*	< 1 month	1 month < D < 3 months	3 months < D < 1 year	1 year < D < 2 years	2 years < D < 5 years	D > 5 years	Indefinite	Total
Balance Sheet								
Governments and central banks	32,139	882	1,902	827	1,021	8,708	0	45,480
Banks	9,961	5,000	2,654	1,490	2,507	624	12	22,249
Corporate	18,718	5,645	6,105	6,559	17,286	14,788	0	69,100
Retail clients	7,714	2,776	8,612	10,750	26,733	52,627	50	109,263
BALANCE SHEET TOTAL	**68,532**	**14,304**	**19,274**	**19,626**	**47,547**	**76,747**	**62**	**246,091**
Off balance sheet	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Governments and central banks	69	5	74	51	562	394	0	1,154
Banks	1,655	0	9	13	407	2	343	2,429
Corporate	7,498	470	3,764	3,834	13,808	1,283	4,766	35,422
Retail clients	5,733	720	730	1,667	550	3,670	884	13,956
TOTAL OFF-BALANCE SHEET	**14,955**	**1,196**	**4,576**	**5,565**	**15,327**	**5,349**	**5,993**	**52,961**

Category of gross exposure at 12/31/2017 *(in € millions)*	< 1 month	1 month < D < 3 months	3 months < D < 1 year	1 year < D < 2 years	2 years < D < 5 years	D > 5 years	Indefinite	Total
Balance Sheet								
Governments and central banks	28,488	772	1,704	840	872	7,656	0	40,332
Banks	5,344	4,304	1,689	2,559	2,046	559	49	16,550
Corporate	14,979	4,333	5,569	5,392	16,874	13,863	0	61,009
Retail clients	7,849	2,677	8,142	10,274	25,625	49,219	0	103,786
BALANCE SHEET TOTAL	**56,660**	**12,086**	**17,104**	**19,065**	**45,417**	**71,297**	**49**	**221,678**
Off balance sheet								
Governments and central banks	103	7	21	2	291	360	0	784
Banks	951	0	26	8	376	11	361	1,733
Corporate	7,130	581	3,233	2,857	12,925	1,123	4,380	32,229
Retail clients	5,173	654	604	1,591	495	3,311	907	12,734
TOTAL OFF-BALANCE SHEET	**13,357**	**1,241**	**3,884**	**4,458**	**14,087**	**4,805**	**5,648**	**47,481**

3.1.3.7.3 Credit quality of assets

Impaired and overdue exposures

A unified definition of default has been adopted for the entire Crédit Mutuel group. Based on the principle of aligning prudential information with accounting information (CRC 2002-03), this definition matches the Basel concept of loans in default and the accounting concept of non-performing loans and loans in litigation. The computer software factors in contagion, extending the downgrading to related outstandings. The controls carried out by internal audit and by the statutory auditors ensure the reliability of the procedures for identifying defaults used to calculate capital requirements.

The definitions and quantitative information concerning overdue payments appear in “Credit Risk” on pages 66 *et seq*.

Impairment for credit risk

IFRS 9 went into mandatory effect on January 1, 2018 and replaced IAS 39 “Financial instruments: Recognition and Measurement”. It laid out new rules in terms of:

- the classification and measurement of financial instruments (Phase 1);
- the impairment of the credit risk of financial assets (Phase 2); and
- hedge accounting, apart from macro-hedging transactions (Phase 3).

Note that the group does not apply the transitional arrangements related to IFRS 9 (equity, capital ratios and leverage ratios that already reflect the total impact of IFRS 9).

Pursuant to IFRS 9, the Crédit Mutuel group divides all debt instruments measured at amortized cost or at fair value through equity into three categories:

- Status 1: provisioned on the basis of 12-month expected credit losses (resulting from default risks over the following 12 months) as from initial recognition of the financial assets, provided that the credit risk has not increased significantly since initial recognition;
- Status 2: provisioned on the basis of the lifetime expected credit losses (resulting from default risks over the entire remaining life of the instrument) if the credit risk has increased significantly since initial recognition; and
- Status 3: category comprising credit-impaired financial assets for which there is an objective indication of impairment related to an event that has occurred since the loan was granted. This category is equivalent to the set of outstandings currently impaired individually under IAS 39.

Consequently and in accordance with the position of the EBA, all the group's write downs for credit risk are the result of specific impairments.

Definition of the boundary between Status 1 and Status 2

The group employs models developed for regulatory purposes and so segregates its outstandings in that manner:

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

A significant increase in credit risk, which involves transferring a loan from Status 1 to Status 2, is measured by:

- factoring in all reasonable and justifiable information; and
- comparing the risk of default on the financial instrument at the reporting date to the risk at the initial recognition date.

For the group, this means measuring the risk at the borrower level since the Crédit Mutuel system for rating its counterparties is the same throughout the group. All the group's counterparties eligible for an internal approach are rated by the system. That system is based on:

- statistical algorithms or "mass ratings" reliant on one or more models based on a selection of variables that are representative and predictive of risk (HDP); or
- rating grids developed by experts (LDP).

The change in risk since initial recognition is measured contract by contract. Unlike Status 3, transferring a customer's contract to Status 2 does not entail transferring all of its outstandings or those of its related parties (i.e. no contagion).

Note that the group immediately puts into Status 1 any performing exposure that no longer meets the criteria for Status 2 classification (both qualitative and quantitative).

Quantitative criteria

In LDPs, the boundary is based on an allocation matrix which relates the rating on origination to the rating on the reporting date. Thus, the riskier the rating of the loan, the less the relative tolerance of the group towards significant deterioration of the risk.

In HDPs, a boundary yield curve relates the default rate on origination to the default rate on the reporting date. The group does not use the operational simplification proposed by the standard that permits keeping outstandings at low risk on the reporting date in Status 1.

Qualitative criteria

To these qualitative criteria the group adds qualitative ones such as installments unpaid or late by more than 30 days, the fact that a loan has been restructured, etc.

Methods based exclusively on qualitative criteria are used for entities or small portfolios classified for prudential purposes under the standardized approach and that do not have a rating system.

Statuses 1 and 2 – Calculating expected credit losses

Expected credit losses are measured by multiplying the outstanding balance present-discounted by the contract rate by its probability of default (PD) and by the loss given default (LGD) ratio. The off-balance sheet amount is converted to a balance sheet equivalent based on the probability of use. The probability of default within one year is used for Status 1 and the probability curve at termination (1 to 10 years) for Status 2.

These parameters have the same basis as the prudential models, with the formulas adapted to IFRS 9. They are used both for assigning loans to a status and for calculating expected losses.

Forward-looking dimension

To calculate expected credit losses, the standard requires taking reasonable and justifiable information into account, including forward-looking information. Creating a forward-looking dimension requires projecting the course of the economy and tying these projections into the risk parameters. This forward-looking dimension is set at the group level and applies to all parameters.

For high default portfolios, the forward-looking dimension included in the probability of default combines three scenarios—optimistic, neutral and pessimistic—which are weighted to reflect the group's 5-year forecast of the business cycle, arrived at by the Chief Executive Officers of the regional groups and of the Crédit Mutuel group. The group mainly relies on macroeconomic data (GDP, unemployment rate, inflation rate, short-term and long-term interest rates, etc.) available from the OECD. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

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

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

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

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

Status 3 – Non-performing loans

In Status 3, impairment is recognized whenever there is objective proof of impairment due to one or more events occurring after a loan or group of loans have been made that might generate a loss. An analysis is done at each closing contract by contract. The impairment is equal to the difference between the carrying amount and the estimated future cash flows, allowing for collateral or other guarantees, present-discounted at the interest rate of the original loan. In the event of a variable rate, it is the last known contractual rate that is booked.

At December 31, 2018 outstandings and impairments by status break down as follows:

(in € millions)	Provisionable balance sheet outstandings	Impairment
Status 1	213,362	231
Status 2	18,994	324
Status 3	5,346	2,552

(in € millions)	Off-balance-sheet outstandings before provisionable CCF	Provisions
Status 1	55,461	47
Status 2	1,293	36
Status 3	222	97

Restructured exposures

An exposure is restructured after a debtor encounters financial difficulties. This takes the form of concessions made to the debtor by the group, e.g. changing the terms of the loan agreement such as the interest rate or the maturity, partial forgiveness or additional financing that would not have been granted absent the difficulties. In its information systems the group has ways to identify the restructured exposures in its performing and non-performing books, as defined by the principles enunciated by the EBA on October 23, 2013. Restructuring does not automatically mean classification in default (Status 3) but does mean classification in Status 2 at least.

The following tables break down the non-performing and litigated loans and the provisions related to them as at December 31, 2018 by business sector or type of counterparty, their Basel treatment and their geographic area.

CREDIT QUALITY OF EXPOSURES BY CATEGORY OF EXPOSURE AND BY INSTRUMENT (EU CR1-A)

	a	b	c	d	g
	Gross exposures				Net exposure
12/31/2018 *(in € millions)*	performing	in default	Specific provisions	Collective provisions	(a+b-c-d)
1 - Central governments or Central banks	0	0	0	0	0
2 - Institutions (banks)	18,325	1	2	0	18,324
3 - Corporate	89,040	1,515	1,139	0	89,416
4 - o/w: Specialized financing	*7,707*	*89*	*32*	*0*	*7,763*
5 - o/w: SMEs	*18,205*	*709*	*438*	*0*	*18,476*
6 - Retail clients	113,653	3,058	1,841	0	114,870
7 -Exposures secured by real estate mortgages	*75,672*	*1,404*	*639*	*0*	*76,437*
8 - SME	*11,740*	*400*	*200*	*0*	*11,940*
9 - Non SME	*63,933*	*1,004*	*440*	*0*	*64,497*
10 - Revolving	*6,432*	*64*	*65*	*0*	*6,431*
11 - Other – retail clients	*31,549*	*1,590*	*1,137*	*0*	*32,002*
12 - SME	*17,311*	*1,233*	*876*	*0*	*17,668*
13 - Non SME	*14,237*	*357*	*261*	*0*	*14,333*
14 - Equities	4,425	0	2	0	4,423
14a - Other assets	2,730	0	0	0	2,730
15 - TOTAL IRB APPROACH	**228,172**	**4,575**	**2,984**	**0**	**229,763**
16 - Central governments or Central banks	40,531	0	0	0	40,531
17 - Regional or local governments	314	0	0	0	314
18 - Public sector (public organizations excluding central governments)	6,081	0	0	0	6,081
19 - Multilateral development banks	0	0	0	0	0
20 - International organizations	0	0	0	0	0
21 - Institutions (banks)	5,995	0	1	0	5,995
22 - Corporate	10,642	0	7	0	10,634
23 - o/w: SMEs	*1,679*	*0*	*1*	*0*	*1,678*
24 - Retail clients	3,237	0	5	0	3,231
25 - o/w: SMEs	*2,264*	*0*	*1*	*0*	*2,263*
26 - Exposures secured by real estate mortgages	5,953	0	10	0	5,942
27 - o/w: SMEs	*0*	*0*	*0*	*0*	*0*
28 - Exposures in default	0	488	101	0	387
29 - Exposures presenting especially high risk	311	0	0	0	311
30 - Covered bonds	25	0	0	0	25
31 - Exposures from institutions and companies given a short-term credit evaluation	0	0	0	0	0
32 - Exposures in the form of UCIT shares or equities	3	0	0	0	3
33 - Exposure to equities	136	0	0	0	136
34 - Other assets	531	0	0	0	531
35 - TOTAL STANDARD APPROACH	**73,758**	**488**	**124**	**0**	**74,122**
36 - TOTAL	**301,931**	**5,063**	**3,109**	**0**	**303,885**

12/31/2017 *(in € millions)*	a	b	c	d	g
	Gross exposures		Specific provisions	Collective provisions	Net exposure
	performing	in default			(a+b-c-d)
1 - Central governments or Central banks	0	0	0	0	0
2 - Institutions (banks)	12,672	16	4	0	12,684
3 - Corporate	77,112	1,649	763	75	77,923
4 - o/w: Specialized financing	*7,204*	*133*	*18*	*0*	*7,318*
5 - o/w: SMEs	*16,750*	*722*	*354*	*0*	*17,118*
6 - Retail clients	107,119	3,230	1,594	74	108,682
7 -Exposures secured by real estate mortgages	*70,530*	*1,497*	*487*	*0*	*71,540*
8 - SME	*10,803*	*424*	*144*	*0*	*11,083*
9 - Non SME	*59,727*	*1,073*	*343*	*0*	*60,457*
10 - Revolving	*5,804*	*63*	*52*	*0*	*5,814*
11- Other – retail clients	*30,785*	*1,670*	*1,055*	*74*	*31,327*
12 - SME	*16,675*	*1,257*	*766*	*0*	*17,167*
13 - Non SME	*14,110*	*413*	*289*	*74*	*14,160*
14 - Equities	4,416	0	2	0	4,414
14a - Other assets	2,579	0	0	0	2,579
15 - TOTAL IRB APPROACH	**203,898**	**4,895**	**2,363**	**149**	**206,281**
16 - Central governments or Central banks	36,106	0	0	0	36,106
17 - Regional or local governments	391	0	0	0	391
18 - Public sector (public organizations excluding central governments)	4,985	0	0	0	4,985
19 - Multilateral development banks	0	0	0	0	0
20 - International organizations	0	0	0	0	0
21 - Institutions (banks)	5,127	0	0	0	5,127
22 - Corporate	10,082	0	17	0	10,065
23 - o/w: SMEs	*1,005*	*0*	*5*	*0*	*1,000*
24 - Retail clients	3,231	0	1	0	3,230
25 - o/w: SMEs	*2,319*	*0*	*0*	*0*	*2,318*
26 - Exposures secured by real estate mortgages	6,600	0	2	0	6,598
27 - o/w: SMEs	*0*	*0*	*0*	*0*	*0*
28 - Exposures in default	20	487	142	0	365
29 - Exposures presenting especially high risk	283	0	0	0	283
30 - Covered bonds	61	0	0	0	61
31 - Exposures from institutions and companies given a short-term credit evaluation	0	0	0	0	0
32 - Exposures in the form of UCIT shares or equities	0	0	0	0	0
33 - Exposure to equities	162	0	1	0	161
34 - Other assets	568	0	0	0	568
35 - TOTAL STANDARD APPROACH	**67,614**	**487**	**162**	**0**	**67,939**
36 - TOTAL	**271,513**	**5,382**	**2,525**	**149**	**274,220**

CREDIT QUALITY OF EXPOSURES BY BUSINESS SECTOR OR TYPE OF COUNTERPARTY (EU CR1-B)

12/31/2018 *(in € millions)*	Gross exposures: Performing exposures	Gross exposures: Exposures in default	Specific provisions	Collective provisions	Net exposure
	a	b	c	d	(a+b-c-d)
1 - Government entities	46,926	25	1	-	46,950
2 - Banks and financial institutions	24,346	1	3	-	24,344
3 - Private individuals	90,924	1,609	814	-	91,720
4 - Individual business owners	7,555	214	145	-	7,624
5 - Farmers	3,003	107	67	-	3,042
6 - Non-profit organizations	872	7	8	-	871
7 - Other group subsidiaries*	7,558	60	54	-	7,563
8 - Travel & leisure	5,340	256	152	-	5,444
9 - Chemicals	1,218	9	8	-	1,219
10 - Distribution	10,624	577	336	-	10,864
11 - Automotive	3,266	66	44	-	3,288
12 - Construction & Building Materials	10,725	318	150	-	10,893
13 - Manufacturing goods and services	8,785	246	140	-	8,891
14 - Healthcare	2,770	28	18	-	2,779
15 - Other financial activities	7,442	305	230	-	7,518
16 - Industrial transportation	6,642	143	84	-	6,701
17 - Household products	1,950	79	49	-	1,980
18 - Real estate development	3,441	93	68	-	3,466
19 - Other real estate (inc. rental and RE Invest. cos.)	5,840	119	65	-	5,894
20 - Utilities	3,110	12	6	-	3,116
21 - Food & beverages	5,533	139	89	-	5,583
22 - Media	2,068	31	22	-	2,076
23 - Holdings & conglomerates	8,300	100	53	-	8,348
24 - High technology	4,865	35	19	-	4,880
25 - Oil & Gas, Commodities	4,993	120	88	-	5,025
26 - Telecommunications	1,427	51	6	-	1,472
27 - Miscellaneous	14,454	313	386	-	14,381
28 - Equities	4,833	-	2	-	4,831
29 - Other assets	3,122	-	0	-	3,122
30 - TOTAL	**301,931**	**5,063**	**3,109**	**-**	**303,885**

3

12/31/2017 *(in € millions)*	Gross exposures		Provisions (on non-performing loans and IAS 39)	Specific provisions	Collective provisions	Net exposure
	Performing exposures	Exposures in default				
	a	b		c	d	(a+b-c-d)
1 - Government entities	41,502	9	3	3	-	41,508
2 - Banks and financial institutions	17,860	16	4	4	-	17,872
3 - Private individuals	85,131	1,704	759	680	80	86,076
4 - Individual business owners	7,116	241	118	118	-	7,239
5 - Farmers	2,782	111	51	51	-	2,842
6 - Non-profit organizations	825	10	3	3	-	832
7 - Other group subsidiaries*	7,263	1,254	1,221	1,208	13	7,296
8 - Travel & leisure	4,601	231	121	119	1	4,711
9 - Chemicals	1,061	13	7	7	-	1,067
10 - Distribution	10,064	501	289	288	-	10,276
11 - Automotive	3,210	73	41	41	-	3,242
12 - Construction & Building Materials	10,011	352	146	146	-	10,217
13 - Manufacturing goods and services	7,556	258	144	143	-	7,670
14 - Healthcare	2,536	37	12	12	-	2,561
15 - Other financial activities	6,794	316	211	211	-	6,899
16 - Industrial transportation	5,747	147	64	60	4	5,830
17 - Household products	1,936	86	48	48	-	1,974
18 - Real estate development	3,124	89	63	63	-	3,150
19 - Other real estate (Incl. leasing and RE invest)	4,788	105	36	36	-	4,857
20 - Utilities	2,715	8	4	4	-	2,719
21 - Food & beverages	4,915	139	74	74	-	4,980
22 - Media	1,877	30	20	20	-	1,887
23 - Holdings & Conglomerates	6,977	186	69	58	11	7,094
24 - High technology	4,530	32	14	14	-	4,548
25 - Oil & Gas, Commodities	4,284	166	73	73	-	4,377
26 - Telecommunications	1,093	51	3	3	-	1,141
27 - Miscellaneous	13,492	-783	-927	-966	39	13,636
28 - Equities	4,694	-	2	2	-	4,692
29 - Other assets	3,030	-	-	-	-	3,030
30 - TOTAL	**271,513**	**5,382**	**2,675**	**2,526**	**149**	**274,220**

CREDIT QUALITY OF EXPOSURES BY GEOGRAPHIC AREA (EU CR1-C)

	b	a	c	d	f	g
	Gross exposures					Net exposure
12/31/2018 *(in € millions)*	Performing exposures	Exposures in default	Specific provisions	Collective provisions	Provisions for the period	(a+b-c-d)
1 - EUROPE	**279,993**	**4,885**	**3,036**	**0**	**441**	**281,842**
2 - France	248,069	4,630	2,889	0	415	249,810
3 - Germany	2,663	19	6	0	0	2,676
4 - Belgium	2,230	14	9	0	2	2,235
5 - Spain	962	16	9	0	1	968
6 - Luxembourg	5,394	31	30	0	11	5,394
7 - Netherlands	1,904	3	5	0	4	1,903
8 - Switzerland	12,178	122	48	0	14	12,252
9 - United Kingdom	3,856	25	16	0	-9	3,865
10 - Other	2,736	26	23	0	3	2,739
11 - REST OF THE WORLD	**21,938**	**178**	**73**	**0**	**15**	**22,043**
12 - United States	10,233	73	40	0	14	10,266
13 - Canada	474	1	1	0	-2	474
14 - Other	11,230	104	32	0	3	11,302
15 - TOTAL	**301,931**	**5,063**	**3,109**	**0**	**456**	**303,885**

	b	a		c	d	g
	Gross exposures					Net exposure
12/31/2017 *(in € millions)*	Performing exposures	Exposures in default	Provisions (on non-performing loans and IAS 39)	Specific provisions	Collective provisions	(a+b-c-d)
1 - EUROPE	**255,813**	**5,135**	**2,617**	**2,484**	**133**	**258,331**
2 - France	227,189	4,885	2,496	2,369	127	229,577
3 - Germany	2,815	20	7	7	0	2,828
4 - Belgium	2,007	13	7	7	0	2,013
5 - Spain	791	12	8	8	0	795
6 - Luxembourg	5,061	18	19	19	0	5,060
7 - Netherlands	1,777	4	1	1	0	1,780
8 - Switzerland	9,554	116	34	34	0	9,636
9 - United Kingdom	3,934	25	24	19	5	3,934
10 - Other	2,686	44	20	20	0	2,710
11 - REST OF THE WORLD	**15,700**	**247**	**58**	**42**	**16**	**15,889**
12 - United States	7,253	96	26	9	16	7,323
13 - Canada	292	10	3	3	0	299
14 - Other	8,155	141	29	29	0	8,267
15 - TOTAL	**271,513**	**5,382**	**2,675**	**2,526**	**149**	**274,220**

AGE OF EXPOSURES PAST DUE (EU CR1-D)

	Gross carrying amount						
	Performing loans			Loans in default			
12/31/2018 *(in € millions)*	With no arrears or arrears ≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	Payment unlikely but without arrears or arrears <= 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1 - Loans	249,411	623	1,330	67	32	3,508	21
2 - Debt securities	14,252	-	253	-	-	134	-
3 - TOTAL	**263,663**	**623**	**1,583**	**67**	**32**	**3,642**	**21**

	Gross carrying amount						
	Performing loans			Loans in default			
12/31/2017 *(in € millions)*	With no arrears or arrears ≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	Payment unlikely but without arrears or arrears <= 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1 - Loans	219,499	122	236	1,189	102	77	3,846
2 - Debt securities	12,123	-	-	371	-	-	131
3 - TOTAL	**231,621**	**122**	**236**	**1,560**	**102**	**77**	**3,977**

NON-PERFORMING, RENEGOTIATED EXPOSURES (EU CR1-E)

		Gross carrying amount of exposures					Accumulated impairment and negative adjustment of fair value attributable to credit risk				Sureties and guarantees received	
		o/w performing loans with arrears > 30 days and ≤ 90 days	o/w performing restructured loans		o/w loans in default		o/w Performing loans		o/w Loans in default		o/w loans in default	o/w restructured loans
12/31/2018 *(in € millions)*					o/w loans downgraded per accounting	o/w restructured loans		o/w restructured loans		o/w restructured loans		
010 - Debt securities	14,639	-	-	387	387	134	-9	-	-207	-	-	-
020 - Loans and advances	382,194	1,165	376	8,662	8,662	1,274	-938	-14	-4,151	-501	2,712	383
030 - Off-balance sheet	56,977	-	-	222	-	-	83	-	97	-	21	40

		Gross carrying amount of exposures					Accumulated impairment and negative adjustment of fair value attributable to credit risk				Sureties and guarantees received	
		o/w performing loans with arrears >30 days and ≤ 90 days	o/w performing restructured loans		o/w loans in default		o/w loans		o/w loans in default		o/w loans in default	o/w restructured loans
12/31/2017 *(in € millions)*					o/w loans downgraded on the books	o/w restructured loans		o/w restructured loans		o/w restructured loans		
010 - Debt securities	12,625	-	-	502	502	47	-	-	86	-	-	-
020 - Loans and advances	225,071	358	203	5,214	5,214	508	149	-	2,440	289	1,907	327
030 - Off-balance sheet	49,612	-	-	224	-	-	-	-	92	-	56	-

3.1.3.7.4 Reconciliation of adjustments for credit risk

CHANGE IN THE BALANCE OF ADJUSTMENT FOR GENERAL AND SPECIFIC CREDIT RISK (EU CR2-A)

12/31/2018 *(in € millions)*	Cumulative adjustments for specific credit risk	Cumulative adjustments for general credit risk
1 - OPENING BALANCE	**-3,042**	**-**
2 - Period additions	-0	-
3 - Period reversals	0	-
4 - Reversals due to derecognition of balance sheet assets	-147	-
5 - Transfer between adjustments for credit risk	-	-
6 - Currency translation	-	-
7 - Recombination of companies, including acquisitions/disposals of subsidiaries	240	-
8 - Other	-160	-
9 - CLOSING BALANCE	**-3,109**	**-**
10 - Recoveries of assets previously classified in loss	20	-
11 - Classification in loss	-266	-

3.1.3.7.5 Standard approach

Exposures treated using the standard method are given in the table below.

The group uses the evaluations of rating branches to measure the sovereign risk in its exposures to central governments and central banks.

Since September 2017, it has relied primarily on the estimates provided by the Banque de France with regard to its corporate exposures.

The cross-reference table used to match the credit quality steps to the external ratings adopted is the one called for by regulation.

BREAKDOWN OF EXPOSURES UNDER THE STANDARD APPROACH (EU CR5)

12/31/2018 *(in € millions)*	Weighting																	
Categories of exposure	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**70%**	**75%**	**100%**	**150%**	**250%**	**370%**	**1,250%**	**Other**	**Deducted**	**Total**	**o/w not rated**
1 - Central governments or Central banks	38,854	-	-	-	239	-	46	-	-	35	-	101	-	-	-	-	39,276	-
2 - Regional or local governments	-	-	-	-	349	-	-	-	-	-	-	-	-	-	-	-	349	-
3 - Public sector (public organizations excluding central governments)	7,128	-	-	-	28	-	-	-	-	-	-	-	-	-	-	-	7,157	-
4 - Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 - International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 - Institutions (banks)	4,659	-	-	-	1,405	-	3	-	-	-	-	-	-	-	-	-	6,067	-
7 - Corporate	-	-	-	-	453	-	1,006	-	-	8,072	20	-	-	-	-	-	9,551	-
8 - Retail clients	-	-	-	-	-	-	-	-	2,213	-	-	-	-	-	-	-	2,213	-
9 - Exposures secured by real estate mortgages	-	-	-	-	-	4,769	1,135	-	-	14	-	-	-	-	-	-	5,918	-
10 - Exposures in default	1	-	-	-	-	-	-	-	-	55	283	-	-	-	-	-	339	-
11 - Exposures presenting especially high risk	-	-	-	-	-	-	-	-	-	-	278	-	-	-	-	-	278	-
12 - Covered bonds	-	-	-	25	-	-	-	-	-	-	-	-	-	-	-	-	25	-
13 - Exposures from institutions and companies given a short-term credit evaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 - Exposures in the form of UCIT shares or equities	-	-	-	-	-	-	-	-	-	3	-	-	-	-	-	-	3	-
15 - Exposure to equities	-	-	-	-	-	-	-	-	-	136	-	-	-	-	-	-	136	-
16 - Other assets	-	-	-	-	-	-	-	-	-	531	-	-	-	-	-	-	531	-
17 - TOTAL	**50,642**	**-**	**-**	**25**	**2,475**	**4,769**	**2,190**	**-**	**2,213**	**8,845**	**581**	**101**	**-**	**-**	**-**	**-**	**71,842**	**-**

Totals include outstandings weighted 250%, which are deferred assets.

The exposure to governments and central banks is nearly entirely weighted 0%. The capital requirements for this book demonstrate a sovereign risk for CIC limited to high quality counterparties.

12/31/2017 *(in € millions)* Categories of exposure	Weighting 0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Other	Deducted	Total	o/w not rated
1 - Central governments or Central banks	34,734	-	-	-	134	-	13	-	-	37	-	-	-	-	-	-	34,917	-
2 - Regional or local governments	-	-	-	-	394	-	-	-	-	-	-	-	-	-	-	-	394	-
3 - Public sector (public organizations excluding central governments)	6,164	-	-	-	20	-	-	-	-	-	-	-	-	-	-	-	6,183	-
4 - Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 - International organizations	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-
6 - Institutions (banks)	4,513	-	-	-	618	-	1	-	-	-	-	-	-	-	-	-	5,132	-
7 - Corporate	-	-	-	-	430	-	1,169	-	-	7,341	-	-	-	-	-	-	8,940	-
8 - Retail clients	-	-	-	-	-	-	-	-	2,390	-	-	-	-	-	-	-	2,390	-
9 - Exposures secured by real estate mortgages	-	-	-	-	-	4,303	1,204	-	-	797	-	-	-	-	-	-	6,304	-
10 - Exposures in default	2	-	-	-	-	-	-	-	-	54	287	-	-	-	-	-	343	-
11 - Exposures presenting especially high risk	-	-	-	-	-	-	-	-	-	-	265	-	-	-	-	-	265	-
12 - Covered bonds	-	-	-	61	-	-	-	-	-	-	-	-	-	-	-	-	61	-
13 - Exposures from institutions and companies given a short-term credit evaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 - Exposures in the form of UCIT shares or equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 - Exposure to equities	-	-	-	-	-	-	-	-	-	158	-	3	-	-	-	-	161	-
16 - Other assets	-	-	-	-	-	-	-	-	-	568	-	-	-	-	-	-	568	-
17 - TOTAL	**45,414**	**-**	**-**	**61**	**1,595**	**4,303**	**2,386**	**-**	**2,390**	**8,955**	**551**	**3**	**-**	**-**	**-**	**-**	**65,658**	**-**

3.1.3.7.6 Internal rating systems

Rating procedures and parameters

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

Confédération Nationale du Crédit Mutuel is responsible for defining the rating methodologies for all portfolios. Nevertheless, the regional entities are directly involved in carrying out and approving working parties' assignments on specific subjects and the work related to data quality and applications acceptance tests. Therefore, in carrying out the accreditation work, the subsidiaries draw support from the expertise of the entity concerned, the staff employed by their parent company (risk and finance) and the Confédération Nationale staff.

The counterparty rating system of the Crédit Mutuel group is common to the entire group.

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

- statistical algorithms or "mass ratings" reliant on one or more models based on a selection of variables that are representative and predictive of risk;
- rating grids developed by experts.

These models are used to differentiate and correctly classify risk. The value scale reflects the manner in which the risk changes and is broken down into eleven positions including nine performing positions (A+, A-, B+, B-, C+, C-, D+, D- and E+) and two default positions (E- and F).

In the so-called "mass" corporate (turnover lower than €500 million) and retail scopes, following the internal rating process, each borrower is given a score. Based on this score as well as other characteristics, performing borrowers are grouped into homogeneous risk classes, prior to measuring the regulatory parameter PD (probability of default). The grouping analyses are performed on the segments defined for the purposes of modeling the algorithms. A risk class' probabilities of default are then estimated on the basis of the historical default rates observed on the exposures belonging to this class, based on a record of more than ten years of observations. Safety margins are added to reflect the uncertainty of estimates.

In the other scopes, too few defaults are available to ensure the relevance and reliability of statistical estimates. The probabilities of default associated with the internal ratings are calibrated on the basis of external data.

Loss Given Default is the ratio of the loss on an exposure in the event of a counterparty default to the amount of exposure at the time of default, including also additional drawdowns made after the transfer to non-performing.

Internal models for estimating LGD have been developed by the group and approved for the corporate and retail bank exposure classes.

In the "mass" corporate and retail scopes, LGD is calculated separately for each class, the classes being defined according to the type of loan and nature of the collateral. LDG is estimated based on the updated monthly collections observed for each class. Safety margins are added to reflect the uncertainty of estimates and the "downturn" nature of LGD. The calculations are based on an internal record of defaults and losses covering more than ten years.

In the other scopes, for which there are too few defaults to ensure the relevance and reliability of statistical estimates, LGDs are estimated on the basis of quantitative information provided by experts, benchmarks and external data and a conservative approach (the downturn effect is taken into account).

The **conversion factor** (CCF) is the ratio of the portion currently undrawn of a credit line that could be drawn and would therefore be exposed in the event of default and the portion of said credit currently undrawn.

In the case of the corporate and retail customer books, the Crédit Mutuel group calculates the conversion factors (CCF) using an internal method approved for financing commitments. In the case of secured loans and Banking exposures, regulatory values (standardized approach) are applied.

In the corporate and retail scopes, the internal CCFs are estimated based on average historical CCFs weighted by the number of contracts, using a product-focused segmentation. They are calibrated on the basis of internal data.

The parameters used to calculate weighted risks are national and apply to all group entities.

Model mapping

Parameter modeled	Category of exposure	Portfolios	Number of models	Methodology
PD	**Banks**	Financial institutions	2 models: Banks, Covered Bonds	Expert-type models based on grids containing qualitative and quantitative variables
	Corporate	Large accounts (LA) (Rev > €500 million)	6 models according to the type of counterparty and sector	Expert-type models based on grids containing qualitative and quantitative variables
		"Mass" corporate (Rev < €500 million)	3 models	Quantitative type models with qualitative grids provided by experts
		Acquisition financing, Large corporates	1 model	Expert-type model based on grid containing qualitative and quantitative variables
		Corporate acquisition financing	1 model	Quantitative type models Combined with qualitative grids provided by experts
		Specialized financing	Spec asset lending: 6 models according to the asset type Spec. project lending: 4 models according to the industry Spec. real estate lending: 1 model	Expert-type models based on grids containing qualitative and quantitative variables
		Other Corporate	2 models: Land Cos., Insurance	Expert-type models based on grids containing qualitative and quantitative variables
	Retail	Private individuals	6 models depending on the type of loan (real estate, personal, etc.)	Quantitative type models
		Legal Entities	4 models based on type of customer	Quantitative type models
		Individual business owners	3 models based on type of business (merchants, artisans, etc.)	Quantitative type models
		Farmers	6 models depending on the condition of the account and type of operation (cyclical or not)	Quantitative type models
		Non-profit organizations	1 model	Quantitative type models
		SCIs (property investment companies)	1 model	Quantitative type models
LGD	**Banks**	Financial institutions	1 model	Expert type model dependent on the counterparty and the contract, based on qualitative and quantitative information
	Corporate	Large corporates (LC), Acquisition financing, RE Invest. cos. and Insurance	1 model with sector-based parameters	Expert type model dependent on the counterparty and the contract, based on qualitative and quantitative information
		"Mass" corporate	1 model applied to 8 sectors depending on the type of loan and nature of security	Quantitative type models based on flow of internal collections
	Retail		1 model applied to 10 sectors depending on the type of loan and nature of security	Quantitative type models based on flow of internal collections
CCF	**Corporate**	"Mass" corporate	1 model applied to 4 sectors depending on the type of loan	Quantitative model, calibration of CCFs based on internal data
	Retail		1 model applied to 8 sectors depending on the type of loan	Quantitative model, calibration of CCFs based on internal data

3

BREAKDOWN OF PERFORMING CUSTOMER LOANS BY INTERNAL RATING

Breakdown of performing customer loans by internal rating *Bank*	**12/31/2018** *(percentage)*	**12/31/2017** *(percentage)*
A+ and A-	52.9%	38.0%
B+ and B-	37.5%	49.3%
C+ and C-	8.0%	10.9%
D+ and D-	1.6%	1.7%
E+	0.1%	0.1%

Breakdown of performing customer loans by internal rating *Corporate*	**12/31/2018** *(percentage)*	**12/31/2017** *(percentage)*
A+ and A-	20.7%	18.8%
B+ and B-	32.6%	30.8%
C+ and C-	33.3%	36.4%
D+ and D-	12.2%	12.8%
E+	1.2%	1.2%

Breakdown of performing customer loans by internal rating *Retail*	**12/31/2018** *(percentage)*	**12/31/2017** *(percentage)*
A+ and A-	49.1%	48.3%
B+ and B-	28.6%	28.6%
C+ and C-	13.8%	14.3%
D+ and D-	6.8%	7.1%
E+	1.7%	1.7%

CIC rating	**Moody's equivalent**	**Standard & Poor's equivalent**
A +	AAA to Aa1	AAA to AA+
A-	Aa2 to Aa3	AA to AA-
B+	A1 to A2	A+ to A
B-	A3 to Baa1	A- to BBB+
C+	Baa2	BBB
C-	Baa3	BBB-
D +	Ba1 to Ba2	BB+ to BB
D-	Ba3 to B1	BB- to B+
E+	B2 and <	B and <

INTERNAL RATINGS APPROACH – EXPOSURE TO CREDIT RISK BY CATEGORY OF EXPOSURES AND SCALE OF PD (EU CR6)

12/31/2018 *(in € millions)*	Scale of PD	Initial gross exposures on balance sheet	Pre-CCF off-balance sheet exposures	Average CCF	Amount exposed to post-ARC and post-CCF risk
Governments and central banks					
	Sub-total	**-**	**-**	**-**	**-**
Institutions (banks)					
	0.00 to < 0.15	15,278	1,829	30%	16,975
	0.15 to < 0.25	287	193	61%	446
	0.25 to < 0.50	168	123	51%	186
	0.50 to < 0.75	-	-	-	-
	0.75 to < 2.50	66	131	47%	128
	2.50 to < 10.00	117	120	29%	152
	10.00 to < 100.00	1	12	37%	10
	100.00 (default)	1	-	-	1
	Sub-total	**15,919**	**2,407**	**34%**	**17,899**
Corporate					
	0.00 to < 0.15	4,972	10,055	45%	9,331
	0.15 to < 0.25	-	-	-	-
	0.25 to < 0.50	9,483	11,418	44%	14,032
	0.50 to < 0.75	6,681	1,853	45%	7,514
	0.75 to < 2.50	18,779	7,041	49%	21,815
	2.50 to < 10.00	7,465	2,002	50%	8,317
	10.00 to < 100.00	1,136	449	47%	1,275
	100.00 (default)	1,281	145	83%	1,402
	Sub-total	**49,797**	**32,963**	**46%**	**63,687**
Of which: Specialized financing					
	Sub-total	**-**	**-**	**-**	**-**
Of which: SMEs					
	0.00 to < 0.15	-	-	-	-
	0.15 to < 0.25	-	-	-	-
	0.25 to < 0.50	2,311	363	44%	2,472
	0.50 to < 0.75	3,689	605	46%	3,970
	0.75 to < 2.50	7,166	1,168	50%	7,750
	2.50 to < 10.00	2,203	263	51%	2,337
	10.00 to < 100.00	379	58	41%	403
	100.00 (default)	647	62	91%	703
	Sub-total	**16,395**	**2,519**	**49%**	**17,635**
Retail clients					
	0.00 to < 0.15	30,934	3,530	35%	32,050
	0.15 to < 0.25	13,325	1,473	36%	13,794
	0.25 to < 0.50	22,792	1,875	39%	23,486
	0.50 to < 0.75	3,724	1,289	34%	4,157
	0.75 to < 2.50	16,195	2,243	38%	17,029
	2.50 to < 10.00	10,837	1,928	38%	11,565
	10.00 to < 100.00	3,287	221	36%	3,366
	100.00 (default)	2,979	79	86%	3,047
	Sub-total	**104,073**	**12,639**	**37%**	**108,494**

Average PD	Number of debtors	Average LGD	Average maturities (in years)	RWA	RWA density	EL	Correction to amounts and provisions
0%	**-**	**0%**	**-**	**-**	**-**	**-**	**-**
0.04%	690	39%	2.5	2,428	14%	3	1
0.23%	45	43%	2.5	285	64%	-	-
0.41%	33	36%	2.5	132	71%	-	-
0.00%	-	0%	-	-	-	-	-
1.02%	32	49%	2.5	176	137%	1	-
2.80%	36	46%	2.5	252	166%	2	1
21.61%	28	50%	2.5	31	321%	1	-
99.98%	1	45%	2.5	-	-	1	1
0.09%	**865**	**39%**	**2.5**	**3,304**	**18%**	**8**	**4**
0.11%	278	27%	2.5	1,790	19%	3	3
0.00%	-	0%	-	-	-	-	-
0.34%	3,091	28%	2.5	5,211	37%	13	16
0.56%	4,615	23%	2.5	2,743	36%	10	4
1.31%	10,378	27%	2.5	13,063	60%	76	50
4.41%	3,951	28%	2.5	7,550	91%	100	138
18.17%	1,084	28%	2.5	1,812	142%	66	56
100.00%	1,520	67%	2.5	751	54%	890	837
3.75%	**24,917**	**28%**	**2.5**	**32,919**	**52%**	**1,158**	**1,104**
0.00%	**-**	**0%**	**-**	**-**	**-**	**-**	**-**
0.00%	-	0%	-	-	-	-	-
0.00%	-	0%	-	-	-	-	-
0.32%	1,669	22%	2.5	621	25%	2	-
0.55%	2,742	22%	2.5	1,272	32%	5	2
1.30%	6,804	22%	2.5	3,330	43%	22	20
4.53%	2,182	22%	2.5	1,495	64%	24	19
18.88%	660	22%	2.5	383	95%	17	13
100.00%	972	69%	2.5	479	68%	450	383
5.76%	**15,029**	**24%**	**2.5**	**7,580**	**43%**	**519**	**438**
0.07%	807,574	15%	-	825	3%	3	2
0.18%	362,725	15%	-	754	5%	4	3
0.37%	507,482	15%	-	2,127	9%	13	9
0.63%	256,704	19%	-	514	12%	5	3
1.39%	598,909	16%	-	3,373	20%	40	38
5.02%	323,526	17%	-	3,982	34%	98	124
20.03%	167,378	17%	-	2,040	61%	116	145
100.00%	90,619	50%	-	781	26%	1,470	1,516
4.33%	**3,114,917**	**17%**	**-**	**14,396**	**13%**	**1,748**	**1,841**

12/31/2018 *(in € millions)*	Scale of PD	Initial gross exposures on balance sheet	Pre-CCF off-balance sheet exposures	Average CCF	Amount exposed to post-ARC and post-CCF risk
Of which: Exposures secured by mortgage on real estate					
	0.00 to < 0.15	26,879	886	41%	27,243
	0.15 to < 0.25	10,333	281	41%	10,449
	0.25 to < 0.50	18,031	439	42%	18,214
	0.50 to < 0.75	445	16	43%	452
	0.75 to < 2.50	10,134	276	42%	10,249
	2.50 to < 10.00	5,866	228	42%	5,961
	10.00 to < 100.00	1,835	23	42%	1,845
	100.00 (default)	1,400	4	42%	1,402
	Sub-total	**74,924**	**2,153**	**41%**	**75,816**
Of which: SMEs					
	0.00 to < 0.15	-	-	-	-
	0.15 to < 0.25	672	23	41%	681
	0.25 to < 0.50	5,451	124	42%	5,503
	0.50 to < 0.75	337	8	45%	341
	0.75 to < 2.50	2,433	76	43%	2,466
	2.50 to < 10.00	1,835	67	43%	1,864
	10.00 to < 100.00	704	9	43%	708
	100.00 (default)	400	1	43%	400
	Sub-total	**11,832**	**308**	**43%**	**11,963**
Of which: Non SME					
	0.00 to < 0.15	26,879	886	41%	27,243
	0.15 to < 0.25	9,662	259	41%	9,768
	0.25 to < 0.50	12,580	315	42%	12,711
	0.50 to < 0.75	108	9	41%	111
	0.75 to < 2.50	7,701	200	41%	7,783
	2.50 to < 10.00	4,031	160	41%	4,097
	10.00 to < 100.00	1,131	14	42%	1,137
	100.00 (default)	1,001	3	41%	1,002
	Sub-total	**63,092**	**1,845**	**41%**	**63,852**
Of which: Revolving					
	0.00 to < 0.15	781	1,747	20%	1,132
	0.15 to < 0.25	428	605	20%	550
	0.25 to < 0.50	224	246	20%	273
	0.50 to < 0.75	317	349	20%	387
	0.75 to < 2.50	632	491	20%	731
	2.50 to < 10.00	267	151	20%	298
	10.00 to < 100.00	146	47	20%	156
	100.00 (default)	62	2	20%	63
	Sub-total	**2,858**	**3,638**	**20%**	**3,589**

Average PD	Number of debtors	Average LGD	Average maturities (in years)	RWA	RWA density	EL	Correction to amounts and provisions
0.07%	206,332	14%	-	682	3%	3	2
0.18%	75,265	14%	-	553	5%	3	2
0.37%	117,723	15%	-	1,670	9%	10	7
0.64%	2,595	16%	-	60	13%	-	-
1.26%	74,384	15%	-	2,120	21%	19	22
4.63%	37,032	15%	-	2,661	45%	41	72
19.28%	12,707	15%	-	1,420	77%	53	82
100.00%	11,818	44%	-	407	29%	580	452
2.99%	**537,856**	**15%**	**-**	**9,573**	**13%**	**709**	**639**
0.00%	-	0%	-	-	-	-	-
0.15%	4,732	14%	-	26	4%	-	-
0.38%	30,053	16%	-	452	8%	3	2
0.67%	1,593	17%	-	45	13%	-	-
1.50%	12,506	16%	-	514	21%	6	6
4.75%	9,537	16%	-	762	41%	14	22
18.57%	4,394	16%	-	475	67%	21	33
100.00%	2,834	45%	-	113	28%	173	136
5.69%	**65,649**	**17%**	**-**	**2,387**	**20%**	**218**	**200**
0.07%	206,332	14%	-	682	3%	3	2
0.18%	70,533	14%	-	527	5%	2	2
0.37%	87,670	14%	-	1,218	10%	7	5
0.58%	1,002	14%	-	15	13%	-	-
1.19%	61,878	14%	-	1,606	21%	13	16
4.57%	27,495	14%	-	1,899	46%	27	50
19.73%	8,313	14%	-	945	83%	32	49
100.00%	8,984	43%	-	294	29%	408	315
2.49%	**472,207**	**14%**	**-**	**7,186**	**11%**	**491**	**440**
0.09%	172,393	34%	-	22	2%	-	-
0.20%	74,588	34%	-	21	4%	-	-
0.38%	32,305	34%	-	18	6%	-	-
0.53%	60,408	34%	-	33	8%	1	-
1.54%	116,488	34%	-	137	19%	4	3
4.66%	51,558	34%	-	123	41%	5	3
16.72%	31,835	34%	-	133	85%	9	6
100.00%	11,455	56%	-	14	23%	34	53
3.31%	**551,030**	**34%**	**-**	**501**	**14%**	**53**	**65**

3

12/31/2018 *(in € millions)*	Scale of PD	Initial gross exposures on balance sheet	Pre-CCF off-balance sheet exposures	Average CCF	Amount exposed to post-ARC and post-CCF risk
Of which: Other – retail clients					
	0.00 to < 0.15	3,274	897	58%	3,675
	0.15 to < 0.25	2,563	586	50%	2,795
	0.25 to < 0.50	4,537	1,190	42%	4,998
	0.50 to < 0.75	2,963	924	38%	3,318
	0.75 to < 2.50	5,429	1,476	43%	6,049
	2.50 to < 10.00	4,704	1,549	40%	5,306
	10.00 to < 100.00	1,305	151	40%	1,365
	100.00 (default)	1,516	74	90%	1,582
	Sub-total	**26,291**	**6,847**	**44%**	**29,089**
Of which: SMEs					
	0.00 to < 0.15	-	-	44%	-
	0.15 to < 0.25	864	171	33%	921
	0.25 to < 0.50	2,312	619	30%	2,499
	0.50 to < 0.75	2,454	668	28%	2,640
	0.75 to < 2.50	3,540	780	32%	3,786
	2.50 to < 10.00	3,983	838	34%	4,268
	10.00 to < 100.00	974	108	31%	1,007
	100.00 (default)	1,167	65	91%	1,227
	Sub-total	**15,294**	**3,250**	**32%**	**16,347**
Of which: Non-SME					
	0.00 to < 0.15	3,274	897	58%	3,675
	0.15 to < 0.25	1,699	415	57%	1,874
	0.25 to < 0.50	2,225	571	55%	2,499
	0.50 to < 0.75	509	256	66%	678
	0.75 to < 2.50	1,889	696	57%	2,264
	2.50 to < 10.00	720	712	46%	1,038
	10.00 to < 100.00	331	43	64%	358
	100.00 (default)	349	8	85%	356
	Sub-total	**10,997**	**3,598**	**55%**	**12,742**
Shares				0%	
	Sub-total	**-**	**-**	**-**	**-**
TOTAL		**169,788**	**48,009**	**43%**	**190,079**

Average PD	Number of debtors	Average LGD	Average maturities (in years)	RWA	RWA density	EL	Correction to amounts and provisions
0.08%	428,849	15%	-	122	3%	-	-
0.19%	212,872	17%	-	179	6%	1	1
0.35%	357,454	16%	-	439	9%	3	2
0.64%	193,701	18%	-	421	13%	4	3
1.58%	408,037	18%	-	1,116	18%	17	13
5.48%	234,936	18%	-	1,198	23%	52	49
21.40%	122,836	18%	-	487	36%	54	57
100.00%	67,346	56%	-	360	23%	856	1,012
7.93%	**2,026,031**	**19%**	**-**	**4,322**	**15%**	**986**	**1,136**
0.09%	1	18%	-	-	3%	-	-
0.19%	31,702	19%	-	55	6%	-	-
0.34%	43,919	18%	-	200	8%	1	1
0.67%	41,367	18%	-	325	12%	3	2
1.65%	65,120	18%	-	664	18%	11	9
5.66%	83,036	18%	-	941	22%	44	41
22.71%	32,720	18%	-	336	33%	42	44
100.00%	27,506	55%	-	284	23%	654	778
10.93%	**325,371**	**21%**	**-**	**2,803**	**17%**	**756**	**876**
0.08%	428,848	15%	-	122	3%	-	-
0.19%	181,170	16%	-	125	7%	1	-
0.36%	313,535	15%	-	239	10%	1	1
0.54%	152,334	18%	-	97	14%	1	1
1.46%	342,917	17%	-	452	20%	6	4
4.77%	151,900	16%	-	257	25%	8	8
17.72%	90,116	19%	-	151	42%	12	13
100.00%	39,840	58%	-	76	21%	201	234
4.09%	**1,700,660**	**17%**	**-**	**1,519**	**12%**	**230**	**261**
0.00%	**-**	**0%**	**-**	**-**	**-**	**-**	**-**
3.73%	**3,140,699**	**23%**	**2.5**	**50,620**	**27%**	**2,915**	**2,949**

12/31/2017 *(in € millions)*	Scale of PD	Initial gross exposures on balance sheet	Pre-CCF off-balance sheet exposures	Average CCF	Amount exposed to post-ARC and post-CCF risk
Governments and central banks					
	Sub-total	**-**	**-**	**-**	**-**
Institutions (banks)					
	0.00 to < 0.15	10,336	1,203	37%	11,574
	0.15 to < 0.25	324	192	48%	467
	0.25 to < 0.50	77	129	51%	143
	0.50 to < 0.75	-	-	0%	-
	0.75 to < 2.50	143	93	39%	180
	2.50 to < 10.00	112	52	32%	82
	10.00 to < 100.00	1	12	30%	4
	100.00 (default)	16	-	0%	16
	Sub-total	**11,007**	**1,681**	**39%**	**12,465**
Corporate					
	0.00 to < 0.15	4,141	7,874	51%	8,120
	0.15 to < 0.25	94	4	0%	-
	0.25 to < 0.50	7,698	10,797	45%	12,211
	0.50 to < 0.75	5,250	1,140	46%	5,774
	0.75 to < 2.50	16,697	6,839	47%	19,621
	2.50 to < 10.00	6,045	1,781	52%	6,911
	10.00 to < 100.00	1,159	388	46%	1,182
	100.00 (default)	1,331	185	69%	1,459
	Sub-total	**42,415**	**29,009**	**48%**	**55,278**
Of which: Specialized financing					
	Sub-total	**-**	**-**	**-**	**-**
Of which: SMEs					
	0.00 to < 0.15	-	-	0%	-
	0.15 to < 0.25	-	-	0%	-
	0.25 to < 0.50	2,267	424	46%	2,460
	0.50 to < 0.75	3,175	494	48%	3,409
	0.75 to < 2.50	6,631	991	47%	7,097
	2.50 to < 10.00	2,043	246	47%	2,158
	10.00 to < 100.00	419	61	43%	445
	100.00 (default)	650	71	87%	712
	Sub-total	**15,184**	**2,288**	**48%**	**16,282**
Retail clients					
	0.00 to < 0.15	28,667	3,088	36%	29,699
	0.15 to < 0.25	11,904	1,300	37%	12,341
	0.25 to < 0.50	22,952	2,390	39%	23,850
	0.50 to < 0.75	-	-	0%	-
	0.75 to < 2.50	18,336	2,710	36%	19,315
	2.50 to < 10.00	10,336	1,897	39%	11,380
	10.00 to < 100.00	3,027	182	36%	3,092
	100.00 (default)	3,124	81	87%	3,195
	Sub-total	**96,674**	**11,650**	**38%**	**102,872**

Average PD	Number of debtors	Average LGD	Average maturities (in years)	RWA	RWA density	EL	Correction to amounts and provisions
0%	**-**	**0%**	**-**	**-**	**-**	**-**	**-**
0.00%	569	39%	2.5	2,395	21%	3	-
0.00%	43	31%	2.5	216	46%	-	-
0.00%	29	39%	2.5	111	78%	-	-
0.00%	-	0%	-	-	-	-	-
1.00%	44	46%	2.5	233	129%	1	-
3.00%	38	43%	2.5	128	157%	1	-
22.00%	17	46%	2.5	13	294%	-	-
100.00%	2	45%	2.5	-	-	4	4
0.00%	**742**	**39%**	**2.5**	**3,096**	**25%**	**10**	**4**
0.00%	273	30%	2.5	1,701	21%	2	-
0.00%	-	0%	-	-	-	-	-
0.00%	2,452	25%	2.5	4,209	34%	11	-
1.00%	3,535	21%	2.5	1,875	32%	7	-
1.00%	9,344	25%	2.5	10,923	56%	65	-
5.00%	3,422	29%	2.5	6,473	94%	90	1
17.00%	994	27%	2.5	1,618	137%	55	85
100.00%	1,454	61%	2.5	767	53%	809	734
4.00%	**21,474**	**27%**	**2.5**	**27,564**	**50%**	**1,038**	**820**
0.00%	**-**	**0%**	**-**	**-**	**-**	**-**	**-**
0.00%	-	0%	-	-	-	-	-
0.00%	-	0%	-	-	-	-	-
0.00%	1,541	20%	2.5	597	24%	2	-
1.00%	2,575	20%	2.5	1,007	30%	4	-
1.00%	6,411	21%	2.5	2,893	41%	20	-
5.00%	2,149	21%	2.5	1,347	62%	23	-
18.00%	642	21%	2.5	406	91%	17	-
100.00%	1,015	65%	2.5	509	71%	424	354
6.00%	**14,333**	**23%**	**2.5**	**6,758**	**42%**	**488**	**354**
0%	760,221	14%	-	703	2%	3	-
0%	338,014	15%	-	655	5%	3	-
0%	711,229	16%	-	2,261	9%	15	-
0%	-	0%	-	-	-	-	-
1%	629,676	17%	-	3,856	20%	47	-
5%	365,863	18%	-	4,135	36%	113	-
21%	110,649	18%	-	1,968	64%	117	80
100%	92,682	47%	-	775	24%	1,429	1,563
5%	**3,008,334**	**17%**	**-**	**14,352**	**14%**	**1,727**	**1,643**

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12/31/2017 *(in € millions)*	Scale of PD	Initial gross exposures on balance sheet	Pre-CCF off-balance sheet exposures	Average CCF	Amount exposed to post-ARC and post-CCF risk
Of which: Exposures secured by real estate mortgages					
	0.00 to < 0.15	24,682	745	42%	24,996
	0.15 to < 0.25	9,509	267	42%	9,621
	0.25 to < 0.50	16,900	394	43%	17,069
	0.50 to < 0.75	-	-	0%	-
	0.75 to < 2.50	10,126	274	43%	10,243
	2.50 to < 10.00	5,617	223	43%	5,713
	10.00 to < 100.00	1,772	20	43%	1,780
	100.00 (default)	1,494	4	42%	1,495
	Sub-total	**70,100**	**1,928**	**42%**	**70,918**
Of which: SMEs					
	0.00 to < 0.15	-	-	0%	-
	0.15 to < 0.25	548	18	42%	555
	0.25 to < 0.50	5,041	96	44%	5,083
	0.50 to < 0.75	-	-	0%	-
	0.75 to < 2.50	2,515	79	44%	2,549
	2.50 to < 10.00	1,751	57	45%	1,776
	10.00 to < 100.00	689	9	44%	693
	100.00 (default)	423	1	44%	423
	Sub-total	**10,967**	**260**	**44%**	**11,081**
Of which: Non SME					
	0.00 to < 0.15	24,682	745	42%	24,996
	0.15 to < 0.25	8,961	249	42%	9,066
	0.25 to < 0.50	11,859	298	43%	11,986
	0.50 to < 0.75	-	-	0%	-
	0.75 to < 2.50	7,611	195	42%	7,694
	2.50 to < 10.00	3,866	167	42%	3,937
	10.00 to < 100.00	1,082	11	42%	1,087
	100.00 (default)	1,071	3	42%	1,072
	Sub-total	**59,133**	**1,667**	**42%**	**59,837**
Of which: Revolving					
	0.00 to < 0.15	738	1,487	20%	1,037
	0.15 to < 0.25	401	528	20%	507
	0.25 to < 0.50	505	532	20%	612
	0.50 to < 0.75	-	-	0%	-
	0.75 to < 2.50	601	453	20%	692
	2.50 to < 10.00	301	160	20%	334
	10.00 to < 100.00	77	20	20%	81
	100.00 (default)	61	1	20%	61
	Sub-total	**2,684**	**3,183**	**20%**	**3,324**

Average PD	Number of debtors	Average LGD	Average maturities (in years)	RWA	RWA density	EL	Correction to amounts and provisions
0%	195,169	14%	-	581	2%	2	-
0%	71,564	14%	-	502	5%	2	-
0%	114,116	15%	-	1,603	9%	10	-
0%	-	0%	-	-	-	-	-
1%	75,919	15%	-	2,155	21%	20	-
5%	36,588	15%	-	2,633	46%	41	-
19%	12,181	16%	-	1,407	79%	53	-
100%	12,337	39%	-	419	28%	543	487
3%	**517,874**	**15%**	**-**	**9,300**	**13%**	**671**	**487**
0%	-	0%	-	-	-	-	-
0%	4,012	14%	-	21	4%	-	-
0%	28,214	17%	-	447	9%	3	-
0%	-	0%	-	-	-	-	-
1%	13,199	17%	-	566	22%	7	-
5%	9,249	17%	-	796	45%	15	-
19%	4,234	17%	-	494	71%	22	-
100%	2,982	42%	-	113	27%	168	144
6%	**61,890**	**18%**	**-**	**2,436**	**22%**	**215**	**144**
0%	195,169	14%	-	581	2%	2	-
0%	67,552	14%	-	482	5%	2	-
0%	85,902	14%	-	1,156	10%	6	-
0%	-	0%	-	-	-	-	-
1%	62,720	14%	-	1,589	21%	13	-
5%	27,339	14%	-	1,837	47%	26	-
20%	7,947	15%	-	913	84%	31	-
100%	9,355	37%	-	307	29%	375	343
3%	**455,984**	**14%**	**-**	**6,864**	**11%**	**456**	**343**
0%	159,406	33%	-	17	2%	-	-
0%	70,241	33%	-	18	4%	-	-
0%	88,263	33%	-	43	7%	1	-
0%	-	0%	-	-	-	-	-
1%	113,053	33%	-	123	18%	3	-
5%	62,369	33%	-	145	43%	6	-
20%	17,157	33%	-	74	91%	5	-
100%	11,385	55%	-	13	20%	33	52
3%	**521,874**	**33%**	**-**	**432**	**13%**	**49**	**52**

12/31/2017 *(in € millions)*	Scale of PD	Initial gross exposures on balance sheet	Pre-CCF off-balance sheet exposures	Average CCF	Amount exposed to post-ARC and post-CCF risk
Of which: Other – retail clients					
	0.00 to < 0.15	3,246	856	59%	3,666
	0.15 to < 0.25	1,944	506	53%	2,213
	0.25 to < 0.50	5,546	1,464	45%	6,169
	0.50 to < 0.75	-	-	0%	-
	0.75 to < 2.50	7,630	1,983	39%	8,380
	2.50 to < 10.00	4,727	1,513	41%	5,333
	10.00 to < 100.00	1,178	142	37%	1,230
	100.00 (default)	1,569	76	91%	1,638
	Sub-total	**25,890**	**6,540**	**45%**	**28,630**
Of which: SMEs					
	0.00 to < 0.15	-	-	0%	-
	0.15 to < 0.25	372	95	35%	405
	0.25 to < 0.50	2,757	683	30%	2,965
	0.50 to < 0.75	-	-	0%	-
	0.75 to < 2.50	5,691	1,354	30%	6,094
	2.50 to < 10.00	3,907	781	34%	4,170
	10.00 to < 100.00	917	117	31%	953
	100.00 (default)	1,191	66	91%	1,252
	Sub-total	**14,836**	**3,096**	**32%**	**15,838**
Of which: Non SME				*0%*	
	0.00 to < 0.15	3,246	856	59%	3,666
	0.15 to < 0.25	1,622	410	58%	1,808
	0.25 to < 0.50	2,789	781	57%	3,204
	0.50 to < 0.75	-	-	0%	-
	0.75 to < 2.50	1,939	629	58%	2,286
	2.50 to < 10.00	819	733	48%	1,163
	10.00 to < 100.00	262	25	64%	277
	100.00 (default)	378	10	88%	386
	Sub-total	**11,053**	**3,444**	**56%**	**12,791**
Shares				0%	
	Sub-total	**-**	**-**	**0%**	**-**
TOTAL		**152,096**	**42,340**	**45%**	**170,615**

Average PD	Number of debtors	Average LGD	Average maturities (in years)	RWA	RWA density	EL	Correction to amounts and provisions
0%	405,646	15%	-	106	3%	-	-
0%	196,209	16%	-	135	6%	1	-
0%	508,850	18%	-	616	10%	4	-
0%	-	0%	-	-	-	-	-
1%	440,704	19%	-	1,577	19%	24	-
6%	266,906	20%	-	1,358	25%	66	-
23%	81,311	20%	-	487	40%	58	79
100%	68,960	54%	-	343	21%	854	1,024
8%	**1,968,586**	**20%**	**-**	**4,621**	**16%**	**1,007**	**1,103**
0%	-	0%	-	-	-	-	-
0%	22,319	20%	-	21	5%	-	-
0%	50,873	19%	-	282	10%	2	-
0%	-	0%	-	-	-	-	-
1%	101,415	20%	-	1,121	18%	18	-
6%	81,562	21%	-	1,065	26%	56	-
24%	31,005	21%	-	371	39%	48	1
100%	27,935	54%	-	264	21%	649	765
12%	**315,109**	**23%**	**-**	**3,124**	**20%**	**774**	**766**
0%	405,646	15%	-	106	3%	-	-
0%	173,890	16%	-	113	6%	1	-
0%	457,977	16%	-	334	10%	2	-
0%	-	0%	-	-	-	-	-
1%	339,289	17%	-	456	20%	5	-
5%	185,344	16%	-	293	25%	10	-
19%	50,306	18%	-	115	42%	10	79
100%	41,025	55%	-	80	21%	205	259
4%	**1,653,477**	**17%**	**-**	**1,496**	**12%**	**233**	**337**
0%	**-**	**0%**	**-**	**-**	**-**	**-**	**-**
4%	**3,030,550**	**22%**	**2.5**	**45,012**	**26%**	**2,774**	**2,466**

Backtesting

The quality of the ratings system is monitored using national procedures which specify the topics to be reviewed, the warning thresholds and responsibilities of the participants. These documents are updated by the Confédération Nationale du Crédit Mutuel risk department if necessary as decisions are ratified.

Reporting of the monitoring of the mass rating models focuses on three main aspects: stability assessment, performance assessment and various additional analyses. These reports are created for each mass rating model on a quarterly basis and supplemented by reviews and annual and half-yearly audits at a deeper level of detail, in that all of the elements making up each models are analyzed.

As regards the expert grids, the approach includes comprehensive annual monitoring based on performance tests, with an analysis of rating concentrations, of transition matrices and of consistency with the external rating system.

The annual review of default probabilities is carried out before new estimates are made of that regulatory parameter. Depending on the portfolio, the annual review is supplemented by an intermediate review, conducted semi-annually. The procedures for tracking LGD and CCFs are implemented on an annual basis, their main objective being to validate, at the segment level, the values used by these parameters. In the case of loss given default, this validation is carried out mainly by verifying the strength of the prudence margin calculation methods and by reconciling the LGD estimators with the most recent data and actual figures. As regards the CCF, it is validated by reconciling the estimators with the most recent CCFs observed.

Since a nation-wide procedure have been established for monitoring the parameters, the quantitative elements relating to the back-testing of the parameters and to the change in RWA under the internal ratings-based approach are presented in the confederal Pillar 3 report.

Permanent and periodic control

The Crédit Mutuel group's Basel 2 permanent control plan comprises two levels. At the national level, permanent control is involved in (a) validating new models and significant adjustments made to existing models and (b) the ongoing monitoring of the internal ratings system, especially its parameters. At the regional level, permanent control acts as guidance, coordination and standardization for the entire Crédit Mutuel group control function, covering the controls relating to the overall suitability of the internal rating system, the operational aspects related to the production and calculation of ratings, the credit risk management procedures directly related to the internal rating system and the quality of the data.

As for periodic control, the Crédit Mutuel group's audit unit carries out an annual review of the internal rating system. A framework procedure defines the type of assignments to be carried out on an ongoing basis on the Basel 2 procedures as well as the breakdown of responsibilities between the regional and national audit units.

Additional quantitative information

The risk-weighted assets of equity exposures are obtained using the simple risk-weighted approach, which involves applying specific risk weighting to the carrying amounts of the exposures.

The risk-weighted assets of "specialized financing" exposures are obtained using the slotting criteria method.

Statement of RWA flows related to exposures to credit risk under the internal ratings approach (EU CR8)

The information associated with this table is treated at the national level in the Crédit Mutuel group's Pillar 3 report.

Internal ratings approach – Back-testing of the PD by category of exposure (EU CR9)

The information associated with this table is treated at the national level in the Crédit Mutuel group's Pillar 3 report.

INTERNAL RATINGS APPROACH – SPECIALIZED LENDING AND EQUITIES (EU CR10)

12/31/2018
(in € millions)

Regulatory categories	Residual maturity	Amount on balance sheet	Amount off balance sheet	Weighting	Amount of exposure	RWA	Expected losses
Category 1	Less than 2.5 years	540	155	50%	669	334	-
	2.5 years or more	4,310	259	70%	4,505	3,154	18
Category 2	Less than 2.5 years	141	68	70%	194	135	1
	2.5 years or more	1,026	296	90%	1,249	1,124	10
Category 3	Less than 2.5 years	9	3	115%	10	11	-
	2.5 years or more	454	300	115%	673	774	19
Category 4	Less than 2.5 years	3	75	250%	59	147	5
	2.5 years or more	27	35	250%	54	135	4
Category 5	Less than 2.5 years	19	6	-	26	-	13
	2.5 years or more	40	-4	-	62	-	31
TOTAL	**LESS THAN 2.5 YEARS**	**712**	**308**		**957**	**628**	**19**
	2.5 YEARS OR MORE	**5,857**	886		**6,543**	**5,187**	**82**

EQUITIES UNDER THE SIMPLE WEIGHTING METHOD

Categories *(in € millions)*	**Amount on balance sheet**	**Amount off balance sheet**	**Weighting**	**Amount of exposure**	**RWA**	**Capital requirements**
Exposure to equity investment funds	2,044	-	190%	2,044	3,884	311
Exposures to equities traded on organized markets	8	-	290%	8	22	2
Other equity exposure	2,509	-	353%	2,511	8,875	710
TOTAL	**4,561**	**-**		**4,563**	**12,781**	**1,023**

In addition, exposures to equities by the standard approach amounted to €270 million at December 31, 2018.

12/31/2017 *(in € millions)* **Regulatory categories**	**Residual maturity**	**Amount on balance sheet**	**Amount off balance sheet**	**Weighting**	**Amount of exposure**	**RWA**	**Expected losses**
Category 1	Less than 2.5 years	441	184	50%	592	296	-
	2.5 years or more	4,025	331	70%	4,273	2,991	17
Category 2	Less than 2.5 years	77	67	70%	127	89	1
	2.5 years or more	1,144	316	90%	1,381	1,243	11
Category 3	Less than 2.5 years	35	83	115%	97	111	3
	2.5 years or more	410	47	115%	444	511	12
Category 4	Less than 2.5 years	-	11	250%	11	27	1
	2.5 years or more	32	-	250%	32	81	3
Category 5	Less than 2.5 years	26	3	0%	31	-	16
	2.5 years or more	85	-	0%	101	-	51
TOTAL	**LESS THAN 2.5 YEARS**	**579**	**348**		**858**	**523**	**20**
	2.5 YEARS OR MORE	**5,697**	694		**6,232**	**4,826**	**94**

EQUITIES UNDER THE SIMPLE WEIGHTING METHOD

Categories *(in € millions)*	**Amount on balance sheet**	**Amount off balance sheet**	**Weighting**	**Amount of exposure**	**RWA**	**Capital requirements**
Exposure to equity investment funds	2,125	-	190%	35	4,038	323
Exposures to equities traded on organized markets	35	-	290%	2,125	101	8
Other equity exposures	2,370	-	355%	2,372	8,422	674
TOTAL	**4,531**	**-**		**4,532**	**12,561**	**1,005**

Exposures to equities by the standard approach amounted to €270 million at December 31, 2018.

3.1.3.8 Counterparty risk

Requirements for publication of qualitative CCR information (EU CCRA)

CCR management objectives and policies

With respect to counterparty risk from capital markets, the objective of its management is to estimate the economic loss that the group would suffer in the event of an instantaneous default by a counterparty before the recovery rate is taken into account.

Method used to allocate internal capital operating limits for counterparty credit risk exposures

Limits to credit and counterparty risk from capital markets are for the most part internal ratings by the counterparties and the type of exposure to them (money markets, investments in title of ownership or debt instruments, derivatives and repurchase agreements).

Policies relating to guarantees and other risk mitigation techniques and counterparty risk assessments

As indicated in CCR1, counterparty risk from dealing room transactions is calculated using (i) the market price method, accompanied by an add-on, for exposures from derivatives and (ii) the general financial collateral method for exposures from repo transactions. Margin call flows (collateralization) mitigate the risks from these exposures. Hedges through CDS can also be used to manage credit risk from certain Large Account counterparties. Finally, as regards the mitigation of counterparty risk, the measures applied are: (i) the signing of netting agreements with certain counterparties for certain products (such as close-out netting in the event of counterparty default) and (ii) clearing of transactions on certain over-the-counter derivatives with a central counterparty.

Policies applied to correlation risk exposures

Both components of wrong way risk (specific and general) are monitored. A specific correlation risk control procedure has been put in place to detect transactions that may be exposed. The general correlation risk is determined by combining a default probability deterioration scenario (historical and market) and a deterioration scenario for the main risk factors to which the portfolio is sensitive.

CCR EXPOSURE ANALYSIS BY APPROACH – EU CCR1

12/31/2018 *(in € millions)*	Notional amounts	Replacement cost/current market value	Potential future credit exposure	Actual expected positive exposure	Multiplier	Amount exposed to post-ARC risk	RWA
1 - Market price method		2,321	1,812			2,781	1,114
2 - Initial exposure							
3 - Standard approach							
4 - IMM (for derivatives and SFTs*)							
5 - Of which securities financing transactions							
6 - Of which derivatives and deferred settlements							
7 - Of which exposure from a cross-product clearing agreement							
8 - Simple financial collateral-based method (for SFTs)							
9 - General financial collateral-based method (for SFTs)						1,171	28
10 - VaR for SFTs							
11 - TOTAL							

* *Securities financing transactions, also called temporary sale of securities*

12/31/2017 *(in € millions)*	Notional amounts	Replacement cost/current market value	Potential future credit exposure	Actual expected positive exposure	Multiplier	Amount exposed to post-ARC risk	RWA
1 - Market price method		1,560	1,511			2,533	1,460
2 - Initial exposure							
3 - Standard approach							
4 - IMM (for derivatives and SFTs*)							
5 - Of which securities financing transactions							
6 - Of which derivatives and deferred settlements							
7 - Of which exposure from a cross-product clearing agreement							
8 - Simple financial collateral-based method (for SFTs)							
9 - General financial collateral-based method (for SFTs)						838	13
10 - VaR for SFTs							
11 - TOTAL							

* *Securities financing transactions, also called temporary sale of securities*

CVA CAPITAL REQUIREMENT – EU CCR2

	2018		2017	
(in € thousands)	Amount of exposure		Amount of exposure	RWAs*
1 - Total portfolios subject to the advanced CVA requirement	**0**	**0**	**0**	**0**
2 - i) VaR component (including multiplier x3)		0		0
3 - ii) SVaR component in times of stress (including multiplier x3)		0		0
4 - Total portfolios subject to the standard CVA requirement	**918,002**	**263,218**	**938,676**	**292,747**
EU4 - Total from original exposure-based method	**0**	**0**	**0**	**0**
5 - *TOTAL* SUBJECT TO THE CVA CAPITAL CHARGE	**918,002**	**263,218**	**938,676**	**292,747**

* *Risk weighted assets.*

STANDARD APPROACH – CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTING – EU CCR3

	Weighting												
12/31/2018 (in € millions) Categories of exposure	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Other**	**Total**	**o/w not rated**
1 - Central governments or Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
2 - Regional or local governments	7	-	-	-	-	-	-	-	3	-	-	10	-
3 - Public sector (public organizations excluding central governments)	1	-	-	-	-	-	-	-	3	-	-	5	-
4 - Multilateral development banks	12	-	-	-	-	-	-	-	-	-	-	12	-
5 - International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
6 - Institutions (banks)	-	828	-	-	37	-	-	-	-	-	-	866	-
7 - Corporate	-	-	-	-	-	-	-	-	140	-	-	140	-
8 - Retail clients	-	-	-	-	-	-	-	1	-	-	-	1	-
9 - Institutions and companies given a short-term credit evaluation	-	-	-	-	-	-	-	-	-	-	-	-	-
10 - Other assets	-	-	-	-	-	-	-	-	15	-	-	15	-
11 - TOTAL	**21**	**828**	**-**	**-**	**38**	**-**	**-**	**1**	**162**	**-**	**-**	**1,050**	**-**

12/31/2017 (in € millions) Categories of exposure	Weighting 0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other	Total	o/w not rated
1 - Central governments or Central banks	-	-	-	-	-	6	-	-	-	-	-	6	-
2 - Regional or local governments	10	-	-	-	-	-	-	-	4	-	-	14	-
3 - Public sector (public organizations excluding central governments)	2	-	-	-	-	-	-	-	4	-	-	5	-
4 - Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5 - International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
6 - Institutions (banks)	510	533	-	-	43	-	-	-	-	-	-	1,086	-
7 - Corporate	-	1	-	-	-	-	-	-	227	-	-	228	-
8 - Retail clients	-	-	-	-	-	-	-	1	-	-	-	1	-
9 - Institutions and companies given a short-term credit evaluation	-	-	-	-	-	-	-	-	-	-	-	-	-
10 - Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
11 - TOTAL	**522**	**534**	**-**	**-**	**43**	**6**	**-**	**1**	**234**	**-**	**-**	**1,340**	**-**

INTERNAL RATINGS APPROACH – CCR EXPOSURES BY PORTFOLIO AND PD LEVEL – EU CCR4

12/31/2018 (in € millions)	Scale of PD	Amount exposed to post-ARC risk	Average PD	Number of debtors	Average LGD	Average maturities (in years)	RWA	RWA density
Governments and central banks								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Institutions (banks)								
	0.00 to < 0.15	6,667	0.05%	144	13%	2.0	204	3%
	0.15 to < 0.25	736	0.23%	26	7%	2.0	51	7%
	0.25 to < 0.50	670	0.44%	5	2%	1.0	1	0%
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**8,073**	**0.10%**	**175**	**11%**	**2.0**	**256**	**3%**
Corporate								
	0.00 to < 0.15	2,321	0.05%	141	8%	2,0	121	5%
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	221	0.35%	721	34%	2,0	103	47%
	0.50 to < 0.75	64	0.54%	789	37%	3,0	41	63%
	0.75 to < 2.50	202	1.19%	1,542	35%	3,0	165	82%
	2.50 to < 10.00	56	4.25%	521	43%	3,0	80	143%
	10.00 to < 100.00	13	17.32%	125	43%	3,0	31	227%
	100.00 (default)	2	99.99%	51	45%	3,0	-	-
	Sub-total	**2,879**	**0.39%**	**3,890**	**14%**	**3,0**	**540**	**19%**
Of which: Specialized financing								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Of which: SMEs								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

12/31/2018 *(in € millions)*	Scale of PD	Amount exposed to post-ARC risk	Average PD	Number of debtors	Average LGD	Average maturities (in years)	RWA	RWA density
Retail clients								
	0.00 to < 0.15	2	0.09%	140	45%	-	-	3%
	0.15 to < 0.25	1	0.23%	51	45%	-	-	5%
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	1	0.53%	24	45%	-	-	9%
	0.75 to < 2.50	-	1.29%	19	45%	-	-	13%
	2.50 to < 10.00	-	4.34%	11	45%	-	-	18%
	10.00 to < 100.00	-	12.86%	4	45%	-	-	21%
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**4**	**0.50%**	**249**	**45%**	**-**	**-**	**5%**
Of which: Exposures secured by real estate mortgages								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Of which: SMEs								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Of which: Non SME								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Of which: Revolving								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Of which: Other – retail clients								
	0.00 to < 0.15	2	0.09%	140	45%	-	-	3%
	0.15 to < 0.25	1	0.23%	51	45%	-	-	5%
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	1	0.53%	24	45%	-	-	9%
	0.75 to < 2.50	-	1.29%	19	45%	-	-	13%
	2.50 to < 10.00	-	4.34%	11	45%	-	-	18%
	10.00 to < 100.00	-	12.86%	4	45%	-	-	21%
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**4**	**0.50%**	**249**	**45%**	**-**	**-**	**5%**
Of which: SMEs								
	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.50 to < 10.00	-	5.70%	1	41%	-	-	55%
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**-**	**5.70%**	**1**	**41%**	**-**	**-**	**55%**
Of which: Non SME								
	0.00 to < 0.15	2	0.09%	140	45%	-	-	3%
	0.15 to < 0.25	1	0.23%	51	45%	-	-	5%
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	1	0.53%	24	45%	-	-	9%
	0.75 to < 2.50	-	1.29%	19	45%	-	-	13%
	2.50 to < 10.00	-	4.30%	10	45%	-	-	17%
	10.00 to < 100.00	-	12.86%	4	45%	-	-	21%
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**4**	**0.49%**	**248**	**45%**	**-**	**-**	**5%**
Shares								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL		**10,956**	**0.18%**	**4,314**	**12%**	**2.0**	**796**	**7%**

12/31/2017 *(in € millions)*	Scale of PD	Amount exposed to post-ARC risk	Average PD	Number of debtors	Average LGD	Average maturities (in years)	RWA	RWA density
Governments and central banks								
	Sub-total	-	-	-	-	-	-	-
Institutions (banks)								
	0.00 to < 0.15	5,587	0.05%	139	11%	1.8	191	3%
	0.15 to < 0.25	1,461	0.23%	30	5%	1.9	57	4%
	0.25 to < 0.50	2	0.44%	4	38%	2.0	-	14%
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	-	1.02%	1	45%	2.5	-	126%
	2.50 to < 10.00	1	2.79%	1	45%	2.5	2	164%
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**7,053**	**0.09%**	**175**	**10%**	**1.8**	**250**	**4%**
Corporate								
	0.00 to < 0.15	1,183	0.04%	156	9%	2.5	64	5%
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	319	0.36%	810	39%	2.5	172	54%
	0.50 to < 0.75	84	0.58%	924	37%	2.5	54	64%
	0.75 to < 2.50	493	1.16%	1,817	24%	2.5	280	57%
	2.50 to < 10.00	86	4.81%	622	42%	2.5	126	147%
	10.00 to < 100.00	38	16.60%	161	48%	2.5	97	254%
	100.00 (default)	5	100.01%	66	45%	2.5	-	-
	Sub-total	**2,207**	**1.05%**	**4,556**	**20%**	**2.5**	**794**	**36%**
Of which: Specialized financing								
	Sub-total	-	-	-	-	-	-	-
Of which: SMEs								
	Sub-total	-	-	-	-	-	-	-
Retail clients								
	0.00 to < 0.15	4	-	131	45%	-	-	-
	0.15 to < 0.25	3	-	60	45%	-	-	-
	0.25 to < 0.50	2	-	28	45%	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	1	2.00%	33	45%	-	-	-
	2.50 to < 10.00	-	5.00%	16	45%	-	-	-
	10.00 to < 100.00	-	16.00%	2	38%	-	-	-
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	11	0.47%	270	45%	-	1	7%
Of which: Exposures secured by real estate mortgages								
	Sub-total	-	-	-	-	-	-	-
Of which: SMEs								
	Sub-total	-	-	-	-	-	-	-
Of which: Non SME								
	Sub-total	-	-	-	-	-	-	-
Of which: Revolving								
	Sub-total	-	-	-	-	-	-	-
Of which: Other – retail clients								
	0.00 to < 0.15	4	-	131	45%	-	-	-

12/31/2017 *(in € millions)*	**Scale of PD**	**Amount exposed to post-ARC risk**	**Average PD**	**Number of debtors**	**Average LGD**	**Average maturities (in years)**	**RWA**	**RWA density**
Retail clients								
	0.15 to < 0.25	3	-	60	45%	-	-	-
	0.25 to < 0.50	2	-	28	45%	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	1	2.00%	33	45%	-	-	-
	2.50 to < 10.00	-	5.00%	16	45%	-	-	-
	10.00 to < 100.00	-	16.00%	2	38%	-	-	-
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**11**	**0.47%**	**270**	**45%**	**-**	**1**	**7%**
Of which: SMEs								
	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.50 to < 10.00	-	7.00%	1	45%	-	-	100%
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**-**	**7.48%**	**1**	**45%**	**-**	**-**	**57%**
Of which: Non SME								
	0.00 to < 0.15	4	-	131	45%	-	-	-
	0.15 to < 0.25	3	-	60	45%	-	-	-
	0.25 to < 0.50	2	-	28	45%	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	1	2.00%	33	45%	-	-	-
	2.50 to < 10.00	-	5.00%	15	45%	-	-	-
	10.00 to < 100.00	-	16.00%	2	38%	-	-	-
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**11**	**0.47%**	**269**	**45%**	**-**	**1**	**7%**
Shares								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL		**9,270**	**0.32%**	**5,001**	**12%**	**896**	**1,044**	**11%**

CREDIT DERIVATIVE EXPOSURES – EU CCR6

(in € millions)	2018			2017		
	Credit derivative-based hedges			Credit derivative-based hedges		
	Protections bought		Other credit derivatives	Protections bought	Protections sold	Other credit derivatives
Notional amounts						
Single-signature credit default swaps	7,946	4,759		4,095	2,458	
Index credit default swaps	2,611	3,025		3,219	3,222	
Total return swaps						
Credit options	87	109		0	0	
Other credit derivatives						
TOTAL NOTIONAL AMOUNTS	**10,644**	**7,893**		**7,315**	**5,680**	
Fair values						
Positive fair value (assets)	0	93		0	131	
Negative fair value (liabilities)	91	30		147	15	

Table of RWA flows related to CCR exposures under the internal model method – EU CCR7.

The information associated with this table is treated at the national level in the Crédit Mutuel group's Pillar III report.

CENTRAL COUNTERPARTY EXPOSURE – EU CCR8

(in € millions)	2018 Amount exposed to post-ARC risk	2018 RWA	2017 Amount exposed to post-ARC risk	2017 RWA
QCCP exposures (total)				
Exposures for transactions with eligible central counterparties (excluding initial margins and contributions to default funds); of which				
(i) Over-the-counter derivatives	463	9	325	7
(ii) Listed derivatives	157	3	19	-
(iii) SFTs	209	4	123	2
(iv) Netting sets in which cross-product netting has been approved				
Initial segregated margin	1,516	-	749	-
Initial unsegregated margin				
Prefinanced default fund contributions	80	2	36	1
Alternative capital requirement calculation method for exposures				
Non-QCCP exposures (total)				
Exposures for transactions with ineligible central counterparties (excluding initial margins and contributions to default funds); of which				
(i) Over-the-counter derivatives				
(ii) Listed derivatives				
(iii) SFTs				
(iv) Netting sets in which cross-product netting has been approved				
Initial segregated margin				
Initial unsegregated margin				
Prefinanced default fund contributions				
Unfinanced default fund contributions				

3.1.3.9 Credit risk mitigation techniques

Financial, personal and actual collateral can be used directly to reduce the calculation of credit risk-related capital requirements that help to determine the calculation of the group solvency ratio. The use of collateral in risk mitigation techniques is, however, subject to compliance with eligibility conditions and minimum requirements imposed by regulations.

3.1.3.9.1 Netting and collateralization of repurchase agreements and over-the-counter derivatives

When a master agreement is entered into with a counterparty, the signatory entity applies a netting exposure to the counterparty.

With counterparties that are credit institutions, CIC Marchés supplements those agreements with collateralization agreements (CSAs). The operational management of these agreements takes place through the TriOptima platform.

Through regular margin calls, the residual net credit risk from over-the-counter derivatives and repurchase agreements is greatly reduced.

3.1.3.9.2 Description of the main categories of collateral taken into account by the institution

The group uses collateral in the calculation of weighted risks in different ways depending on the type of borrower, the calculation method used for the exposure hedged and the type of collateral.

For agreements involving mass-market customers that are handled using the Advanced IRB method, collateral is used to segment loss in the event of a default calculated statistically for all of the group's non-performing and disputed loans. Within that scope, the group does not use risk mitigation techniques in its calculation of capital requirements.

For agreements belonging to the "Sovereign", "Institutions" and, in part, the "Corporate" portfolio, personal collateral and financial collateral are used as risk mitigation techniques as defined by regulations.

- Personal collateral corresponds to the undertaking made by a third party to replace the primary debtor in the event of default by the latter. By extension, credit derivatives (protective calls) fall into this category.
- Financial collateral is defined by the group as a right of the institution to liquidate, retain or obtain the transfer or ownership of certain amounts or assets such as pledged cash deposits, debt securities, shares or convertible bonds, gold, UCITS shares, life insurance policies and instruments of any kind issued by a third party and repayable on request.

3

The use of guarantees is effective only if the institution respects the legal and operational criteria set forth by the regulations in force. Downstream processing for the calculation of weighted risk that takes into account risk mitigation techniques is largely automated. Verification of compliance with eligibility conditions and minimum requirements imposed by regulations must be conducted and formalized at the time of the instruction of the guarantee.

3.1.3.9.3 Procedures applied for the measurement and management of instruments that constitute real collateral

The procedures for measuring collateral vary with the nature of the instrument that constitutes the security interest. Generally, the studies carried out within the Crédit Mutuel group are based on statistical estimate methodologies that are directly integrated into the tools and based on external indices to which discounts can be applied depending on the type of asset used as collateral (for example, the measurement of assets financed through lease financing takes into account the economic obsolescence of the asset). In the case of real estate collateral, the initial measurement is usually calculated based on the acquisition or construction value of the asset.

On an exceptional basis, specific procedures provide for valuations by expert appraisal, especially if the thresholds set for outstanding transactions are exceeded. These procedures are established at the national level.

To carry out the controls necessary to comply with the conditions relating to collateral agreements and guarantors, the identification of the guarantee in the information system, compliance with the standards and rules in force within the Crédit Mutuel group relating to eligibility, CIC relies on common tools and dedicated operational procedures that list the types of collateral selected as eligible that have the IT mechanisms developed in the collateral management applications to define eligibility and detail the questions that managers must answer to take a position on the eligibility of the collateral at the time of its instruction. These procedures are regularly updated by the CNCM and submitted for validation by the Basel 3 governance bodies. There is permanent oversight at the second level in the verification of eligibility and its documentation.

During the lifetime of the collateral, it is revalued periodically according to the rules described in the procedures.

3.1.3.9.4 Main categories of protection providers

Apart from intra-group collateral, the main categories of protection providers taken into account are mutual collateral companies such as Crédit Logement.

CREDIT RISK MITIGATION TECHNIQUES (ARC) – GENERAL OVERVIEW – EU CR3

12/31/2018 *(in € millions)*	Unsecured exposures: carrying amount	Secured exposures*	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1 - Total loans	285,347	5,543	4,695	848	0
2 - Total Debt securities	5,045	0	0	0	0
3 - TOTAL EXPOSURES	**290,392**	**5,543**	**4,695**	**848**	**0**
4 - o/w in default	2,535	47	29	18	0

12/31/2017 *(in € millions)*	Unsecured exposures: carrying amount	Secured exposures*	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1 - Total loans	257,601	4,349	3,802	547	0
2 - Total Debt securities	4,549	0	0	0	0
3 - TOTAL EXPOSURES	**262,150**	**4,349**	**3,802**	**547**	**0**
4 - o/w in default	2,895	20	20	0	0

* *Secured exposures consist solely of exposures associated with a credit risk mitigation mechanism in the regulatory sense (collateral, financial guarantees, credit derivatives). Exposures with a mortgage guarantee or similar are not included in this column.*

In the standard approach, the small differences between pre- and post-ARC exposures show that the impact of collateral is insignificant.

Potential concentrations arising from ARC measurements (by guarantor and by sector) are monitored in the context of credit risk management and included in the quarterly performance indicators, including the monitoring of compliance with concentration limits (monitored after taking guarantors into account). No particular concentration results from the implementation of ARC techniques.

STANDARD APPROACH – EXPOSURE TO CREDIT RISK AND EFFECTS OF ARC MEASUREMENTS – EU CR4

12/31/2018 *(in € millions)*	Pre-CCF and ARC exposures		Post-CCF and ARC exposures		RWAs and RWA density	
Categories of exposure	Amount on balance sheet	Amount off balance sheet	Amount on balance sheet	Amount off balance sheet	RWA	RWA density
1 - Central governments or Central banks	39,495	1,036	38,922	354	359	0.90%
2 - Regional or local governments	304	10	345	4	70	19.90%
3 - Public sector (public organizations excluding central governments)	5,962	120	6,912	244	6	-
4 - Multilateral development banks	-	-	-	-	-	-
5 - International organizations	-	-	-	-	-	-
6 - Institutions (banks)	5,982	13	6,059	8	282	4.60%
7 - Corporate	9,421	1,214	8,854	697	8,662	90.60%
8 - Retail clients	1,959	1,276	1,652	561	1,372	61.90%
9 - Exposures secured by real estate mortgages	5,893	50	5,893	25	2,250	38.00%
10 - Exposures in default	368	19	322	17	479	141.40%
11 - Exposures presenting especially high risk	298	12	272	6	413	148.60%
12 - Covered bonds	25	-	25	-	3	9.90%
13 - Exposures from institutions and companies given a short-term credit evaluation	-	-	-	-	-	-
14 - Exposures in the form of UCIT shares or equities	3	-	3	-	3	100.00%
15 - Exposure to equities	136	-	136	-	136	100.00%
16 - Other assets	531	-	531	-	531	100.00%
17 - TOTAL	**70,376**	**3,749**	**69,926**	**1,915**	**14,566**	**20.20%**

3

12/31/2017 *(in € millions)* Categories of exposure	Pre-CCF and ARC exposures		Post-CCF and ARC exposures		RWAs and RWA density	
	Amount on balance sheet	Amount off balance sheet	Amount on balance sheet	Amount off balance sheet	RWA	RWA density
1 - Central governments or Central banks	35,439	668	34,848	69	70	0.20%
2 - Regional or local governments	348	42	381	13	79	19.90%
3 - Public sector (public organizations excluding central governments)	4,868	117	5,833	350	4	-
4 - Multilateral development banks	-	-	-	-	-	-
5 - International organizations	-	-	2	-	-	-
6 - Institutions (banks)	5,116	11	5,126	6	124	2.40%
7 - Corporate	8,403	1,662	8,103	836	7,982	89.20%
8 - Retail clients	2,180	1,049	1,922	468	1,469	61.40%
9 - Exposures secured by real estate mortgages	6,108	491	6,102	202	2,905	46.00%
10 - Exposures in default	340	24	320	22	484	141.20%
11 - Exposures presenting especially high risk	252	31	252	13	392	148.20%
12 - Covered bonds	61	-	61	-	6	9.90%
13 - Exposures from institutions and companies given a short-term credit evaluation	-	-	-	-	-	-
14 - Exposures in the form of UCIT shares or equities	-	-	-	-	-	100.00%
15 - Exposure to equities	161	-	161	-	165	102.40%
16 - Other assets	568	-	568	-	568	100.00%
17 - TOTAL	**63,845**	**4,095**	**63,678**	**1,980**	**14,248**	**21.60%**

The effect of credit derivatives as an ARC technique (EU CR7) is insignificant for CIC.

IMPACT OF NETTING AND COLLATERAL HELD ON SECURITIES EXPOSED – EU CCR5-A

12/31/2018 *(in € millions)*	Positive gross fair value or net carrying amount	Profit from netting	Current credit exposure after netting	Collateral held*	Net credit exposures
1 - Derivatives	7,193	5,501	1,692	809	882
2 - Repurchase agreements	17,939	488	17,451	9,516	7,935
3 - Cross-product netting					
4 - TOTAL	**25,132**	**5,989**	**19,142**	**10,326**	**8,817**

* *Note that, in the internal ratings approach, net exposures to repurchase and loan-to-loan transactions do not take into account the collateral held, as it is taken into account in the calculation of the loss given default (LGD*) method adopted by the Crédit Mutuel group in accordance with Article 228 § 2 of the CRR.*

12/31/2017 *(in € millions)*	Positive gross fair value or net carrying amount	Profit from netting	Current credit exposure after netting	Collateral held*	Net credit exposures
1 - Derivatives	7,672	6,022	1,650	690	960
2 - Repurchase agreements	16,086	2,205	13,881	5,966	7,915
3 - Cross-product netting					
4 - TOTAL	**23,758**	**8,227**	**15,531**	**6,656**	**8,876**

COMPOSITION OF COLLATERAL FOR CCR EXPOSURES – EU CCR5-B

12/31/2018 *(in € millions)*	Collateral used in derivatives				Collateral used for the temporary sale of securities	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated*	Unsegregated	Segregated	Unsegregated		
Range of fluctuation		910		2,403	60	158
Initial margin	-		1,516		16,850	19,761
TOTAL	**-**	**910**	**1,516**	**2,403**	**16,910**	**19,920**

* = "Segregated" refers to collateral protected against bankruptcy.

12/31/2017 *(in € millions)*	Collateral used in derivatives				Collateral used for the temporary sale of securities	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated*	Unsegregated	Segregated	Unsegregated		
Range of fluctuation		1,157		3,269	47	93
Initial margin			1,041		12,389	14,523
TOTAL		**1,157**	**1,041**	**3,269**	**12,436**	**14,616**

3.1.3.10 Securitization

3.1.3.10.1 Objectives

On the capital markets, the group is active in the securitization market and takes investment positions based on three major principles: return, risk-taking and diversification. For the most part, the risks are credit risks on underlying assets and liquidity risks, which are due in particular to changes in European Central Bank eligibility criteria.

The only activity is investor activity involving senior or mezzanine tranches, which nonetheless have an external rating.

In specialized financing, the group supports its customers as a sponsor (arranger or co-arranger) or sometimes as an investor when commercial loans are securitized. The conduit used is General Funding Ltd (GFL), which subscribes to the senior units of the securitization vehicle and issues commercial paper. This conduit has a liquidity line granted by the group, which guarantees the placement of its commercial paper. The group is mainly exposed to credit risk on the portfolio of receivables sold, and there is a risk of a seizure in the capital markets.

3.1.3.10.2 Capital market monitoring and control procedures

The monitoring of market risks from securitization positions is conducted through risk and results control (CRR) through various axes, daily procedures that make it possible to monitor market risk developments. The CRR analyzes changes in results from securitization strategies daily and explains it using risk factors. It monitors compliance with the limits set by the rules. The limits are reviewed at least once a year.

The credit quality of the securitization tranches is also monitored daily through ratings from the external branches Standard & Poors, Moody's and Fitch Ratings. The actions of these branches (upgrade, downgrade or under review) are analyzed. In addition, a quarterly summary of rating changes is conducted.

As part of the counterparty limit management procedure, the following work is performed: in-depth analysis of securitizations that have reached the level of delegation of the group's commitments and of certain sensitive securitizations (from peripheral countries in the euro zone or countries that have experienced a significant downgrade). These analyses assess the credit level of the position and the performance of the underlying asset.

In addition, each securitization tranche, regardless of the level of delegation, has a factsheet. These factsheets show the main characteristics of the tranche held, the structure and the underlying portfolio. For securitizations issued on or after January 1, 2011, information on the performance of the underlying asset has been added. This information is updated once a month. Issuing prospectuses and agency pre-sale documentation are also recorded and made available with the factsheets, along with investor reports for securitizations issued on or after January 1, 2011.

Finally, capital markets have a tool that measures the impact of various scenarios on positions (including changes in prepayments, defaults, and recovery rates).

Accordingly, resistance tests are conducted on the portfolios each month.

3.1.3.10.3 Capital market data

In 2018, the group's securitization investments increased by €2.3 billion (+32%), and represented €9.7 billion in outstandings at December 31, 2018.

The securitization portfolios are prudently managed and consist largely of senior securities of a very good credit quality. The increase in outstandings in 2018, which focused mainly on AAA securities (+€2.5 billion in outstandings for this rating), resulted in a further increase in the overall quality of the portfolios, as 86% of securities are rated AAA (compared to 79% in 2017), and 11% between AA+ and A-. Portfolios are diversified, both in terms of exposure types (RMBS, CMBS, CLO, ABS auto loans, ABS consumer loans, ABS credit cards), and geographical areas (United States, Netherlands, United Kingdom, France, Italy, Germany).

Investments are made within a precise framework of limits validated by the group's lending department, which are reviewed at least once a year.

Investments in capital markets, which account for 93% of outstanding securitizations, must also comply with a set of rules specific to CIC Marchés, which rigorously monitors outstandings and portfolio risks.

Regulatory requirements have been regularly strengthened for securitizations since the last financial crisis, and will continue to be as from January 1, 2019 with the introduction of a new and stricter European regulatory framework to promote simple, transparent and standardized securitization. In this context, specific procedures have been put in place.

These allow for close monitoring of tranches and continuous verification of information on the performance of the underlying exposures.

Resistance tests are also conducted on the portfolios each month. An asset quality review (AQR) was conducted by the European Central Bank in 2014, supplemented by stress tests in 2014, 2016 and again in 2018, with very satisfactory results.

Breakdown of outstandings by portfolio *(in € millions)*		**2017 figures**
Banking Portfolio	8,899	6,860
Trading Portfolio	784	474
TOTAL	**9,683**	**7,335**

Breakdown of outstandings Inv. Grade/Non Inv. Grade *(%)*		**2017 figures**
Investment grade category (o/w AAA 86%)	98%	96%
Non-investment grade category	2%	4%
TOTAL	**100%**	**100%**

Geographical distribution of outstandings	
USA	50.91%
France	14.07%
Germany	9.27%
United Kingdom	6.68%
Netherlands	5.70%
Italy	4.07%
Spain	3.17%
Australia	2.65%
Hong Kong	0.85%
Ireland	0.81%
Austria	0.48%
Switzerland	0.32%
Finland	0.31%
Portugal	0.16%
Belgium	0.15%
South Korea	0.13%
Greece	0.11%
Luxembourg	0.10%
Norway	0.06%
TOTAL	**100,00%**

The group's exposures to the most vulnerable European countries during the last crisis remain low (Ireland: 0.8%, Portugal 0.2%, Greece: 0.1%). However, tranches in the non-investment grade category are given enhanced supervision and, in the case of Greece, provisioned.

The New York branch holds a residual portfolio of pre-2008 non-investment grade US RMBS in run-off management. The net carrying amount of that portfolio was €158 million at December 31, 2018, a significant decrease compared to the previous year (decrease of €116 million of outstandings, or -42%), following disposals. Expected losses for this portfolio are fully provisioned.

3.1.3.10.4 Capital market credit risk hedging policies

Capital markets traditionally buy securities. Nevertheless, protective calls in the form of credit default swaps may be authorized and are governed, where appropriate, by capital market oversight procedures.

3.1.3.10.5 Prudential approaches and methods

Entities in the scope of approval of the internal ratings-based approach apply the ratings-based method. Otherwise, the standard approach is used.

3.1.3.10.6 Accounting policies and principles

Securitization securities are recognized as other debt securities, depending on their accounting classification. Accounting policies and principles are presented in Note 1a of the appendix to the financial statements.

3.1.3.10.7 Global exposures (capital markets and specialized financing) by type of securitization

Exposures are net of provisions.

SECURITIZATION BY TYPE

EAD *(in € millions)* Credit quality steps	2018 Banking portfolio standard approach	2018 Banking portfolio internal ratings-based approach	2018 Trading portfolio internal ratings-based approach	2018 Correlation portfolio internal ratings-based approach	2017 Banking portfolio standard approach	2017 Banking portfolio internal ratings-based approach	2017 Trading portfolio internal ratings-based approach	2017 Correlation portfolio internal ratings-based approach
Investor								
- Classic securitization	74.2	7,092.2	725.3		82.2	5,426.9	1,665.6	
- Synthetic securitization				309.1				471.4
- Classic re-securitization								
- Synthetic re-securitization								
Sponsor								
TOTAL	**74.2**	**7,092.2**	**725.3**	**309.1**	**82.2**	**5,426.9**	**1,665.6**	**471.4**

BREAKDOWN OF OUTSTANDINGS BY CREDIT QUALITY STEP

EAD *(in € millions)* Credit quality steps	2018 Banking portfolio standard approach	2018 Banking portfolio internal ratings-based approach	2018 Trading portfolio internal ratings-based approach	2018 Correlation portfolio internal ratings-based approach	2017 Banking portfolio standard approach	2017 Banking portfolio internal ratings-based approach	2017 Trading portfolio internal ratings-based approach	2017 Correlation portfolio internal ratings-based approach
E1		5,809.7	577.6			4,016.7	1,521.6	
E2	50.4	594.4	138.2		60.1	805.2	121.9	
E3		270.6				19.7	3.0	
E4		38.3				25.6	3.1	
E5	6.1	1.8			6.9	12.6	0.5	
E6	0.2	24.7			0.2	32.4		
E7	7.1				0.0	47.9	4.8	
E8		175.0				179.5		
E9					7.8			
E10	0.2	4.8				0.3		
E11	10.3	2.3	6.6			0.5	7.2	
Positions weighted at 1,250%		170.7	2.9		7.2	286.4	3.6	
TOTAL	**74.2**	**7,092.2**	**725.3**	**309.1**	**82.2**	**5,426.9**	**1,665.6**	**471.4**

CAPITAL REQUIREMENTS

(in € millions)	2018 Banking portfolio standard approach	2018 Banking portfolio internal ratings-based approach	2018 Trading portfolio internal ratings-based approach	2018 Correlation portfolio internal ratings-based approach	2017 Banking portfolio standard approach	2017 Banking portfolio internal ratings-based approach	2017 Trading portfolio internal ratings-based approach	2017 Correlation portfolio internal ratings-based approach
TOTAL	**4,9**	**60,9**	**7,5**	**5,6**	**4,0**	**50,4**	**12,0**	**7,0**

Exposures weighted at 1,250% are deducted from equity.

3.1.3.11 Market risks*

3.1.3.11.1 Structure

CIC Marché includes the activities of the Investment/Interest Rate/Currency/Stocks/Credit business line and the CM-CIC Market Solutions commercial business line. For these business lines, management is "healthy and prudent".

The activities are carried out in France and the branches in London (group cash), New York (investment) and Singapore (investment and commercial).

Commercial

CM-CIC Market Solutions is the department in charge of commercial activities. It offers a complete platform of market solutions to customers in all primary and secondary markets as well as custodial solutions (UCI custodian and securities account holder). In particular, it offers high-quality assistance to customers with their market financing.

Sales teams are equipped with a range of tools and unified products. They are organized into five activities.

The Global Fixed Income/Currency/Commodities Execution Solutions team, which operates in Paris or within regional banks, is responsible for the marketing of OTC products for interest rate, currency, equity and commodity hedges. Its objectives are to find the best price, preserve commercial margins and reverse positions. The Global Execution Solutions offer also includes underlying Equity-Bond-Derivative assets. At the same time, the Executions teams are assisted by the Solutions Sales teams.

The Investment Solutions (Solutions de Placement, SP) team markets investment products such as EMTNs, Libre Arbitre and Stork, which are born of the expertise of the investment business line and are aimed at customers of the various institutional, corporate and individual Crédit Mutuel and CIC networks. In the event of partial marketing or early withdrawal by customers, SP may have to temporarily carry securities, which will result in a consumption of equity subject to a limit.

The other three commercial activities (Global Research, Primary Market Solutions and Custodial Solutions) do not involve market or credit risks.

Throughout the CM-CIC Market Solutions scope of consolidation, there are no market risks for agricultural commodities because transactions are strictly back-to-back.

These are conducted at the request of the customer on over-the-counter products. CIC cannot influence commodity prices.

Fixed income-equity-credit investment

The business line is organized with specialized desks for equity/hybrid investments, loans (spread) and fixed income. They mostly handle purchases and sales of financial securities acquired with the intention of retaining them long-term, as well as transactions in related financial instruments. As these activities must create value within a controlled risk framework, they must serve as a base for commercial development and provide expertise or services to other group entities.

3.1.3.11.2 Control mechanism

In 2018, the control branch continued to improve its organizational structure and monitoring methodologies. It continued to update its procedures to take into account a unified system of limits that incorporates branch capital markets.

All of the methodologies are referenced in a set of CIC Marchés rules. Regular updates throughout the year incorporate new products and improved monitoring of risk measurement, and full formal validation occurs at least once a year.

CIC capital market activities are based on the following structure:

- they are overseen by a member of Executive Management;
- units engaged in transactions (front office) are separated from units responsible for monitoring risks and results (control) and units that provide validation, settlement and accounting (back office);
- the control bodies are supervised by the group risk department, which prepares performance indicators that present summaries of risk exposures and validates the levels of equity allocated and consumed by CIC and BFCM Boards of Directors;
- the permanent control system uses first-level control organized around three post-market teams:
  - risk and results control (CRR) validates the production, conducts daily monitoring of results and ensures compliance with limits, and since 2016, it has included operational risk control,
  - accounting and regulatory post-market (PMCR), which is responsible for reconciliation of accounting and economic results as well as regulatory aspects,
  - legal and tax, which is responsible for first-level legal and tax aspects;
- second-level control organized around:
  - Group Permanent Control Markets (CPG-M), which is overseen by the Group Permanent Control (CPG), supervises permanent first-level controls exercised by CIC Markets and carries out its own direct controls on activities,
  - Group lending department, which tracks risk exposure by group of counterparties,
  - Group legal and tax department, which collaborates with the markets legal and tax department,
  - CIC finance department, which oversees accounting plans, the chart of accounts and accounting and regulatory controls;
- periodic control of the business lines of Crédit Mutuel Alliance Fédérale, which has a specialized team of inspectors who provide periodic control and ensure compliance with capital markets.

A market risk committee (meets monthly) and group treasury risk committee (meets quarterly) are in charge of monitoring CIC Marchés strategy, results and risks (in France and in the branches) and group cash within the limits allocated by CIC and BFCM Boards of Directors. The market risk committee is chaired by the member of Executive Management in charge of CIC Marchés and includes the Chief Executive Officer of CIC and BFCM, the Front Office Managers and the post-market, risk department and group PR team Managers. It validates the operational limits established within the general limits set by CIC and BFCM Boards of Directors, which are regularly informed of the risks and results of those activities. The market risk committee is also the body that validates the main orientations of the "internal market risk model".

The group treasury risk committee is chaired by the Chief Executive Officer of CIC and BFCM and includes the group treasury officer, the group ALM officer and the heads of the post-market teams and the risk department. It analyzes market refinancing operations, refinancing of group entities and liquidity assets.

MARKET RISK ACCORDING TO THE STANDARD APPROACH – EU MR1

(in € millions)	Weighted risks	Capital Requirements
Fixed income		
1 - Interest rate risk (general and specific)	1,505	114
2 - Equity risk (general and specific)	859	69
3 - Currency risk	-	-
4 - Commodity risk	-	-
Options		
5 - Simplified approach	-	-
6 - Delta-plus method	54	4
7 - Scenario approach	-	-
8 - Securitization (specific risk)	7	7
9 - TOTAL	**2,426**	**194**

3.1.3.11.3 Risk management

The market risk limit system is based on:

- an overall limit on regulatory capital (CAD/RES) based on a standard internal measure close to the regulatory measure, broken down by desk and in VaR;
- internal rules and scenarios (CAD risks, historical VaR and stress tests) to convert exposures into potential losses.

The limits cover the various types of market risk (interest rate, currency, equity and signature risk) and are divided into sub-limits by type of risk for each of the business segments.

If the overall limit and/or the limit allocated to each business line is exceeded, the group risk department oversees and manages any excess amounts.

Risk monitoring is performed using first-level indicators (sensitivities to various market risk factors) mainly aimed at operators and second-level indicators (potential losses) that provide a more global view more directly accessible to decision-making bodies.

The equity allocated in 2018 for the rate-equity-credit investment and commercial business lines was stable compared to 2017. At the end of 2018, the limits for these activities were renewed for 2019. An equity package for the CVA expense is also calculated for the risk monitoring system.

La Crédit Mutuel Alliance Fédérale VaR was €7.3 million at December 31, 2018. A general stress test policy and a stress mechanism also help to manage risk, and there is an escalation procedure if limits are exceeded.

Capital consumption due to RMBS activity in the New York branch continued to decline as depreciations and sales of run-off portfolio securities progressed. Trading activities are maintained in New York within reduced limits under the supervision of CIC Marchés.

The day-to-day cash position of CIC and BFCM must not exceed a limit of €1 billion for 2019, with an intermediate alert level defined by management and validated by the Boards of Directors of CIC and BFCM. The refinancing period for portfolio assets is also subject to monitoring and limits.

The main CIC segment risks are related to the following investment activities:

1. hybrids: equity consumption was €65.8 million on average in 2018 and €64.9 million at year-end. The convertible bond inventory was stable compared to 2017 and reached €1.9 billion at the end of 2018;
2. credit: positions correspond to securities/CDS (credit default swap) arbitrage or ABS (asset-backed securities). For the corporate and financial credit portfolio, after a high of €65.8 million in February 2018, equity consumption fluctuated around €60.6 million during the year before reaching €61.6 million at the end of 2018. Variations in activity are explained in particular by the maturity of CDS and Itraxx tranches. For the ABS portfolio, risk consumption fluctuated around €30.7 million (€31.7 million at the end of the year), given prudent risk management in the peripheral countries and reduced positions for those countries;
3. M&A and various equities: equity consumption amounted to €46.9 million on average in 2018 with a high of €65.5 million in February. This increase follows changes of outstandings and the withdrawal of OST from the M&A. The outstanding amount for OST was €209 million in December 2018 (with a high of €473 million in February), compared to €246 million at the end of 2017;
4. fixed income: positions mainly concern directional investments or yield-curve arbitrages, most of the time with backing for government securities (mostly for countries in Europe). The positions on peripheral States are very limited. In Italy, outstandings ended the year below €60 million and remained low since the decline of €1.7 billion in September 2014. Total outstanding government securities amounted to €1.3 billion in 2017 compared to €1 billion at the end of 2018, of which €0.7 billion in France.

3.1.3.11.4 Risk associated with the model

The CRR of CM-CIC Marchés is responsible for developing the rare models used in the valuation of its positions. In 2018, there were four of these models (unchanged from the previous year). These models are governed by a general policy validated by the market risk committee every year. The policy provides for development and documentation by the CRR, monitoring of model performance also produced by the CRR and reviewed by the permanent control teams of the business lines and the group risk department, for presentation to the market risk committee. These models are also incorporated into the business line periodic control audit program.

3.1.3.11.5 Credit derivatives

These products are used by CIC Marchés and recorded in its trading portfolio.

CIC Markets also observes issuer/counterparty risk limits for all vehicles. Outstandings are tracked daily and governed by limits periodically reviewed by the bodies designated for that purpose (commitments committees, market risk committees).

3.1.3.12 Asset-liability management risk

3.1.3.12.1 Structure

Crédit Mutuel Alliance Fédérale's asset-liability management is centralized.

For liquidity risk and interest rate risk management, the Crédit Mutuel Alliance Fédérale decision-making committees are as follows:

- the ALM technical committee[1] manages liquidity risk and interest rate risk according to the risk limits in effect at Crédit Mutuel Alliance Fédérale. It is composed of the heads of the relevant business lines (finance department, asset-liability management, refinancing and treasury, risk, marketing) and meets at least quarterly. The indicators reproduced, at the consolidated level and by entity, are the static and dynamic liquidity gaps (normal scenario and Basel 3 scenario), static interest rate gaps and NBI and NPV sensitivities. Any limits or alert thresholds exceeded are examined by the ALM technical committee;
- the ALM monitoring committee, composed of the executives of Crédit Mutuel Alliance Fédérale and representatives of the treasury, finance, asset-liability and risk management functions, examines changes in asset-liability management risks and validates the risk limits and alert thresholds. The ALM monitoring committee validates the threshold and limit crossings (twice a year).

Hedging decisions are made to maintain the risk indicators (NBI sensitivity and gaps) within the limits and alert thresholds set at the Crédit Mutuel Alliance Fédérale global level, and below the alert thresholds for each of the banks that comprise the group. Hedges are allocated to the banks affected, in accordance with their needs.

ALM analyses are also presented quarterly to the group risk committee. Interest rate risk and liquidity risk are also reviewed semi-annually by the Boards of Directors of CF de CM, FCMCEE, BFCM and other entities attached to Crédit Mutuel Alliance Fédérale (CIC regional banks, BECM, etc.).

(1) Assets Liabilities Management.

The role and operating principles of asset-liability management are defined as follows:

- asset-liability management is identified as a separate function of the trading room, with its own resources;
- the main purpose of asset-liability management is to immunize commercial margins against changes in interest and exchange rates and maintain a level of liquidity that allows the bank to meet its obligations and shields it from a possible liquidity crisis;
- asset-liability management is not a profit center but a function that serves the bank's profitability and growth strategy and the control of liquidity and interest rate risk linked to the network's activity.

3.1.3.12.2 Interest rate risk management

Interest rate risk is generated by the group's commercial activity and is the result of differences in benchmark rates and indices between jobs and resources. Analysis of it also takes into account the volatility of outstanding products with no contractual maturity and implied options (options for early repayment of credits, extensions, use of credit rights, etc.).

Interest rate risk management for all transactions resulting from the network's activities is analyzed and globally hedged for the residual balance sheet position by so-called macro-hedging transactions. Transactions of a high amount or specific structure may be hedged in specific ways. Risk limits and alert thresholds are set in relation to the annual net banking income of Crédit Mutuel Alliance Fédérale and CIC. Each Crédit Mutuel Alliance Fédérale bank is subject to alert thresholds with the same levels as the limits that apply to the entire Crédit Mutuel Alliance Fédérale scope of consolidation. The technical committee decides on the hedges to be put in place and distributes them in proportion to the needs of each entity.

Interest rate risk analysis is based on the following indicators, which are updated each quarter.

1. The fixed-rate static gap, which corresponds to the balance sheet and off-balance sheet items whose flows are considered certain over a period of one month to 20 years, as governed by limits or alert thresholds of three to seven years and measured by an NBI ratio.
2. The "passbook and inflation rate" static gap over a period of one month to 20 years.
3. The sensitivity of the net interest margin calculated for domestic scenarios and governed by limits or alert thresholds. It is measured in annual steps over a two-year horizon and is expressed as a percentage of each entity's NBI.

Several interest rate scenarios are analyzed:

Standardized interest rate shocks

- Scenario S1: Increase in the 100 bp yield curve (used for alert limits/ thresholds).
- Scenario S2: Decrease in the 100 bp yield curve, with no floor (used for alert limits/thresholds).
- Scenario S3: Increase in the 200 bp yield curve.
- Scenario S4: Decrease in the 200 bp yield curve with a 0% floor.
- Scenario S5: Steepening of the curve by a 25 bp increase in long-term rates every half-year for two years (cumulative shock of 100 bp), with short-term rates remaining stable.

Stress scenarios

- Scenario S6: Yield curve made less steep/inverted by a 50 bp increase in short-term rates every half-year for two years (cumulative shock of 200 bp) with regulated rates fixed for the first two review deadlines for those rates (i.e. during 1 year).
- Scenario S7: Yield curve made less steep by a decline in long-term rates (i.e. a flat-rate curve close to zero).

Assumptions for hedging the liquidity gap: two scenarios for hedging the liquidity gap are studied:

- 100% EURIBOR 3-month hedge;
- an alternative hedge applicable to the relevant scenarios (non-linear and non-progressive developments in the interest rate scenarios), based on a separate indexing of the inventory positions (maintenance of short-term rate indexing) and the positions resulting from new production (based on the intrinsic characteristics of the underlying positions).

In scenario S2, CIC net interest income is exposed to an interest rate drop for the first year of -€51 million (-1.15%) and -€118 million (-2.67%) in the second year.

CIC NBI SENSITIVITY INDICATORS

	Sensitivity as a % of NBI	
Standardized interest rate shocks	**1 year**	**2 years**
Scenario S1	3.18%	4.37%
Scenario S2	-1.15%	-2.67%
Scenario S3	6.52%	8.01%
Scenario S4	0.17%	-4.04%
Scenario S5	0.79%	4.06%
Scenario S1 constant balance sheet	3.31%	4.79%
Scenario S2 constant balance sheet	-1.34%	-3.11%

	Sensitivity as a % of NBI	
Stress scenarios	**1 year**	**2 years**
Scenario S6	2.14%	-11.43%
Scenario S6 bis*	-2.57%	-0.70%
Scenario S7	-1.23%	-2.30%
Scenario S7 bis*	-1.79%	-1.00%

* *Alternate hedging rule.*

4. NPV sensitivity resulting from the calculation of the Basel II indicator:

Since December 31, 2015, the sensitivity of Basel II NPV is calculated according to EBA recommendations:

- excluding capital 1 day after determination of fixed assets;
- discounting of flows using a swap rate curve (with no liquidity spread or credit spread);
- since the average duration of non-maturity deposits is less than 5 years, the 5-year cap required by regulations is not applicable.

A uniform translation of 200 bp applied throughout the balance sheet, upwards and downwards (with application of a 0% floor for market rates), makes it possible to measure, as a percentage of equity, the change in the discounted value of balance sheet items according to various scenarios.

NPV sensitivity	As a % of equity
Sensitivity +200 bp	-1.47%
Sensitivity -200 bp	-3.37%

3.1.3.12.3 Liquidity risk management

Liquidity risk management

The Crédit Mutuel Alliance Fédérale liquidity risk management system is based on the following factors:

- monitoring of the Liquidity Coverage Ratio (LCR), which is representative of the group's short-term liquidity position;
- monitoring of the ratio of credits to deposits;
- determination of the static liquidity gap based on contractual schedules that incorporate off-balance sheet commitments. Transformation ratios (resources/jobs) are calculated for maturities of 3 months to 5 years and are subject to alert thresholds or limits;
- the determination of the liquidity gap in the Basel III stress scenario, whose flow rules are based on Net Stable Funding Ratio (NSFR) weights. Transformation ratios (resources/jobs) are calculated for maturities of 3 months to 7 years and are subject to limits and alert thresholds to secure and optimize the refinancing policy.
- calculation of the five-year dynamic liquidity gap, which includes new production items, thus making it possible to measure future financing needs related to the growth of commercial activity.
- the ALM technical committee decides on liquidity hedging transactions to be put in place with regard to all of these indicators. Allocations are made in proportion to the accumulated needs.

BREAKDOWN OF THE CONSOLIDATED BALANCE SHEET ACCORDING TO THE RESIDUAL DURATION OF CONTRACTUAL CASH FLOWS (CAPITAL AND INTEREST)

2018 *(in € millions)*	≤ 1 month[1]	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	Undeterm. (2)	Total
Assets								
Cash and amounts due from central banks	31,709							31,709
Demand deposits from credit institutions	8,450							8,450
Held-for-trading financial assets	445	1,409	1,425	2,206	4,189	3,278	548	13,500
Financial assets designated at fair value through the income statement	17	11	4	5	74	356	2,793	3,260
Fin. assets At fair value through equity	264	646	307	817	4,264	4,945	180	11,423
Securities at amortized cost	9	0	364	244	1,190	816	27	2,650
Loans and receivables – Credit institutions	9,575	3,970	2,117	1,247	1,420	5,401	0	23,730
Customer loans	29,682	12,973	14,618	16,052	49,944	65,251	0	188,520
Liabilities								
Central bank deposits	0	0	0	0	0	0	0	0
Financial liabilities held for trading	276	368	401	450	1,229	1,395	12	4,131
Financial liabilities designated at fair value through the income statement	0	0	0	0	0	0	0	0
Derivatives used for hedging purposes (liabilities)	4	31	69	672	636	212	0	1,624
Financial liabilities measured at amortized cost	**147,693**	**29,321**	**28,060**	**22,342**	**20,213**	**18,351**	**163**	**266,143**
Of which debt securities, including bonds	*5,020*	*7,612*	*9,384*	*536*	*1,633*	*2,720*	*0*	*26,905*
Of which subordinated liabilities	*0*	*0*	*0*	*0*	*48*	*2,021*	*163*	*2,232*

2017 in IAS 39 format *(in € millions)*	≤ 1 month[1]	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	Undeterm. (2)	Total
Assets								
Cash and amounts due from central banks	28,045							28,045
Demand deposits from credit institutions	3,251							3,251
Held-for-trading financial assets	178	622	1,594	2,037	3,430	2,872	997	11,730
Financial assets designated at fair value through the income statement	48	10	5	2	2,459	107	54	2,685
Short-term investment financial assets	479	554	665	897	2,950	5,911	745	12,201
Loans and receivables – Credit institutions	6,586	2,692	2,351	2,159	1,728	4,638	0	20,154
Customer loans	27,706	8,404	17,302	14,824	40,741	62,975	0	171,952
Investments held to maturity	0	0	0	0	9	0	0	9
Liabilities								
Central bank deposits	0	0	0	0	0	0	0	0
Financial liabilities held for trading	114	139	679	463	2,029	1,732	24	5,180
Financial liabilities designated at fair value through the income statement	0	0	0	0	0	0	0	0
Derivatives used for hedging purposes (liabilities)	11	15	117	218	1,155	697	0	2,213
Financial liabilities measured at amortized cost	**131,318**	**16,161**	**27,743**	**18,472**	**22,523**	**20,065**	**163**	**236,445**
Of which debt securities, including bonds	*2,635*	*3,316*	*10,379*	*2,071*	*1,464*	*1,897*	*0*	*21,762*
Of which subordinated liabilities	*1*	*3*	*5*	*1*	*6*	*1,918*	*163*	*2,097*

(1) Includes receivables and related debt, securities given and received with repurchase agreements.
(2) Includes perpetual debt, equity, bad and non-performing loans and impairments; also includes, for mark-to-market financial instruments, differences between fair value and redemption value.

If it is impossible to reliably provide a schedule, the carrying amount is entered in the “perpetual” column.

Comments:

These are IFRS accounting outstandings over a prudential scope. The maturity rules used are:

- contractual terms of repayment of the principal;
- shares are perpetual, as are loans and perpetual securities;
- debts and accrued interest are broken down according to their actual contractual term and by default in the <1 month column;
- provisions are broken down consistently with the relevant assets;
- non-performing loans are broken down according to their contractual date when they are not exceeded and are classified in the perpetual column in the opposite case, as are non-performing and disputed debts;
- derivatives: their market value is entered in the flow that corresponds to the end date of the contract.

Table of qualitative/quantitative information on liquidity risk in accordance with Article 435 (1) of Regulation (EU) 575/2013 (EU LIQA)

Refer to the information on Pillar III published by Crédit Mutuel Alliance Fédérale.

Regulatory liquidity ratios

Since March 2014, credit institutions in the euro area must send their supervisors the liquidity reports defined by the EBA (European Banking Authority), as follows:

- LCR (Liquidity Coverage Ratio), on a monthly basis; and
- NSFR (Net Stable Funding Ratio), on a quarterly basis.

The purpose of the LCR ratio is to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient outstanding amounts of unencumbered high-quality liquid assets (HQLA) that can be easily and immediately converted into cash on private markets, assuming a liquidity crisis that lasts 30 calendar days.

In 2018, the LCR for CIC averaged 121.4%, exceeding the requirements of a 100% ratio imposed by regulators in 2018.

The NSFR is meant to encourage banks to have a stable funding structure at all times, thus allowing them to continue operations for over a period of one year under a climate of prolonged internal tension.

Some weightings are still currently under discussion.

LIQUIDITY COVERAGE RATIO (LCR) (EU LIQ1.18)

(in € millions)	Unweighted values				Weighted values			
	3/31/2018	6/30/2018	9/30/2018	12/31/2018	3/31/2018	6/30/2018	9/30/2018	12/31/2018
High-quality liquid assets (HQLA)								
1 - Total high-quality liquid assets (HQLA)					42,523	40,558	41,428	40,865
Cash outflows								
2 - Retail deposits and small business customer deposits, of which	81,697	82,364	83,715	85,225	5,925	5,925	6,008	6,112
3 - Stable deposits	53,189	54,143	55,145	56,124	2,659	2,707	2,757	2,806
4 - Less stable deposits	28,487	28,201	28,550	29,081	3,244	3,198	3,231	3,286
5 - Unsecured financing	62,624	60,420	59,873	59,817	40,445	37,519	36,236	35,401
6 - Of which operational deposits	14,147	14,725	15,064	15,406	3,365	3,503	3,584	3,667
7 - Of which non-operational deposits	44,638	42,201	41,592	41,467	33,241	30,523	29,435	28,791
8 - Of which unsecured debts	3,840	3,493	3,217	2,943	3,840	3,493	3,217	2,943
9 - Secured financing (of which repos given)					3,253	3,063	2,963	3,023
10 - Additional requirements	34,191	34,859	35,721	36,699	4,238	4,521	4,784	4,988
11 - Of which outflows associated with derivative exposures and other security requirements	252	376	502	583	252	376	502	583
12 - Of which collateralized debt outflows	0	0	0	0	0	0	0	0
13 - Of which credit and liquidity facilities	33,938	34,483	35,220	36,115	3,986	4,145	4,282	4,404
14 - Other contractual financing obligations	59	60	63	66	58	59	62	66
15 - Other potential financing obligations	368	377	369	355	18	19	18	18
16 - TOTAL CASH OUTFLOWS					**53,937**	**51,106**	**50,072**	**49,607**
Cash inflows								
17 - Secured loans (of which repos received)	10,689	11,119	11,329	11,209	3,666	3,488	3,394	3,463
18 - Inflows from fully performing exposures	16,133	16,012	15,423	16,489	11,298	11,323	10,846	11,823
19 - Other cash inflows	586	618	603	661	555	592	600	660
EU-19a – Difference between total weighted cash inflows and total weighted cash outflows resulting from transactions in third countries where transfer restrictions apply or transactions are denominated in a non-convertible currency					0	0	0	0
EU-19b – Excess of cash inflows from a related specialty credit institution					0	0	0	0
20 - TOTAL CASH INFLOWS	**27,408**	**27,750**	**27,355**	**28,358**	**15,519**	**15,403**	**14,840**	**15,945**
EU-20a - Fully exempt cash inflows								
EU-20b - Cash inflows subject to the 90% ceiling								
EU-20c - Cash inflows subject to the 75% ceiling					15,519	15,403	14,840	15,945
21 - Liquidity buffer					**42,523**	**40,558**	**41,428**	**40,865**
22 - Total net cash outflows					**38,418**	**35,703**	**35,232**	**33,662**
23 - Liquidity coverage ratio requirement *(in %)*					**110.69%**	**113.60%**	**117.59%**	**121.40%**

The ratio presented above is an average LCR over a 12-month period.

Qualitative LCR information template to supplement the LCR publication template – EU LIQ1.19

Refer to the information on Pillar III published by Crédit Mutuel Alliance Fédérale.

Concentration of sources of liquidity – Asymmetry of currencies in the LCR

Given its commercial activities and the domestic markets in which it operates, CIC is heavily concentrated on the euro. Only the US dollar exceeds the 5% representativeness threshold in the consolidated balance sheet total.

3.1.3.12.4 Currency risk management

The foreign currency positions of each CIC entity are automatically centralized in CIC holding structure and BFCM. This centralization occurs on a daily basis for the commercial transfers and for the collection and disbursement of income and expenses in foreign currencies.

Unrealized foreign currency earnings are translated into euros at the end of each month and the resulting foreign exchange position is also centralized in the holding structure.

Accordingly, with the exception of certain long-term private equity transactions in foreign currencies, no group entity bears currency risk at its level. The holding structure is responsible for settling foreign currency positions in the market daily and monthly.

Only the market activities of CIC Marchés and group treasury (which are housed at BFCM) have a specific limit for foreign exchange positions.

Structural foreign currency positions from foreign currency allocations of foreign branches are not hedged.

The foreign exchange result is recognized in the conversion accounts as an asset or liability and therefore does not pass through the income statement.

Foreign branch results are left in the branches and thus accumulate with the structural foreign exchange position.

3.1.3.12.5 Equity risk management

CIC incurs equity risk of various types.

Equity at fair value through profit or loss

Equity portfolios held for trading amounted to €546 million at December 31, 2018 compared to €968 million at January 1, 2018 and were related exclusively to CIC capital markets activities (see Note 5a of the appendix to the consolidated financial statements).

Shares recognized as other fair value through profit or loss were mainly related to the private equity business line, with €2,355 million (see Note 5a of the appendix to the consolidated financial statements).

Long-term investments recognized as other fair value through profit or loss amounted to €375 million at December 31, 2018, of which €46 million in investments in non-consolidated companies and €115 million in long-term securities holdings.

Assets at fair value through equity

Outstanding shares and long-term investments classified as assets at fair value through equity amounted to €19 million and €161 million, respectively.

Long-term investments included:

- investments in non-consolidated companies for €45 million;
- other long-term investments for €47 million.

Private equity

This activity is carried out through entities dedicated to the business line with a portfolio fully valued at fair value through options.

Proprietary trading was spread over almost 359 lines, mainly for small and medium-sized enterprises.

	12/31/2018	12/31/2017
Number of listed lines	30	29
Number of unlisted lines	305	323
Number of funds	24	28
Portfolio revalued for proprietary trading *(in € millions)*	2,529	2,539
Capital managed on behalf of third parties *(in € millions)*	157	205

Source: risk monitoring.

3.1.3.13 Operational risk

In accordance with the Basel II prudential regulations, Crédit Mutuel Alliance Fédérale has put in place a comprehensive operational risk management system under the responsibility of the governing bodies, with a single risk reference framework and common quantitative valuation methods.

It has a universal operational risk management function that is clearly identified and distributed in practice between the national function and regional functions. It covers operational risks, contingency and business continuity plans (*Plans d'urgence et de poursuite d'activité*, PUPAs) and insurance covering those risks.

The operational risk measurement and monitoring system is based on a foundation common to the group as a whole, an identification process and risk modeling approach that calculates the final capital requirement allocated for such risks.

Crédit Mutuel is authorized to use its advanced measurement approach for the calculation of regulatory capital requirements for operational risk, with the exception of the deduction of expected losses from its capital requirements since January 1, 2010, over the consolidated scope excluding foreign subsidiaries, the COFIDIS group and CM-CIC Factor.

Approval was extended to CM-CIC Factor starting January 1, 2012 and to Banque de Luxembourg starting September 30, 2013.

3.1.3.13.1 Main objectives

The implementation of the operational risk management policy has the following objectives:

- contribute to group management through the control of risks and their costs;
- from a human standpoint: protect people, develop responsibility, autonomy and control, capitalize on the skills of the group;
- from an economic standpoint: preserve margins by managing risk in all activities as closely as possible and adapting insurance programs to the risks identified;
- from a regulatory standpoint: respond effectively to the Basel II regulations and the demands of the supervisory authorities, use internal controls (internal control decree of November 3, 2014), optimize PUPAs for essential activities, adapt financial communication (Pillar III of Basel III).

3.1.3.13.2 Role and positioning of the operational risk manager function

The national operational risks function coordinates and consolidates the entire system with a dedicated team and manages the operational risk managers of the regional groups. The regional function implements the mechanism and its evaluations in line with the national function.

3.1.3.13.3 Measurement and control mechanism

The operational risk measurement and monitoring system is based on a foundation common to Crédit Mutuel Alliance Fédérale as a whole, an identification process and risk modeling approach that calculates the final capital requirement allocated for such risks.

For its modeling, the group relies on the national internal claims database, an external database and the scenarios developed during mapping and statistical work. These are conducted in accordance with common procedures and regulatory requirements.

Homogeneous risk mapping by business line, type and objects of risk is carried out for all activities with expert assessments, followed by probabilistic models. Mapping and calculation of capital requirements are validated by the operational risk management committee. Capital requirements are calculated at the national level and then distributed regionally.

The general guidelines for reducing operational risks include the following actions:

- effective prevention measures identified in the mapping and implemented directly by operational or permanent control staff;
- protection primarily focused on the generalization of business line, logistics and IT PUPAs for essential activities to limit the severity of a disaster if one occurs.

A uniform crisis management system within the group, in line with the one commonly used for the interbank market, covers the crisis communication and the three phases of the PUPA: emergency plans, continuity plans and return to normal.

Description of the AMA method

As part of the implementation of the advanced operational risk method (AMA) for the assessment of capital requirements for operational risks, a dedicated and independent function manages this risk. The operational risk measurement and control system is based on risk mapping carried out by business line, object and type of risk, in close consultation with the functional departments and the daily risk management systems. Mapping establishes a standardized framework for the analysis of accidents and produces models made by experts who are confronted with scenario-based probabilistic estimates.

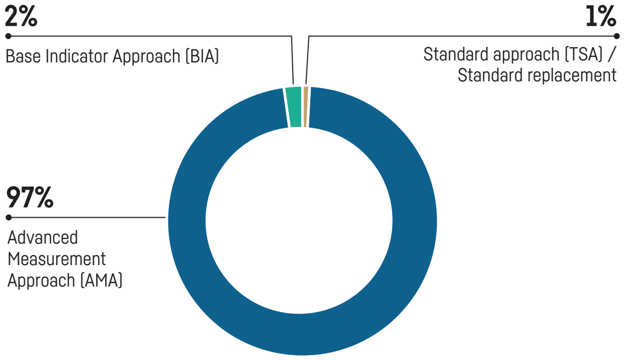
For its models, the group relies in particular on the national internal claims database. This tool is supplied through a national collection procedure that defines a uniform threshold of €1,000, beyond which each claim must be entered, and governs reconciliations between the claims database and accounting information.

In addition, the group subscribes to an external database whose use is governed by a strict procedure, as is the case for the methodologies for incorporating this data into the operational risk measurement and analysis system.

AMA method approval scope

The group is authorized to use its advanced measurement approach (internal models) for the calculation of regulatory capital requirements for operational risk (88% of the scope at December 31, 2018). This authorization took effect on January 1, 2010 for the consolidated scope excluding the foreign subsidiaries and was extended to CM-CIC Factor starting January 1, 2012 and to Banque de Luxembourg starting September 30, 2013.

BREAKDOWN OF RISK WEIGHTED ASSETS (RWA) BY APPROACH AT DECEMBER 31, 2018



Operational risk hedging and reduction policy

The general guidelines for reducing operational risks include the following actions:

- effective prevention measures identified during mapping and implemented directly by the operational staff;
- protection actions, which are primarily geared towards the generalization of emergency and business continuity plans (PUPAs).

A uniform crisis management system within the group, in line with the one commonly used for the interbank market, covers the crisis communication and the three phases of the PUPA: emergency plans, continuity plans and return to normal.

3.1.3.13.4 Reporting and general management

The application of the operational risk management policy and the risk profile are monitored with key indicators, thresholds and alerts that cover the assessment of potential risks, changes in losses, the effectiveness of reduction measures and financing decided. This information is given to the executive officers and supervisory bodies on a regular basis, and it incorporate the requirements of the order of November 3, 2014.

3.1.3.13.5 Documentation and procedure

The group has a permanent set of procedures that were validated by the governing bodies and are regularly updated and consist of:

- governance: procedures dealing with the roles and responsibilities of the executive, decision-making and management bodies, the national function, the frequency and the recipients of reports, the scope of monitoring of the group's entities and the inclusion methodology of the subsidiaries;
- claims collection: procedures that give rules for the collection and control of internal losses;
- the measurement system: procedures relating in particular to expert and probabilistic models, Key Risk Indicator (KRI) collection rules, allocation keys for capital requirements, and COREP declarations.

3.1.3.13.6 Emergency and business continuity plans

These are the protection actions implemented to limit the severity of a disaster, as part of its operational risk management program.

The "PUPA drafting methodology", a Crédit Mutuel Alliance Fédérale registration document, is accessible to all teams affected and applied at the regional bank level. PUPAs are organized around three phases:

- the emergency plan is immediate and consists of actions to handle emergencies and implement the degraded processing solution;
- the business continuity plan corresponds to the resumption of activity in a degraded environment;
- the return-to-normal plan, preparation for which begins shortly after the start of the business continuity plan and whose duration depends on the extent of the damage.

3.1.3.13.7 Crisis management structure

The group level and regional bank level systems cover the most effective communication and organizational structure to handle its three phases: emergency, continuity and return-to-normal plans.

They are based on:

- the Credit Mutuel Alliance Federal crisis committee, chaired by the group's Chief Executive Officer, which makes decisions on the merits, prioritizes actions and ensures internal and external communication;
- regional bank crisis cells, which centralize information, implement decisions and monitor their implementation;
- business line crisis points, which coordinate on-the-ground operations in relation with the crisis cells, including the activation of the PUPA until return to normal.

3.1.3.13.8 Insurance deducted from equity

The *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) has authorized Crédit Mutuel to take into account the deduction of insurance as a factor in reducing capital requirements for operational risk in the advanced measurement approach with effective application for the Order of June 30, 2012.

The principles applied to the financing of operational risks in the group depend on the frequency and severity of each potential risk. They consist of:

- insuring or setting aside funds for non-serious frequent risks (Expected Losses) through the operating account;
- insuring serious and major insurable risks externally;
- developing self-insurance for amounts below insurance deductibles;
- allocating prudential capital reserves or provisions financed by assets that can be mobilized for serious non-insurable risks.

Crédit Mutuel group's insurance programs comply with the provisions of Article 323 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on the deduction of insurance using the AMA method.

The insurance coverage used in the deduction process covers damage to movable and immovable property (multi-risk), fraud (global banking), professional liability and cyber risks (cyber policy).

3.1.3.13.9 Training

Each year, operational risk training actions are held for network managers, internal controllers and the operational staff responsible for monitoring them.

3.1.3.13.10 CIC claims inventory

The total reached €47.7 million in 2018, of which €37.9 million was losses and €9.8 million net provisions.

It broke down as follows:

- fraud: €7.1 million;
- labor relations: €3.6 million;
- human error or procedural failure: €14.1 million;
- legal risk: €20.6 million;
- natural events and system malfunctions: €2.3 million.

3.1.3.13.11 Other risks

Legal risks

They are part of the operational risks and involve, among other things, exposure to fines, penalties and damages for fault attributable to the company with respect to its operations.

Industrial and environmental risks

These are included in operational risks and are analyzed from the angle of system failure and the occurrence of major natural events (100-year floods, flooding, earthquakes, pollution, etc.), their impact on the company and the prevention and protection resources to be put in place, including crisis management and emergency and business continuity plans (PUPA).

Concerning the management of social and environmental risks, the approach undertaken is described in the societal section of the CSR chapter.

3

3.1.3.14 Information on encumbered and unencumbered assets

Since December 31, 2014 and pursuant to article 100 of the CRR, CIC declares the amount of unencumbered assets at its disposal and their main characteristics to the competent authorities. These assets may be used as collateral for further financing in secondary markets or by the central bank and are therefore additional sources of liquidity.

An asset is considered "encumbered" if it is used as collateral or may be used contractually for the purpose of securing, collateralizing or enhancing a transaction from which it cannot be separated. By contrast, an asset is "unencumbered" if it is free from any legal, regulatory, contractual or other limitations, the possibility of liquidation, sale, transmission or assignment.

For example, the definition of encumbered assets includes the following types of contracts:

- secured financial transactions, including repurchase agreements, securities lending and other forms of loans;
- collateralization agreements;
- collateralized financial guarantees;
- collateral placed in clearing systems, clearing houses or other institutions as a condition of access to the service. This includes initial margins and insolvency funds;
- facilities given to central banks. Assets already positioned should not be considered encumbered unless the central bank does not allow the withdrawal of these assets without prior agreement;
- underlying assets of securitization entities when these assets have not been derecognized by the entity. The assets underlying the securities held are not considered encumbered unless they are used to pledge or otherwise guarantee a transaction;
- baskets of collateral created for the issuance of secured bonds. These assets are included in encumbered assets except in certain situations where the entity holds the secured bonds (bonds issued on oneself).

Assets placed in funding mechanisms that are unused and can be easily withdrawn are not considered encumbered.

As at December 31, 2018, the level and characteristics of encumbered and unencumbered assets for CIC are as follows:

All data presented below is calculated according to the median values of the end-of-quarter data for the past year.

ENCUMBERED AND UNENCUMBERED ASSETS

12/31/2018 *(in € millions)*	Carrying amount of encumbered assets	of which HQLA and EHQLA	Fair value of encumbered assets	of which HQLA and EHQLA	Carrying amount of unencumbered assets	of which HQLA and EHQLA	Fair value of unencumbered assets	of which HQLA and EHQLA
010 - Institution assets	**42,509**	**6,662**			**249,978**	**6,653**		
030 - Capital instruments	87	1	87	1	3,820	113	3,820	113
040 - Debt securities	10,279	6,611	10,281	6,615	12,838	5,528	12,854	5,541
050 - Of which secured bonds	*442*	*386*	*442*	*386*	*137*	*127*	*137*	*127*
060 - Of which asset-backed securities	*1,989*	*1,804*	*1,991*	*1,804*	*1,499*	*763*	*1,498*	*763*
070 - Of which issued by public authorities	*3,780*	*3,647*	*3,781*	*3,651*	*4,509*	*3,828*	*4,666*	*3,843*
080 - Of which issued by financial institutions	*5,591*	*2,360*	*5,592*	*2,360*	*1,465*	*1,030*	*1,459*	*1,029*
090 - Of which issued by non-financial companies	*1,268*	*697*	*1,268*	*697*	*6,291*	*48*	*6,291*	*48*
120 - Other assets	32,354	49			233,320	0	0	0

All data presented is calculated according to the median values of the end-of-quarter data for the past year.

COLLATERAL RECEIVED

12/31/2018 *(in € millions)*	Fair value of encumbered collateral received or encumbered own-debt securities issued	of which HQLA and EHQLA	Fair value of collateral received or own-debt securities issued available to be encumbered	of which HQLA and EHQLA
130 - Collateral received	**14,833**	**10,619**	**6,289**	**2,565**
140 - Demand loans	0	0	104	0
150 - Capital instruments	1,698	930	416	129
160 - Debt securities	13,135	9,817	5,026	2,318
170 - Of which secured bonds	323	238	53	46
180 - Of which asset-backed securities	823	728	2,518	1,910
190 - Of which issued by public authorities	8,938	8,839	625	544
200 - Of which issued by financial institutions	3,658	572	3,453	1,849
210 - Of which issued by non-financial companies	914	602	881	13
220 - Loans and advances other than demand loans	0	0	0	0
230 - Other collateral received	0	0	857	0
240 - Own debt securities issued other than own secured bonds or asset-backed securities	**0**	**0**	**0**	**0**
241 - Own secured bonds and asset-backed securities issued and not yet pledged			**0**	**0**
250 - TOTAL ASSETS, COLLATERAL RECEIVED AND OWN-DEBT SECURITIES ISSUED	**57,309**	**17,281**		

All data presented is calculated according to the median values of the end-of-quarter data for the past year.

CARRYING AMOUNT OF ENCUMBERED ASSETS/COLLATERAL RECEIVED AND LIABILITIES BACKED

12/31/2018 *(in € millions)*	Corresponding liabilities, contingent liabilities or loaned securities	Assets, collateral received and own debt securities issued other than guaranteed bonds and encumbered asset-backed securities
010 - Carrying amount of selected financial liabilities	**25,516**	**25,338**

All data presented is calculated according to the median values of the end-of-quarter data for the past year.

3.1.3.15 Compensation

Information on sound compensation policies is described in the Chapter “Corporate governance”.

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Appendices

APPENDIX 1 - DETAILED INFORMATION ON EQUITY

12/31/2018 *(in € millions)*	**Amount at date of publication**	**Amount subject to pre-payment processing (EU) No. 575/2013 or residual amount under Regulation (EU) No. 575/2013**
COMMON EQUITY TIER 1 (CET1): INSTRUMENTS AND RESERVES		
1 - Capital instruments and related issue premium accounts	1,696	-
of which: Shares	*608*	-
of which: Issue premiums	*1,088*	-
2 - Retained profit	12,174	-
3 - Other cumulative items in comprehensive income (and other reserves)	-204	-
3a - Funds for general banking risks	-	-
4 - Amount of eligible items referred to in Art. 484 (3) and related emission premium accounts that will be progressively excluded from CET1	-	-
5 - Non-controlling interests eligible for CET1	13	-
5a - Intermediate profits, net of any foreseeable expense and distribution of dividends, subject to independent control	**-**	**-**
6 - Common Equity Tier 1 capital (CET1) before regulatory adjustments	13,680	**-**
- COMMON EQUITY TIER 1 CAPITAL (CET1): REGULATORY ADJUSTMENTS	**-**	**-**
7 - Additional value corrections (negative amount)	-45	-
8 - Intangible assets (net of related tax liabilities) (negative amount)	-295	-
9 - Empty value set in the EU	-	-
10 - Deferred tax assets dependent on future profits, excluding those resulting from temporary differences, net of associated tax liabilities (net of associated tax liabilities if the conditions set out in Article 38 (3) are met) (negative amount)	-	-
11 - Fair value reserves relating to losses and gains generated by cash flow hedges	-0	-
12 - Negative amounts resulting from the calculation of anticipated losses	-112	-
13 - Any increase in the value of equity resulting from securitized assets (negative amount)	-	-
14 - Losses or gains on liabilities measured at fair value that are related to changes in the credit quality of the institution	-	-
15 - Defined-benefit pension fund assets (negative amount)	-	-
16 - Direct or indirect ownership, by an institution, of its own CET1 instruments (negative amount)	-	-
17 - Direct or indirect or synthetic holdings of CET1 instruments of financial sector entities where there is cross-ownership with the institution to artificially increase the institution's equity (negative amount)	-	-
18 - Direct or indirect or synthetic holdings of CET1 instruments of financial sector entities in which the institution does not hold a significant investment (amount above the 10% threshold, net of eligible short positions) (negative amount)	-	-
19 - Direct or indirect or synthetic holdings of CET1 instruments of financial sector entities in which the institution holds a significant investment (amount above the 10% threshold, net of eligible short positions) (negative amount)	-	-
20 - Empty value set in the EU	-	-
20a - Amount of exposures to the following items that receive a weighting of 1,250% if the institution has opted for the deduction	-171	-
20b - of which: qualifying non-financial sector holdings (negative amount)	-	-
20c - of which: securitization positions (negative amount)	-171	-
20d - of which: free delivery exposures (negative amount)	-	-
21 - Deferred tax assets resulting from temporary differences (amount above the 10% threshold, net of associated tax liabilities if the conditions set out in Article 38 (3) are met) (negative amount)	-	
22 - Amount above the 15% threshold (negative amount)	-	-
23 - of which: direct and indirect holdings, by the institution, of CET1 instruments of financial sector entities in which it holds a significant investment	-	-

12/31/2018 *(in € millions)*	Amount at date of publication	Amount subject to pre-payment processing (EU) No. 575/2013 or residual amount under Regulation (EU) No. 575/2013
24 - Empty value set in the EU	-	-
25 - of which: deferred tax assets resulting from temporary differences	-	-
25a - Negative results of the current year (negative amount)	-	-
25b - Foreseeable tax expenses for CET1 items (negative amount)	-	-
26 - Regulatory adjustments applied to Common Equity Tier 1 capital for amounts subject to pre-CRR treatment	-	-
26a - Regulatory adjustments for unrealized gains and losses pursuant to Articles 467 and 468	-	-
- of which: filter for unrealized loss on capital instruments	-	-
- of which: filter for unrealized loss on debt instruments	-	-
- of which: filter for unrealized gain on capital instruments	-	-
- of which: filter for unrealized gain on debt instruments	-	-
26b - Amount to be deducted or added to Common Equity Tier 1 capital for additional filters and deductions referred to in the pre-CRR provisions	-	-
27 - Eligible AT1 deductions in excess of the institution's AT1 equity (negative amount)	-	-
28 - Total regulatory adjustments to Common Equity Tier 1 capital (CET1)	**-623**	**-**
29 - Common Equity Tier 1 capital (CET1)	**13,056**	**-**
- ADDITIONAL TIER 1 CAPITAL (AT1): INSTRUMENTS	**-**	**-**
30 - Capital instruments and related issue premium accounts	-	-
31 - of which: classified as equity under the applicable financial reporting framework	-	-
32 - of which: classified as liabilities under the applicable financial reporting framework	-	-
33 - Amount of eligible items referred to in Art. 484 (4) and related emission premium accounts that will be progressively excluded from AT1	-	-
34 - Eligible Tier 1 capital included in AT1 consolidated equity (including non-controlling interests not included in line 5) issued by subsidiaries and held by third parties	415	-
35 - of which: instruments issued by subsidiaries that will be progressively excluded	-	-
36 - Additional Tier 1 capital (AT1) before regulatory adjustments	**415**	**-**
ADDITIONAL TIER 1 CAPITAL (AT1): REGULATORY ADJUSTMENTS	**-**	**-**
37 - Direct or indirect ownership, by an institution, of its own AT1 instruments (negative amount)	-	-
38 - Direct or indirect or synthetic holdings of AT1 instruments of financial sector entities where there is cross-ownership with the institution to artificially increase the institution's equity (negative amount)	-	-
39 - Direct or indirect or synthetic holdings of AT1 instruments of financial sector entities in which the institution does not hold a significant investment (amount above the 10% threshold, net of eligible short positions) (negative amount)	-	-
40 - Direct or indirect or synthetic holdings of AT1 instruments of financial sector entities in which the institution holds a significant investment (amount above the 10% threshold, net of eligible short positions) (negative amount)	-	-
41 - Regulatory adjustments applied to additional Tier 1 capital for amounts subject to pre-CRR treatment and transitional treatment that will be progressively excluded in accordance with Regulation (EU) No. 575/2013 (CRR residual amounts)	-	-
41a - Residual amounts deducted from additional Tier 1 capital for the deduction of Common Equity Tier 1 capital during the transitional period pursuant to Art. 472 of Regulation (EU) No. 575/2013	-	-
41b - Residual amounts deducted from additional Tier 1 capital for the deduction of Tier 2 capital during the transitional period pursuant to Art. 475 of Regulation (EU) No. 575/2013	-	-
41c - Amount to be deducted or added to additional Tier 1 capital for additional filters and deductions referred to in the pre-CRR provisions	-	-
42 - Eligible T2 deductions in excess of the institution's T2 equity (negative amount)	-	-
43 - Total regulatory adjustments to additional Tier 1 Capital (AT1)	**-**	**-**
44 - Additional Tier 1 capital (AT1)	**415**	**-**

12/31/2018 *(in € millions)*	Amount at date of publication	Amount subject to pre-payment processing (EU) No. 575/2013 or residual amount under Regulation (EU) No. 575/2013
45 - Tier 1 capital (T1 = CET1 + AT1)	**13,057**	**-**
- ADDITIONAL TIER 2 CAPITAL (T2): INSTRUMENTS AND PROVISIONS	**-**	**-**
46 - Capital instruments and related issue premium accounts	2,230	-
47 - Amount of eligible items referred to in Art. 484 (5) and related emission premium accounts that will be progressively excluded from T2	-	-
48 - Eligible capital instruments included in T2 consolidated equity (including non-controlling interests not included in line 5) issued by subsidiaries and held by third parties	23	-
49 - of which: instruments issued by subsidiaries that will be progressively excluded	-	-
50 - Adjustments for credit risk	-	-
51 - Tier 2 capital (T2) before regulatory adjustments	**2,254**	**-**
- ADDITIONAL TIER 2 CAPITAL (T2): INSTRUMENTS AND PROVISIONS	**-**	**-**
52 - Direct or indirect ownership, by an institution, of its own T2 instruments and subordinated loans (negative amount)	-	-
53 - Direct or indirect holdings of T2 instruments and subordinated debt of financial sector entities where there is cross-ownership with the institution to artificially increase the institution's equity (negative amount)	-	-
54 - Direct or indirect holdings of T2 instruments and subordinated debt of financial sector entities in which the institution does not hold a significant investment (amount above the 10% threshold, net of eligible short positions) (amount negative)	-	-
54a - of which new detentions not subject to the transitional arrangements	-	-
54b - of which holdings existing before J[anuary] 1, 2013 subject to the transitional arrangements	-	-
55 - Direct holdings of T2 instruments and subordinated debt of financial sector entities in which the institution holds a significant investment (net of eligible short positions) (negative amount)	-	-
56 - Regulatory adjustments applied to Tier 2 capital for amounts subject to pre-CRR treatment and transitional treatment that will be progressively excluded in accordance with Regulation (EU) No. 575/2013 (CRR residual amounts)	-	-
56a - Residual amounts deducted from Tier 2 capital for the deduction of Common Equity Tier 1 capital during the transitional period pursuant to Art. 472 of Regulation (EU) No. 575/2013	-	-
56b - Residual amounts deducted from Tier 2 capital for the deduction of additional Tier 1 capital during the transitional period pursuant to Art. 475 of Regulation (EU) No. 575/2013	-	-
56c - Amount to be deducted or added to Tier 2 capital for additional filters and deductions referred to in the pre-CRR provisions	-	-
57 - Total regulatory adjustments to Tier 2 Capital (T2)	**-**	**-**
58 - Tier 2 capital (T2)	**2,254**	**-**
59 - Total equity (TC = T1 + T2)	**15,311**	**-**
59a - Assets weighted for the amounts subject to pre-CRR treatment and transitional treatment that will be progressively excluded in accordance with Regulation (EU) No. 575/2013	-	-
- of which items not deducted from CET1 (Regulation (EU) No. 575/2013, residual amounts) (items to be itemized line by line, e.g. deferred tax assets dependent on future profits net of associated tax liabilities, indirect holding of CET1, etc.)	-	-
- of which items not deducted from AT1 (Regulation (EU) No. 575/2013, residual amounts) (items to be itemized line by line, e.g. cross-holdings of AT1 capital instruments, direct holdings of insignificant investments in the capital of other financial sector entities, etc.)	-	-
- of which items not deducted from T2 (Regulation (EU) No. 575/2013, residual amounts) (items to be itemized line by line, e.g. indirect holdings of T2 capital instruments, indirect holdings of insignificant investments in the capital of other financial sector entities, etc.)	-	-
60 - Total weighted assets	**100,353**	**-**

12/31/2018 *(in € millions)*	Amount at date of publication	Amount subject to pre-payment processing (EU) No. 575/2013 or residual amount under Regulation (EU) No. 575/2013
- EQUITY RATIOS AND BUFFERS		
61 - Common Equity Tier 1 capital (as a percentage of the total amount of risk exposure)	**13.01%**	**-**
62 - Tier 1 capital (as a percentage of the total amount of risk exposure)	**13.01%**	**-**
63 - Total equity (as a percentage of the total amount of risk exposure)	**15.26%**	**-**
64 - Buffer requirement specific to institution (CET1 requirement in accordance with Article 92 (1) (a)), plus equity conservation and countercyclical buffer requirements, plus systemic risk buffer, plus institutional buffer of systemic importance, expressed as a percentage of the amount of risk exposure	**1.91%**	**-**
65 - of which: capital conservation buffer requirement	**1.88%**	**-**
66 - of which: countercyclical buffer requirement	**0.03%**	**-**
67 - of which: buffer requirement for systemic risk	**0.00%**	**-**
67a - of which: buffer for Global Systemically Important Financial Institutions (G-SIFI) or Other Systemically Important Institutions (O-SII)	**0.00%**	**-**
68 - Common Equity Tier 1 capital available to meet buffer requirements (as a percentage of the amount of exposure to risk)	**8.51%**	**-**
- LOWER LIMITS TO THRESHOLDS FOR DEDUCTION (BEFORE WEIGHTING)	**-**	**-**
72 - Direct and indirect holdings of equity of financial sector entities in which the institution does not hold a significant investment (amount below the 10% threshold, net of eligible short positions)	392	-
73 - Direct and indirect holdings of equity of financial sector entities in which the institution holds a significant investment (amount below the 10% threshold, net of eligible short positions)	25	-
75 - Deferred tax assets resulting from temporary differences (amount below the 10% threshold, net of associated tax liabilities if the conditions of Article 38 (3) are met)	101	-
- UPPER LIMITS APPLICABLE FOR INCLUSION OF PROVISIONS IN TIER 2 CAPITAL	**-**	**-**
76 - Adjustments for credit risk included in T2 for exposures that fall under the standard approach (before the upper limit is applied)	-	-
77 - Upper limit for inclusion of adjustments for credit risk in T2 using the standard approach	-	-
78 - Adjustments for credit risk included in T2 for exposures that fall under the internal ratings approach (before the upper limit is applied)	-27	-
79 - Upper limit for inclusion of adjustments for credit risk in T2 using the internal ratings approach	344	
- EQUITY INSTRUMENTS SUBJECT TO PROGRESSIVE EXCLUSION (APPLICABLE BETWEEN JANUAry 1, 2014 AND JANUAry 1, 2022 ONLY)	**-**	
80 - Current upper limit applicable to CET1 instruments subject to progressive exclusion	-	
81 - Amount excluded from CET1 due to the upper limit (amount in excess of the upper limit after repayment and installments)	-	
82 - Current upper limit applicable to AT1 instruments subject to gradual exclusion	-	
83 - Amount excluded from AT1 due to the upper limit (amount in excess of the upper limit after repayment and installments)	-	
84 - Current upper limit applicable to T2 instruments subject to gradual exclusion	-	
85 - Amount excluded from T2 due to the upper limit (amount in excess of the upper limit after repayment and installments)	-	

ANNEXE 2 - QUALITATIVE INFORMATION ON CAPITAL INSTRUMENTS

Main features of capital instruments (T2)

1	**Issuer**	**Crédit Industriel et Commercial**	**Lyonnaise de Banque**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	FR0000047805	FR0000047789
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Non-voting loan stock – CRR Art. 62 et seq.	- Non-voting loan stock – CRR Art. 62 et seq.
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€137.2 million	€15.43 million
9	Nominal value of instrument	€137.2 million	€15.43 million
9a	Issue price	€137.2 million	€15.43 million
9b	Redemption amount	€178.37 million if the repurchase option is exercised 5/28/1997, then annual revaluation of 1.5% after 5/28/1997	€20.06 million if the repurchase option is exercised 6/1/1997, then annual revaluation of 1.5% after 6/1/1997
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	5/28/1985	6/1/1985
12	Perpetual or fixed-term	Perpetual	Perpetual
13	Initial maturity	No maturity	No maturity
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and buyback price	- Partial or total buyback option from the issuer: 5/28/1997 at 130% of the nominal	- Partial or total buyback option from the issuer: 6/1/1997 at 130% of the nominal
16	Subsequent buyback option call dates, if any	At each interest payment date after 5/28/1997	At each interest payment date after 6/1/1997

Main features of capital instruments (T2)

	Issuer	Crédit Industriel et Commercial	Lyonnaise de Banque
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	40% x TAM +43% x TAM x (Year N-1 result/1984 result) with the following limits: – minimum 85% (TAM + TMO)/2 – maximum 130% (TAM + TMO)/2	35% x TMO +35% x TMO x (N-1 Year result/1984 year result) with the following limits: – minimum 85% of TMO – maximum 130% of TMO
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	Mandatory	Mandatory
20b	Full discretion, partial discretion or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**Crédit Industriel et Commercial**	**Crédit Industriel et Commercial**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	FR0000584377	FR0000165847
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Perpetual subordinated notes – Art. 62 et seq. of the CRR	- Perpetual progressive-interest subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€18.96 million	€7.25 million
9	Nominal value of instrument	€18.96 million	€7.25 million
9a	Issue price	€18.96 million	€7.25 million
9b	Redemption amount	€19.15 million	€7.25 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	07/20/1987	12/26/1990
12	Perpetual or fixed-term	Perpetual	Perpetual
13	Initial maturity	No maturity	No maturity
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Partial or total buyback option from the issuer: during a 45-day period starting 7/20/1994 at 101% of the nominal + accrued interest	- Partial or total buyback option from the issuer: 12/26/1999 at par
16	Subsequent buyback option call dates, if any	For a 45-day period from each interest payment date after 7/20/1994	On each interest payment date after 12/26/1999

Main features of capital instruments (T2)

	Issuer	Crédit Industriel et Commercial	Crédit Industriel et Commercial
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	Average of the last 12 TMEs +0.25%	P1C +1.75% for interest payable annually since 2006
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	Partial discretion	Partial discretion
20b	Full discretion, partial discretion or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

3

Main features of capital instruments (T2)

1	**Issuer**	**Crédit Industriel et Commercial**	**Crédit Industriel et Commercial**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CIC and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€414.48 million	€700.00 million
9	Nominal value of instrument	€414.48 million	€700.00 million
9a	Issue price	€414.48 million	€700.00 million
9b	Redemption amount	€414.48 million	€700.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	3/24/2016	11/4/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	3/24/2026	11/4/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	Crédit Industriel et Commercial	Crédit Industriel et Commercial
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +2.05%	3-month Euribor +1.7%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**Crédit Industriel et Commercial**	**Crédit Industriel et Commercial**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CIC and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€91.00 million	€153.00 million
9	Nominal value of instrument	€91.00 million	€153.00 million
9a	Issue price	€91.00 million	€153.00 million
9b	Redemption amount	€91.00 million	€153.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	3/31/2017	11/15/2017
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	3/31/2027	11/15/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	Crédit Industriel et Commercial	Crédit Industriel et Commercial
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +1.97%	3-month Euribor +1.02%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**Crédit Industriel et Commercial**	**CIC Suisse**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CIC and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Suisse and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€54.00 million	€7.00 million
9	Nominal value of instrument	€54.00 million	€7.00 million
9a	Issue price	€54.00 million	€7.00 million
9b	Redemption amount	€54.00 million	€7.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	5/25/2018	7/1/2014
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	5/25/2028	5/21/2024
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a tax event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event*): at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	Crédit Industriel et Commercial	CIC Suisse
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +1.55%	3-month Euribor +1.645%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**CIC Suisse**	**CIC Suisse**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CIC Suisse and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Suisse and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€15.00 million	€11.52 million
9	Nominal value of instrument	€15.00 million	€11.52 million
9a	Issue price	€15.00 million	€11.52 million
9b	Redemption amount	€15.00 million	€11.52 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	9/11/2015	3/24/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	9/11/2025	3/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a tax event: at any time at par Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event*): at any time at par	- Buyback option for entire issuance in the case of a tax event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event*): at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CIC Suisse	CIC Suisse
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +2.15%	3-month Euribor +2.05%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**CIC Suisse**	**CIC Sud Ouest**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CIC Suisse and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Sud Ouest and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€3.00 million	€37.33 million
9	Nominal value of instrument	€3.00 million	€37.33 million
9a	Issue price	€3.00 million	€37.33 million
9b	Redemption amount	€3.00 million	€37.33 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	3/31/2017	3/24/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	3/31/2027	3/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a tax event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event)*: at any time at par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CIC Suisse	CIC Sud Ouest
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +1.97%	3-month Euribor +2.05%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**CIC Sud Ouest**	**CIC Sud Ouest**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CIC Sud Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Sud Ouest and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€10.00 million	€18.00 million
9	Nominal value of instrument	€10.00 million	€18.00 million
9a	Issue price	€10.00 million	€18.00 million
9b	Redemption amount	€10.00 million	€18.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	3/31/2017	11/15/2017
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	3/31/2027	11/15/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CIC Sud Ouest	CIC Sud Ouest
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +1.97%	3-month Euribor +1.02%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**CIC Sud Ouest**	**CIC Lyonnaise de Banque**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CIC Sud Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Lyonnaise de Banque and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€11.00 million	€80.97 million
9	Nominal value of instrument	€11.00 million	€80.97 million
9a	Issue price	€11.00 million	€80.97 million
9b	Redemption amount	€11.00 million	€80.97 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	5/25/2018	3/24/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	5/25/2028	3/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CIC Sud Ouest	CIC Lyonnaise de Banque
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +1.55%	3-month Euribor +2.05%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

3

Main features of capital instruments (T2)

1	**Issuer**	**CIC Lyonnaise de Banque**	**CIC Lyonnaise de Banque**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CIC Lyonnaise de Banque and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Lyonnaise de Banque and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€18.00 million	€36.00 million
9	Nominal value of instrument	€18.00 million	€36.00 million
9a	Issue price	€18.00 million	€36.00 million
9b	Redemption amount	€18.00 million	€36.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	3/31/2017	11/15/2017
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	3/31/2027	11/15/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CIC Lyonnaise de Banque	CIC Lyonnaise de Banque
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +1.97%	3-month Euribor +1.02%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**CIC Lyonnaise de Banque**	**CM-CIC Lease**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CIC Lyonnaise de Banque and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CM-CIC Lease and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€21.00 million	€18.11 million
9	Nominal value of instrument	€21.00 million	€18.11 million
9a	Issue price	€21.00 million	€18.11 million
9b	Redemption amount	€21.00 million	€18.11 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	5/25/2018	3/24/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	5/25/2028	3/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CIC Lyonnaise de Banque	CM-CIC Lease
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +1.55%	3-month Euribor +2.05%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

3

Main features of capital instruments (T2)

1	Issuer	CM-CIC Lease	CM-CIC Lease
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CM-CIC Lease and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CM-CIC Lease and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€4.00 million	€7.00 million
9	Nominal value of instrument	€4.00 million	€7.00 million
9a	Issue price	€4.00 million	€7.00 million
9b	Redemption amount	€4.00 million	€7.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	3/31/2017	11/15/2017
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	3/31/2027	11/15/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CM-CIC Lease	CM-CIC Lease
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +1.97%	3-month Euribor +1.02%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**CM-CIC Lease**	**CM-CIC Factor**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CM-CIC Lease and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CM-CIC Factor and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€4.00 million	€17.77 million
9	Nominal value of instrument	€4.00 million	€17.77 million
9a	Issue price	€4.00 million	€17.77 million
9b	Redemption amount	€4.00 million	€17.77 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	5/25/2018	3/24/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	5/25/2028	3/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CM-CIC Lease	CM-CIC Factor
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +1.55%	3-month Euribor +2.05%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**CM-CIC Factor**	**CM-CIC Factor**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CM-CIC Factor and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CM-CIC Factor and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€4.00 million	€6.00 million
9	Nominal value of instrument	€4.00 million	€6.00 million
9a	Issue price	€4.00 million	€6.00 million
9b	Redemption amount	€4.00 million	€6.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	3/31/2017	11/15/2017
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	3/31/2027	11/15/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CM-CIC Factor	CM-CIC Factor
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +1.97%	3-month Euribor +1.02%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**CM-CIC Factor**	**CM-CIC Bail**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CM-CIC Factor and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CM-CIC Bail and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€5.00 million	€9.04 million
9	Nominal value of instrument	€5.00 million	€9.04 million
9a	Issue price	€5.00 million	€9.04 million
9b	Redemption amount	€5.00 million	€9.04 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	5/25/2018	3/24/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	5/25/2028	3/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CM-CIC Factor	CM-CIC Bail
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +1.55%	3-month Euribor +2.05%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**CM-CIC Bail**	**CM-CIC Bail**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CM-CIC Bail and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CM-CIC Bail and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€3.00 million	€3.00 million
9	Nominal value of instrument	€3.00 million	€3.00 million
9a	Issue price	€3.00 million	€3.00 million
9b	Redemption amount	€3.00 million	€3.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	3/31/2017	5/25/2018
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	3/31/2027	5/25/2028
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CM-CIC Bail	CM-CIC Bail
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +1.97%	3-month Euribor +1.55%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**CIC Nord Ouest**	**CIC Nord Ouest**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CIC Nord Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Nord Ouest and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€38.34 million	€10.00 million
9	Nominal value of instrument	€38.34 million	€10.00 million
9a	Issue price	€38.34 million	€10.00 million
9b	Redemption amount	€38.34 million	€10.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	3/24/2016	3/31/2017
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	3/24/2026	3/31/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CIC Nord Ouest	CIC Nord Ouest
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +2.05%	3-month Euribor +1.97%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	Issuer	CIC Nord Ouest	CIC Nord Ouest
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CIC Nord Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Nord Ouest and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€19.00 million	€12.00 million
9	Nominal value of instrument	€19.00 million	€12.00 million
9a	Issue price	€19.00 million	€12.00 million
9b	Redemption amount	€19.00 million	€12.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	11/15/2017	5/25/2018
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	11/15/2027	5/25/2028
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CIC Nord Ouest	CIC Nord Ouest
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +1.02%	3-month Euribor +1.55%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**CIC Ouest**	**CIC Ouest**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CIC Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Ouest and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€50.58 million	€12.00 million
9	Nominal value of instrument	€50.58 million	€12.00 million
9a	Issue price	€50.58 million	€12.00 million
9b	Redemption amount	€50.58 million	€12.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	3/24/2016	3/31/2017
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	3/24/2026	3/31/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CIC Ouest	CIC Ouest
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +2.05%	3-month Euribor +1.97%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

3

Main features of capital instruments (T2)

1	**Issuer**	**CIC Ouest**	**CIC Ouest**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CIC Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Ouest and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€21.00 million	€12.00 million
9	Nominal value of instrument	€21.00 million	€12.00 million
9a	Issue price	€21.00 million	€12.00 million
9b	Redemption amount	€21.00 million	€12.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	11/15/2017	5/25/2018
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	11/15/2027	5/25/2028
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CIC Ouest	CIC Ouest
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +1.02%	3-month Euribor +1.55%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**CIC Est**	**CIC Est**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CIC Est and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Est and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€58.73 million	€13.00 million
9	Nominal value of instrument	€58.73 million	€13.00 million
9a	Issue price	€58.73 million	€13.00 million
9b	Redemption amount	€58.73 million	€13.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	3/24/2016	3/31/2017
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	3/24/2026	3/31/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CIC Est	CIC Est
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +2.05%	3-month Euribor +1.97%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**CIC Est**	**CIC Est**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between CIC Est and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Est and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/ individual and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€25.00 million	€14.00 million
9	Nominal value of instrument	€25.00 million	€14.00 million
9a	Issue price	€25.00 million	€14.00 million
9b	Redemption amount	€25.00 million	€14.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	11/15/2017	5/25/2018
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	11/15/2027	5/25/2028
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A	N/A

Main features of capital instruments (T2)

	Issuer	CIC Est	CIC Est
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month Euribor +1.02%	3-month Euribor +1.55%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant features	N/A	N/A

Main features of capital instruments (T2)

1	**Issuer**	**Banque Transatlantique**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg for private investment)	Subordinated loan agreement between Banque Transatlantique and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French
REGULATORY TREATMENT		
4	CRR transitional rules	Tier 2 capital
5	CRR rules after transition	Tier 2 capital
6	Eligible at the individual (sub-) consolidated/individual and (sub-) consolidated level	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	- Subordinated notes – Art. 62 et seq. of the CRR
8	Amount recognized as regulatory capital (currency in millions, at the reporting date)	€3.71 million
9	Nominal value of instrument	€3.71 million
9a	Issue price	€3.71 million
9b	Redemption amount	€3.71 million
10	Accounting classification	Liabilities – amortized cost
11	Initial issue date	3/24/2016
12	Perpetual or fixed-term	Fixed-term
13	Initial maturity	3/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes
15	Optional call date of buyback option, call date of conditional buyback options and buyback price	- Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par - Buyback option for entire issuance in the event of declassification of Tier 2 capital *(Capital Event): at any time at* par
16	Subsequent buyback option call dates, if any	N/A
COUPONS/DIVIDENDS		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any associated index	3-month Euribor +2.05%
19	Existence of a dividend stopper	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A
21	Existence of a step-up mechanism or other buyback incentive	No
22	Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, rate of conversion	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, type of instrument converted into	N/A
29	If convertible, issuer of instrument that instrument was converted into	N/A
30	Capital reduction features	No
31	If reduction, trigger of reduction	N/A
32	If reduction, total or partial	N/A
33	If reduction, permanent or temporary	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No
37	If yes, specify non-compliant features	N/A

3.2 CONSOLIDATED FINANCIAL STATEMENTS

3.2.1 Review of the financial position and results

3.2.1.1 2018: slowdown in growth amid political and geopolitical tensions

The exceptional rebound in growth in 2017 related to global trade and other factors dissipated over the course of 2018. The establishment of customs barriers on exports has affected all geographical areas and, by creating a confidence shock, has also decreased levels of investment. Moreover, in Europe, the intensification of political uncertainties (Italy, Brexit), which have yet to be felt, degraded visibility for economic agents while the sharp rise in oil prices has made its weight felt in consumption. The decoupling in growth of various regions has therefore widened between the United States, where it has continued to accelerate, and the rest of the world, where a decline has been observed. Despite these concerns, central banks in developed countries continued to show confidence in the tightening of their accommodating monetary policy (end of purchases of financial securities and/or rate hikes).

3.2.1.1.1 A year of resurging political and geopolitical risks

Since the spring of 2018, Donald Trump's protectionist rhetoric has accelerated. After sanctions on steel and aluminum hit almost all of its partners, the US president focused on China, where an initial salvo of duties on a package of 50 billion US dollars' worth of Chinese products imported to the United States (25% duty) was followed by a second salvo on about 200 billion US dollars' worth of imported products (10% duty). Each of these measures resulted in a proportional response from Beijing, raising fears of an unlimited escalation of protectionist responses between the two countries. At the end of 2018, a new period of calm was negotiated between Donald Trump and Xi Jinping with a 90-day truce starting December 1, in which the two countries refused to raise duties during that period while they tried to find a lasting trade agreement. Pressure is also strong on Europe and Japan in the form of the threat of possible US tax sanctions on the automotive sector.

Europe also faces thorny political issues with both Italy and the United Kingdom. As for Brexit, the political situation became bogged down at the end of the year. London and Brussels reached an agreement governing the withdrawal from the European Union whose approval Theresa May failed to get from the House of Commons. In Italy, the Italian government returned to a more orthodox economic policy in mid-December under pressure from the financial markets. This lack of visibility contributed to the weakening of European growth in the form of freezes on investment decisions.

3.2.1.1.2 Decoupling of growth rates globally

In the euro area, the cyclical upturn in 2017 gradually faded as a result of an increasingly less favorable global environment. The contribution from foreign trade fell sharply in 2018 after several exceptional quarters, in line with the decline in foreign demand. Beyond this underlying trend, the slowdown in European growth accelerated in the second half of the year due to temporary exogenous factors (changes in automobile regulations, social movements in France) and persistent political tensions between the European Union and the United Kingdom or Italy. Consumers were also penalized by the sharp rise in the price of gasoline. In this context, the pace of job creation has slowed down, but it remained high enough to strengthen wage pressures due to the exhaustion of the available workforce. These reassuring factors regarding the inflation outlook encouraged an adjustment in the communication of the ECB, which has gradually reduced its purchases of financial assets (and finally ceasing them on January 1, 2019), while it remained confident that it would make an initial rate hike by the end of 2019.

In the United States, growth continued to accelerate throughout the year, thanks to momentum from 2017, the diffusion of the effects of tax reform to households and businesses (approved in December 2017) and the massive increase in public spending. Even though Donald Trump's trade war has made itself felt in global activity, it has not had a significant impact on domestic growth, which has seen rising consumption. On the strength of this observation, the Fed continued to raise its key rates, taking advantage of the rise in inflation. These factors impacted the dollar, US sovereign rates and equity markets. These generally upward movements came to an end in the second half of the year due to fears about the consequences of protectionism, runaway inflation and the end of the growth cycle.

In emerging countries, capital outflows accelerated and jeopardized financial equilibrium, as evidenced by a sharp depreciation in currencies, which forced central bankers to raise their key rates abruptly. In this volatile environment, almost all emerging economies slowed down in the second half of 2018. In China, the consolidation of the financial system decided by the authorities in 2017 and the China-US trade war have heightened the slowdown in activity. Faced with the magnitude of the fall in foreign demand, the Chinese government has sought to revive domestic drivers of growth through monetary easing, tax reform for households, and a decrease in corporate expenses, with an impact that remains limited so far.

As for commodities, a temporary peak above US $80 for a barrel of oil was reached in October 2018, before prices returned to a downward trajectory following Donald Trump's partial about-face on the question of the oil embargo against Iran. This decline in prices over the last quarter was also fueled by concerns about the momentum of production growth and global overproduction.

3.2.1.1.3 In France, the president and growth clash with the "yellow vests" social movement

In 2018, the French government sought to continue a path of reform in an increasingly less buoyant cyclical environment. Businesses continued to invest, but households reduced their consumer spending significantly in the face of rising inflation. At the end of the year, the "yellow vests" movement strongly penalized the rebound in activity that began in the third quarter. Government announcements should support purchasing power in 2019 but could lead to a widening of the deficit, suggesting a coming upward trend in French rates. Finally, real estate prices rose sharply throughout 2018, continuing the trend from 2017. Despite stabilization in the number of old dwellings, the price increase was general throughout the country, with a more pronounced acceleration in Paris.

3.2.1.2 Activities and consolidated earnings

3.2.1.2.1 Accounting principles

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards, and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2018[1].

The group's business activities are not subject to seasonal or cyclical fluctuations. Estimates and assumptions may have been made in the measurement of certain balance sheet items.

Risk management information is described in a separate section of the management report.

3.2.1.2.2 Changes in consolidation scope

The following changes in scope occurred:

- inclusion of Banque de Luxembourg Investments SA;
- absorption of Transatlantique Gestion by Dubly-Douilhet Gestion;
- change of name of Dubly-Douilhet Gestion to Dubly Transatlantique Gestion.

In addition, the size of the group's stake in GACM was reduced to 18% from 21% previously.

3.2.1.2.3 Analysis of consolidated balance sheet

The following major changes occurred in the consolidated balance sheet[2]:

- bank deposits from customers amounted to €152.1 billion, an increase of 5.5% compared to 2017, given the steady growth of current accounts (+10.5%) and deposits into passbook accounts (+7.6%);
- total outstanding net loans to customers amounted to €188.5 billion, up 10% compared to the 2017 outstandings restated for the impact of IFRS 9. Outstanding equipment loans rose by 12.4% to €54.7 billion and home loans by 6.9% to €78.8 billion;
- the net loans/customer deposits ratio stood at 124% as of December 31, 2018 compared to 119.3% the previous year;
- accounting equity attributable to the group totaled €15,052 million (compared with €15,058 million at December 31, 2017 and €14,725 million at January 1, 2018[2]). With no transitional measures, Basel III Common Equity Tier 1 (CET 1) prudential capital amounted to €13.1 billion, while the Common Equity Tier 1 solvency ratio stood at 13.0%[3], and the total ratio at 15.3%. The leverage ratio with no transitional measures was 4.1%[4].

ANALYSIS OF CONSOLIDATED INCOME STATEMENT

(in € millions)	2018	2017	Change 2018/2017	2017 restated*	Change 2018/2017 restated*
Net banking income	5,021	4,991	0.6%	5,009	0.2%
General operating expenses	-3,166	-3,103	2.0%	-3,114	1.7%
Gross operating income/(loss)	1,855	1,888	-1.7%	1,895	-2.1%
Cost of risk	-191	-203	-5.9%	-203	5.9%
Gains or losses on net assets and associates	225	132	70.5%	132	70.5%
Profit/(loss) before tax	1,889	1,817	4.0%	1,824	3.6%
Income tax	-494	-551	-10.3%	-556	-11.2%
Net tax profit/(loss) on discontinued operations	0	22	n.s.	22	n.s.
Net profit/(loss)	1,395	1,288	8.3%	1,290	8.1%
Non-controlling interests	-10	-13	n.s.	-13	n.s.
Net profit/(loss) attributable to the group	1,385	1,275	8.6%	1,277	8.5%

* *Refer to the information on changes in the scope of consolidation.*

** *In 2017, net income from discontinued operations was related to the disposal of Singapore and Hong Kong private banking activities.*

Net banking income (NBI) rose 0.2% to €5,021 million. All activities recorded a rise in NBI, with the exception of market activities, which were penalized by a highly volatile market environment. Retail banking NBI represented 73% of total NBI (72% in 2017).

General operating expenses were up 1.7%. The increase in the contribution to the single resolution fund contributed more than 30% to this increase.

The cost of risk fell by €12 million, from €203 million to €191 million in one year. The cost of realized risk decreased by €56 million, mainly in corporate banking, while the cost of unrealized risk increased by €44 million, with €40 million of IFRS 9 provisions in 2018.

Doubtful loans as a percentage of gross amounts of debt outstanding decreased from 3.0% at January 1, 2018 to 2.6% at December 31, 2018, and the overall hedge rate stood at 58.3%, compared to 57.0% at January 1, 2018.

The share of earnings from equity consolidated companies increased by €63 million compared to the previous year (€198 million at the end of 2018 compared to €135 million at the end of 2017), following the merger-absorption of Nord Europe Assurance (NEA) and its subsidiaries by Groupe des Assurances du Crédit Mutuel (GACM), which translates into a €56 million profit for retail banking.

Net gains on disposals of non-current assets amounted to €27 million compared with net losses of €3 million at the end of December 2017.

This resulted in pre-tax income of €1,889 million, up 3.6%.

The income tax expense amounted to €494 million, down 11.2%. The expense at December 31, 2017 included a €79 million income tax surcharge.

Net profit/(loss) increased by 8.1% to €1,395 million.

(1) *The entire framework is available on the European Commission's website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements*
(2) *At constant scope. Refer to the methodology notes at the end of this chapter for details of the change at constant scope.*
(3) *Excluding 2018 net profit/(loss).*
(4) *It would amount to 4.2% with the exception of centralized regulated savings outstandings (EU Court decision of July 13, 2018).*

3.2.1.3 Ratings

During 2018, agency[1] ratings were confirmed.

Rating at April 5, 2019	Standard & Poor's	Moody's	Fitch Ratings
Short-term	A-1	P-1	F1
Long-term	A	Aa3	A+
Outlook	Stable	Stable	Stable

3.2.1.4 Analysis of net profit/(loss) by activity

Description of areas of activity

The activities selected correspond to the organizational structure of CIC, as illustrated in the chart in the registration document.

Retail banking, CIC's core business line, concentrates all banking or specialized activities whose products are marketed by the network of regional banks, which are organized into five regional divisions and CIC in Île-de-France: life insurance and non-life insurance, equipment leasing and leasing with option to purchase, real estate leasing, factoring, collective management, employee savings, real estate.

Corporate banking includes financing of large companies and institutional clients, value-added financing (exports, projects and assets, etc.), international and foreign branches.

Capital markets include investments in interest rate, equity and credit activities (ITAC) as well as stock market intermediation.

Private banking develops expertise in financial management and wealth organization, serving families of entrepreneurs and private investors both in France and abroad.

Private equity combines equity investments, merger and acquisition advising and financial and stock market engineering.

Holding includes all specific structural costs/products not assignable to other activities.

Each consolidated company is included in only one business segment, corresponding to its core business in terms of contribution to the group's results, with the exception of CIC, whose individual accounts are allocated on a cost accounting basis.

Retail banking

(in € millions)	2018	2017	Change 2018/2017
Net banking income	3,650	3,588	1.7%
General operating expenses	-2,328	-2,296	1.4%
Gross operating income/(loss)	1,322	1,292	2.3%
Cost of risk	-182	-189	-3.7%
Gains or losses on net assets and associates	199	128	55.5%
Profit/(loss) before tax	1,339	1,231	8.8%
Income tax	-427	-364	17.3%
Net profit/(loss)	912	867	5.2%
Net profit/(loss) attributable to the group	908	861	5.5%

In one year, customer deposits rose 4.9% to €118 billion thanks to:

- the increase in current accounts (+11.3%), which amounted to €60.9 billion at the end of December 2018;
- passbook accounts (+7.9%) of €31.4 billion.

Net loans outstanding to customers amounted to €145.7 billion, an increase of 7.5%, with 6.6% growth in home loans and 10.5% growth in equipment loans.

Net banking income from retail banking and insurance was €3,650 million, up 1.7% with the net interest margin and net fees up 2% and 1.8% respectively. Commissions represented 46.1% of net banking income at December 31, 2018.

General operating expenses increased by 1.4% to €2,328 million (€2,296 million in 2017) with the single resolution fund contribution up by €6 million.

The cost of risk was €182 million versus €189 million in 2017. The cost of realized risk decreased by €28 million to €146 million compared to €174 million at the end of 2017 and offsets the €21 million increase in the unrecognized cost of risk.

With the increase of €63 million in the share of profit from equity consolidated companies compared to last year, and €1 million of net gains on disposals of non-current assets compared to a loss of €7 million the previous year, pre-tax income was 1,339 million, compared to €1,231 million a year earlier, an increase of 8.8%.

After taking income tax into account, retail banking net profit stood at €912 million at the end of 2018 compared with €867 million at the end of 2017 (+5.2%).

(1) Standard & Poor's: notes on Crédit Mutuel group scope; Moody's and Fitch Ratings: notes on Crédit Mutuel Alliance Fédérale scope.

Banking network

(in € millions)	2018	2017	Change 2018/2017
Net banking income	3,430	3,367	1.9%
General operating expenses	-2,184	-2,153	1.4%
Gross operating income/(loss)	1,246	1,214	2.6%
Cost of risk	-167	-181	-7.7%
Gains or losses on net assets and associates	1	-5	n.a.
Profit/(loss) before tax	1,080	1,028	5.1%
Income tax	-416	-365	14.0%
Net profit/(loss)	664	663	0.2%
Net profit/(loss) attributable to the group	664	663	0.2%

The banking network had 5,138,230 customers (+1.9% compared to the end of December 2017).

Net outstanding loans to customers rose by 6.8% to €125.4 billion at December 31, 2018.

Equipment loans increased by 10.5% and home loans by 6.6%.

Customer deposits amounted to €114.8 billion at December 31, 2018. They rose by 4.4% due to an increase in current accounts (+10.5%) and passbook accounts (+7.9%).

Financial savings reached €57.4 billion, compared to €59.1 billion at the end of December 2017.

Insurance continued to grow: 5,373,818 property and casualty policies were purchased, representing a 5.5% increase in the portfolio.

Service activities recorded an increase of:

- 10.8% in online banking with 2,740,334 contracts;
- 6.1% in telephony (498,714 contracts);
- 3.9% in theft protection (102,562 contracts);
- 3.3% in microenterprises (143,842 contracts).

The network's NBI rose by 1.9% despite a low interest rate environment, to €3,430 million (versus €3,367 million a year earlier) with an increase in commissions of 2.3%. The net interest margin and other NBI items increased 1.4%.

General operating expenses totaled €2,184 million (+1.4% compared to December 31, 2017).

The cost of risk fell by €14 million. The cost of realized risk fell by €29 million, while the cost of unrealized risk increased by €15 million.

Banking network profit/(loss) before tax rose by 5.1% to €1,080 million versus €1,028 million at the end of 2017.

Net income for 2018 after allocation of the income tax expense was at a level similar to 2017. It totaled €664 million.

Retail banking support business lines

They generated NBI of €220 million at the end of 2018 compared with €221 million a year earlier and pre-tax income of €259 million compared with €203 million at the end of 2017. Three-quarters of profit before tax in 2018 consisted of Crédit Mutuel Alliance Fédérale's share of the insurance business line (€198 million). In 2018, this included €56 million related to the GACM/NEA merger, whereas in 2017 it incurred an expense related to the income tax surcharge of €28 million.

Private banking

(in € millions)	2018	2017	Change 2018/2017	2017 restated*	Change 2018/2017 restated*
Net banking income	551	509	8.3%	527	4.6%
General operating expenses	-375	-354	5.9%	-365	2.7%
Gross operating income/(loss)	176	155	13.5%	162	8.6%
Cost of risk	-16	-5	x 3	-5	x 3
Gains or losses on net assets and associates	26	4	n.s.	4	n.s.
Profit/(loss) before tax	186	154	20.8%	161	15.5%
Income tax	-47	-35	34.3%	-40	17.5%
Net tax profit/(loss) on discontinued operations		22	n.s.	22	n.s.
Net profit/(loss)	139	141	-1.4%	143	-2.8%
Non-controlling interests					
Net profit/(loss) attributable to the group	139	141	-1.4%	143	-2.8%

* *Refer to the methodology notes at the end of this chapter for details of the change at constant scope. In 2017, net income from discontinued operations was related to the disposal of Singapore and Hong Kong private banking activities.*

The outstanding amount of private banking deposits rose by 15.6% to €22 billion. Managed savings held in custody amounted to €88.4 billion (€93.6 billion at the end of 2017). Outstanding loans reached €13 billion (+12%).

NBI amounted to €551 million, up 4.6%. Net interest margin and other NBI items increased by 8.9% and commissions by 1.3%.

General operating expenses amounted to €375 million (+2.7%).

The cost of risk was €16 million versus €5 million the previous year. Net gains on non-current assets amounted to €26 million (€4 million in 2017), including €18 million generated by the first consolidation of Banque de Luxembourg Investments.

Profit before tax totaled €186 million, up 15.5% and net income at €139 million, compared with €141 million, of which €22 million was net income from discontinued operations at December 31, 2017 (disposals of Singapore and Hong Kong private banking business in 2017).

These results do not include CIC Banque Privée branches, which are included in CIC networks; they primary purpose is to serve the customers of corporate executives. The operating profit before tax of CIC Banque Privée was €98.2 million, up 3.8%.

Corporate banking

(in € millions)	2018	2017	Change 2018/2017
Net banking income	369	354	4.2%
General operating expenses	-108	-106	1.9%
Gross operating income/(loss)	261	248	5.2%
Cost of risk	8	-19	n.a.
Profit/(loss) before tax	269	229	17.5%
Income tax	-67	-66	1.5%
Net profit/(loss)	202	163	23.9%
Net profit/(loss) attributable to the group	202	163	23.9%

Outstanding net loans to corporate banking customers totaled €18.7 billion, up 13.9%.

NBI was at €369 million, up 4.2%, with a net interest margin increase of 6.6%.

General operating expenses increased by 1.9% to €108 million with the single resolution fund contribution higher by €3 million than last year.

Cost of risk showed a profit of €8 million versus an expense of €19 million a year earlier with a cost of realized risk, which showed a profit of €9 million at the end of 2018 versus an expense of €38 million at the end of 2017. The cost of unrealized risk was €1 million (expense) at the end of 2018 compared to a profit of €19 million at the end of 2017.

Profit before tax amounted to €269 million, up 17.5% compared to December 31, 2017. Net income reached €202 million, versus €163 million a year earlier.

Capital Markets

(in € millions)	2018	2017	Change 2018/2017
Net banking income	244	383	-36.3%
General operating expenses	-212	-212	0.0%
Gross operating income/(loss)	32	171	-81.3%
Cost of risk	-1	8	n.a.
Profit/(loss) before tax	31	179	-82.7%
Income tax	-11	-67	-83.6%
Net profit/(loss)	20	112	-82.1%
Net profit/(loss) attributable to the group	14	105	-86.7%

In 2018, capital markets experienced a difficult environment, especially in the last quarter. This translated into a 36.3% decline in NBI to €244 million after commercial retrocessions to the networks.

Capital markets mainly develop offers for customers. The NBI of CM-CIC Market Solutions before retrocessions to other group entities increased by 25%, but, like other group business lines, its profit after retrocessions was just at equilibrium.

Commissions paid to other entities in the group, deducted from NBI from capital markets, totaled €82 million, up 40% over 2017.

General operating expenses were stable.

The cost of risk was €1 million at the end of 2018, compared to a profit of €8 million at the end of 2017.

Profit before tax totaled €31 million compared to €179 million the previous year and net income was €20 million compared to €12 million.

Private equity

(in € millions)	2018	2017	Change 2018/2017
Net banking income	278	259	7,3%
General operating expenses	-49	-47	4,3%
Gross operating income/(loss)	229	212	8,0%
Cost of risk	1	0	n.s.
Profit/(loss) before tax	230	212	8,5%
Income tax	1	1	0,0%
Net profit/(loss)	231	213	8,5%
Net profit/(loss) attributable to the group	231	213	8,5%

Outstandings invested in proprietary trading totaled €2.3 billion, of which €334 million was invested in 2018 by all the entities in the private equity division. About €1.9 billion was contributed as equity over the last five years. The portfolio is made up of almost 335 non-fund investments, the vast majority of which are corporate clients of the group's networks. Capital managed on behalf of third parties amounted to €157 million.

Private equity activity performed well in 2018 with NBI of €278 million at December 31, 2018 compared to €259 million in 2017 and net income was €231 million compared to €213 million a year earlier.

Structure and holding

(in € millions)	2018	2017	Change 2018/2017
Net banking income	-71	-102	-30,4%
General operating expenses	-94	-88	6,8%
Gross operating income/(loss)	-165	-190	-13,2%
Cost of risk	-1	2	n.a.
Profit/(loss) before tax	-166	-188	-11,7%
Income tax	57	-20	n.a.
Net profit/(loss)	-109	-208	-47,6%
Net profit/(loss) attributable to the group	-109	-208	-47,6%

At December 31, 2018, NBI of the holding structure mainly included:

- -€52 million for the financing of the cost of subordinated notes and group cash (-€55 million in 2017);
- -€32 million in financing for the network development plan (-€37 million in 2017).

The change in NBI of +€34 million between 2017 and 2018 can also be explained by the recognition in 2017 of a provision of €21 million for the fine relating to check image transfer fees.

General operating expenses went from -€88 million at the end of 2017 to -€94 million at the end of 2018.

The cost of risk recorded an expense of €1 million compared to a profit of €2 million in 2017.

This resulted in a pre-tax loss of -€166 million, compared to -€188 million at the end of 2017.

Income taxes showed a profit of +€57 million compared to an expense of -€20 million in 2017, including a surcharge of €78.9 million.

Net income attributable to the group amounted to -€109 million compared with -€208 million in 2017.

3.2.1.5 Methodology notes

3.2.1.5.1 Profit/(loss) at December 31, 2017 restated:

Following the entry of Banque de Luxembourg Investments SA into the scope of consolidation in 2018, changes at constant scope are calculated after taking this entity into account in 2017. These elements are broken down below for the various intermediate operating totals:

AT CIC LEVEL

(in € millions)	2018	2017 published	2017 Change in scope to be neutralized	2017 at constant scope	Change 2018/2017	Change 2018/2017 at constant scope
Net banking income	**5,021**	**4,991**	**18**	**5,009**	**0.6%**	**0.2%**
General operating expenses	-3,166	-3,103	-11	-3,114	2.0%	1.7%
Gross operating income/(loss)	**1,855**	**1,888**	**7**	**1,895**	**-1.7%**	**-2.1%**
Cost of risk	-191	-203	0	-203	-5.9%	-5.9%
Gains or losses on net assets and associates	225	132	0	132	70.5%	70.5%
Profit/(loss) before tax	**1,889**	**1,817**	**7**	**1,824**	**4.0%**	**3.6%**
Income tax	-494	-551	-5	-556	-10.3%	-11.2%
Net tax profit/(loss) on discontinued operations	0	22	0	22	n.s.	n.s.
Net profit/(loss)	**1,395**	**1,288**	**2**	**1,290**	**8.3%**	**8.1%**
Non-controlling interests	-10	-13	0	-13	n.s.	n.s.
Net profit/(loss) attributable to the group	**1,385**	**1,275**	**2**	**1,277**	**8.6%**	**8.5%**

IN PRIVATE BANKING

(in € millions)	2018	2017 published	2017 Change in scope to be neutralized	2017 at constant scope	Change 2018/2017	Change 2018/2017 at constant scope
Net banking income	**551**	**509**	**18**	**527**	**8.3%**	**4.6%**
General operating expenses	-375	-354	-11	-365	5.9%	2.7%
Gross operating income/(loss)	**176**	**155**	**7**	**162**	**13.5%**	**8.6%**
Cost of risk	-16	-5	0	-5	x 3	x 3
Gains or losses on net assets and associates	26	4	0	4	n.s.	n.s.
Profit/(loss) before tax	**186**	**154**	**7**	**161**	**20.8%**	**15.5%**
Income tax	-47	-35	-5	-40	34.3%	17.5%
Net tax profit/(loss) on discontinued operations		22	0	22	n.s.	n.s.
Net profit/(loss)	**139**	**141**	**2**	**143**	**-1.4%**	**-2.8%**

3.2.1.5.2 Application of IFRS 9 for 2018

Total outstandings were restated to measure their changes:

(in € millions)	12/31/2018	1/1/2018	Change Dec. 18/Jan. 18	12/31/2017	Change Dec. 18/Dec. 17
Net customer loans	188,520	171,349	10.0%	171,952	9.6%

(in € millions)	12/31/2018	1/1/2018	Change Dec. 18/Jan. 18	12/31/2017	Change Dec. 18/Dec. 17
Net customer deposits	152,060	144,143	5.5%	144,134	5.5%

Restatements made between December 31, 2017 and January 1, 2018 are as follows:

Net customer loans at 12/31/2017	**171,952**
IFRS provisions	-514
Cancellation collective provision	148
Reclassifications to assets (security deposits and unlisted securities)	-237
Net customer loans at 1/1/2018	**171,349**

Net customer deposits at 12/31/2017	**144,134**
Impact from IFRS 9	9
Net customer loans at 1/1/2018	**144,143**

3.2.1.6 Alternative performance indicators

3.2.1.6.1 Article 223-1 of the AMF General Regulations

Name	Definition/calculation method	For ratios, reason for use
Cost of risk	"Cost of risk" item in the publishable consolidated income statement.	Measurement of the level of risk.
Customer loans	"Loans and receivables from customers" item on the assets side of the consolidated balance sheet.	Measurement of customer loan activity.
Customer deposits; accounting deposits	"Amounts due to customers" line on the liabilities side of the consolidated balance sheet.	Measurement of customer activity in terms of balance sheet resources.
Financial savings; managed savings held in custody	Off-balance sheet outstanding savings held by our customers or held in custody (securities accounts, UCITS, etc.) – and outstanding life insurance held by our customers – management data.	Representative measurement of off-balance sheet resources.
General operating expenses; management fees	Sum of "General operating expenses" and "Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets" lines.	Measure the level of general operating expenses.
Margin of interest; net interest income	Calculated from items in the consolidated income statement. Difference between interest received and interest paid: - interest received = "Interest and similar income" item of the publishable consolidated income statement; - interest paid = "Interest and similar expenses" item of the publishable consolidated income statement.	Representative measurement of profitability.
Cost of unrealized risk	Application of IFRS 9 (IAS 39 for 2017). Impairment is recognized for all financial assets that have not been objectively indicated as individual losses.	Measurement of the level of unrealized risk.
Net loans/customer deposits ratio	Ratio calculated from consolidated balance sheet items: ratio expressed as a percentage of total lending to customers ("Loans and receivables due from customers" line on the assets side of the consolidated balance sheet) to customer deposits ("Amounts due to customers" line on the liabilities side of the consolidated balance sheet).	Measurement of dependence on external refinancing.
Rate of non-performing customer loans	Gross receivables subject to individual impairment (see Note 8c to the consolidated financial statements) relating to gross outstanding loans to customers (see Note 8c to the consolidated financial statements: Total loans and receivables to customers at amortized cost excluding impairment of performing loans and other impairments).	Measurement of the share of non-performing loans in customer loans.
Overall non-performing loan coverage rate	Relationship between impairments recognized as risk (S1/S2/S3) and gross non-performing receivables (see Note 8c of the appendix to the consolidated financial statements: Impairment of performing loans and other impairments/Gross receivables subject to individual impairment (gross receivables and finance lease)).	This hedge rate measures the maximum residual risk associated with loans in default ("non-performing").

3.2.1.6.2 Alternative performance indicators, reconciliation with financial statements

Net loans/customer deposits ratio		12/31/2018	1/1/2018	12/31/2017
Loans and receivables due from customers	assets	188,520	171,349	171,952
Due to customers	liabilities	152,060	144,133	144,134
NET LOANS/CUSTOMER DEPOSITS RATIO		**124.0%**	**118.9%**	**119.3%**

Marge d'intérêt		2018	2017	2017 constant scope
interest and similar income	income statement	12,045	7,955	7,955
Interest and similar expenses	income statement	-9,887	-6,028	-6,028
MARGE D'INTÉRÊT		**2,158**	**1,927**	**1,927**

General operating expenses		2018	2017	2017 constant scope
General operating expenses	Note 33	-3,047	-2,972	-2,983
Movements in depreciation, amortization and impairments for property, plant and equipment and intangible assets	Note 34	-119	-131	-131
GENERAL OPERATING EXPENSES		**-3,166**	**-3,103**	**-3,114**

Cost/income ratio		2018	2017	2017 constant scope
General operating expenses	Notes 33 and 34	3,166	3,103	3,114
Net banking income	income statement	5,021	4,991	5,009
COST/INCOME RATIO		**63.1%**	**62.2%**	**62.2%**
o/w single resolution fund	*Note 33c*	*84*	*68*	*68*

Cost of customer risk		2018	2017	2017 constant scope
Cost of realized risk		-150	-207	-207
Cost of unrealized risk 2017: IAS 39, 2018: IFRS 9		-41	4	4
COST OF CUSTOMER RISK	**NOTE 35**	**-191**	**-203**	**-203**

Rate of non-performing customer loans		12/31/2018	1/1/2018
Non-performing customer loans	Note 8c	4,959	5,188
Customer loans – impairments	Note 8c	191,412	174,304
RATE OF NON-PERFORMING CUSTOMER LOANS		**2.6%**	**3.0%**

Non-performing loan hedges		12/31/2018	1/1/2018
Impairment of assets excluding country risk and prov. IFRS 9	Note 8c	2,892	2,955
Non-performing loans	Note 8c	4,959	5,188
OVERALL NON-PERFORMING LOAN COVERAGE		**58,3%**	**57,0%**

3.2.1.7 Information on establishments included in the scope of consolidation according to Article 7 of Law 2013-672 of July 26, 2013 of the French Monetary and Financial Code amending Article L.511-45 and Decree No. 2014-1657 of December 29, 2014

2018: Establishments by country	Business line
Germany	
CM-CIC Leasing GMBH	Subsidiaries of the banking network
Belgium	
Banque Transatlantique Belgium	Private banking
CM-CIC Leasing Benelux	Subsidiaries of the banking network
Spain	
CM-CIC Bail Espagne (succursale)	Subsidiaries of the banking network
United States	
CIC New York (branch)	Corporate banking and capital markets
France	
Adepi	Structure and logistics
Banque Transatlantique	Private banking
CIC Est	Retail banking
CIC Lyonnaise de Banque	Retail banking
CIC Nord Ouest	Retail banking
CIC Ouest	Retail banking
CIC Participations	Structure and logistics
CIC Sud Ouest	Retail banking
CM-CIC Asset Management	Subsidiaries of the banking network
CM-CIC Bail	Subsidiaries of the banking network
CM-CIC Capital	Private equity
CM-CIC Conseil	Private equity
CM-CIC Épargne Salariale	Subsidiaries of the banking network
CM-CIC Factor	Subsidiaries of the banking network
CM-CIC Innovation	Private equity
CM-CIC Investissement	Private equity
CM-CIC Investissement SCR	Private equity
CM-CIC Lease	Subsidiaries of the banking network
Crédit Industriel et Commercial – CIC	Bank
Dubly Transatlantique Gestion	Private banking
Gesteurop	Structure and logistics
Groupe des Assurances du Crédit Mutuel (GACM)	Insurance company
Hong Kong	
CIC Hong Kong (branch)	Corporate banking
Cayman Islands	
CIC Grand Cayman (branch)(1)	Capital markets
Luxembourg	
Banque de Luxembourg	Private banking
Banque de Luxembourg Investments SA	Private banking
Banque Transatlantique Luxembourg	Private banking
Cigogne Management	Capital markets
United Kingdom	
Banque Transatlantique London (branch)	Private banking
CIC London (branch)	Corporate banking
Singapore	
CIC Singapore (branch)	Corporate banking, capital markets and private banking
Switzerland	
Banque CIC (Switzerland)	Private banking

(1) Entity whose sole purpose is the refinancing of the New York branch through borrowing operations in dollars from money market funds.

Country	Net banking income	Income (loss) before tax	Current tax	Deferred tax	Other tax	Public subsidies	Workforce
Germany	4	2	0	0	- 0		4
Belgium	18	8	-3	0	- 1		44
Spain	2	0	0	0	0		5
United States	118	68	- 8	- 4	- 10		87
France	4,345	1,602	-438	- 4	- 739		18,281
Hong Kong	7	2	0	0	- 0		13
Cayman Islands	0	0	0	0	0		0
Luxembourg	318	127	- 31	2	- 27		910
United Kingdom	38	18	2	0	- 4		68
Singapore	46	29	- 3	0	- 4		132
Switzerland	125	33	- 6	- 1	- 11		338
TOTAL	**5,021**	**1,889**	**- 487**	**- 7**	**- 796**		**19,882**

Except for the workforce, the data presented are in millions of euros.

3.2.2 Recent developments and group outlook

With the help of its skills and the advantages needed to transform business lines to rapidly evolving technologies, CIC is working in 2019 to reconcile growth, efficiency and risk management. This success is due to its strong ability to innovate, its adaptability, its strong sense of customer service, the regular training of its employees and the strength of its state-of-the-art technology, a winning combination that allows the digital and physical aspects of customer relationship to be improved.

The ensemble#nouveaumonde strategic plan launched in late 2018 by Crédit Mutuel Alliance Fédérale sets the objectives to be met through 2023 for all group entities. CIC is part of this growth momentum. Through its economic performance and commitment to society, it is both a responsible bank that serves people and a bank ready to face the challenges ahead.

3.2.3 Significant changes

No significant changes to the commercial or financial position of CIC have occurred since the end of the last fiscal year for which audited financial statements have been issued.

3.2.4 Financial risks related to climate change

See “Statement on non-financial performance” (Chapter 4).

3.2.5 Financial statements

Balance sheet (assets)

(in € millions)	Notes	12/31/2018	1/1/2018[1]	12/31/2017
Cash, central banks	4	31,709	28,045	28,045
Financial assets at fair value through profit or loss	5a	16,760	15,026	14,415
Hedging derivatives	6a	547	559	559
Financial assets at fair value through other comprehensive income	7	11,423	9,444	
Short-term investment financial assets				12,201
Securities at amortized cost	8a	2,650	2,774	
Loans and receivables to credit institutions and similar, at amortized cost	8b	32,180	27,431	23,405
Loans and receivables to customers at amortized cost	8c	188,520	171,349	171,952
Revaluation adjustment on rate-hedged books	6b	623	367	367
Long-term investment financial assets				9
Current tax assets	10a	767	753	753
Deferred tax assets	10b	360	359	291
Accruals and other assets	11	5,745	5,088	9,491
Non-current assets held for sale		0	0	0
Investments in equity consolidated companies	12	1,888	1,821	1,821
Investment properties	13	46	32	32
Property, plant and equipment	14a	1,270	1,286	1,286
Intangible assets	14b	183	180	180
Goodwill	15	33	33	33
TOTAL ASSETS		**294,704**	**264,547**	**264,840**

(1) Amounts restated following the application of IFRS 9 "Financial Instruments", Note 1.

Balance sheet (liabilities)

(in € millions)	Notes	12/31/2018	1/1/2018[1]	12/31/2017
Central banks		0	0	0
Financial liabilities at fair value through profit or loss	16	4,131	5,180	5,180
Hedging derivatives	6a	1,624	2,213	2,213
Due to credit and similar institutions at amortized cost	18a	84,945	69,648	68,451
Amounts due to customers at amortized cost	18b	152,060	144,143	144,134
Debt securities at amortized cost	18c	26,904	21,762	21,762
Revaluation adjustment on rate-hedged books	6b	8	-282	-282
Current tax liabilities	10a	243	260	260
Deferred tax liabilities	10b	259	254	298
Deferred income, accrued charges and other liabilities	19	6,163	3,398	4,604
Debt related to non-current assets held for sale		0	0	0
Provisions	20a	1,032	1,091	999
Subordinated debt at amortized cost	21	2,234	2,098	2,098
Total shareholders' equity		**15,101**	**14,782**	**15,123**
Shareholders' equity – Group share		**15,052**	**14,725**	**15,058**
Subscribed capital		608	608	608
Additional paid-in capital		1,088	1,088	1,088
Consolidated reserves		12,001	11,663	11,766
Gains and (losses) recognized directly in equity	22a	-30	91	321
Profit (loss) for the period		1,385	1,275	1,275
Shareholders' equity – Non-controlling interests		**49**	**57**	**65**
TOTAL LIABILITIES		**294,704**	**264,547**	**264,840**

(1) Amounts restated following the application of IFRS 9 "Financial Instruments", Note 1.

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Income statement

(in € millions)	Notes	12/31/2018	12/31/2017
Interest and similar income	24	12,045	7,955
Interest and similar expenses	24	-9,887	-6,028
Commissions (income)	25	2,762	2,641
Commissions (expenses)	25	-640	-598
Net gains on financial instruments at fair value through profit or loss	26	535	724
Net gains or losses on financial assets at fair value through other comprehensive income (2018)/Short-term investment assets (2017)(1)	27	174	300
Net gains or losses resulting from derecognition of financial assets at amortized cost	28	1	
Income from other activities	29	172	188
Expenses on other activities	29	-141	-191
Net banking income		**5,021**	**4,991**
Employee benefits expense	30a	-1,790	-1,739
Other general operating expenses	30c	-1,257	-1,233
Movements in depreciation, amortization and provisions for property and equipment and intangible assets	30e	-119	-131
Gross operating income/(loss)		**1,855**	**1,888**
Cost of counterparty risk	31	-191	-203
Operating income		**1,664**	**1,685**
Share of net profit/(loss) of equity consolidated companies	12	198	135
Net gains/(losses) on disposals of other assets	32	27	-3
Profit/(loss) before tax		**1,889**	**1,817**
Income tax	33	-494	-551
Post-tax gains/(losses) on discontinued operations		**0**	**22**
Net profit/(loss)		1,395	1,288
Net profit/(loss) – Non-controlling interests		10	13
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP		**1,385**	**1,275**
Earnings per share *(in euros)*	34	36.65	33.72
Diluted earnings per share *(in euros)*	34	36.65	33.72

(1) Includes gains/losses on loans and receivables for 2017.

Statement of net income/(loss) and gains and losses recognized directly in equity

(in € millions)	12/31/2018	12/31/2017
Net profit/(loss)	**1,395**	**1,288**
Translation adjustments	43	-109
Remeasurement of financial assets at fair value through equity – capital instruments	-13	69
Remeasurement of hedging derivatives	0	0
Share of unrealized or deferred gains and losses of associates	-47	-21
Total recyclable gains and losses recognized directly in equity	**-17**	**-61**
Revaluation of financial assets at fair value through equity – capital instruments at closing	-71	93
Actuarial adjustments on defined-benefit plans	-13	19
Share of non-recyclable gains and losses of associates	-20	15
Total non-recyclable gains and losses recognized directly in equity	**-104**	**127**
Net profit/(loss) and gains and (losses) recognized directly in equity	**1,274**	**1,354**
o/w attributable to the group	*1,264*	*1,341*
o/w percentage of non-controlling interests	*10*	*13*

The items relating to gains and losses recognized directly in equity are presented for the amount net of tax.

Changes in shareholders' equity

(in € millions)	Shareholders' equity, Group share											
					Gains and losses recognized directly in equity							
	Capital	Premiums	Elimination of treasury shares	Reserves[1]	Translation adjustments	Assets at fair value through equity(2)	Hedge inst.	Actuarial gains and losses	Net profit/ (loss)	Total	Non-controlling interests	Total Consolidated equity
BALANCE AT 1/1/2017	**608**	**1,088**	**-55**	**10,807**	**97**	**214**	**0**	**-56**	**1,352**	**14,055**	**62**	**14,117**
Appropriation of earnings from previous fiscal year				1,352					-1,352	0		0
Distribution of dividends				-340						-340	-10	-350
Movements in treasury shares			-1							-1		-1
Subtotal of movements related to relations with shareholders	**0**	**0**	**-1**	**1,012**	**0**	**0**	**0**	**0**	**-1,352**	**-341**	**-10**	**-351**
Consolidated income for the period									1,275	1,275	13	1,288
Changes in gains and (losses) recognized directly in equity					-109	157	1	19		68	-1	67
Sub-total	**0**	**0**	**0**	**0**	**-109**	**157**	**1**	**19**	**1,275**	**1,343**	**12**	**1,355**
Effects of acquisitions and disposals on non-controlling interests				1		-1				0	1	1
Other changes				2			-1			1		1
BALANCE AT 12/31/2017	**608**	**1,088**	**-56**	**11,822**	**-12**	**370**	**0**	**-37**	**1,275**	**15,058**	**65**	**15,123**
Impact of first application of IFRS 9				-103		-230				-333	-8	-341
BALANCE AT 1/1/2018	**608**	**1,088**	**-56**	**11,719**	**-12**	**140**	**0**	**-37**	**1,275**	**14,725**	**57**	**14,782**
Appropriation of earnings from previous fiscal year				1,275					-1,275	0		0
Distribution of dividends				-945						-945	-13	-958
Acquisition of additional shareholdings or partial disposals				18		-19				-1	-4	-5
Subtotal of movements related to relations with shareholders	**0**	**0**	**0**	**348**	**0**	**-19**	**0**	**0**	**-1,275**	**-946**	**-17**	**-963**
Consolidated income for the period									1,385	1,385	10	1,395
Changes in gains and (losses) recognized directly in equity				6	41	-129		-11		-93		-93
Sub-total	**0**	**0**	**0**	**6**	**41**	**-129**	**0**	**-11**	**1,385**	**1,292**	**10**	**1,302**
Other changes				-16	2	-4		-1		-19	-1	-20
BALANCE AT 12/31/2018	**608**	**1,088**	**-56**	**12,057**	**31**	**-12**	**0**	**-49**	**1,385**	**15,052**	**49**	**15,101**

(1) At December 31, 2018, reserves consisted of the legal reserve of €61 million, the long-term capital gains reserve of €287 million, retained earnings of €97 million, other CIC reserves of €5,820 million and consolidated reserves of €5,792 million.

(2) FVCI: Fair value through other comprehensive income.

CIC capital at December 31, 2018, consisted of 38,027,493 shares of a nominal value of €16, of which 231,711 were treasury shares.

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Statement of cash flows

(in € millions)	2018	2017
Net profit/(loss)	1,395	1,288
Taxes	494	551
Profit/(loss) before tax	**1,889**	**1,839**
+/- Net depreciation and amortization of property, plant and equipment and intangible assets	119	133
- Impairment of goodwill and other fixed assets	1	3
+/- Net provisions and impairments	-40	-55
+/- Share of income from companies consolidated using the equity method	-198	-135
+/- Net loss/gain from investing activities	-4	-2
+/- (Income)/expenses from financing activities		
+/- Other movements	-615	-503
Total non-monetary items included in profit/(loss) before tax and other adjustments	**-737**	**-559**
+/- Flows related to transactions with credit institutions	14,875	-4,941
+/- Flows related to client transactions	-8,859	-1,257
+/- Flows related to other transactions affecting financial assets or liabilities	-756	-2,852
+/- Flows related to other transactions affecting non-financial assets or liabilities	2,261	1,358
- Taxes paid	-461	-682
Net decrease/(increase) in assets and liabilities from operating activities	**7,060**	**-8,374**
TOTAL NET CASH FLOW GENERATED BY OPERATING ACTIVITY (A)	**8,212**	**-7,094**
+/- Flows related to financial assets and investments	87	-56
+/- Flows related to investment property	-9	-2
+/- Flows related to property, plant and equipment and intangible assets	-95	-89
TOTAL NET CASH FLOW GENERATED FROM INVESTING ACTIVITIES (B)	**-17**	**-147**
+/- Cash flow to or from shareholders[1]	-895	-295
+/- Other net cash flows from financing activities[2]	1,187	2,045
TOTAL NET CASH FLOW GENERATED FROM FINANCING TRANSACTIONS (C)	**292**	**1,750**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (D)	**81**	**-232**
Net increase/(decrease) in cash and cash equivalents (A + B+ C + D)	**8,568**	**-5,723**
Net cash flow generated by operating activity (A)	8,212	-7,094
Net cash flow generated from investing activities (B)	-17	-147
Net cash flow generated from financing transactions (C)	292	1,750
Effect of foreign exchange rate changes on cash and cash equivalents (D)	81	-232
Cash and cash equivalents at opening	**29,550**	**35,273**
Cash, central banks (assets & liabilities)	28,046	36,813
Accounts (assets and liabilities) with and demand loans/borrowings from credit institutions	1,504	-1,540
Cash and cash equivalents at closing	**38,118**	**29,550**
Cash, central banks (assets & liabilities)	31,710	28,046
Accounts (assets and liabilities) with and demand loans/borrowings from credit institutions	6,408	1,504
CHANGE IN NET CASH POSITION	**8,568**	**-5,723**

(1) **Cash flow to or from shareholders includes**:
- *dividends paid by CIC to its shareholders for -€945 million for 2017;*
- *dividends paid to non-controlling interests for -€14 million;*
- *dividends received from companies consolidated using the equity method for €63 million.*

(2) **Other net cash flows from financing activities include:**
- *subordinated debt issues for €136 million;*
- *issues and repayments of bonds for a net amount of €1,051 million.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1a Accounting principles, methods of assessment and presentation

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards, and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2018[1].

The group's business activities are not subject to seasonal or cyclical fluctuations. Estimates and assumptions may have been made in the measurement of certain balance sheet items.

Since January 1, 2018, the group has been applying the following standards:

- IFRS 9

This standard replaces IAS 39 – "Financial Instruments: Recognition and Measurement". It defines new rules in terms of:

- the classification and measurement of financial instruments (Phase 1);
- the impairment provisions for the financial instruments' credit risk (Phase 2);
- hedge accounting, excluding macro-hedging (Phase 3).

The IFRS 9 classification and measurement provisions, as well as its new impairment model are applied retrospectively by adjusting the opening balance sheet at January 1, 2018 (impact on shareholders' equity), without having to adjust the data for the fiscal years presented for comparative purposes. The group is thus presenting its 2018 financial statements without adjusting the 2017 data to the IFRS 9 format. The explanation concerning the transition of the portfolios from IAS 39 to IFRS 9 and the impacts on shareholders' equity at January 1, 2018 are provided in the notes to the financial statements. The group is not applying Phase 3, which is optional. The hedge accounting model thus remains that of IAS 39, as adopted by the European Union.

The principles of IFRS 9 applied by the group are presented in detail in Section 3.1.

- IFRS 15

This standard replaces several standards and interpretations relative to revenue recognition (in particular IAS 18 – Revenue from ordinary activities, and IAS 11 – Construction Contracts). It does not affect revenue falling within the scope of standards applicable to tenancy agreements, insurance policies or financial instruments.

Under IFRS 15, revenue is recognized when control of a good or service is transferred to a customer, for the amount the seller is expected to be entitled to.

To this effect, the standard sets out a five-stage model, enabling the entity to determine when and in what amount the revenue from ordinary activities should be recognized:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract;
- recognize revenue when (or as) the entity satisfies a performance obligation.

An analysis of the standard and the identification of its potential effects have revealed that the standard had no material impact for the group.

They concern:

- the application of the 'fair value through profit or loss' option by the venture capital and private equity entities, with respect to their associates and joint ventures. The IAS 28 amendment specifies that this option can be exercised on an entity-by-entity basis;
- clarifications on transfers to or from the investment property category (IAS 40);
- the treatment of advance considerations on foreign currency transactions (IFRIC 22);
- share-based payment transactions according to IFRS 2. The changes concern:
  - the accounting treatment regarding vesting conditions for the measurement of cash-settled transactions,
  - transactions that include a net settlement feature related to tax withheld at source,
  - the modification of the handling of share-based payments giving rise to a change in the classification of the transaction, which is settled in capital instruments rather than cash.

1. Consolidation scope

Principles for inclusion in the consolidation scope

The general principles governing whether an entity is included in the consolidation scope are defined by IFRS 10, IFRS 11 and IAS 28R.

Entities controlled exclusively by the group are included in the consolidation scope when their full consolidation, taken individually, has an impact of at least 1% on the main items of the consolidated balance sheet and consolidated income statement. Moreover, all non-consolidated subsidiaries taken together must account for less than 5% of the main items of the consolidated balance sheet and consolidated income statement. However, smaller entities may be included in the consolidation scope in the following cases: (i) if the group considers that they represent a strategic investment; (ii) if they are engaged in an activity which is one of the group's core businesses; or (iii) if they hold shares in consolidated companies.

The consolidation scope comprises:

- *Controlled entities*: Control is deemed to exist when the group has power over the entity, is exposed to or is entitled to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the returns it obtains. The financial statements of controlled entities are fully consolidated.
- *Entities over which the group has significant influence*: These are entities that are not controlled by the consolidating entity, which may, however, participate in these entities' financial and operating policy decisions. Shareholdings in entities over which the group has significant influence are accounted for using the equity method. Companies that are 20% to 50%-owned by private equity companies and over which the group has joint control or exercises significant influence are excluded from the scope of consolidation and accounted for under the fair value through profit or loss option.

(1) *The entire framework is available on the European Commission's website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements*

2 Consolidation methods and principles

2.1 Consolidation methods

The consolidation methods used are the following:

2.1.1 Full consolidation

This method involves replacing the value of the shares held in the subsidiary concerned with each of the assets and liabilities of said subsidiary and showing separately the interests of non-controlling shareholders in shareholders' equity and net profit. This is the method used for all controlled entities, including those with a different account structure, regardless of whether the business concerned is an extension of that of the consolidating entity.

Non-controlling interests correspond to interests that do not confer control as defined by IFRS 10 and include partnership interests that entitle their holders to a share in net assets in the event of liquidation and other capital instruments issued by subsidiaries that are not held by the group.

2.1.2 Consolidation using the equity method

This method involves replacing the value of the shares held with the group's share of the equity and net profit of the entities concerned.

2.2 Reporting date

The reporting date for all of the group's consolidated companies is December 31.

2.3 Intercompany transactions and balances

Intercompany transactions and balances, as well as gains or losses on intercompany sales that have a material impact on the consolidated financial statements, are eliminated.

2.4 Foreign currency translation

The balance sheets of foreign subsidiaries are translated into euros at the official year-end exchange rate. Differences arising from exchange rate fluctuations impacting the share capital, reserves and retained earnings are recorded as a separate component of equity, under "Cumulative translation adjustments". The income statements of foreign subsidiaries are translated into euros at the average exchange rate for the fiscal year. The resulting translation differences are recorded under "Cumulative translation adjustments". On liquidation or disposal of some or all of the interests held in a foreign entity, these amounts are recognized through the income statement.

As allowed by IFRS 1, the balance of cumulative translation adjustments was reset to zero in the opening balance sheet at January 1, 2004.

2.5 Goodwill

2.5.1 Fair value adjustments

On the date of acquisition of a controlling interest in a new entity, said entity's assets, liabilities and contingent operating liabilities are measured at fair value as at that date. Fair value adjustments correspond to the difference between the carrying amount and fair value.

2.5.2 Goodwill

In accordance with IFRS 3R, when CIC acquires a controlling interest in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at fair value as at the acquisition date, with the exception of non-current assets classified as assets held for sale (IFRS 5), which are recognized at the lower of fair value net of selling costs and their net carrying amount. IFRS 3R permits the recognition of full goodwill or partial goodwill and the choice of method is made separately for each business combination. In the case of full goodwill, non-controlling interests are measured at fair value, whereas in the case of partial goodwill, they are measured based on their share of the values attributed to the assets and liabilities of the acquired entity. If the goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under "Changes in value of goodwill".

If the group's stake in an entity it already controls, and which it continues to control, increases/decreases, the difference between the share acquisition cost/selling price and the portion of consolidated equity that said shares represent on the acquisition/sale date is recognized within equity.

Goodwill is presented on a separate line of the balance sheet when it relates to fully-consolidated companies, and under the heading "Investments in associates" when it relates to equity consolidated companies.

Goodwill does not include direct expenses associated with acquisitions, which are expensed.

Goodwill is tested for impairment regularly by the group (at least once a year). The tests are designed to identify whether the goodwill has suffered a lasting decline in value. If the recoverable amount of the cash-generating unit (CGU) to which the goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. These losses – which are recognized through the income statement – cannot be reversed. In practice, cash-generating units are defined on the basis of the group's business lines.

3 Accounting policies and principles

3.1 Financial instruments under IFRS 9

Note that the 2017 financial statements were prepared in accordance with IAS 39 (the accounting principles applied are described in the 2017 annual financial report). Since January 1, 2018, the financial statements are prepared in accordance with IFRS 9.

The impact of this change is shown is the 01/01/2018 column of the balance sheet and detailed in Note 1b.

3.1.1 Classification and measurement of financial instruments

Under IFRS 9, the classification and measurement of financial instruments depend on the business model and contractual terms of the financial instruments.

3.1.1.1 Loans, receivables and debt securities acquired

The asset is classified:

- at amortized cost, if it is held in view of collecting contractual cash flows, and if its characteristics are similar to those of a basic contract implicitly entailing a high predictability of associated cash flows ("hold to collect" model);
- at fair value through other comprehensive income if the instrument is held with a view to collecting contractual cash flows and selling it when the opportunity arises, yet without holding it for trading, and if its characteristics are similar to those of a basic contract implicitly entailing a high predictability of associated cash flows ("hold to collect and sell" model);
- at fair value through profit or loss:
  - if it is not eligible for the two aforementioned categories (as it does not meet the "basic" criterion and/or is managed in accordance with the "other" business model, or
  - if the group initially opts to classify it as such, in an irrevocable way. This option is used to reduce accounting mismatch in relation to another associated instrument.

Cash flow characteristics

Contractual cash flows which solely represent repayments of principal and the payment of interest on outstanding principal are compatible with a "basic" contract.

In a basic contract, interest mainly represents the consideration for the time value of money (including in the event of negative interest) and credit risk. Interest may also include the liquidity risk, administrative fees to manage the asset, and a profit margin.

All contractual clauses must be analyzed, in particular those that could alter the timing or amount of contractual cash flows. The option, under the agreement, for the borrower or lender to repay the financial instrument early is compatible with the SPPI (Solely Payments of Principal and Interest) criterion of contractual cash flows, provided that the amount repaid essentially represents the outstanding principal and accrued interest, as well as, where applicable, early repayment compensation of a reasonable amount.

The compensation for early repayment is deemed reasonable if, for example:

- it is expressed as a percentage of the principal repaid and is below 10% of the nominal amount repaid; or
- it is determined according to a formula aimed at compensating the difference in the benchmark interest rate between the date on which the loan was granted and its early repayment date.

The analysis of contractual cash flows may also require their comparison with those of a reference instrument when the time value of money included in the interest is likely to change due to the contractual clauses of the instrument. Such is the case, for example, if the interest rate of the financial instrument is revised periodically, but the frequency of such revisions is unrelated to the period for which the interest rate was established (e.g. monthly revision of an annual interest rate), or if the interest rate of the financial instrument is revised periodically based on an average interest rate.

If the difference between the non-discounted contractual cash flows of the financial asset and those of the reference instrument is significant, or may become so, the financial asset cannot be considered as basic.

Depending on the case, the analysis is either qualitative or quantitative. The materiality or immateriality of the difference is assessed for each fiscal year, and cumulatively over the life of the instrument. The quantitative analysis takes into account a range of reasonably possible scenarios. To this effect, the group has used yield curves going back to the year 2000.

Moreover, a specific analysis is conducted in the case of securitization where there is priority of payment among holders, and credit risk concentrations in the form of tranches. In that case, the analysis requires the examination of the contractual characteristics of the tranches in which the group has invested and of the underlying financial instruments, as well as the credit risk of the tranches in relation to the credit risk of the underlying financial instruments.

It should be noted that:

- embedded derivatives are no longer recognized separately, which means that the entire hybrid instrument is then considered as non-basic and recognized at fair value through profit or loss;
- units in UCITS or UCIs are not basic instruments and are recognized at fair value through profit or loss.

Business models

The business model represents the way in which the instruments are managed to generate cash flows and revenue. It is based on observable facts and not simply on management's intention. It is not assessed at the entity level, or on an instrument-by-instrument basis, but rather on a higher level of aggregation which reflects the way in which groups of financial assets are managed collectively. It is determined at initial recognition and may be reassessed in the event of a change in model.

To determine the business model, it is necessary to consider all available information, including the following:

- how the activity's performance is reported to decision-makers;
- how managers are compensated;
- the frequency, timing and volumes of sales in previous periods;
- the reason for the sales;
- future sales forecasts;
- the way in which risk is assessed.

For the "hold to collect" business model, certain examples of authorized sales are explicitly set out in the standard:

- in response to an increase in credit risk;
- close to maturity and for an amount near the par amount;
- exceptional (e.g. linked to a liquidity stress).

Such "authorized" sales are not included in the analysis of the significant and frequent nature of the sales made out of a portfolio. Frequent and/or significant sales would not be compatible with this business model. Moreover, sales related to changes in the regulatory or fiscal framework will be documented on a case-by-case basis to demonstrate the "infrequent" nature of such sales.

For other sales, thresholds have been defined based on the maturity of the securities portfolio, for example 2% for an average maturity of 8 years (the group does not sell its loans).

The group has mainly developed a model based on the collection of contractual cash flows from financial assets, which applies in particular to the customer financing activities.

It also manages financial assets according to a model based on the collection of contractual cash flows from financial assets and the sale of these assets, as well as a model for other financial assets, in particular financial assets held for trading.

Within the group, the "hold to collect and sell" model applies primarily to proprietary cash management and liquidity portfolio management activities.

Financial assets held for trading consist of securities originally acquired with the intention of reselling them in the near future, as well as securities that are part of a portfolio of securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets at amortized cost

These mainly include:

- cash and cash equivalents, which comprise cash accounts, deposits, and demand loans and borrowings with central banks and credit institutions;
- other loans to credit institutions and loans to customers (granted directly, or the share in syndicated loans), not measured at fair value through profit or loss;
- a portion of the securities held by the group.

The financial assets classified in this category are initially recognized at their fair value, which is generally the net amount disbursed. The interest rates applied to loans granted are deemed to represent market rates, since they are constantly adjusted in line with the interest rates applied by the vast majority of competitor banks.

At subsequent reporting dates, the assets are measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts future cash payments or receipts over the estimated life of the financial instrument to obtain the net carrying amount of the financial asset or liability. It takes account of estimated cash flows without taking account of future losses on loans, and includes commissions paid or received when these are treated as interest, as well as directly related transaction costs, and all premiums and discounts.

For securities, the amortized cost takes account of the amortization of premiums and discounts, as well as acquisition costs, if significant. Purchases and sales of securities are recognized at the settlement date.

The income received is booked in the income statement under "Interest and similar income".

Commissions received or paid, which are directly linked to the arrangement of a loan and are treated as a component of interest, are spread over the term of the loan using the effective interest rate method and are booked to the income statement under interest items.

Commissions received in connection with the commercial renegotiation of loans are recognized over more than one period.

Loan restructuring due to a borrowers' financial problems – as defined by the European Banking Authority – has been integrated in the IT 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. It corresponds to the net present value of future cash flows estimated using a zero-coupon yield curve that includes an issuer cost inherent to the debtor.

Financial assets at fair value through other comprehensive income

Since the group does not sell its loans, this category solely consists of securities. They are recognized at fair value in the balance sheet at the time of their acquisition, on the settlement date and at subsequent reporting dates until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account, excluding accrued income. These unrealized gains or losses recognized in equity are only transferred to the income statement in the event of their disposal or impairment (see Section 3.1.7 "Derecognition of financial assets and liabilities" and 3.1.8 "Measurement of credit risk").

Income accrued or received is recognized in profit or loss under "Interest and similar income", using the effective interest method.

Financial assets at fair value through profit or loss

These are recognized at fair value upon their initial recognition in the balance sheet and at subsequent reporting dates until their disposal. (see Section 3.1.7 "Derecognition of financial assets and liabilities"). As from January 1, 2018, income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). Before, this interest was recognized under "Net gains/(losses) on financial instruments at fair value through profit or loss". This change was made for the sake of consistency with certain regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on interest received and paid.

Purchases and sales of securities measured at fair value through profit or loss are recognized on the settlement date. Changes in fair value between the transaction date and the settlement date are recognized in profit or loss.

3.1.1.2 Equity instruments acquired

Equity instruments acquired (shares, in particular) are classified as follows:

- 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.

Financial assets at fair value through other comprehensive income

Shares and other equity instruments are recognized in the balance sheet at their fair value at the time of their acquisition and at subsequent reporting dates until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account. These unrealized or deferred gains and losses booked to equity are never recognized in the income statement, even when they are sold (see Section 3.1.7 "Derecognition of financial assets and liabilities"). Only dividends received on variable-income securities are recognized in the income statement, under "Net gains/(losses) on financial assets at fair value through other comprehensive income".

Purchases and sales of securities are recognized at the settlement date.

Financial assets at fair value through profit or loss

Equity instruments are recognized in the same way as debt instruments at fair value through profit or loss.

3.1.2 Classification and measurement of financial liabilities

Financial liabilities are classified in one of the following two categories:

- financial liabilities measured at fair value through profit or loss
  - those incurred for trading purposes including, by default, derivatives with a negative fair value which do not qualify as hedging instruments; and
  - non-derivative financial liabilities that the group originally classified as measured at fair value through profit or loss (fair value option). These include:
    - financial instruments containing one or more separable embedded derivatives,
    - instruments for which the accounting treatment would be inconsistent with that applied to another related instrument, were the fair value option not applied,
    - instruments belonging to a pool of financial assets measured and managed at fair value;
- Financial liabilities at amortized cost.

These consist of other non-derivative financial liabilities. These include amounts due to customers and to credit institutions, debt securities (certificates of deposit, interbank market securities, bonds, etc.), as well as dated and undated subordinated debt for which measurement at fair value through profit or loss was not opted for.

Subordinated debt is separated from other debt securities since, in the event of liquidation of the debtor's assets, it is repaid only after claims by other creditors have been extinguished. Debt securities include the non-preferred senior debt instruments created by the Sapin II law.

These liabilities are initially recognized at fair value in the balance sheet. At subsequent reporting dates, they are measured at amortized cost using the effective interest rate method. The initial fair value of issued securities is their issue price less transaction costs, where applicable.

Regulated savings contracts

Liabilities at amortized cost include mortgage savings accounts ("CEL") and mortgage savings plans ("PEL"). These are government-regulated retail products sold in France to natural persons. In the initial savings phase, account holders receive interest on amounts paid into these accounts, which subsequently entitle them to a mortgage loan (second phase). They generate two types of obligation for the distributing establishment:

- an obligation to pay interest on paid-in amounts at a fixed rate (in the case of PEL accounts only, as interest on CEL accounts is regularly revised on the basis of an indexation formula and is therefore treated as variable-rate interest);
- an obligation to grant loans to customers under predetermined terms (both PEL and CEL).

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data. A provision is recognized in liabilities to cover the future costs relating to the risk that the terms of such products may be potentially unfavorable to the bank, compared to the interest rates offered by the bank to individual customers on similar, but non-regulated, products. This approach is managed based on generations of regulated PEL and CEL savings products with similar characteristics. The impact on income is included in interest paid to customers.

3.1.3 Debt-equity distinction

Financial instruments issued by the group are classified as debt instruments in the group's accounts when the group has a contractual obligation to deliver cash to holders of the instruments. Such is the case with subordinated notes issued by the group.

3.1.4 Foreign currency transactions

Financial assets and liabilities denominated in a currency other than the local currency are translated at the exchange rates prevailing on the balance sheet date.

Monetary financial assets and liabilities

Foreign currency gains and losses on the translation of such items are recognized in the income statement under "Net gains/(losses) on portfolio at fair value through profit or loss".

Non-monetary financial assets and liabilities

Foreign exchange gains or losses arising from such translations are recognized in the income statement under "Net gains/(losses) on portfolio at fair value through profit or loss" if measured at fair value through profit or loss, or recognized under "Unrealized or deferred capital gains/(losses)" if they are financial assets measured at fair value through other comprehensive income.

3.1.5 Derivatives and hedge accounting

IFRS 9 allows entities to choose, on first-time application, whether to apply the new provisions concerning hedge accounting or to retain those of IAS 39.

The group has elected to continue to apply the provisions of IAS 39. However, in accordance with IFRS 7 (revised), additional information on the management of risks and the impacts of hedge accounting on the financial statements is provided in the notes or in the management report.

Moreover, the provisions of IAS 39 concerning the fair value hedge of interest rate risk associated with a portfolio of financial assets or financial liabilities, as adopted by the European Union, continue to apply.

Derivatives are financial instruments which have the following three characteristics:

- their value fluctuates with the change in the underlying items (interest rates, exchange rates, share prices, indices, commodities, credit ratings, etc.);
- their initial cost is low or nil;
- their settlement takes place at a future date.

All derivatives are carried at fair value under financial assets or financial liabilities. They are recognized by default as trading instruments unless they can be classified as hedging instruments.

3.1.5.1 Determining the fair value of derivatives

Most over-the-counter derivatives, swaps, forward rate agreements, caps, floors and vanilla options are valued using standard, generally accepted models (discounted cash flow method, Black and Scholes model, interpolation techniques), based on observable market data such as yield curves. The valuations given by these models are adjusted to take into account the liquidity risk and the credit risk associated with the instrument or parameter concerned, and specific risk premiums intended to offset any additional costs resulting from a dynamic management strategy associated with the model in certain market conditions, as well as the counterparty risk captured by the positive fair value of over-the-counter derivatives. The latter includes the own counterparty risk present in the negative fair value of over-the-counter derivatives.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

Derivatives are recognized as financial assets when their market value is positive and as financial liabilities when their market value is negative.

3.1.5.2 Classification of derivatives and hedge accounting

Derivatives classified as financial assets or financial liabilities at fair value through profit or loss

By default, all derivatives not designated as hedging instruments under IFRS are classified as "financial assets or financial liabilities at fair value through profit or loss", even if they were contracted for the purpose of hedging one or more risks.

– Embedded derivatives

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, meets the definition criteria for a derivative. It has the effect, notably, of changing certain cash flows in the same way as a stand-alone derivative.

The derivative is detached from the host contract and recognized separately as a derivative instrument at fair value through profit or loss only if all of the following conditions are satisfied:

- it meets the definition of a derivative;
- the hybrid instrument hosting the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics of the derivative and the associated risks are not considered as being closely related to those of the host contract;
- separate measurement of the embedded derivative is sufficiently reliable to provide relevant information.

Under IFRS 9, only embedded derivatives relating to financial liabilities may be separated from the host contract to be recognized separately.

– Recognition

Realized and unrealized gains and losses are recognized in the income statement under "Net gains/(losses) on financial instruments at fair value through profit or loss".

Hedge accounting

– Risks hedged

In its accounts, the group only recognizes interest rate risk through micro-hedging, or on a broader scope through macro-hedging.

Micro-hedging is partial hedging of the risks incurred by an entity on its assets and liabilities. It specifically applies to one or more assets or liabilities for which the entity covers the risk of an unfavorable change in a type of risk, through derivatives.

Macro-hedging aims to cover all of the group's assets and liabilities against any unfavorable changes, particularly in interest rates.

The overall management of the interest rate risk is described in the management report, along with the management of all other risks (foreign exchange, credit, etc.) that may be hedged through the natural backing of assets to liabilities or the recognition of trading derivatives.

Micro-hedging is particularly done through asset swaps, usually in the aim of transforming fixed-rate instruments into variable-rate instruments.

Three types of hedging relationship are possible. The choice of the hedging relationship depends on the nature of the risk being hedged.

- A fair value hedge hedges the exposure to changes in the fair value of financial assets or financial liabilities.
- A cash flow hedge is a hedge of the exposure to variability in cash flows relating to financial assets or financial liabilities, firm commitments or forward transactions.
- The hedging of net investments in foreign currencies is recognized in the same way as cash flow hedging. The group has not used this form of hedging.

Hedging derivatives must meet the criteria stipulated by IAS 39 to be designated as hedging instruments for accounting purposes. In particular:

- the hedging instrument and the hedged item must both qualify for hedge accounting;
- The relationship between the hedged item and the hedging instrument must be documented formally immediately upon inception of the hedging relationship. This documentation sets outs the risk management objectives determined by management, the nature of the risk hedged, the underlying strategy, and the methods used to measure the effectiveness of the hedge.
- The effectiveness of the edge must be demonstrated upon inception of the hedging relationship, subsequently throughout its life, and at the very least at each balance sheet date. The ratio of the change in value or gain/loss on the hedging instrument to that of the hedged item must be within a range of 80% to 125%.

Where applicable, hedge accounting is discontinued prospectively.

– Fair value hedge of identified financial assets or liabilities

In a fair value hedging relationship, derivatives are remeasured at fair value through profit or loss under "Net gains/(losses) on financial instruments at fair value through profit or loss" symmetrically with the remeasurement of the hedged items to reflect the hedged risk. This rule also applies if the hedged item is recognized at amortized cost or is a debt instrument classified under "Financial assets at fair value through other comprehensive income". Changes in the fair value of the hedging instrument and the hedged risk component offset each other partially or totally; only the ineffective portion of the hedge is recognized in profit or loss. It may be due to:

- the "counterparty risk" component integrated in the value of the derivatives;
- the different value curve between the hedged items and hedging instruments. Indeed, swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve.

The portion corresponding to the rediscounting of the derivative financial instrument is recognized in the income statement under "Interest income/(expense)". The same treatment is applied to the interest income or expense relating to the hedged item.

If the hedging relationship is interrupted or the effectiveness criteria are not met, hedge accounting is discontinued on a prospective basis. The hedging derivatives are transferred to "Financial assets or financial liabilities at fair value through profit or loss" and are accounted for in accordance with the principles applicable to this category. The carrying amount of the hedged item is subsequently no longer adjusted to reflect changes in fair value. In the case of interest rate instruments initially identified as hedged, the remeasurement adjustment is amortized over their remaining life. If the hedged item has been derecognized in the balance sheet, due notably to early repayment, the cumulative adjustments are recognized immediately in the income statement.

– Macro-hedging derivatives

The group has availed itself of the possibilities offered by the European Commission as regards accounting for macro-hedging transactions. In fact, the changes made by the European Union to IAS 39 (carve-out) allow the inclusion of customer demand deposits in portfolios of hedged fixed-rate liabilities with no measurement of ineffectiveness in case of under-hedging. Demand deposits are included based on the run-off rules defined for asset-liability management purposes.

For each portfolio of fixed-rate financial assets or liabilities, the maturity schedule of the hedging derivatives is reconciled with that of the hedged items to ensure that there is no over-hedging.

The accounting treatment of fair value macro-hedging derivatives is similar to that used for fair value hedging derivatives.

Changes in the fair value of the hedged portfolios are recorded in the balance sheet under "Remeasurement adjustment on interest-rate hedged portfolios", the counterpart being an income statement line item.

– Cash flow hedges

In the case of a cash flow hedging relationship, derivatives are remeasured at fair value in the balance sheet, with the effective portion recognized in equity. The portion considered as ineffective is recognized in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss".

Amounts recognized in shareholders' equity are reclassified to profit or loss under "Interest income/(expense)" at the same time as the cash flows attributable to the hedged item affect profit or loss.

The hedged items continue to be recognized in accordance with the rules specific to their accounting category. If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued. The cumulative amounts recorded in shareholders' equity for the remeasurement of the hedging derivative are maintained in shareholders' equity until such time as the hedged transaction itself impacts profit or loss or until the transaction is no longer expected to occur. At this point, said amounts are transferred to profit or loss.

If the hedged item no longer exists, the cumulative amounts recorded in equity are immediately transferred to profit or loss.

3.1.6 Financial guarantees and financing commitments

Financial guarantees are treated like an insurance policy when they provide for specified payments to be made to reimburse the holder for a loss incurred because a specified debtor fails to make payment on a debt instrument on the due date.

In accordance with IFRS 4, such financial guarantees continue to be measured using French accounting standards, i.e. they are treated as off-balance sheet items, until such time as the current standards are revised. Accordingly, they are subject to a provision for liabilities if an outflow of resources is likely.

By contrast, financial guarantees that provide for payments in response to changes in a financial variable (price, credit rating, index, etc.) or a non-financial variable (provided that this variable is not specific to one of the parties to the agreement) fall within the scope of IFRS 9. These guarantees are thus treated as derivatives.

Financing commitments that are not considered as derivatives within the meaning of IFRS 9 are not shown on the balance sheet. However, they give rise to provisions in accordance with the requirements of IFRS 9.

3.1.7 Derecognition of financial assets and liabilities

The group partly or fully derecognizes a financial asset (or a group of similar assets) when the contractual rights to the asset's cash flows expire (in the case of commercial renegotiation), or when the group has transferred the contractual rights to the financial asset's cash flows, as well as most of the risks and advantages linked with ownership of the asset.

Upon derecognition of:

- a financial asset or liability at amortized cost or at fair value through profit or loss: a gain or loss on disposal is recognized in the income statement in an amount equal to the difference between the carrying amount of the asset or liability and the amount of the consideration received/paid;
- a debt instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under equity are taken to the income statement, as well as any capital gains/losses on disposal;
- an equity instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under other comprehensive income, as well as any capital gains/losses on disposal are recognized in consolidated reserves without going through the income statement.

The group derecognizes a financial liability when the contractual obligation is extinguished, is canceled or expires. A financial liability may also be derecognized in the event of a material change in its contractual terms and conditions, or an exchange with the lender for an instrument whose contractual terms and conditions are substantially different.

3.1.8 Measurement of credit risk

The IFRS 9 impairment model is based on an "expected credit loss" approach while that of IAS 39 was based on an "incurred credit losses", for which the accounting of credit losses at the time of the financial crisis was considered too little too late.

Under the IFRS 9 model, financial assets for which no objective evidence of impairment exists on an individual basis are impaired on the basis of observed losses as well as reasonable and justifiable future cash flow forecasts.

The IFRS 9 impairment model thus applies to all debt instruments measured at amortized cost or at fair value through other comprehensive income, as well as to financing commitments and financial guarantees. These are divided into 3 categories:

- Status 1 – non-downgraded performing loans: provisioning on the basis of 12-month expected credit losses (resulting from default risks over the following 12 months) as from initial recognition of the financial assets, provided that the credit risk has not increased significantly since initial recognition;
- Status 2 – downgraded performing loans: provisioning on the basis of the lifetime expected credit losses (resulting from default risks over the entire remaining life of the instrument) if the credit risk has increased significantly since initial recognition; and
- Status 3 – non-performing loans: category comprising the financial assets for which there is objective evidence of impairment related to an event that has occurred since the loan was granted. 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.

3.1.8.1 Governance

As a subsidiary of Crédit Mutuel Alliance Fédérale, CIC group has the same organizational structure as the Crédit Mutuel's other regional groups.

The models for compartment allocation, forward-looking scenarios, and parameter calculation methods constitute the methodological basis for impairment calculations. They are validated at the group's top level and are applicable to all entities according to the portfolios involved. The entire methodological base and any subsequent modification in terms of method, weighting of the scenarios, parameter calculation or provision calculation must be validated by the Crédit Mutuel group's governance bodies.

These bodies consist of the Supervisory and Executive Board as defined by Article 10 of the French Decree of November 3, 2014 relative to internal control. Given the specificities of the Crédit Mutuel group's decentralized organizational structure, the supervisory and executive bodies are divided into two levels – the national level and the regional level.

The principle of subsidiarity, applied across the Crédit Mutuel group, governs the breakdown of roles between national and regional levels, both on a project basis and for the ongoing implementation of the asset impairment calculation methodology.

At the national level, the Basel 3 Working group approves the national procedures, models and methodologies to be applied by the regional groups.

At the regional level, regional groups are tasked with the calculation of the IRFS 9 provisions within their entities, under the responsibility and control of their respective executive and supervisory bodies.

3.1.8.2 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, specialized financing. These portfolios are composed of products such as operating loans, short-term operating loans, current accounts, etc.
- high default portfolios (HDP) for which the default data is sufficient to establish a statistical rating model: mass corporate and retail. These portfolios include products such as home loans, consumer credit, revolving loans, current accounts, etc.

A significant increase in credit risk, which entails transferring a loan out of Status 1 into Status 2, is assessed by:

- taking into account all reasonable and justifiable information; and
- comparing the risk of default on the financial instrument at the reporting date with the risk of default at the initial recognition date.

For the group, this involves measuring the risk at the level of the borrower, where the counterparty rating system is common to the entire group. All of 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, using a selection of representative and predictive risk variables (HDP); or
- manual rating grids developed by experts (LDP).

The 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 of the customer's outstanding loans or those of related parties (absence of contagion).

It should be noted that the group immediately puts back into Status 1 any sound exposure that no longer meets the qualitative and quantitative criteria for its transfer to 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. Thus, the riskier the rating at origination, the lower the group's relative tolerance to a significant risk deterioration.

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 this quantitative data, the group uses qualitative criteria such as payments not made or overdue by more than 30 days, the notion of restructured loans, etc.

Methods based exclusively on qualitative criteria are used for entities or small portfolios that are classified for prudential purposes under the standardized approach and do not have a rating system.

3.1.8.3 Statuses 1 and 2 – Calculating expected credit losses

Expected credit losses are measured by multiplying the outstanding amount of the loan at the contract rate by its probability of default (PD) and by the loss given default (LGD). The off-balance-sheet exposure is converted into a balance sheet equivalent based on the probability of a drawdown. The one-year probability of default is used for Status 1, while the probability of default at termination (1 to 10 year curve) is used for Status 2.

These parameters are based on the same values as prudential models and adapted to meet IFRS 9 requirements. They are used both for assigning loans to a status and for calculating expected losses.

Probability of default

This is based:

- for high default portfolios, on the models approved under the IRB-A approach;
- for low default portfolios, on an external probability of default scale based on a history dating back to 1981.

Loss given default

This is based:

- for high default portfolios, on the collection flows observed over a long period of time, discounted at the interest rates of the contracts, segmented according to types of products and types of guarantees;
- for low default portfolios, on fixed ratios (60% for sovereigns and 40% for the rest).

Conversion factors

For all products, including revolving loans, they are used to convert off-balance-sheet exposure to a balance sheet equivalent and are mainly based on prudential models.

Forward-looking aspect

To calculate expected credit losses, the standard requires taking reasonable and justifiable information into account, including forward-looking information. 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. The group mainly relies on macroeconomic data (GDP, unemployment rate, inflation rate, short-term and long-term interest rates, etc.) available from the OECD. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

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

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

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

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

3.1.8.4 Status 3 – Non-performing loans

In Status 3, impairment is recognized whenever there is objective proof of impairment due to one or more events occurring after a loan or group of loans have been made that might generate a loss. An analysis is done at each closing contract by contract. The impairment is equal to the difference between the carrying amount and the estimated future cash flows, allowing for collateral or other guarantees, present-discounted at the interest rate of the original loan. In the event of a variable rate, it is the most recent contractual rate that is booked.

3.1.8.5 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.

3.1.8.6 Recognition

Impairment charges and provisions are recorded in "Net provision allocations/reversals for loan losses". Reversals of impairment charges and provisions are recorded in "Net provision allocations/reversals for loan losses" for the portion relating to the change in risk and in "Net interest" for the portion relating to the passage of time. For loans and receivables, impairment is deducted from assets, and for financing and guarantee commitments, the provision is recorded in liabilities under "Provisions" (see Sections 3.1.6 "Financial guarantees and financing commitments" and 3.3.2 "Provisions"). For assets at fair value through other comprehensive income, the counter-entry for impairments recognized under "Net provision allocations/reversals for loan losses" is booked to "Unrealized or deferred gains and losses".

Loan losses are written off and the corresponding impairments and provisions are reversed.

3.1.9 Determination of fair value of financial instruments

Fair value is the amount for which an asset could be sold, or a liability transferred, between knowledgeable willing parties in an arm's length transaction.

The fair value of an instrument upon initial recognition is generally its transaction price.

The fair value must be calculated for subsequent measurements. The calculation method to be applied varies depending on whether the instrument is traded on a market deemed to be active or not.

3.1.9.1 Financial instruments traded in an active market

When financial instruments are traded in an active market, fair value is determined by reference to their quoted price as this represents the best possible estimate of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available (from a stock exchange, dealer, broker or pricing service), and those prices represent actual market transactions regularly occurring on an arm's length basis.

3.1.9.2 Financial instruments not traded in an active market

Observable market data are used provided they reflect the reality of a transaction at arm's length on the valuation date and there is no need to make an excessive adjustment to said value. In other cases, the group uses non-observable data (mark-to-model).

When observable data is not available or when market price adjustments require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, comprising adjustments linked to the risks the market would factor in. Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

In all cases, adjustments are made by the group in a reasonable and appropriate manner, based on judgment.

3.1.9.3 Fair value hierarchy

A three-level hierarchy is used for fair value measurement of financial instruments:

- level 1: quoted prices in active markets for identical assets or liabilities; this notably concerns debt securities quoted by at least three contributors, and derivatives quoted on an organized market;
- level 2: data other than the level 1 quoted prices, which are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. data derived from prices). Included, in particular, in level 2 are interest rate swaps whose fair value is generally determined with the help of yield curves based on market interest rates observed at the end of the reporting period;

- level 3: data relating to the asset or liability that are not observable market data (non-observable data). The main constituents of this category are investments in non-consolidated companies held in venture capital entities or otherwise and, in the capital markets activities, debt securities quoted by a single contributor and derivatives using mainly non-observable parameters. The instrument is classified at the same hierarchical level as the lowest level of the input having an important bearing on fair value considered as a whole. Given the diversity and volume of the instruments measured at level 3, the sensitivity of the fair value to a change in parameters would be immaterial.

3.2 Non-financial instruments

3.2.1 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Ownership may or may not eventually be transferred.

An operating lease is any lease that is not a finance lease.

3.2.1.1 Finance leases – lessor accounting

In accordance with IAS 17, finance lease transactions with non-group companies are reported in the consolidated balance sheet at their financial accounting amount.

In the lessor's financial statements, the analysis of the economic substance of the transaction results in:

- the recognition of a financial receivable due from the customer, reduced in line with the lease payments received;
- the breakdown of the lease payments received between interest and principal repayment, known as financial amortization;
- the recognition of a net latent reserve, equal to the difference between:
  - the net financial outstanding amount, being the debt of the lessee in the form of the outstanding principal and the interest accrued at the end of the financial year,
  - the net carrying amount of the leased assets,
  - the deferred tax provision.

Credit risk related to financial receivables is measured and recognized under IFRS 9 (see Section 3.1.8. "Measurement of credit risk").

3.2.1.2 Finance leases – lessee accounting

In accordance with IAS 17, the fixed assets concerned are recorded on the balance sheet as assets and the borrowing from credit institutions is recorded as a liability. Lease payments are broken down between interest expense and repayment of principal.

3.2.2 Provisions

Provisions and reversals of provisions are classified by type under the corresponding item of income or expenditure.

A provision is recognized whenever it is probable that an outflow of resources representing economic benefits will be necessary to extinguish an obligation arising from a past event and when the amount of the obligation can be estimated accurately. Where applicable, the net present value of this obligation is calculated to determine the amount of the provision to be set aside.

The provisions constituted by the group cover, in particular:

- operating risks;
- employee obligations (see Section 3.2.3 "Employee benefits");
- execution risk on signature commitments;
- litigation risk and guarantee commitments given;
- tax risks;
- risks related to home savings (see Section 3.1.2 "Classification and measurement of financial liabilities").

3.2.3 Employee benefits

Where applicable, provisions in respect of employee obligations are recognized under "Provisions". Any movements in this provision are recognized in the income statement under "Employee benefits expense" except for the portion resulting from actuarial gains/(losses), which is recognized in unrealized or deferred gains and losses, under equity.

3.2.3.1 Post-employment defined benefit plans

These comprise retirement, early retirement and supplementary retirement plans under which the group has a formal or implicit obligation to provide employees with pre-defined benefits.

These obligations are calculated using the projected unit credit method, which involves allocating entitlement to benefits to periods of service by applying the contractual formula for calculating plan benefits. Such entitlements are then discounted using demographic and financial assumptions such as:

- a discount rate, determined by reference to the long-term rate on private-sector borrowings consistent with the term of the commitments;
- the salary increase rate, assessed in accordance with age brackets and employee categories;
- inflation rates, estimated by comparing French treasury bond rates and inflation-linked French treasury bond rates at different maturities;
- staff turnover rates, determined by age bracket, using the three-year average for the ratio of resignations and dismissals relative to the year-end number of employees under permanent contracts;
- retirement age: estimated on a case-by-case basis using the actual or estimated date of commencement of full-time employment and the assumptions set out in the law reforming pensions, with a ceiling set at 67 years of age;
- the INSEE TH/TF 00-02 life expectancy table.

Differences arising from changes in these assumptions and from differences between previous assumptions and actual experience constitute actuarial gains or losses. When the plan is funded by assets, these are measured at fair value and recognized in the income statement for their expected yield. Differences between actual and expected yields also constitute actuarial gains or losses.

Actuarial gains and losses are recognized in equity, within unrealized or deferred gains and losses. Any plan curtailments or terminations generate a change in the obligation, which is recognized in the income statement when it occurs.

In France, retirement benefits in the group's banks are at least 60% covered by insurance from ACM Vie – an insurance company which is part of the Crédit Mutuel group and is consolidated under the equity method.

3.2.3.2 Supplementary pensions covered by pension funds

The AFB transitional agreement dated September 13, 1993 modified the banking industry pension schemes. Since January 1, 1994, the banks have been under the government-sponsored Arrco and Agirc schemes. The four pension funds to which the group's banks contributed were merged. They pay the various benefits covered by the transitional agreement. In the event that fund assets are not sufficient to cover these benefit obligations, the banks are required to make additional contributions. The average contribution rate for the next ten years is capped at 4% of the payroll. The pension fund resulting from the mergers was converted into an IGRS (a French supplementary pension management institution), in 2009. It does not have an asset shortfall.

3.2.3.3 Post-employment defined contribution plans

group entities contribute to various retirement plans managed by independent organizations, to which they have no formal or implicit obligation to make supplementary payments in the event, notably, that the fund's assets are insufficient to meet its commitments.

Since such plans do not represent a commitment for the group they are not subject to a provision. The charges are recognized in the period in which the contribution is due.

3.2.3.4 Other long-term benefits

These represent benefits other than post-employment benefits and termination benefits expected to be paid more than 12 months after the end of the fiscal year in which the staff rendered the corresponding service. They include, for example, long-service awards.

The group's commitment in respect of other long-term benefits is measured using the projected unit credit method. However, actuarial gains and losses are recognized immediately in profit or loss.

Commitments in respect of long-service awards give rise to a provision.

3.2.3.5 Termination benefits

These are benefits granted by the group when an employment contract is terminated before the usual retirement age or following the employee's decision to leave the group voluntarily in exchange for an indemnity.

The related provisions are discounted if payment is expected to take place more than 12 months after the reporting date.

3.2.3.6 Short-term benefits

These are benefits, other than termination benefits, payable within the 12 months following the reporting date. They include salaries, social security contributions and certain bonuses.

A charge is recognized in respect of short-term benefits in the period in which the services giving rise to the entitlement to the benefit are provided to the entity.

3.2.4 Non-current assets

Non-current assets reported on the balance sheet include property, plant and equipment and intangible assets used in operations as well as investment property. Operating assets are used for the production of services or for administrative purposes. Investment property consists of real estate assets held to generate rental income and/or capital gains. The historical cost method is used to recognize both operating and investment properties.

Non-current assets are initially recognized at acquisition cost plus any directly attributable costs necessary to make them operational and usable.

They are subsequently measured at amortized historical cost, i.e. their cost less accumulated depreciation and any impairment.

When a non-current asset comprises several components likely to be replaced at regular intervals, with different uses or providing economic benefits over differing lengths of time, each component is recognized separately from the outset and is depreciated or amortized in accordance with its own depreciation schedule. This component-based approach is applied to both operating and investment properties.

The depreciable or amortizable amount of a non-current asset is determined after deducting its residual value, net of disposal costs. As the useful life of non-current assets is generally equal to their expected economic life, no residual value is recognized.

Non-current assets are depreciated or amortized over their estimated useful life at rates reflecting the estimated consumption of the assets' economic benefits by the entity. Intangible assets with an indefinite useful life are not amortized.

Depreciation and amortization charges on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement.

Depreciation charges on investment property are recognized under "Expenses on other activities" in the income statement.

The following depreciation and amortization periods are used:

Property, plant and equipment:

- Land and network improvements: 15-30 years
- Buildings – shell: 20-80 years (depending on type of building)
- Buildings – equipment: 10-40 years
- Fixtures and fittings: 5-15 years
- Office furniture and equipment: 5-10 years
- Safety equipment: 3-10 years
- Rolling stock: 3-5 years
- Computer equipment: 3-5 years

Intangible assets:

- Software purchased or developed in-house: 1-10 years
- Business goodwill acquired: 9-10 years (if customer contract portfolio acquired)

Depreciable and amortizable assets are tested for impairment when evidence exists at the reporting date that the items may be impaired. Non-amortizable non-current assets such as lease rights are tested for impairment once a year.

If evidence of impairment is found, the asset's recoverable amount is compared with its net carrying amount. If the asset is found to be impaired, an impairment loss is recognized in the income statement, and the depreciable amount is adjusted prospectively. Impairment losses are reversed if there is an improvement in the estimated recoverable amount or there is no longer any evidence of impairment. The net carrying amount following the reversal of an impairment provision cannot exceed the net carrying amount that would have been calculated if no impairment had been recognized.

Impairment charges and reversals on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating non-current assets" in the income statement.

Impairment charges and reversals on investment property are recognized in the income statement under "Expenses on other activities" and "Income from other activities", respectively.

Capital gains or losses on disposals of operating assets are recorded in the income statement on the line "Net gains/(losses) on other assets".

Gains and losses on disposals of investment property are shown in the income statement under "Income from other activities" or "Expenses on other activities".

The fair value of investment property is disclosed in the notes to the financial statements at the end of each reporting period. It is based on the buildings' market value as appraised by independent valuers (Level 2).

3.2.5 Fees and commissions

Fees and commissions in respect of services are recorded as income and expenses according to the nature of the services involved.

Fees and commissions linked directly to the grant of a loan are spread using the effective interest method.

Fees and commissions remunerating a service provided on a continuous basis are recognized over the period during which the service is provided.

Fees and commissions remunerating a significant service are recognized in full in the income statement upon execution of the service.

3.2.6 Income tax expense

The income tax expense includes all tax, both current and deferred, payable in respect of the income for the period under review.

The income tax payable is determined in accordance with applicable tax regulations.

The Territorial Economic Contribution (*Contribution économique territoriale* – CET), which is composed of the Business Real Estate Contribution (*Cotisation foncière des entreprises* – CFE) and the Business Contribution on Added Value (*Cotisation sur la valeur ajoutée des entreprises* – CVAE), is treated as an operating expense and, accordingly, the group does not recognize any deferred taxes in the consolidated financial statements.

Deferred tax

As required by IAS 12, deferred taxes are recognized in respect of temporary differences between the carrying amount of an asset or liability on the consolidated balance sheet and its taxable value, with the exception of goodwill.

Deferred taxes are calculated using the liability method, applying the income tax rate known at the end of the fiscal year and applicable to subsequent years.

Deferred tax assets net of deferred tax liabilities are recognized only when there is a high probability that they will be utilized. Current or deferred tax is recognized as income or a charge, except for that relating to unrealized or deferred gains or losses recognized in equity, for which the deferred tax is allocated directly to equity.

Deferred tax assets and liabilities are netted if they arise in the same entity or in the same tax group, are subject to the same tax authority and there is a legal right to do so.

Deferred tax is not discounted.

3.2.7 Non-current assets classified as held for sale and discontinued operations

Non-current assets, or groups of assets, are classified as held for sale if they are available for sale and there is a high probability that their sale will take place within the next 12 months.

The related assets and liabilities are shown separately in the balance sheet, on the lines "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale". They are recognized at the lower of their carrying amount and their fair value less selling costs, and are no longer depreciated or amortized.

Any impairment loss on such assets and liabilities is recognized in the income statement.

Discontinued operations consist of businesses held for sale or which have been discontinued, or subsidiaries acquired exclusively with a view to resale. All gains and losses related to discontinued operations are shown separately in the income statement, on the line "Post-tax gain/(loss) on discontinued operations and assets held for sale".

3.3 Judgments and estimates used in the preparation of the financial statements

Preparation of the group's financial statements requires the use of assumptions for the purpose of the necessary measurements, which entails risks and uncertainties as to whether these assumptions will materialize in the future.

The future outcome of such assumptions may be influenced by several factors, in particular:

- the activities of national and international markets;
- fluctuations in interest rates and foreign exchange rates;
- economic and political conditions in certain business sectors or countries;
- regulatory and legislative changes.

Accounting estimates requiring the formulation of assumptions are mainly used for the measurement of the following:

- the fair value of financial instruments not quoted on an active market – the definition of a forced transaction and the definition of observable data require the exercise of judgment (see Section 3.1.9 "Determination of fair value of financial instruments");
- retirement plans and other future employee benefits;
- impairment of assets, in particular expected credit losses;
- provisions;
- impairment of intangible assets and goodwill;
- deferred tax assets.

4 Standards and interpretations adopted by the European Union and not yet applied

IFRS 16 – Leases

This new standard, which was published in early 2016 and adopted by the EU on October 31, 2017, will take effect on January 1, 2019. IFRS 16 will replace IAS 17 and the interpretations relating to lease accounting.

Under IFRS 16, for a contract to qualify as a lease, there must be both the identification of an asset and control by the lessee of the right to use said asset.

From the lessor's point of view, the impact is expected to be limited since the provisions adopted remain substantially the same as those of the current IAS 17.

For the lessee, operating leases and finance leases will be accounted for based on a single model, with recognition of:

- an asset representing the right to use the leased item during the lease term;
- offset by a liability in respect of the lease payment obligation;
- straight-line depreciation of the asset and an interest expense in the income statement using the diminishing balance method.

As a reminder, according to IAS 17, currently in force, no amount is recorded on the lessee's balance sheet for an operating lease and lease payments are shown under operating expenses.

In 2018, the group continued its analysis of the impacts of this standard, the practical details regarding first-time application and implementation in the information systems. The group has opted for the following:

- to apply the new lease definition to all current leases. Certain types of equipment will thus be excluded from the scope of application of IFRS 16, due to their substitutable nature (computer equipment in particular, except for a few significant leases that will be capitalized);

- the modified prospective approach and related simplification measures for first-time application. No impact on equity is expected at January 1, 2019;
- exemptions for short terms and low value (set at €5,000);
- failing a clear normative position on whether deferred tax should be taken into account or not, the group has decided to apply the IAS 12 exemptions and thus not to recognize deferred tax, pending a future IASB amendment in this regard.

The group also conducted a review of all its real estate and equipment leases (IT equipment, vehicle fleet, etc.). It will mainly capitalize its real estate leases using, on first application (for the leases not automatically renewed), their remaining life and the corresponding incremental borrowing rate applied to the rent (excluding taxes). Moreover, the group will follow the ANC position on commercial leases: any new lease of this type will be capitalized for a term of 9 years.

IFRIC 23 – Uncertainty over Income Tax Treatments

Published on June 7, 2017, the IFRIC interpretation "IFRIC 23 – Uncertainty over Income Tax Treatments" came into effect on January 1, 2019.

This text induces the presumption that the tax authority:

- will audit all amounts reported;
- has access to all required documentation and knowledge.

The entity must assess the probability that the tax authority will or will not accept the position opted for, and draw the relevant consequences on its taxable income, losses carried forward, unused tax credits and taxation rates. In the event of an uncertain tax position (i.e. it is likely that the tax authority will not accept the position opted for), the amounts payable are appraised on the basis of the most likely amount or the expected amount according to the method that reflects the best estimate of the amount to be paid or received.

At this stage, the group considers that the scope of application of IFRIC 23 is limited to income tax and that it will not lead to any change to the current practice. At present, a risk is recognized when a tax adjustment is made. Such an adjustment may concern the entity itself, a related entity, or a third entity.

5 Standards and interpretations not yet adopted by the European Union

These mainly concern IFRS 17 – Insurance Contracts.

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 liabilities, 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 increasing use of complex models and concepts similar to those of Solvency II.

NOTE 1b First-time application

RECLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES AND IMPACT OF IFRS 9 ON THEIR MEASUREMENT

		Financial assets at fair value through profit or loss		Hedging derivatives	Financial assets at FVOCI		Financial assets at amortized cost	
	Amount at 12/31/2017	Amount reclassified/ maintained	IFRS 9 impact	Amount reclassified/ maintained	Amount reclassified/ maintained	IFRS 9 impact	Amount reclassified/ maintained	IFRS 9 impact
Financial assets at fair value through profit or loss	14,415	14,415			0	0	0	0
■ Trading	11,730	11,730						
■ Equity instruments and debt	2,685	2,685			0	0		
■ Loans and advances	0	0						
Hedging derivatives	559			559				
Short-term investment financial assets	12,201	612	0	0	9,432	11	2,156	-1
■ Government securities, bonds and related securities	11,435	37			9,267	-18	2,130	-1
■ Shares and other variable-yield securities	207	191			16	0		
■ Investments in subsidiaries and associates and other long-term investments	559	384			149	29	26	
Loans and receivables due from credit institutions	23,405	0	0	0	0	0	23,405	-4
■ Loans – credit institutions	23,103	0					23,103	-4
■ Bonds and other fixed-income securities NC/ active market – EC	302	0			0		302	0
Loans and receivables due from customers	171,952	0	0	0	0	0	171,952	-365
■ Customer loans	171,643	0			0		171,643	-366
■ Bonds and other fixed-income securities NC/ active market – CL	309	0			0		309	1
Long-term investment financial assets	9	0			0		9	-2
Sundry debtors, reclassified	4,403						4,403	

		Financial liabilities at fair value through profit or loss	Due to credit institutions		Due to customers		Debt securities/ Subordinated debt	
	Amount at 12/31/2017	Amount reclassified/ maintained	Amount reclassified/ maintained	IFRS 9 impact	Amount reclassified/ maintained	IFRS 9 impact	Amount reclassified/ maintained	IFRS 9 impact
Financial liabilities at fair value through profit or loss	5,180	5,180						
Debt securities at amortized cost	21,762						21,762	0
Due to credit and similar institutions at amortized cost	68,451		68,451	0				
Amounts due to customers at amortized cost	144,134				144,134	0		
Subordinated debt at amortized cost	2,098						2,098	0
Sundry creditors, reclassified	1,206	1,196			10			

Guarantee deposits, which were recognized under "Sundry debtors/creditors" in 2017, were reclassified into "Loans – credit institutions", "Loans and receivables due from customers at amortized cost", "Due to credit institutions" and "Due to customers".

The notes to the financial statements affected by IFRS 9 – "Financial Instruments" present a comparison at January 1, 2018.

IMPACTS OF FIRST-TIME APPLICATION OF IFRS 9 BY TYPE

	Reported shareholders' equity
Effect of reclassifications at FVPL	0
Effect of reclassifications at FVOCI	18
Effect of reclassifications at amortized cost	-2
Reversal of collective impairment, IAS 39	149
Impairment S1	-241
Impairment S2	-377
Effect of deferred taxes	112
TOTAL	**-341**

FINANCIAL ASSETS AT FAIR VALUE RECLASSIFIED TO AMORTIZED COST

	Fair value at 12/31/2018	FV gain/loss recognized for the period without reclassification to OCI
Financial assets at FVOCI reclassified to assets at amortized cost	2,144	-34
■ Government securities and similar instruments	1,646	-223
■ Bonds and other fixed-income securities	498	189

NOTE 2a Consolidation scope

Newly consolidated company:

- Banque de Luxembourg Investments SA. This entity, which is a wholly-owned subsidiary of Banque de Luxembourg, had hitherto been excluded from the consolidation scope, as it did not meet the materiality criteria set out in Note 1 concerning accounting principles. The profit (loss) of Banque de Luxembourg Investments SA was included in the accounts of Banque de Luxembourg through fees and commissions. However, the coming into force of MIFID II in 2018 substantially modified the treatment of commissions between those two entities. In the aim of providing a better economic vision of the group, a decision was made in 2018 to consolidate Banque de Luxembourg Investments SA. The cumulative retained earnings of Banque de Luxembourg Investments SA, amounting to €18 million, were recognized in the income statement under "Gains/(losses) on other assets".

Merger:

- Absorption of Transatlantique Gestion by Dubly-Douilhet Gestion.

Name change:

- Dubly-Douilhet Gestion was renamed Dubly Transatlantique Gestion.

			12/31/2018			12/31/2017		
			Percentage			Percentage		
Companies	Currency	Country	Control	Interest	Method[1]	Control	Interest	Method[1]
Consolidating company: Crédit Industriel et Commercial – CIC								
CIC Grand Cayman (branch)(2)	USD	Cayman Islands	100	100	FC			
CIC Hong Kong (branch)	USD	Hong Kong	100	100	FC	100	100	FC
CIC London (branch)	GBP	UK	100	100	FC	100	100	FC
CIC New York (branch)	USD	United States	100	100	FC	100	100	FC
CIC Singapore (branch)	USD	Singapore	100	100	FC	100	100	FC
A. Banking network								
CIC Est		France (i)	100	100	FC	100	100	FC
CIC Lyonnaise de Banque		France (i)	100	100	FC	100	100	FC
CIC Nord Ouest (Northwest)		France (i)	100	100	FC	100	100	FC
CIC Ouest		France (i)	100	100	FC	100	100	FC
CIC Sud Ouest		France (i)	100	100	FC	100	100	FC
B. Subsidiaries of the banking network								
CM-CIC Asset Management		France	24	24	EM	24	24	EM
CM-CIC Bail		France (i)	100	100	FC	99	99	FC
CM-CIC Bail Spain (branch)		Spain	100	100	FC	100	99	FC
CM-CIC Épargne Salariale		France (i)	100	100	FC	100	100	FC
CM-CIC Factor		France (i)	95	95	FC	96	95	FC
CM-CIC Lease		France	54	54	FC	54	54	FC
CM-CIC Leasing Benelux		Belgium	100	100	FC	100	99	FC
CM-CIC Leasing GMBH		Germany	100	100	FC	100	99	FC
Gesteurop		France (i)	100	100	FC	100	100	FC
C. Corporate banking and capital markets								
Cigogne Management		Luxembourg	60	60	FC	60	60	FC
D. Private banking								
Banque CIC (Switzerland)	CHF	Switzerland	100	100	FC	100	100	FC
Banque de Luxembourg		Luxembourg	100	100	FC	100	100	FC
Banque de Luxembourg Investments SA		Luxembourg	100	100	FC			NC
Banque Transatlantique		France (i)	100	100	FC	100	100	FC
Banque Transatlantique London (branch)	GBP	UK	100	100	FC	100	100	FC

(1) Method: MER = merger; FC = full consolidation; EM = equity method; NC = non consolidated.

(2) Entity whose sole purpose is the refinancing of the New York branch through borrowing operations in dollars from money market funds.

(3) Based on the consolidated financial statements. GACM merged with NEA in the first half of 2018. With this merger, the group's stake in GACM was reduced from 21% to 18%. The impact of this dilution, amounting to €56 million, was recognized in the income statement under "Share in net profit/(loss) of equity consolidated companies".

(i) = Members of the tax consolidation group set up by CIC.

			12/31/2018			12/31/2017		
			Percentage			Percentage		
Companies	Currency	Country	Control	Interest	Method[1]	Control	Interest	Method[1]
Banque Transatlantique Belgium		Belgium	100	100	FC	100	100	FC
Banque Transatlantique Luxembourg		Luxembourg	100	100	FC	100	100	FC
Dubly Transatlantique Gestion		France (i)	100	100	FC	100	100	FC
Transatlantique Gestion		France			MER	100	100	FC
E. Private equity								
CM-CIC Capital		France (i)	100	100	FC	100	100	FC
CM-CIC Conseil		France (i)	100	100	FC	100	100	FC
CM-CIC Innovation		France	100	100	FC	100	100	FC
CM-CIC Investissement		France (i)	100	100	FC	100	100	FC
CM-CIC Investissement SCR		France	100	100	FC	100	100	FC
F. Structure and logistics								
CIC Participations		France (i)	100	100	FC	100	100	FC
G. Insurance companies								
Adepi		France (i)	100	100	FC	100	100	FC
Groupe des Assurances du Crédit Mutuel (GACM)(3)		France	18	18	EM	21	21	EM

(1) Method: MER = merger; FC = full consolidation; EM = equity method; NC = non consolidated.

(2) Entity whose sole purpose is the refinancing of the New York branch through borrowing operations in dollars from money market funds.

(3) Based on the consolidated financial statements. GACM merged with NEA in the first half of 2018. With this merger, the group's stake in GACM was reduced from 21% to 18%. The impact of this dilution, amounting to €56 million, was recognized in the income statement under "Share in net profit/(loss) of equity consolidated companies".

(i) = Members of the tax consolidation group set up by CIC.

Information on the group's presence and activities in non-cooperative countries and territories included in the list established by the Order of April 8, 2016:

- the group has no operations that meet the criteria defined by the Order of October 6, 2009.

Pursuant to ANC Regulation 2016-09, the full list of controlled entities, jointly controlled entities, and entities over which significant influence is exercised but which are not consolidated due to the fact that they are not material to the group's financial statements, and the list of investments in non-consolidated companies are available in the Regulated Information section of the following website: https://www.cic.fr/fr/institutionnel/actionnaires-et-investisseurs/information-reglementee.html

Information on entities included in the consolidation scope

Under Article L.511-45 of the French Monetary and Financial Code, credit institutions are required to publish information on their presence and activities in each state or territory.

The table above providing information on the consolidation scope shows the country in which each entity is located.

Country	Net banking income	Income (loss) before tax	Current tax	Deferred tax	Other tax	Public subsidies	Workforce
Germany	4	2	0	0	0		4
Belgium	18	8	-3	0	-1		44
Spain	2	0	0	0	0		5
United States	118	68	-8	-4	-10		87
France	4,345	1,602	-438	-4	-739		18,281
Hong Kong	7	2	0	0	0		13
Cayman Islands	0	0	0	0	0		0
Luxembourg	318	127	-31	2	-27		910
UK	38	18	2	0	-4		68
Singapore	46	29	-3	0	-4		132
Switzerland	125	33	-6	-1	-11		338
TOTAL	**5,021**	**1,889**	**-487**	**-7**	**-796**		**19,882**

NOTE 2b Fully consolidated entities with significant non-controlling interests

12/31/2018	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities*			
	Percentage of interest	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	OCI	Net banking income	Net profit/(loss)
CM-CIC Lease	46%	3	25	-7	4,544	0	32	7
Cigogne Management	40%	6	7	-6	54	0	27	16
CM-CIC Factor	5%	1	6	0	8,056	-1	96	13

* *Amounts before elimination of intercompany balances and transactions.*

01/01/2018	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities*			
	Percentage of interest	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	OCI	Net banking income	Net profit/(loss)
CM-CIC Lease	46%	6	26	-5	4,440	0	35	13
Cigogne Management	40%	6	8	-4	65	0	29	17
CM-CIC Factor	5%	0	6	0	7,577	-1	91	8

* *Amounts before elimination of intercompany balances and transactions.*

NOTE 2c Investments in unconsolidated structured entities

	12/31/2018			12/31/2017		
	Securitization vehicle (SPV)		Other structured entities[3]	Securitization vehicle (SPV)	Asset management (UCITS/SCPI)(2)	Other structured entities[3]
Total assets	0	76	1,974	0	58	2,237
Carrying amount of financial assets[1]	0	44	949	0	43	954
Carrying amount of financial liabilities[1]	0	2	0	0	2	0
Maximum exposure to risk of loss	0	41	0	0	41	0

(1) Carrying amount of the assets recognized by the reporting entity in respect of these structured entities.
(2) Mainly UCITS managed by the group.
(3) Other structured entities correspond to asset financing entities.

Asset Backed Commercial Paper (ABCP) securitization conduit

The group uses a conduit, named General Funding Ltd, whose function is to carry out the refinancing by commercial paper of securitization transactions carried out by its customers.

Asset financing

The group grants loans to structured entities whose sole purpose is to hold assets to be leased; the rents received enable the structured entity to repay its borrowings. These entities are dissolved following the financing operation. The group is generally the sole shareholder.

For these two categories, the maximum exposure to losses in respect of the structured entities corresponds to the carrying amount of the structured entity's financed asset.

Collective investment undertakings or funds

The group acts as fund manager and custodian. It offers its clients funds in which it does not intend to invest. The group markets these funds, whether dedicated or public funds, manages them and receives fees for its management services. For certain funds offering guarantees to unitholders, the group may be a counterparty to the swaps put in place. In exceptional circumstances where the group would be both manager and investor, with the result that it would be required to act firstly for its own account, such entity would then be included in the consolidation scope.

The main risk to which the group is exposed is an operational risk, i.e. the risk of default in respect of its mandate to act as manager or custodian and, where relevant, it is also exposed to a risk equal to the amounts invested.

NOTE 3 Analysis of the balance sheet and income statement by business segment and geographic area

Business segment analysis principles

- Retail banking includes a) the branch network consisting of the regional banks and CIC network in Ile-de-France, and b) the specialized activities whose product marketing is performed by the network: real estate and equipment leasing, factoring, collective investment for third parties, employee savings plans and real estate. The insurance business line – which is consolidated using the equity method – is included in this business segment.
- The corporate banking and capital markets segment comprises a) credit facilities for large corporates and institutional customers, specialized financing and international operations, and b) capital markets operations, which comprise investments in activities involving fixed-income instruments, equities and loans, as well as brokerage services.
- Private banking comprises all companies engaged primarily in wealth management, both within and outside France.
- Private equity includes proprietary trading and financial engineering services *via* dedicated entities. The entire portfolio is accounted for under the fair value option.
- The holding company covers all activities not assigned to another business.

Each consolidated company is included in only one business segment, corresponding to its core business in terms of contribution to the group's results, with the exception of CIC, whose individual accounts are allocated on a cost accounting basis.

ANALYSIS OF ASSETS BY BUSINESS SEGMENT

12/31/2018	Retail banking	Corporate banking and capital markets	Private banking	Private equity	Holding company services	Total
Cash and amounts due from central banks	299	1,680	3,153		26,577	31,709
Financial assets at fair value through profit or loss	118	13,303	150	2,537	652	16,760
Hedging derivatives	3	401	9		134	547
Financial assets at fair value through other comprehensive income	44	11,303	67		9	11,423
Financial assets at amortized cost	151,495	38,827	21,231	23	11,775	223,351
of which loans and receivables to credit institutions	*5,802*	*8,572*	*6,121*	*2*	*11,683*	*32,180*
of which loans and receivables to customers	*145,662*	*29,772*	*12,987*	*12*	*87*	*188,520*
Investments in associates	1,888					1,888

ANALYSIS OF LIABILITIES BY BUSINESS SEGMENT

12/31/2018	Retail banking	Corporate banking and capital markets	Private banking	Private equity	Holding company services	Total
Due to central banks						0
Financial liabilities at fair value through profit or loss		3,964	158		9	4,131
Hedging derivatives	54	1,354	81		135	1,624
Due to credit and similar institutions at amortized cost	35,055	22,174	497		27,219	84,945
Amounts due to customers at amortized cost	117,961	11,231	21,995	10	863	152,060
Debt securities at amortized cost	1,970	17,613	16		7,305	26,904

ANALYSIS OF INCOME STATEMENT BY BUSINESS SEGMENT

12/31/2018	Retail banking	Corporate banking and capital markets	Private banking	Private equity	Holding company services	Total
Net banking income	3,650	613	551	278	-71	5,021
General operating expenses	-2,328	-320	-375	-49	-94	-3,166
Gross operating income/(loss)	**1,322**	**293**	**176**	**229**	**-165**	**1,855**
Cost of counterparty risk	-182	7	-16	1	-1	-191
Gains on other assets[1]	199		26			225
Profit/(loss) before tax	**1,339**	**300**	**186**	**230**	**-166**	**1,889**
Income tax	-427	-78	-47	1	57	-494
Post-tax gains/(losses) on discontinued operations						0
Net profit/(loss)	**912**	**222**	**139**	**231**	**-109**	**1,395**

(1) Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.

12/31/2017	Retail banking	Corporate banking and capital markets	Private banking	Private equity	Holding company services	Total
Net banking income	3,588	737	509	259	-102	4,991
General operating expenses	-2,296	-318	-354	-47	-88	-3,103
Gross operating income/(loss)	**1,292**	**419**	**155**	**212**	**-190**	**1,888**
Cost of counterparty risk	-189	-11	-5		2	-203
Gains on other assets[1]	128		4			132
Profit/(loss) before tax	**1,231**	**408**	**154**	**212**	**-188**	**1,817**
Income tax	-364	-133	-35	1	-20	-551
Post-tax gains/(losses) on discontinued operations			22			22
Net profit/(loss)	**867**	**275**	**141**	**213**	**-208**	**1,288**

(1) Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.

Breakdown of balance sheet items by geographic area

ASSETS

	12/31/2018				01/01/2018			
	France	Europe excluding France	Other countries	Total	France	Europe excluding France	Other countries	Total
Cash and amounts due from central banks	26,876	3,155	1,678	31,709	23,978	3,087	980	28,045
Financial assets at fair value through profit or loss	14,129	155	2,476	16,760	13,395	154	1,477	15,026
Hedging derivatives	533	9	5	547	548	6	5	559
Financial assets at fair value through other comprehensive income	5,615	173	5,635	11,423	5,405	179	3,860	9,444
Financial assets at amortized cost	194,648	21,048	7,654	223,350	176,467	18,926	6,161	201,554
of which loans and receivables to credit institutions	*25,251*	*6,036*	*893*	*32,180*	*21,457*	*5,354*	*620*	*27,431*
of which loans and receivables to customers	*169,031*	*12,890*	*6,599*	*188,520*	*154,746*	*11,351*	*5,252*	*171,349*
Investments in associates	1,888	0	0	1,888	1,821	0	0	1,821

LIABILITIES

	12/31/2018				1/1/2018			
	France	Europe excluding France	Other countries	Total	France	Europe excluding France	Other countries	Total
Due to central banks	0	0	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss	3,797	159	175	4,131	4,840	154	186	5,180
Hedging derivatives	1,541	81	2	1,624	2,106	106	1	2,213
Due to credit institutions	78,149	-1,497	8,293	84,945	63,387	1,271	4,990	69,648
Due to customers	132,646	18,581	833	152,060	127,336	16,147	660	144,143
Debt securities	14,576	5,122	7,206	26,904	13,277	2,653	5,832	21,762

BREAKDOWN OF INCOME STATEMENT ITEMS BY GEOGRAPHIC AREA

	12/31/2018				12/31/2017			
	France	Europe excluding France	Other countries	Total	France	Europe excluding France	Other countries	Total
Net banking income	4,345	505	171	5,021	4,353	473	165	4,991
General operating expenses	-2,770	-321	-75	-3,166	-2,717	-305	-81	-3,103
Gross operating income/(loss)	**1,575**	**184**	**96**	**1,855**	**1,636**	**168**	**84**	**1,888**
Cost of counterparty risk	-171	-22	2	-191	-201	-14	12	-203
Gains on other assets[1]	199	26	0	225	128	4	0	132
Profit/(loss) before tax	**1,603**	**188**	**98**	**1,889**	**1,563**	**158**	**96**	**1,817**
Income tax	-442	-37	-15	-494	-485	-29	-37	-551
Post-tax gains/(losses) on discontinued operations	0	0	0	0	0	0	22	22
Total net profit/(loss)	**1,161**	**151**	**83**	**1,395**	**1,078**	**129**	**81**	**1,288**

(1) Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.

NOTES TO THE BALANCE SHEET – ASSETS

NOTE 4 Cash and amounts due from central banks

	12/31/2018	01/01/2018
Cash and amounts due from central banks		
Due to central banks	31,400	27,736
Of which mandatory reserves	*1,277*	*1,138*
Cash	309	309
TOTAL	**31,709**	**28,045**

NOTE 5 Financial assets and liabilities at fair value through profit or loss

NOTE 5a Financial assets at fair value through profit or loss

	12/31/2018				01/01/2018			
	Trading	Fair value option	Other FVPL	Total	Trading	Fair value option	Other FVPL	Total
Securities	**10,436**	**398**	**2,862**	**13,696**	**8,792**	**470**	**2,827**	**12,089**
Government securities	774	0	0	774	865	0	0	865
Bonds and other debt securities	9,116	398	132	9,646	6,959	470	107	7,536
■ Listed	9,116	82	25	9,223	6,959	107	47	7,113
■ Unlisted	0	316	107	423	0	363	60	423
Of which UCIs	*113*		*7*	*120*	*80*		*0*	*80*
Shares and other capital instruments	546		2,355	2,901	968		2,336	3,304
■ Listed	546		268	814	968		332	1,300
■ Unlisted	0		2,087	2,087	0		2,004	2,004
Long-term investments			375	375			384	384
■ Investments in non-consolidated companies			46	46			42	42
■ Other long-term investments			115	115			142	142
■ Investments in subsidiaries and associates			213	213			199	199
■ Other long-term investments			1	1			1	1
Derivative instruments	**3,064**			**3,064**	**2,937**			**2,937**
Loans and receivables		**0**	**0**	**0**		**0**	**0**	**0**
Of which repos		*0*		*0*		*0*		*0*
TOTAL	**13,500**	**398**	**2,862**	**16,760**	**11,729**	**470**	**2,827**	**15,026**

NOTE 5b Analysis of trading derivatives

	12/31/2018			01/01/2018		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Trading derivatives						
Interest rate derivatives	281,920	1,817	1,618	236,462	1,843	1,803
Swaps	64,471	1,527	1,596	61,798	1,789	1,741
Other firm contracts	192,673	6	4	151,264	7	7
Options and conditional instruments	24,776	284	18	23,400	47	55
Foreign exchange derivatives	90,872	872	816	89,553	787	794
Swaps	56,141	37	44	53,113	45	53
Other firm contracts	7,734	738	675	10,164	623	630
Options and conditional instruments	26,997	97	97	26,276	119	111
Other derivatives	27,187	375	466	23,010	307	375
Swaps	10,668	93	130	12,995	131	162
Other firm contracts	8,401	14	90	5,526	42	75
Options and conditional instruments	8,118	268	246	4,489	134	138
TOTAL	**399,979**	**3,064**	**2,900**	**349,025**	**2,937**	**2,972**

Swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve. The difference resulting from the use of different valuation curves for the hedged items and the hedging instruments is accounted for as hedge ineffectiveness.

Moreover, the value of derivatives takes counterparty risk into account.

NOTE 6 Hedging

NOTE 6a Hedging derivatives

	12/31/2018			01/01/2018		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Hedging derivatives						
Fair Value Hedges	56,254	547	1,624	56,523	559	2,213
Swaps	54,382	550	1,623	54,203	563	2,212
Other firm contracts	231	0	0	232	0	0
Options and conditional instruments	1,641	-3	1	2,088	-4	1
Cash Flow Hedges	0	0	0	0	0	0
Swaps	0	0	0	0	0	0
Other firm contracts	0	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0	0
TOTAL	**56,254**	**547**	**1,624**	**56,523**	**559**	**2,213**

Swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve. The difference resulting from the use of different valuation curves for the hedged items and the hedging instruments is accounted for as hedge ineffectiveness.

Moreover, the value of derivatives takes counterparty risk into account. Hedging derivatives solely consist of interest rate instruments.

ANALYSIS OF THE NOMINAL VALUE OF HEDGING DERIVATIVES

	Less than 3 months	3 months to less than 1 year	1 to 5 years	Over 5 years	12/31/2018
Hedging derivatives					
Fair Value Hedges	3,541	4,274	34,579	13,860	56,254
Swaps	3,429	3,938	33,187	13,828	54,382
Other firm contracts	0	0	200	31	231
Options and conditional instruments	112	336	1,192	1	1,641
Cash Flow Hedges	0	0	0	0	0
Swaps	0	0	0	0	0
Other firm contracts	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0
TOTAL	**3,541**	**4,274**	**34,579**	**13,860**	**56,254**

NOTE 6b Remeasurement adjustment on interest-risk hedged portfolios

	12/31/2018	01/01/2018	Change
Fair value of portfolio interest rate risk			
■ in financial assets	623	367	69.8%
■ in financial liabilities	8	-282	-102.8%

The presentation of the remeasurement adjustment was modified as of January 1, 2018. The net amount resulting from the adjustment of hedged assets and liabilities is now recognized under assets or liabilities.

NOTE 6c Fair Value Hedge

12/31/2018	Carrying amount	Of which remeasurement resulting from the hedge	Of which remeasurement for the fiscal year
Loans and receivables due from credit institutions at amortized cost	82	0	0
Customer loans at amortized cost	83,655	670	-3
Securities at amortized cost	1,455	55	-20
Financial assets at FVOCI	1,012	-505	8
TOTAL	**86,204**	**220**	**-15**

NOTE 7 Financial assets at fair value through other comprehensive income

NOTE 7a Financial assets at fair value through other comprehensive income, by type of product

	12/31/2018	01/01/2018
Government securities	2,066	2,132
Bonds and other debt securities	9,148	7,091
Listed	8,768	6,758
Unlisted	380	333
Accrued interest	37	34
Debt securities subtotal, gross	**11,251**	**9,257**
Of which impaired debt securities (S3)	*1*	*140*
Impairment of performing loans (S1/S2)	-8	-7
Other impairment (S3)	0	0
Debt securities subtotal, net	**11,243**	**9,250**
Loans	0	0
Accrued interest	0	0
Loans and receivables subtotal, gross	**0**	**0**
Impairment of performing loans (S1/S2)	0	0
Other impairment (S3)	0	0
Loans and receivables subtotal, net	**0**	**0**
Shares and other capital instruments	19	15
Listed	19	15
Unlisted	0	0
Long-term investments	161	179
Investments in non-consolidated companies	45	44
Other long-term investments	47	30
Investments in subsidiaries and associates	69	105
Loaned securities	0	0
Non-performing current account advances to non-trading real estate companies (SCI)	0	0
Accrued interest	0	0
Sub-total, capital instruments	**180**	**194**
TOTAL	**11,423**	**9,444**
Of which unrealized capital gains or losses recognized under equity	*-155*	*-91*
Of which investments in non-consolidated companies.	*0*	*0*

NOTE 7b List of main investments in non-consolidated companies

		% held	Shareholders' equity	Total assets	Net banking income or revenue	Net profit/(loss)
Crédit Logement	Unlisted	5%	1,871	10,770	239	121

The figures (except the percentage held) relate to fiscal year 2017.

NOTE 7c Exposures to sovereign risk

SOVEREIGN EXPOSURES

Net outstandings[1][2] at December 31, 2018	Portugal	Ireland	Spain	Italy
Financial assets at fair value through profit or loss	21		58	69
Financial assets at fair value through other comprehensive income		85	8	99
TOTAL	**21**	**85**	**66**	**168**
Residual contract term				
Less than 1 year		85		119
1 to 3 years			4	
3 to 5 years				40
5 to 10 years	19		38	5
Over 10 years	2		24	4
TOTAL	**21**	**85**	**66**	**168**

(1) Capital markets activities are shown at market value, and other businesses at nominal value.
(2) Outstandings are shown net of credit default swaps used to purchase protection.

Net outstandings[1][2] at January 1, 2018	Portugal	Ireland	Spain	Italy
Financial assets at fair value through profit or loss	8		33	98
Financial assets at fair value through other comprehensive income	52	85	8	252
TOTAL	**60**	**85**	**41**	**350**
Residual contract term				
Less than 1 year	50			200
1 to 3 years		85	6	52
3 to 5 years	2			33
5 to 10 years	5			54
Over 10 years	3		35	11
TOTAL	**60**	**85**	**41**	**350**

(1) Capital markets activities are shown at market value, and other businesses at nominal value.
(2) Outstandings are shown net of credit default swaps used to purchase protection.

NOTE 7d Fair value hierarchy of financial instruments carried at fair value

12/31/2018	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Fair value through other comprehensive income	7,608	2,502	1,313	11,423
■ Government securities and similar instruments	2,081	0	0	2,081
■ Bonds and other debt securities	5,508	2,502	1,153	9,163
■ Shares and other capital instruments	19	0	0	19
■ Investments and other long-term securities	0	0	91	91
■ Investments in subsidiaries and associates	0	0	69	69
Trading/Fair value option/Other	9,807	3,532	3,421	16,760
■ Government securities and similar instruments – Trading	615	159	0	774
■ Government securities and similar instruments – Fair value option	0	0	0	0
■ Government securities and similar instruments – Other FVPL	0	0	0	0
■ Bonds and other debt securities – Trading	7,882	906	327	9,115
■ Bonds and other debt securities – Fair value option	35	0	363	398
■ Bonds and other debt securities – Other FVPL	85	0	48	133
■ Shares and other equity instruments – Trading	546	0	0	546
■ Shares and other capital instruments – Other FVPL	394	0	1,960	2,354
■ Investments and other long-term securities – Other FVPL	3	0	158	161
■ Investments in subsidiaries and associates – Other FVPL	0	0	214	214
■ Loans and receivables due from credit institutions – Fair value option	0	0	0	0
■ Loans and receivables due from credit institutions – Other FVPL	0	0	0	0
■ Loans and receivables due from customers – Fair value option	0	0	0	0
■ Loans and receivables due from customers – Other FVPL	0	0	0	0
■ Derivatives and other financial assets – Trading	247	2,467	351	3,065
Hedging derivatives	0	539	8	547
TOTAL	**17,415**	**6,573**	**4,742**	**28,730**
FINANCIAL LIABILITIES				
Trading/Fair value option	1,443	2,076	612	4,131
■ Due to credit institutions – Fair value option	0	0	0	0
■ Amounts due to customers – Fair value option	0	0	0	0
■ Debt securities – Fair value option	0	0	0	0
■ Subordinated debt – Fair value option	0	0	0	0
■ Derivatives and other financial liabilities – Trading	1,443	2,076	612	4,131
Hedging derivatives	0	1,617	7	1,624
TOTAL	**1,443**	**3,693**	**619**	**5,755**

Description of levels:

- Level 1: price quoted in an active market.
- Level 2: prices quoted in active markets for similar instruments, and measurement method in which all significant inputs are based on observable market information.
- Level 3: measurement based on internal models containing significant unobservable inputs.

Instruments in the trading portfolio classified under Levels 2 or 3 mainly consist of derivatives and securities considered as illiquid.

There are uncertainties surrounding the measurement of all these instruments, which result in value adjustments reflecting the risk premium that a market participant would incorporate when establishing the price. Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions and the counterparty risk present in the fair value of over-the-counter derivatives. The methods used may change. The latter include the own counterparty risk present in the fair value of over-the-counter derivatives. When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

FAIR VALUE HIERARCHY – LEVEL 3

12/31/2018	Start of period	Purchases	Sales	Transfers	Gains and losses in the income statement	Other movements	End of period
Shares and other capital instruments – Other FVPL	1,842	524	-638	-7	242	-3	1,960

NOTE 7e Details of securitization outstandings

As requested by the banking supervisor and the markets regulator, an analysis is provided below of sensitive exposures based on FSB recommendations. The trading portfolios and the portfolios of securities at fair value through other comprehensive income were valued at market price based on external data sourced from organized markets, leading brokers or, when no price was available, based on comparable securities quoted in the market.

Summary	12/31/2018
RMBS	1,518
CMBS	543
CLO	3,211
Other ABS	2,404
RMBS hedged by CDS	0
CLO hedged by CDS	0
Other ABS hedged by CDS	0
ABCP program liquidity lines	215
TOTAL	**7,891**

Unless otherwise indicated, securities are not hedged by CDS.

EXPOSURES TO RMBS, CMBS, CLO AND OTHER ABS

12/31/2018	RMBS	CMBS	CLO	Other ABS	Total
Trading	472			253	725
Financial assets at fair value through other comprehensive income	810	543	2,951	1,895	6,199
Financial assets at amortized cost	236		260	256	752
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,676**
France	251		555	644	1,450
Spain	125			195	320
UK	344		135	211	690
Europe excluding France, Spain and the UK	309		363	1,199	1,871
USA	292	543	639	1	1,475
Other	197		1,519	154	1,870
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,676**
US Branches	125				125
AAA	1,045	543	3,042	1,633	6,263
AA	141		120	508	769
A	20		38	57	115
BBB	7			199	206
BB	18			7	25
B or below	162				162
Not rated			11		11
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,676**
Origination 2005 and earlier	60				60
Origination 2006-2008	283			55	338
Origination 2009-2011	31	1			32
Origination 2012-2018	1,144	542	3,211	2,349	7,246
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,676**

NOTE 8 Financial assets at amortized cost

	12/31/2018	01/01/2018
Securities at amortized cost	2,650	2,774
Loans and receivables due from credit institutions	32,180	27,431
Loans and receivables due from customers	188,520	171,349
TOTAL	**223,350**	**201,554**

NOTE 8a Securities at amortized cost

	12/31/2018	01/01/2018
Securities	2,843	2,831
Government securities	1,599	1,804
Bonds and other debt securities	1,244	1,027
■ Listed	505	408
■ Unlisted	739	619
Accrued interest	14	19
TOTAL, GROSS	**2,857**	**2,850**
Of which impaired assets (S3)	*386*	*350*
Impairment of performing loans (S1/S2)	0	-1
Other impairment (S3)(1)	-207	-75
TOTAL, NET	**2,650**	**2,774**

(1) The change in other S3 provisions relates to a transfer of provisions from liabilities (see Note 20a).

NOTE 8b Loans and receivables due from credit institutions at amortized cost

	12/31/2018	01/01/2018
Performing loans (S1/S2)	32,142	27,400
Current accounts	13,140	6,937
Loans	8,121	7,625
Other receivables	4,298	4,878
Repurchase agreements	6,583	7,960
Individually-impaired receivables, gross (S3)	0	0
Accrued interest	40	35
Impairment of performing loans (S1/S2)	-2	-4
Other impairment (S3)	0	0
TOTAL	**32,180**	**27,431**

NOTE 8c Loans and receivables due from customers at amortized cost

	12/31/2018	01/01/2018
Performing loans (S1/S2)	174,843	158,508
Commercial loans	7,157	6,391
Other customer receivables	167,423	151,889
▪ home loans	78,675	73,565
▪ Other loans and receivables	77,712	70,215
▪ Repurchase agreements	11,036	8,109
Accrued interest	263	228
Individually-impaired receivables, gross (S3)	4,644	4,864
Receivables, gross	**179,487**	**163,372**
Impairment of performing loans (S1/S2)	-479	-451
Other impairment (S3)	-2,218	-2,306
Sub-total I	**176,790**	**160,615**
Finance leases (net investment)	11,609	10,608
Equipment	7,347	6,565
Real estate	4,262	4,043
Individually-impaired receivables, gross (S3)	315	324
Impairment of performing loans (S1/S2)	-67	-63
Other impairment (S3)	-127	-135
Sub-total II	**11,730**	**10,734**
TOTAL	**188,520**	**171,349**
Of which non-voting loan stock	*4*	*5*
Of which subordinated loans	*13*	*14*

FINANCE LEASE TRANSACTIONS WITH CUSTOMERS

	01/01/2018	Increase	Decrease	Other	12/31/2018
Gross carrying amount	10,932	1,757	-733	-32	11,924
Impairment of non-recoverable lease payments	-198	-97	97	4	-194
Net carrying amount	10,734	1,660	-636	-28	11,730

MATURITY ANALYSIS OF MINIMUM FUTURE LEASE PAYMENTS RECEIVABLE UNDER FINANCE LEASES

	Less than 1 year	More than 1 year and less than 5 years	More than 5 years	Total
Minimum future lease payments receivable	3,288	6,485	2,652	12,425
Present value of future lease payments	3,245	6,347	2,270	11,863
Unearned financial income	42	137	382	562

NOTE 9 Gross values and movements in impairment provisions

NOTE 9a Gross values subject to impairment

	12/31/2018	01/01/2018
Financial assets at amortized cost – loans and receivables due from credit institutions, subject to	**32,182**	**27,435**
■ 12-month expected losses (S1)	32,179	27,373
■ expected losses at termination (S2)	3	62
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
Financial assets at amortized cost – loans and receivables due from customers, subject to	**191,412**	**174,304**
■ 12-month expected losses (S1)	167,568	150,025
■ expected losses at termination (S2)	18,884	19,091
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	4,915	5,161
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	44	27
Financial assets at amortized cost – securities	**2,857**	**2,850**
■ with 12-month expected losses (S1)	2,471	2,463
■ with expected losses at termination (S2)	0	37
■ with expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	386	350
■ with expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
Financial assets at fair value through other comprehensive income – debt securities	**11,251**	**9,257**
■ with 12-month expected losses (S1)	11,144	8,912
■ with expected losses at termination (S2)	107	205
■ with expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	1	140
■ with expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
Financial assets at fair value through other comprehensive income – Loans subject to	**0**	**0**
■ 12-month expected losses (S1)	0	0
■ expected losses at termination (S2)	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
TOTAL	**237,702**	**213,846**

NOTE 9b Movements in impairment provisions

	1/1/2018	Addition	Reversal	Other	12/31/2018
Loans and receivables due from credit institutions	**-4**	**-1**	**3**	**0**	**-2**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	-1	-1	0	0	-2
■ expected losses at termination (S2)	-3	0	3	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Customer loans	**-2,955**	**-844**	**913**	**-5**	**-2,891**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	-188	-172	139	-1	-222
■ expected losses at termination (S2)	-326	-223	225	0	-324
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-2,441	-449	549	-4	-2,345
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at amortized cost – securities	**-76**	**-3**	**8**	**-136**	**-207**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	0	0	0	0	0
■ expected losses at termination (S2)	-1	0	1	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-75	-3	7	-136	-207
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at FVOCI – debt securities	**-7**	**-5**	**4**	**0**	**-8**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	-7	-5	4	0	-8
■ expected losses at termination (S2)	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at FVOCI – Loans	**0**	**0**	**0**	**0**	**0**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	0	0	0	0	0
■ expected losses at termination (S2)	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
TOTAL	**-3,042**	**-853**	**928**	**-141**	**-3,108**

NOTE 10 Income tax

NOTE 10a Current tax

	12/31/2018	01/01/2018
Assets (through profit or loss)	767	753
Liabilities (through profit or loss)	243	260

NOTE 10b Deferred tax

	12/31/2018	1/1/2018
Assets (through profit or loss)	312	331
Assets (through other comprehensive income)	48	28
Liabilities (through profit or loss)	254	266
Liabilities (through other comprehensive income)	5	-12

ANALYSIS OF DEFERRED TAXES (THROUGH PROFIT OR LOSS) BY MAJOR CATEGORIES

	12/31/2018		01/01/2018	
	Assets		Assets	Liabilities
Temporary differences in:				
Provisions	288		156	
Finance leasing reserve		-259		-144
Earnings of flow-through entities	1		1	
Remeasurement of financial instruments	190	-217	146	-143
Accrued expenses and accrued income	88		54	
Other temporary differences		-33		-5
Netting	-255	255	-26	26
TOTAL DEFERRED TAX ASSETS AND LIABILITIES	**312**	**-254**	**331**	**-266**

Deferred taxes are calculated using the liability method.

NOTE 11 Accruals and other assets

	12/31/2018	01/01/2018
Accruals		
Collection accounts	112	99
Currency adjustment accounts	85	0
Accrued income	376	403
Other accruals	2,023	1,172
Sub-total	**2,596**	**1,674**
Other assets		
Securities settlement accounts	61	69
Miscellaneous receivables	3,058	3,329
Inventories and similar	19	3
Other	11	13
Sub-total	**3,149**	**3,414**
TOTAL	**5,745**	**5,088**

Accruals and miscellaneous receivables consist mainly of suspense accounts relating to interbank payment systems.

Accrued expenses and accrued income consist of payroll costs and general operating expenses, but do not include accrued interest not yet due on loans and borrowings, which is recognized as related accrued interest.

NOTE 12 Investments in equity consolidated companies

NOTE 12a Share of net profit/(loss) of equity consolidated companies

12/31/2018	Country	% interest	Value under equity consolidation method[1]	Share of net profit/(loss)	Dividends received
Groupe ACM	France	18.50%	1,875	198	62
CM-CIC Asset Management	France	23.54%	13	0	1
TOTAL			**1,888**	**198**	**63**

1/1/2018	Country	% interest	Value under equity consolidation method[1]	Share of net profit/(loss)	Dividends received
Groupe ACM	France	20.52%	1,807	134	52
CM-CIC Asset Management	France	23.54%	13	0	1
TOTAL			**1,820**	**134**	**53**

(1) Comprises goodwill of €54 million for Groupe ACM.

NOTE 12b Key figures of main equity consolidated companies

12/31/2018	Total assets	Net banking income/Revenue	Operating income before provisions	Net profit/(loss)	OCI	Shareholders' equity in foreign currency
Groupe ACM	116,088	1,720	1,167	790	948	10,274
CMCIC Asset Management	86	59	0	0	0	55

01/01/2018	Total assets	Net banking income/Revenue	Operating income before provisions	Net profit/(loss)	OCI	Shareholders' equity in foreign currency
Groupe ACM	100,064	1,678	1,186	682	1,176	9,022
CMCIC Asset Management	97	57	4	2	3	58

NOTE 13 Investment property

	1/1/2018	Increase	Decrease	Other	12/31/2018
Historical cost	59	14	-8	20	85
Depreciation and impairment	-27	-3	4	-13	-39
NET AMOUNT	**32**	**11**	**-4**	**7**	**46**

The fair value of investment property carried at cost is comparable to its carrying amount.

NOTE 14 Property, plant and equipment and intangible assets

NOTE 14a Property, plant and equipment

	01/01/2018	Increase	Decrease	Other	12/31/2018
Historical cost					
Land used in operations	320	13	-1	0	332
Buildings used in operations	2,598	48	-40	0	2,606
Other property, plant and equipment	513	45	-32	1	527
TOTAL	**3,431**	**106**	**-73**	**1**	**3,465**
Depreciation and impairment					
Land used in operations	0	0	0	0	0
Buildings used in operations	-1,715	-88	43	0	-1,760
Other property, plant and equipment	-430	-18	13	0	-435
TOTAL	**-2,145**	**-106**	**56**	**0**	**-2,195**
NET AMOUNT	**1,286**	**0**	**-17**	**1**	**1,270**

NOTE 14b Intangible assets

	01/01/2018	Increase	Decrease	Other	12/31/2018
Historical cost					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	335	18	-8	1	346
■ Software	87	17	0	1	105
■ Other	248	1	-8	0	241
TOTAL	**335**	**18**	**-8**	**1**	**346**
Depreciation and impairment					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	-155	-13	5	0	-163
■ Software	-66	-9	0	-1	-76
■ Other	-89	-4	5	1	-87
TOTAL	**-155**	**-13**	**5**	**0**	**-163**
NET AMOUNT	**180**	**5**	**-3**	**1**	**183**

NOTE 15 Goodwill

	01/01/2018	Increase	Decrease	Other	12/31/2018
Gross goodwill	33	0	0	0	33
Impairment provisions	0	0	0	0	0
NET GOODWILL	**33**	**0**	**0**	**0**	**33**

Subsidiaries	01/01/2018	Increase	Decrease	Other	12/31/2018
Banque Transatlantique	6				6
Dubly Transatlantique Gestion	6				6
CM-CIC Investissement SCR	21				21
TOTAL	**33**	**0**	**0**	**0**	**33**

NOTES TO THE BALANCE SHEET – LIABILITIES AND SHAREHOLDERS' EQUITY

NOTE 16 Financial liabilities at fair value through profit or loss

	12/31/2018	01/01/2018
Financial liabilities held for trading	4,131	5,180
Financial liabilities at fair value through profit or loss	0	0
TOTAL	**4,131**	**5,180**

NOTE 16a Financial liabilities held for trading

	12/31/2018	01/01/2018
Short sales of securities	1,226	2,111
■ Government securities	3	0
■ Bonds and other debt securities	585	917
■ Shares and other capital instruments	638	1,194
Debts in respect of securities sold under repurchase agreements	0	0
Trading derivatives	2,900	2,972
Other financial liabilities held for trading	5	97
TOTAL	**4,131**	**5,180**

NOTE 17 Netting of financial assets and liabilities

				Related amounts not offset in balance sheet			
12/31/2018	Gross value of financial assets	Gross value of financial liabilities offset in balance sheet	Net amounts shown on balance sheet	Impact of framework offsetting agreements	Financial instruments received as guarantee	Cash collateral received	Net amount
Financial assets							
Derivatives	4,387	-776	3,611	-1,123	0	-1,390	1,098
Repurchase agreements	17,668	0	17,668	0	-17,405	-162	101
TOTAL	**22,055**	**-776**	**21,279**	**-1,123**	**-17,405**	**-1,552**	**1,199**

				Related amounts not offset in balance sheet			
12/31/2018	Gross amount of financial liabilities	Gross amount of financial assets offset in balance sheet	Net amounts shown on balance sheet	Impact of framework offsetting agreements	Financial instruments given as guarantee	Cash collateral paid	Net amount
Financial liabilities							
Derivatives	5,300	-776	4,524	-1,154	0	-2,379	991
Repurchase agreements	20,739	0	20,739	0	-19,957	-782	0
TOTAL	**26,039**	**-776**	**25,263**	**-1,154**	**-19,957**	**-3,161**	**991**

01/01/2018	Gross value of financial assets	Gross value of financial liabilities offset in balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet: Impact of framework offsetting agreements	Financial instruments received as guarantee	Cash collateral received	Net amount
Financial assets							
Derivatives	3,496	0	3,496	-1,825	0	-793	878
Repurchase agreements	16,183	0	16,183	-507	-15,418	-44	214
TOTAL	**19,679**	**0**	**19,679**	**-2,332**	**-15,418**	**-837**	**1,092**

01/01/2018	Gross amount of financial liabilities	Gross amount of financial assets offset in balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet: Impact of framework offsetting agreements	Financial instruments given as guarantee	Cash collateral paid	Net amount
Financial liabilities							
Derivatives	5,186	0	5,186	-1,866	0	-2,886	434
Repurchase agreements	15,387	0	15,387	0	-15,183	-203	1
TOTAL	**20,573**	**0**	**20,573**	**-1,866**	**-15,183**	**-3,089**	**435**

These disclosures, required by an amendment to IFRS 7, seek to provide a basis for comparison with the treatment under generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IFRS.

The amounts shown in the 2nd column correspond to the offset of carrying amounts under IAS 32, for transactions processed going through a clearing house.

The column entitled "Impact of master offsetting agreements" corresponds to outstanding transactions under enforceable contracts that are not offset for accounting purposes. These include transactions for which the right to offset is exercised in case of the default, insolvency or bankruptcy of one of the parties to the contracts. They relate to derivatives and repurchase agreements, whether or not processed *via* clearing houses.

The "Financial instruments received/given in guarantee" column shows the market value of securities exchanged as collateral.

The "Cash collateral received/paid" column shows the guarantee deposits received or given in respect of the positive or negative market values of financial instruments. They are recognized under "Other assets or liabilities" in the balance sheet.

NOTE 18 Financial liabilities at amortized cost

NOTE 18a Due to central banks and credit institutions

	12/31/2018	01/01/2018
Due to central banks	0	0
Due to credit institutions		
Current accounts	1,869	1,726
Borrowings	63,167	52,874
Other debt	1,100	1,609
Repurchase agreements	18,644	13,345
Related debt	165	94
TOTAL	**84,945**	**69,648**

NOTE 18b Amounts due to customers

	12/31/2018	01/01/2018
Regulated savings accounts	46,546	43,715
▪ Demand	33,766	31,475
▪ Term	12,780	12,240
Related liabilities on savings accounts	1	1
Sub-total	**46,547**	**43,716**
Demand accounts	79,954	73,001
Term deposits and borrowings	23,408	25,282
Repurchase agreements	2,024	2,017
Other debt	8	10
Related debt	119	117
Sub-total	**105,513**	**100,427**
TOTAL	**152,060**	**144,143**

NOTE 18c Debt securities at amortized cost

	12/31/2018	01/01/2018
Certificates of deposit	38	113
Interbank instruments and negotiable securities	21,563	17,463
Bonds	5,187	4,108
Non-preferred senior securities	0	0
Related debt	116	78
TOTAL	**26,904**	**21,762**

NOTE 18d Fair Value Hedge

12/31/2018	Carrying amount	Of which remeasurement resulting from the hedge	Of which remeasurement for the fiscal year
Debt securities	332	0	0
Due to credit institutions	15,180	0	0
Due to customers	24,539	8	0
TOTAL	**40,051**	**8**	**0**

NOTE 19 Accruals and other liabilities

	12/31/2018	01/01/2018
Accruals		
Accounts unavailable due to recovery procedures	23	280
Currency adjustment accounts	52	54
Accrued expenses	734	680
Deferred income	409	391
Other accruals	4,454	1,499
Sub-total	**5,672**	**2,904**
Other liabilities		
Securities settlement accounts	81	67
Outstanding amounts payable on securities	71	79
Sundry creditors	339	348
Sub-total	**491**	**494**
TOTAL	**6,163**	**3,398**

NOTE 20 Provisions and contingent liabilities

NOTE 20a Provisions

	01/01/2018	Additions for the year	Reversals for the year (utilized provisions)	Reversals for the year (surplus provisions)	Other movements	12/31/2018
Provisions for risks	**237**	**111**	**-2**	**-107**	**-1**	**238**
On guarantee commitments	155	72	0	-73	0	154
of which 12-month expected losses (S1)	*25*	*16*	*0*	*-16*	*0*	*25*
of which expected losses at termination (S2)	*38*	*21*	*0*	*-27*	*0*	*32*
On financing commitments	29	19	-1	-21	0	26
of which 12-month expected losses (S1)	*20*	*15*	*-1*	*-13*	*0*	*21*
of which expected losses at termination (S2)	*9*	*4*	*0*	*-8*	*0*	*5*
Provision for taxes	31	0	0	-5	0	26
Provisions for claims and litigation	13	4	-1	-4	-1	11
Provision for risk on miscellaneous receivables	9	16	0	-4	0	21
Other provisions	**658**	**106**	**-3**	**-15**	**-162**	**585**
Provision for mortgage saving agreements	55	9	0	0	0	64
Provisions for miscellaneous contingencies[1]	275	33	-3	-7	-132	167
Other provisions[2]	328	64	0	-8	-30	354
Provisions for retirement commitments	**196**	**10**	**0**	**-8**	**11**	**209**
TOTAL	**1,091**	**227**	**-5**	**-130**	**-152**	**1,032**

(1) Other movements in provisions for miscellaneous contingencies concern a transfer of provisions against assets at amortized cost (see Note 8a).
(2) Other provisions mainly include provisions for French economic interest groups (GIE) totaling €339 million.

NOTE 20b Retirement and other employee benefits

	01/01/2018	Additions for the year	Reversals for the year	Other movements	12/31/2018
Defined-benefit plans not covered by pension funds					
Retirement benefits	94	3	0	0	97
Supplementary pension plans	34	4	-5	0	33
Obligations for long-service awards (other long-term benefits)	56	1	-1	0	56
Total amount recognized	**184**	**8**	**-6**	**0**	**186**
Supplementary defined-benefit pensions covered by pension funds					
Commitments to employees and retirees[1]	12	1	-1	11	23
Total amount recognized	**12**	**1**	**-1**	**11**	**23**
TOTAL	**196**	**9**	**-7**	**11**	**209**

(1) The provisions for pension fund shortfalls relate to the group's foreign entities.

Defined-benefit plans: Main actuarial assumptions	12/31/2018	01/01/2018
Discount rate[1]	1.5%	1.5%
Expected increase in salaries	Minimum 1.2%	Minimum 0.7%

(1) The discount rate, which is determined by reference to the long-term rate on private-sector borrowings, is based on the IBOXX index.

RETIREMENT BENEFITS

Change in actuarial debt	1/1/2018	Impact of discounting	Financial income	Cost of services rendered	Other, including past service cost	Change in actuarial gains and losses[1]	Payment to beneficiaries	Insurance contributions	12/31/2018
Commitments	209	3		11	-2	5	-12		214
Non-group insurance policies and externally-managed assets	126		-3		-1	1	-7	13	129
Sub-total, banks insured by ACM	**83**	**3**	**3**	**11**	**-1**	**4**	**-5**	**-13**	**85**
Foreign entities	11								12
TOTAL	**94**								**97**

(1) Including €5 million concerning financial assumptions.

Additional information for the French entities insured by ACM.

- The term of the commitments is 18 years.
- In respect of the upcoming fiscal year, the group expects costs of services rendered of €12 million and financial costs of €3 million.

ANALYSIS OF THE SENSITIVITY OF THE COMMITMENTS TO THE DISCOUNT RATE

Discount rate	1.00%	1.50%	2.00%
Commitments	228	214	202

ANALYSIS OF RETIREMENT BENEFITS

	1 to 5 years	6 to 10 years	11 to 15 years	15 to 20 years	21 to 25 years	26 to 30 years	Over 30 years	Total	Total discounted
Retirement bonuses: expected flows	65	65	48	68	98	96	119	559	201

	12/31/2018			
Breakdown of fair value of plan assets	**Debt securities**	**Equity instruments**	**Real estate**	**Other**
Assets quoted on an active market	57%	35%	1%	3%
Assets not quoted on an active market	1%	1%	2%	0%
TOTAL	**58%**	**36%**	**3%**	**3%**

	01/01/2018			
Breakdown of fair value of plan assets	**Debt securities**	**Equity instruments**	**Real estate**	**Other**
Assets quoted on an active market	55%	38%	1%	2%
Assets not quoted on an active market	2%	0%	2%	0%
TOTAL	**57%**	**38%**	**3%**	**2%**

The assets are measured at fair value.

Defined-contribution retirement benefits

Provisions for supplementary pensions

The group's French banks have in the past implemented additional supplementary retirement plans, which are now closed.

The banks' commitments under these plans totaled €21 million at December 31, 2018, compared with €23 million at December 31, 2017.

The amount paid in respect of these commitments came to -€2 million.

Retirement savings agreement entered into with ACM

For the French entities that have adopted the group-wide benefits platform, a supplementary defined-benefit retirement plan has been put in place with ACM. Under the terms of this agreement, these entities paid €32 million during the year.

NOTE 20c Provisions for risks arising from commitments on mortgage saving agreements

	12/31/2018	01/01/2018
Mortgage saving plans (PEL)		
Contracted between 0 and 4 years ago	1,914	1,635
Contracted between 4 and 10 years ago	4,338	4,110
Contracted more than 10 years ago	4,370	4,472
TOTAL	**10,622**	**10,217**
Amounts outstanding under mortgage saving accounts (CEL)	643	630
TOTAL MORTGAGE SAVING AGREEMENTS (ACCOUNTS AND PLANS)	**11,265**	**10,847**

Loans under mortgage saving agreements	12/31/2018	01/01/2018
Loans under mortgage saving agreements for which provisions for risks have been recognized in assets	26	37

Provisions on mortgage saving agreements	Start of period	Net additions/reversals	Other movements	End of period
On mortgage saving accounts	4	-3		1
On mortgage saving plans	50	13		63
On loans under mortgage saving agreements	1	-1		0
TOTAL	**55**	**9**	**0**	**64**
Provisions for mortgage saving plans, by maturity				
Contracted between 0 and 4 years ago	4			17
Contracted between 4 and 10 years ago	25			27
Contracted more than 10 years ago	21			19
TOTAL	**50**			**63**

Mortgage savings accounts (CEL) and mortgage savings plans (PEL) are government-regulated retail products available in France. In the initial savings phase, account holders receive interest on amounts paid into these accounts, which subsequently entitle them to a mortgage loan (second phase). For the distributing bank, these products generate two types of obligations:

- an obligation to pay interest on paid-in amounts at a fixed rate (in the case of PEL accounts only, as interest on CEL accounts is regularly revised on the basis of an indexation formula and is therefore treated as variable-rate interest);
- an obligation to grant loans to customers under predetermined terms (both PEL and CEL).

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data. A provision is recognized in liabilities to cover the future costs relating to the risk that the terms of such products may be potentially unfavorable to the bank, compared to the interest rates offered by the bank to individual customers on similar, but non-regulated, products. This approach is managed based on generations of regulated PEL savings products with similar characteristics. The impact on income is included in interest paid to customers.

The change in the provision is mainly due to the implementation of a new rate model (Hull and White), which has replaced the Cox-Ingersoll-Ross (CIR) model.

NOTE 21 Subordinated debt at amortized cost

	12/31/2018	01/01/2018
Subordinated debt	0	0
Non-voting loan stock	153	153
Perpetual subordinated debt	26	26
Other debt	2,052	1,916
Related debt	3	3
TOTAL	**2,234**	**2,098**

SUBORDINATED DEBT REPRESENTING MORE THAN 10% OF TOTAL SUBORDINATED DEBT AT DECEMBER 31, 2018

	Issue date	Issue amount	Currency	Rate	Maturity
Non-voting loan stock	05/28/1985	€137m	EUR	(1)	(2)
redeemable subordinated notes	03/24/2016	€414m	EUR	3-month Euribor +2.05%	03/24/2026
redeemable subordinated notes	11/04/2016	€700m	EUR	3-month Euribor +1.70%	11/04/2026

(1) Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.

(2) Non-amortizable but repayable at borrower's discretion as from May 28, 1997 at 130% of the face value incremented at the rate of 1.5% for each subsequent year.

NOTE 22 Unrealized or deferred gains and losses

NOTE 22a Unrealized or deferred gains and losses

	12/31/2018	01/01/2018
Unrealized or deferred gains and losses* relating to:		
■ Translation adjustments	31	-12
■ Financial assets at fair value through recyclable other comprehensive income – debt instruments	-58	-46
■ Financial assets at fair value through non-recyclable other comprehensive income – equity instruments	-128	-56
■ Hedging derivatives (CFH)	0	0
■ Own credit risk on financial liabilities – fair value option	0	0
■ Share of unrealized or deferred gains and losses of associates	174	241
■ Actuarial gains and losses on defined-benefit plans	-49	-36
TOTAL	**-30**	**91**

* *Net of corporation tax.*

NOTE 22b Recycling of gains and losses recognized directly in equity

	12/31/2018 Movements	01/01/2018 Movements
Translation adjustments		
Reclassification in income	0	0
Other movements	43	-109
Sub-total	**43**	**-109**
Remeasurement of financial assets at FVOCI – debt instruments		
Reclassification in income	0	3
Other movements	-13	66
Sub-total	**-13**	**69**
Remeasurement of financial assets at FVOCI – equity instruments		
Reclassification in income	0	0
Other movements	-71	93
Sub-total	**-71**	**93**
Remeasurement of hedging derivatives		
Reclassification in income	0	0
Other movements	0	0
Sub-total	**0**	**0**
Remeasurement of non-current assets	0	0
Actuarial gains and losses on defined benefit plans	-13	19
Share of unrealized or deferred gains and losses of associates	-67	-6
TOTAL	**-121**	**66**

NOTE 22c Tax related to each category of gains and losses recognized directly to equity

	12/31/2018			01/01/2018		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation adjustments	43	0	43	-109	0	-109
Remeasurement of financial assets at FVOCI – debt instruments	-14	1	-13	98	-29	69
Remeasurement of financial assets at FVOCI – equity instruments	-71	0	-71	96	-3	93
Remeasurement of hedging derivatives	0	0	0	0	0	0
Remeasurement of non-current assets	0	0	0	0	0	0
Remeasurement adjustment due to own credit risk on financial liabilities under fair value option transferred to reserves	0	0	0	0	0	0
Actuarial gains and losses on defined benefit plans	-15	2	-13	25	-6	19
Share of unrealized or deferred gains and losses of associates	-101	34	-67	-18	12	-6
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY TO EQUITY	**-158**	**37**	**-121**	**92**	**-26**	**66**

NOTE 23 Commitments given and received

Commitments given	12/31/2018	01/01/2018
Financing commitments	**37,043**	**33,381**
To credit institutions	350	315
To customers	36,693	33,066
Guarantees	**16,167**	**14,123**
To credit institutions	2,286	1,224
To customers	13,881	12,899
Securities commitments	**3,102**	**1,530**
Optional resale agreements	0	0
Other commitments given	3,102	1,530

Commitments received	12/31/2018	01/01/2018
Financing commitments	**224**	**208**
Commitments received from credit institutions	224	208
Commitments received from customers	0	0
Guarantees	**64,873**	**52,205**
Commitments received from credit institutions	46,068	42,202
Commitments received from customers	18,805	10,003
Securities commitments	**1,583**	**452**
Optional repurchase agreements	0	0
Other commitments received	1,583	452

Securities sold under repurchase agreements	12/31/2018	01/01/2018
Assets sold under repurchase agreements	**20,812**	**15,355**
Related liabilities	20,668	15,362

Assets given as collateral for liabilities	12/31/2018	01/01/2018
Loaned securities	0	0
Security deposits on market transactions	3,920	4,403
TOTAL	**3,920**	**4,403**

For the purposes of its refinancing activities, the group enters into repurchase agreements in respect of debt securities and/or equity securities. This results in the transfer of the ownership of securities that the transferee may in turn lend. Coupons and dividends are the property of the borrower. These transactions are subject to margin calls and the group is exposed to the non-recovery of the securities.

The other assets given as collateral for liabilities relate to derivatives for which margin calls are paid when their fair value is negative. These amounts comprise the initial margins and those paid subsequently.

NOTES TO THE INCOME STATEMENT

NOTE 24 Interest income and expense

	12/31/2018		12/31/2017	
	Income	Expense	Income	Expense
Credit institutions and central banks	371	-755	329	-553
Customers	6,668	-3,645	6,436	-3,453
■ of which finance leases and operating leases	3,136	-2,904	2,959	-2,716
Hedging derivatives	103	-408	930	-1,738
Financial assets at fair value through profit or loss	4,728	-4,717		
Financial assets at fair value through other comprehensive income	137	0	259	0
Securities at amortized cost	38	0	1	0
Debt securities	0	-362	0	-284
Subordinated debt	0	0	0	0
TOTAL	**12,045**	**-9,887**	**7,955**	**-6,028**
Of which interest income and expense calculated at the effective interest rate	*7,214*	*-4,762*		

As from January 1, 2018, income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). This change was made for the sake of consistency with certain regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on interest received and paid.

Moreover, interest on the lending and borrowing legs of derivatives is recognized separately, under interest income and expenses, respectively.

As a comparison, under the 2018 presentation, the 2017 income and expenses generated by these assets would have amounted to €4,324 million and -€4,306 million respectively.

NOTE 25 Commission income and expense

	12/31/2018		12/31/2017	
	Income	Expense	Income	Expense
Credit institutions	2	-4	4	-5
Customers	956	-11	949	-10
Securities	543	-26	519	-25
Derivative instruments	4	-7	3	-4
Currency transactions	16	-1	15	-1
Financing and guarantee commitments	5	-1	4	-2
Services provided	1,236	-590	1,147	-552
TOTAL	**2,762**	**-640**	**2,641**	**-598**

NOTE 26 Net gains on financial instruments at fair value through profit or loss

	12/31/2018	12/31/2017
Trading instruments	183	320
Instruments accounted for under the fair value option[1]	28	355
Ineffective portion of hedges	3	9
On cash flow hedges (CFH)	0	0
On fair value hedges (FVH)	3	9
■ Change in the fair value of hedged items	-197	-947
■ Change in fair value of hedging instruments	200	956
Foreign exchange gains/(losses)	81	40
Other financial instruments at fair value through profit or loss[1]	240	0
TOTAL CHANGES IN FAIR VALUE	**535**	**724**

(1) Of which €209 million from the private equity business at December 31, 2018 classified under other instruments at fair value through profit or loss, compared to €254 million at December 31, 2017 classified as instruments measured under the fair value option.

NOTE 27 Net gains or losses on financial assets at fair value through other comprehensive income (2018)/ Short-term investment assets (2017)

	12/31/2018	12/31/2017
Dividends	7	108
of which resulting from instruments derecognized over the period		
Realized gains and losses on debt instruments	167	248
Realized gains/(losses) on equity instruments (2017)		-56
TOTAL	**174**	**300**

NOTE 28 Net gains and losses on financial assets and liabilities carried at amortized cost

	12/31/2018	12/31/2017
Financial assets at amortized cost		
Realized gains/(losses) on:	1	0
■ Government securities	0	0
■ Bonds and other fixed-income securities	1	0
■ Loans	0	0
Financial liabilities at amortized cost – gains/(losses) on:	0	0
■ Unsubordinated notes issued	0	0
■ Subordinated notes issued	0	0
TOTAL	**1**	**0**

NOTE 29 Income/expenses generated by other activities

	12/31/2018	12/31/2017
Income from other activities		
Investment property:	0	0
■ reversal of provisions/depreciation	0	0
■ capital gains on disposals	0	0
Rebilled expenses	86	80
Other income	86	108
Sub-total	**172**	**188**
Expenses on other activities		
Investment property:	-3	-2
■ additions to provisions/depreciation	-3	-2
■ capital losses on disposals	0	0
Other expenses	-138	-189
Sub-total	**-141**	**-191**
NET TOTAL OF OTHER INCOME AND EXPENSES	**31**	**-3**

NOTE 30 General operating expenses

	12/31/2018	12/31/2017
Employee benefits expense	-1,790	-1,739
Other general operating expenses	-1,257	-1,233
Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets	-119	-131
TOTAL	**-3,166**	**-3,103**

NOTE 30a Employee benefits expense

	12/31/2018	12/31/2017
Wages and salaries	-1,072	-1,028
Social security contributions[1]	-457	-448
Short-term employee benefits	-1	0
Employee profit-sharing and incentive bonuses	-125	-123
Payroll-based taxes	-136	-136
Other	1	-4
TOTAL	**-1,790**	**-1,739**

(1) Including income in respect of the French Tax Credit for Competitiveness and Employment (Crédit d'impôt pour la compétitivité et l'emploi – CICE) amounting to €24 million at December 31, 2018 compared with €27 million at December 31, 2017.

CICE has enabled the group to maintain, and even increase, its financing of employee training at a level well above the regulatory requirements, and improve the group's overall competitiveness through initiatives such as the following:

- investments, particularly in new technologies such as digital tools (tablets) and videoconferencing systems;
- IT developments, in particular the development of a virtual assistant, based on cognitive technology and designed to further improve the quality of our customer service;
- development of new telephone payment methods and related services;
- the search for new services for the group's retailer customers;
- the roll-out of the remote electronic signing of contracts.

NOTE 30b Average workforce

	12/31/2018	12/31/2017
Bank technical staff	10,546	10,683
Managers	9,336	9,290
TOTAL	**19,882**	**19,973**
France	*18,281*	*18,379*
Rest of the world	*1,601*	*1,594*

NOTE 30c Other general operating expenses

	12/31/2018	12/31/2017
Other taxes and duties	-199	-190
External services	-1,090	-1,073
Other miscellaneous expenses	32	30
TOTAL	**-1,257**	**-1,233**

"Other taxes and duties" comprises a charge of €84 million in respect of the contribution to the Single Resolution Fund for the year ended December 31, 2018. The corresponding charge for the period ended December 31, 2017 was €68 million.

NOTE 30d Statutory auditors' fees

	12/31/2018					
Amounts excluding VAT	**PricewaterhouseCoopers**		**Ernst & Young et Autres**		**KPMG**	
Statutory audit						
■ Issuer	0.48	18%	0.48	44%	0.48	16%
■ Fully consolidated subsidiaries	1.49	58%	0.60	56%	1.92	64%
Non-audit services						
■ Issuer						
■ Fully consolidated subsidiaries	0.63	24%			0.58	20%
TOTAL	**2.60**	**100%**	**1.08**	**100%**	**2.98**	**100%**
Of which fees paid to the statutory auditors in France for the statutory audit of the financial statements	*1.56*		*1.00*		*1.19*	
Of which fees paid to the statutory auditors in France for services other than the statutory audit of the financial statements	*0.06*		*0.00*		*0.00*	

	12/31/2017					
Amounts excluding VAT	**PricewaterhouseCoopers**		**Ernst & Young et Autres**		**KPMG**	
Statutory audit						
■ Issuer	0.48	10%	0.48	31%	0.48	23%
■ Fully consolidated subsidiaries	1.98	42%	1.05	67%	1.07	51%
Non-audit services						
■ Issuer	0.14	3%				
■ Fully consolidated subsidiaries	2.12	45%	0.03	2%	0.54	26%
TOTAL	**4.72**	**100%**	**1.56**	**100%**	**2.09**	**100%**
Of which fees paid to the statutory auditors in France for the statutory audit of the financial statements	*1.67*		*1.40*		*0.73*	
Of which fees paid to the statutory auditors in France for services other than the statutory audit of the financial statements	*0.15*		*0.00*		*0.00*	

The above amounts correspond to the amounts expensed during the fiscal year.

NOTE 30e Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets

	12/31/2018	12/31/2017
Depreciation and amortization:	-119	-128
■ property, plant and equipment	-106	-115
■ intangible assets	-13	-13
Impairment:	0	-3
■ property, plant and equipment	0	0
■ intangible assets	0	-3
TOTAL	**-119**	**-131**

NOTE 31 Cost of counterparty risk

	12/31/2018	12/31/2017
■ 12-month expected losses (S1)	-36	0
■ expected losses at termination (S2)	-4	4
■ impaired assets (S3)	-151	-207
TOTAL	**-191**	**-203**

12/31/2018	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	TOTAL
12-month expected losses (S1)	**-209**	**173**				**-36**
■ Loans and receivables due from credit institutions at amortized cost	-2	1				-1
■ Customer loans at amortized cost	-171	138				-33
of which finance leases	*-36*	*28*				*-8*
■ Financial assets at amortized cost – securities	0	0				0
■ Financial assets at fair value through other comprehensive income – debt securities	-5	4				-1
■ Financial assets at fair value through other comprehensive income – Loans	0	0				0
■ Commitments given	-31	30				-1
Expected losses at termination (S2)	**-268**	**264**				**-4**
■ Loans and receivables due from credit institutions at amortized cost	0	3				3
■ Customer loans at amortized cost	-223	225				2
of which finance leases	*-38*	*42*				*4*
■ Financial assets at amortized cost – securities	0	0				0
■ Financial assets at fair value through other comprehensive income – debt securities	0	0				0
■ Financial assets at fair value through other comprehensive income – Loans	0	0				0
■ Commitments given	-45	36				-9
Impaired assets (S3)	**-471**	**544**	**-212**	**-32**	**20**	**-151**
■ Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
■ Customer loans at amortized cost	-416	506	-210	-25	10	-135
of which finance leases	*-4*	*3*	*-2*	*-1*	*1*	*-3*
■ Financial assets at amortized cost – securities	-4	5	0	0	0	1
■ Financial assets at fair value through other comprehensive income – debt securities	0	0	-2	-7	10	1
■ Financial assets at fair value through other comprehensive income – Loans	0	0	0	0	0	0
■ Commitments given	-51	33	0	0	0	-18
TOTAL	**-948**	**981**	**-212**	**-32**	**20**	**-191**

12/31/2017	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	TOTAL
Expected losses at termination (S2)(1)	**-44**	**48**				**4**
■ Loans and receivables due from credit institutions at amortized cost	0	0				0
■ Customer loans at amortized cost	-44	48				4
of which finance leases	*0*	*0*				*0*
■ Financial assets at amortized cost – securities	0	0				0
■ Financial assets at fair value through other comprehensive income – debt securities	0	0				0
■ Financial assets at fair value through other comprehensive income – Loans	0	0				0
■ Commitments given	0	0				0
Impaired assets (S3)	**-573**	**618**	**-221**	**-54**	**23**	**-207**
■ Loans and receivables due from credit institutions at amortized cost	0	0	0	0	2	2
■ Customer loans at amortized cost	-531	560	-219	-42	15	-217
of which finance leases	*-4*	*5*	*-3*	*-1*	*1*	*-2*
■ Financial assets at amortized cost – securities	-6	17	0	0	0	11
■ Financial assets at fair value through other comprehensive income – debt securities	0	4	-2	-12	6	-4
■ Financial assets at fair value through other comprehensive income – Loans	0	0				0
■ Commitments given	-36	37				1
TOTAL	**-617**	**666**	**-221**	**-54**	**23**	**-203**

(1) For 2017, expected losses at termination (S2) correspond to collective provisions.

NOTE 32 Net gains/(losses) on disposals of other assets

	12/31/2018	12/31/2017
Property, plant and equipment and intangible assets	9	-3
■ Losses on disposals	-8	-12
■ Gains on disposals	17	9
Gains/(losses) on disposals of shares in consolidated entities[1]	18	0
TOTAL	**27**	**-3**

(1) including €18 million upon consolidation of Banque de Luxembourg Investments SA (see Note 2a).

NOTE 33 Corporate income tax

	12/31/2018	12/31/2017
Current taxes	-486	-475
Deferred tax expense	-7	-75
Adjustments in respect of prior years	-1	-1
TOTAL	**-494**	**-551**

Including an expense of -€442 million in respect of companies based in France and an expense of -€52 million for companies based elsewhere.

RECONCILIATION BETWEEN THE INCOME TAX EXPENSE RECOGNIZED AND THE THEORETICAL TAX EXPENSE

	12/31/2018	12/31/2017
Theoretical tax rate	34.4%	34.4%
Impact of preferential "SCR" and "SICOMI" rates	-4.6%	-4.0%
Impact of permanent differences	1.8%	0.4%
Impact of different tax rates paid by foreign subsidiaries	-1.5%	-0.5%
Impact of tax provisions	1.3%	-0.4%
Impact of reduced rate on long-term capital gains	-0.9%	-0.5%
Impact of changes in tax rates	-0.8%	-1.4%
Impact of tax consolidation	-0.7%	-1.2%
Impact of corrections relating to prior years	-0.4%	0.8%
Impact of tax credits and tax deductions	-0.4%	-0.4%
Other	1.0%	0.5%
Impact of corporate surtax	----	4.6%
EFFECTIVE TAX RATE	**29.2%**	**32.3%**
Taxable income	1,691	1,705
INCOME TAX EXPENSE	**-494**	**-551**

NOTE 34 Earnings per share

	12/31/2018	12/31/2017
Net profit/(loss) attributable to the group	1,385	1,275
Number of shares at beginning of year	37,795,782	37,797,752
Number of shares at end of year	37,795,782	37,795,782
Weighted average number of shares	37,795,782	37,796,767
BASIC EARNINGS PER SHARE *(in euros)*	**36.65**	**33.72**
Weighted average number of shares that may be issued	0	0
DILUTED EARNINGS PER SHARE *(in euros)*	**36.65**	**33.72**

CIC's share capital amounts to €608,439,888, made up of 38,027,493 shares with a par value of €16 each, including 231,711 treasury shares.

NOTE 35 Fair value hierarchy of financial instruments measured at amortized cost or at carrying amount

The estimated fair values presented are calculated based on observable parameters at December 31, 2018. They are obtained by computing estimated discounted future cash flows using a risk-free yield curve. For asset items, the yield curve factors in a credit spread calculated for the Crédit Mutuel Alliance Fédérale as a whole, and revised on a yearly basis.

The financial instruments presented in this note relate to loans and borrowings. They do not include non-monetary items (e.g. equities), trade accounts payable, other asset accounts, or other liability and accrual accounts. Non-financial instruments are not discussed in this section.

The fair value of financial instruments repayable on demand and regulated customer savings deposits equals the amount that may be requested by the customer, i.e. the carrying amount.

Certain group entities may also apply assumptions whereby fair value is deemed to equal the carrying amount for contracts indexed to a floating rate, or whose residual life is one year or less. The reader's attention is drawn to the fact that, excluding long-term investment financial assets, financial instruments carried at amortized cost are not transferable or, in practice, are not sold prior to maturity. Accordingly, no capital gains or losses are recognized.

However, if financial instruments carried at amortized cost were to be sold, their sale price could differ significantly from the fair value calculated at December 31, 2018.

	12/31/2018					
	Market value	carrying amount	Unrealized gain or loss	Level 1	Level 2	Level 3
Assets						
■ Financial assets at amortized cost – IFRS 9	259,125	223,350	35,775	1,972	69,455	187,698
■ Loans and receivables due from credit institutions	63,949	32,180	31,769	0	63,949	0
■ Loans and receivables due from customers	192,509	188,520	3,989	0	5,335	187,174
■ Securities	2,667	2,650	17	1,972	171	524
Liabilities						
■ Due to credit institutions	86,028	84,945	1,083	0	86,019	9
■ Due to customers	152,655	152,060	595	0	77,909	74,746
■ Debt securities	26,962	26,904	58	0	26,962	0
■ Subordinated debt	2,413	2,234	179	0	2,413	0

NOTE 36 Related party transactions

	12/31/2018		01/01/2018	
	Associates (companies accounted for using the equity method)	Parent company	Associates (companies accounted for using the equity method)	Parent company
Assets				
■ Financial assets at fair value through profit or loss	12	88	0	7
■ Financial assets at FVOCI	0	0	0	0
■ Financial assets at amortized cost	1,709	13,228	960	9,184
■ Other assets	4	38	8	37
Liabilities				
■ Due to credit institutions	45	55,593	7	48,763
■ Liabilities at fair value through profit or loss	0	0	0	2
■ Due to customers	28	171	25	165
■ Debt securities	1,201	1,750	350	1,789
■ Subordinated debt	0	2,187	0	2,046
■ Financing commitments given	0	0	0	0
■ Guarantees given	0	28	0	23
■ Financing commitments received	0	5	0	0
■ Guarantees received	0	4,189	0	3,103
	12/31/2018		12/31/2017	
■ Interest income	2	293	0	294
■ Interest expense	-4	-454	-6	-439
■ Commission income	462	18	457	20
■ Commission expense	0	-112	0	-97
■ Net gains/(losses) on financial assets at FVOCI and FVPL	49	3		
■ Other income and expenses	1	-6	54	37
■ General operating expenses	-68	-424	-57	-398

The parent company is BFCM, the majority shareholder of CIC, and Caisse Fédérale de Crédit Mutuel (CFCM), the entity controlling BFCM, and all their subsidiaries.

Transactions carried out with the parent company mainly cover loans and borrowings taken out for the purposes of treasury management, as BFCM is the group's refinancing vehicle, as well as IT services billed with the Euro Information entities.

Companies accounted for using the equity method comprise CM-CIC Asset Management and the Assurances du Crédit Mutuel group.

RELATIONS WITH THE GROUP'S KEY EXECUTIVES

(see "Corporate governance" on pages 41 and 42).

TOTAL COMPENSATION PAID TO THE GROUP'S KEY EXECUTIVES

	Fixed salary	Variable salary	Benefits -in-kind	Sundry adjustments	Total 12/31/2018	Total 12/31/2017
Key executives	0.3	0	0	0	0.3	0.3

During the year, the group's executives also benefited from the group's collective insurance and supplementary pension schemes.

However, the group's key executives did not enjoy any other specific benefits. No equity securities, warrants or options to purchase CIC shares were allocated to them.

Furthermore, they do not receive any attendance fees in respect of their duties and positions within the group.

The group's key executives may hold assets or loans with the group's banks, under the conditions offered to all employees. At December 31, 2018, they did not hold any such loans.

3.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

To the shareholders of Crédit Industriel et Commercial – CIC,

Opinion

In fulfillment of the assignment entrusted to us by your shareholders' meetings, we have audited the consolidated financial statements of Crédit Industriel et Commercial – CIC for the year ended December 31, 2017, as attached to this report.

We certify that the consolidated financial statements provide a true and fair view of the results of the operations during the previous year and of the financial position and assets and liabilities, at the end of the year, of the group formed by the entities included in the consolidation scope, in accordance with IFRS as adopted by the European Union.

Basis of our opinion

Auditing standards

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

Our responsibilities pursuant to these standards are set out in the section of this report entitled "Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements".

Independence

We conducted our audit in compliance with the rules regarding independence applicable to us, for the period from January 1, 2018 to the date of issuance of our report and, in particular, we have not provided any of the services prohibited by Article 5, paragraph 1 of (EU) Regulation 537/2014 or by the code of ethics for statutory auditors.

Observation

Without qualifying the opinion expressed above, we draw your attention to the change in accounting method relative to the application of the new IFRS 9 "Financial Instruments", as well as the change in method relative to the presentation of interest income and interest expenses on financial instruments at fair value through profit or loss as described in Note 1 "Summary of significant accounting policies and valuation and presentation methods" and in the other notes to the financial statements presenting the quantified data related to these changes in accounting method.

Basis for our assessments – Key points of the audit

In accordance with the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code concerning the basis for our assessments, we inform you of the key points of the audit related to the risks of material misstatement which, in our professional judgment, were the most significant for the audit of the consolidated financial statements, as well as our responses to these risks.

These assessments formed part of the audit of the consolidated financial statements as a whole and enabled us to form our opinion expressed above. We have no opinion regarding elements of these consolidated financial statements taken separately.

Credit risk and estimate of expected losses on non-downgraded performing loans, downgraded performing loans, and non-performing loans within the context of the first-time application of IFRS 9

Identified risk	Our response
CIC group's banks are exposed to credit risks which are inherent in their activities. As stated in Note 1 to the consolidated financial statements, since January 1, 2018, CIC group has been applying IFRS 9 "Financial Instruments" (Phases 1 and 2) for the recognition of financial assets and liabilities* except for those pertaining to the insurance business. This standard particularly defines new impairment principles relating to credit risk on customer receivables, financing commitments and financial guarantees. Under the IFRS 9 impairment model, outstanding loans break down into 3 categories: ■ Status 1 – non-downgraded performing loans: provisioning on the basis of 12-month expected credit losses as from initial recognition of the financial assets, provided that the credit risk has not increased significantly since initial recognition. ■ Status 2 – downgraded performing loans: provisioning on the basis of the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. ■ Status 3 – non-performing loans: 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 models for allocating the loans to a category (Statuses 1 to 3), forward-looking scenarios and parameter calculation methods constitute the methodological basis for impairment calculations. They are defined for the Crédit Mutuel group as a whole and are applied within CIC group according to the portfolios involved. S1, S2 and S3 impairments on loans and receivables due from customers are detailed in Note 9b to the consolidated financial statements. In view of the changes brought about by the implementation of the new standard (adaptation of procedures for the calculation of credit losses and new IT systems), and given the importance of judgment in i) the classification of loans and receivables by category, and ii) the determination of expected losses, we have deemed that the estimate of credit losses and the information provided in the notes, both at the date of first-application of the new standard and at December 31, 2018, were a key point of our audit.	Concerning outstanding loans and receivables classified as S1 and S2 and the corresponding impairments at January 1, 2018 and at December 31, 2018, our work consisted in: ■ conducting a critical review and examining the conclusions of the work performed by the statutory auditors of the Crédit Mutuel group on the methodology options and impairment models defined by management. This work particularly included the following: ▪ A review of the measures put in place to categorize receivables (Statuses 1, 2 or 3) and evaluate the amount of the expected credit losses recognized in order to assess whether the estimates used were based on methods that comply with the principles described in the notes to the consolidated financial statements and IFRS 9; ▪ A review of the methods and measures used for the various credit loss calculation models and parameters; ▪ Tests on the quality of the data, as well as verifications on the IT systems used to determine expected credit losses; ■ analyzing data relating to the appropriate classification of receivables by category (Statuses 1 and 2); ■ examining the reconciliations between the computer data used to calculate expected losses and the accounting records; ■ analyzing changes in the portfolio and impairment levels, by status and for a sample of entities, between January 1, 2018 and December 31, 2018, in order to appraise overall consistency. Concerning loans classified under Status 3 and the corresponding impairments, our work mainly consisted in: ■ examining the conclusions of the special committees of the group's main entities in charge of monitoring non-performing loans and recognizing related impairments; ■ testing a sample of credit files, as at December 31, 2018, in respect of the main assumptions used for the assessment of the individual impairment of receivables classified under Status 3; ■ examining the changes over time in the following key indicators: ▪ the ratio of non-performing and sensitive loans to total loans; ▪ the rate of coverage of non-performing loans by impairments. ▪ Whenever an indicator deviated from the average, we analyzed the deviations. ■ We also appraised: ▪ The consistency of the information provided in the notes to the consolidated financial statements with IFRS 9 requirements; ▪ The relevance of the information provided upon first-time application of the standard at the start of fiscal year 2018; ▪ The relevance of the information provided on outstanding loans and credit commitments and related provisions at the end of 2018.

Measurement of complex financial instruments classified under Levels 2 and 3

Identified risk	Our response
As part of its proprietary trading and group treasury activities and in connection with the services offered to customers, the group holds financial instruments for trading purposes. These instruments are financial assets or liabilities recognized at fair value in the balance sheet, as mentioned in Note 1 "Summary of significant accounting policies and valuation and presentation methods". The gain or loss on remeasurement of these financial instruments in the balance sheet on the closing date is recognized in profit or loss. In our opinion, the measurement of complex financial instruments classified under Levels 2 and 3 was a key point of the audit due as it entails a significant risk of material misstatements in the consolidated financial statements, requiring the exercise of judgment, particularly regarding: ■ the determination of measurement inputs not observable on the market for an instrument and the categorization of the instruments according to the fair value hierarchy for financial assets and liabilities; ■ the use of internal measurement models; ■ the estimation of the main valuation adjustments, to take account of risks such as counterparty or liquidity risks; ■ the analysis of any measurement differences with counterparties in connection with margin calls or sales of instruments.	We assessed the processes and controls implemented by the group to identify and measure complex derivatives, including: ■ governance as it relates to measurement models; ■ the explanation and independent validation of the results recorded on these operations; ■ the controls related to the collection of the inputs needed to measure complex financial instruments classified under Levels 2 and 3. Our audit team included specialists in the measurement of complex financial instruments. With their assistance, we also: ■ conducted valuation tests on a sample of complex financial instruments; ■ analyzed the internal processes for identifying and validating the main valuation adjustments applied to financial instruments and their changes over time. Our analysis entailed reviewing the methodologies used for market reserves and valuation adjustments and the governance system implemented by the company to control the adjustments made. We reviewed the main existing margin call variances and the losses and/or gains on sales of complex financial instruments in order to assess their consistency with previous measurements. We analyzed the criteria used in the fair value hierarchy as described in Note 7d "Fair value hierarchy" to the consolidated financial statements.

Measurement of the private equity division's complex or Level 3 investments

Identified risk	Our response
Through its private equity subsidiaries, the group has investments classified at inception at fair value through profit or loss. These instruments are recognized at fair value at the time of their initial recognition and subsequently up to the date of their disposal. Changes in fair value are taken to the income statement under "Net gains/ (losses) on financial instruments at fair value through profit or loss". If the financial instrument is traded on an active market, its fair value is the quoted price. For securities not traded on an active market, the group estimates their fair value according to a multi-criteria approach on the basis of unobservable inputs, as indicated in the section "Determination of fair value of financial instruments" in Note 1 "Summary of significant accounting policies and valuation and presentation methods" to the consolidated financial statements. Given the use of judgment in determining fair value and the complexity of modeling it, we consider the measurement of complex or Level 3 investments to be a key point of the audit.	We reviewed the processes and controls implemented by the group related to the measurement of private equity investments. Our work entailed analyzing, with the help of our valuation experts, the methods and unobservable measurement inputs estimated by your group. Our work also entailed assessing, with the help of our valuation experts, whether the estimation of the fair values determined by your group was based on one of the documented measurement methods. It also involved the following, according to the securities in question: ■ for investments measured using a mark-to-model approach and unobservable inputs, analyzing the measurement methods used by the group; ■ for measurements based on transaction price, verifying that the measurement used by management is comparable to the price observed during a recent transaction.

Specific verifications

We also performed, in accordance with the professional standards applicable in France, the specific verifications required under current laws and regulations concerning the information provided in the Board of Directors' management report.

We have no comments to make as to the fair presentation and consistency of this information with the consolidated financial statements.

We certify that the consolidated statement of non-financial performance required under Article L.225-102-1 of the French Commercial Code is included in the group's management report. Pursuant to the provisions of Article L.823-10 of said Code, we have not verified the fair presentation and consistency of this information with the consolidated financial statements, as this information is subject to a report by an independent third party.

Information resulting from other legal and regulatory requirements

Appointment of the statutory auditors

We were appointed as statutory auditors of CIC at the shareholders' meetings held on May 25, 2016 for KPMG SA, on May 25, 1988 for PricewaterhouseCoopers Audit, and on May 26, 1999 for ERNST & YOUNG et Autres.

At December 31, 2018, it was the 3rd consecutive year of KPMG SA's assignment, the 31st year for PricewaterhouseCoopers, and the 21st year for ERNST & YOUNG et Autres.

Responsibilities of management and those in charge of corporate governance regarding the consolidated financial statements

It is the responsibility of management to prepare consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the European Union, and to implement internal control procedures as it deems necessary for the preparation of consolidated financial statements that contain no material misstatements, whether such misstatements are the result of fraud or errors.

When preparing the consolidated financial statements, management must assess the company's ability to continue to operate, present in its financial statements, where applicable, the necessary information regarding the company's continued operation and apply the going concern accounting convention, unless there are plans to liquidate the company or discontinue its business.

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

Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements

Our responsibility is to prepare a report regarding the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements, as a whole, contain no material misstatements. Reasonable assurance is a high level of assurance, yet without guaranteeing that an audit conducted in accordance with generally accepted auditing standards always leads to the detection of all material misstatements. Misstatements may result from fraud or errors and are considered material when there is a reasonable expectation that they can, when taken individually or combined, influence the economic decisions made by users of the financial statements on the basis of these financial statements.

As set out in Article L.823-10-1 of the French Commercial Code, our task of certifying the financial statements does not entail guaranteeing the viability or quality of your company's management.

When conducting an audit in accordance with auditing standards applicable in France, the statutory auditor exercises his/her professional judgment throughout the audit. Moreover, the statutory auditor:

- identifies and assesses the risk that the consolidated financial statements contain material misstatements and that such misstatements result from fraud or errors, defines and implements audit procedures to address these risks, and collects information that he/she considers a sufficient and appropriate basis for such opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that of not detecting a material misstatement resulting from an error, as fraud may involve collusion, forgery, deliberate omissions, false statements or the override of internal control;
- reviews internal control relevant to the audit in order to define appropriate audit procedures under the circumstances, but not in the aim of expressing an opinion on the effectiveness of internal control;
- assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the related information provided in the consolidated financial statements;
- assesses the appropriateness of management's application of the going concern accounting convention and, based on the information collected, whether or not significant uncertainty exists regarding events or circumstances likely to call into question the company's ability to continue to operate. This assessment is based on information collected up to the date of his/her report, it being noted however that subsequent circumstances or events could call into question the company's continued operation. If the statutory auditor concludes that significant uncertainty exists, he/she brings the information provided in the consolidated financial statements regarding such uncertainty to the attention of readers of his/her report or, if such information is not provided or is not relevant, the statutory auditor issues a qualified opinion or a denial of opinion;
- assesses the overall presentation of the consolidated financial statements and determines whether they fairly reflect the underlying transactions and events;
- concerning the financial information on persons and entities included in the consolidation scope, the statutory auditor gathers the information he/she deems sufficient and appropriate to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the management, supervision and preparation of the audit of the consolidated financial statements, as well as the opinion expressed on these financial statements.

Neuilly-sur-Seine and Paris-La Défense, April 18, 2019

The statutory auditors

KPMG SA	PricewaterhouseCoopers Audit	ERNST & YOUNG et Autres
Arnaud Bourdeille	Jacques Lévi	Hassan Baaj

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3.4 ANNUAL FINANCIAL STATEMENTS

The annual financial statements were the subject of a report by the statutory auditors.

3.4.1 Review of financial position and results

Annual financial statements are prepared in accordance with ANC 2014-03 rules pertaining to general accounting blueprints as amended by ANC 2015-06 and 2014-07 rules pertaining to company accounts in the banking sector.

3.4.1.1 Highlights of fiscal year 2018

Nothing.

3.4.1.2 Evolution of CIC network in the Paris region

On December 31, 2018, the Paris region network was comprised of 300 branches. The number of customers stood at 779,504, an increase of 2%. Outstanding loans were up by 6.3% in comparison to 2017. They reached €18.9 billion, of which €12.9 billion were home loans (+6.7%). Deposits rose by 6.6% with outstandings at €25.6 billion. Financial savings amounted to €10.6 billion (-3.6%).

3.4.1.3 Evolution of corporate banking and capital markets

Outstanding loans reached €29.8 billion, an increase of 22.6%.

Deposits reached €11.2 billion as compared to €11.7 billion in 2017.

3.4.1.4 2018 Profit/(loss)

Net banking income (NBI) was down from €1,720 million in 2017 to €1,573 million in 2018, with NBI on capital markets declining in a difficult environment. Dividends received from subsidiaries and investments stood at €641.3 million compared to €648.1 million in 2017. They originated essentially from regional banks and subsidiaries of Crédit Mutuel Alliance Fédérale.

Net commissions amounted to €390 million compared to €399 million in 2017.

General operating expenses remained under control. They decreased by 1.1% to €819 million (€828 million in 2017) despite the average work force in full-time equivalent rising from 3,717 in 2017 to 3,756 in 2018.

Gross operating income (GOI) stood at €754 million compared to €892 million in 2017 (-15.5%).

The cost of risk increased by €8 million. It amounted to €47 million at the end of 2018 as compared to €39 million a year earlier.

The net gain on non-current assets was €117 million compared to €130 million in 2017, due notably to net divestment of long-term investment securities (+€128 million in 2018 compared to +€138 million in 2017).

Taxes on profits include income tax pertaining to CIC's activity as well as CIC's result from tax consolidation. In 2017, it integrated an expense related to the income tax surcharge of €67 million.

The corporate net profit/(loss) was €772 million as compared to €853 million in 2017, or a decrease of 9.5%.

Equity stood at €8,809 million on December 31, 2018 (8,979 on December 31, 2017).

For compensation paid to executives, please refer to the consolidated management report on pages 41 and 42.

For shareholders on December 31, 2018, modifications that occurred during the fiscal year as well as dividends paid appear in the chapter "Presentation of CIC – Capital" on pages 31 to 33.

Activity of subsidiaries is presented on pages 307 to 312.

3.4.1.5 The LME Law – Payment terms

Articles L.441-6-1 and D.441-4 of the French Commercial Code provide specific information pertaining to payment terms for suppliers and customers to companies whose financial statements are certified by an auditor.

In view of the statute establishing credit, information that is communicated pertaining to payment terms provided for under Article D.441-4 of the French Commercial Code does not include banking operations and related operations governed by the French Monetary and Financial Code.

The status of outstanding invoices received and issued, which are due (Article D.441-4 § I), is defined as follows at the end of December 2018.

	Article D.441-4 1: Outstanding invoices received at the end of the fiscal year which are due						Article D.441-4 2: Outstanding invoices issued at the end of the fiscal year which are due					
	0 day (identifier)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total 1 day and more)	0 day (identifier)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) TRANCHES OF LATE PAYMENTS												
Number of invoices concerned	264					189	310					201
Total amount of invoices concerned including tax	1,134,094.32	426,565.01	24,808.47	325.77	88,212.14	539,911.39	1,185,723.02	20,829.07	105,430.01	186,785.33	385,114.53	698,158.94
Percentage of total amount of purchases including tax for the fiscal year	0.68%	0.25%	0.01%	0.00%	0.05%	0.32%						
Percentage of revenue including tax for the fiscal year								0%	0%	0%	0%	0%
(B) INVOICES EXCLUDED FROM (A) PERTAINING TO DEBT AND DISPUTED OR UNRECOGNIZED RECEIVABLES												
Number of invoices excluded												
Total amount of invoices excluded												
(C) PAYMENT TERMS OF REFERENCE USED (CONTRACTUAL OR LEGAL PERIOD – ARTICLE L.441-6 OR ARTICLE L.443-1 OF FRENCH THE COMMERCIAL CODE)												
Terms of payment of reference used for calculating late payments	■ Contractual delay: 30 days ■ Legal delays: without provisions to the contrary appearing in the terms of sale or agreed to between the parties, the deadline for payment is fixed on the 30th day following receipt of the merchandise or performance of the service.						■ Contractual delay: 30 days ■ Legal delays: without provisions to the contrary appearing in the terms of sale or agreed to between the parties, the deadline for payment is fixed on the 30th day following receipt of the merchandise or performance of the service.					

The status of invoices received and issued that experienced a late payment over the course of the fiscal year (Article D.441-4 § II) is defined as follows at the end of December 2018: there are no significant (non-banking) transactions in amounts that experienced late payments over the course of 2018. The few outstanding debts at the end of 2018, insignificant in amount, which are more than 61 days past due represent remaining sums due following a dispute, oversight, or even in a few cases, debts representing notary expenses and taxes due to the Government in the context of the acquisition or construction of buildings.

3.4.2 Financial statements

3.4.2.1 Balance sheet

Assets

(in € millions)		12/31/2018	12/31/2017
Cash, central banks		28,320	24,722
Government securities and related	2	2,406	2,433
Advances to credit institutions	3	21,506	17,244
Transactions with customers	4	48,999	42,640
Bonds and other fixed-income securities	5	18,798	14,630
Shares and variable-income securities	6	771	1,163
Holdings and other long-term investments	7	101	88
Investments in subsidiaries and associates	8	5,831	5,610
Leasing arrangements and related			
Intangible assets	9	49	51
Property, plant and equipment	10	487	495
Subscribed capital, unpaid			
Equity	11	10	10
Other assets	12	6,820	7,184
Accruals	13	4,848	4,778
TOTAL ASSETS		**138,946**	**121,048**

3.4.2.2 Off-balance sheet

(in € millions)	12/31/2018	12/31/2017
Commitments received		
Funding commitments		
Commitments received from credit institutions	224	208
Guarantee commitments		
Commitments received from credit institutions	11,064	9,859
Securities commitments		
Securities sold with option to repurchase		
Other commitments received	1,579	450

Liabilities

(in € millions)		12/31/2018	12/31/2017
Central banks			
Due to credit institutions	14	53,670	42,697
Transactions with customers	15	38,418	37,091
Debt securities	16	24,930	19,578
Other liabilities	12	3,425	4,757
Accruals	13	6,649	4,905
Provisions	17	1,088	1,138
Subordinated debt	18	1,578	1,524
Funds for general banking risks	19	379	379
Equity	19	8,809	8,979
- Subscribed capital		*608*	*608*
- Issue premiums		*1,088*	*1,088*
- Reserves		*6,167*	*6,167*
- Revaluation surplus		*44*	*44*
- Regulated provisions		*53*	*50*
- Retained earnings		*76*	*168*
- Profit (loss) for the fiscal year		*772*	*853*
TOTAL LIABILITIES		**138,946**	**121,048**

3.4.2.3 Off-balance sheet

(in € millions)		12/31/2018	12/31/2017
Commitments given			
Funding commitments			
Liabilities due to credit institutions		305	295
Commitments to customers		18,334	16,442
Guarantee commitments	**22**		
Credit institution commitments		3,733	3,584
Customer commitments		8,198	7,411
Securities commitments			
Securities acquired with option to repurchase			
Other commitments given		3,098	1,538

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3.4.2.4 Income statement

(in € millions)		12/31/2018	12/31/2017
+ Interest and similar income	27	1,710	2,350
+ Interest and similar expenses	27	-1,456	-2,132
+ Income from variable-income securities	28	641	648
+ Commissions (income)	29	550	556
+ Commissions (expenses)	29	-160	-157
+/- Gains or losses on trading portfolio transactions	30	289	332
+/- Gains or losses on investment portfolio transactions and related	31	3	123
+ Other banking operating income	32	5	69
+ Other banking operating expenses	32	-9	-69
+/- Net income from other activities	32	0	0
= Net banking income		**1,573**	**1,720**
+ Employee benefits expense	33	-438	-446
+ Other administrative expenses		-354	-349
+ Depreciation		-27	-33
= General operating expenses		**-819**	**-828**
= Gross Operating Income		**754**	**892**
+ Cost of risk	34	-47	-39
= Operating income		**707**	**853**
+/- Gains or losses on non-current assets	35	117	130
= Income before exceptional items		**824**	**983**
+/- Non-recurring income	36	-1	0
+ Income tax	37	-49	-128
+/- Allowances/reversals of FGBR (funds for general banking risk)			
+/- Allowances/reversals of regulated provisions		-3	-2
= NET INCOME		**772**	**853**

3.4.2.5 Financial income over the last 5 fiscal years

Nature of information	2014	2015	2016	2017	2018
1. Fiscal year financial position					
Share capital	608,439,888	608,439,888	608,439,888	608,439,888	608,439,888
Number of shares issued	38,027,493	38,027,493	38,027,493	38,027,493	38,027,493
"A" shares or ordinary shares	38,027,493	38,027,493	38,027,493	38,027,493	38,027,493
"D" shares or preferred shares	-	-	-	-	-
Preferred investment certificates	-	-	-	-	-
Ordinary investment certificates	-	-	-	-	-
2. Overall results of current operations *(in € thousands)*					
Banking income	4,921,949	3,107,237	3,116,750	4,077,816	3,197,779
Profit before tax, depreciation	703,611	768,156	1,145,569	969,406	823,025
Provisions and non-recurring income	-	-	-	-	-
Income tax	4,845	-115,266	-171,757	-127,744	-48,884
Profit	830,721	831,162	881,555	853,171	771,727
Amount of dividends distributed	266,192	323,234	342,247	950,687	1,000,123
3. Earnings per sharing *(in euros)*					
Profit/(loss) after tax, but before depreciation, amortization and provisions	18.11	17.27	25.76	22.27	20.48
Profit/(loss) for the period	21.98	21.99	23.32	22.57	20.42
Dividend paid per "A" share	8.00	8.50	9.00	25.00	26.30
Dividend paid per "D" share					
and investment certificates					
4. Staff (Metropolitan France) *(in euros)*					
Number of employees (average workforce FTE)	3,760	3,421	3,989	4,102	4,042
Amount of payroll expense	184,922,801	187,808,472	203,033,140	211,970,715	224,306,407
Amount of sums paid for social benefits (Social Security, Social Services, etc.)	96,332,506	97,407,990	103,616,417	109,410,329	111,730,198

APPENDIX TO ANNUAL FINANCIAL STATEMENTS

NOTE 1 Accounting principles, methods of assessment and presentation

Annual financial statements are prepared in accordance with ANC 2014-03 rules pertaining to general accounting blueprints as amended by ANC 2015-06 and 2014-07 rules pertaining to company accounts in the banking sector.

The Crédit Industriel et Commercial – CIC is fully integrated in the consolidated financial accounts of CIC (as the parent company) and of Crédit Mutuel Alliance Fédérale.

Use of estimates in the preparation of financial statements

Preparation of financial statements can necessitate formulating assumptions and making estimates that reflect decisions about income and expenses, assets and liabilities on the balance sheet and in the appendix to the financial statements. In this case, based on their judgment and experience, managers use the information available at the date the financial statements are prepared in order to produce the necessary estimates. It is particularly the case:

- of depreciation of debt instruments and capital instruments;
- of impairment tests conducted on intangible assets;
- in the determination of provisions, including commitments to pension plans and other future social benefits;
- in valuation of non-listed financial instruments in an organized market.

Reclassifying financial assets

Reclassification outside the category of trading securities, to the categories of long-term investment securities and short-term investment securities is possible in the two following cases:

a) in exceptional market situations requiring a change in strategy;

b) when fixed-income securities, subsequent to their acquisition, are no longer negotiable on an active market, and if the institution has the intention and the ability to hold them for the foreseeable future or until their maturity.

Treatment of changes in accounting methods

Changes in accounting methods are applied retrospectively, that is to say, as if the principle had always applied. The impact of first-time application is imputed to equity on January 1, correcting the opening balance sheet.

In accordance with ANC 2015-06 rules, for fiscal years beginning on January 1, 2016, the technical maluses are no longer recognized in a comprehensive fashion in "goodwill" and are not amortized.

It is recognized on the balance sheet in the category of other tangible and intangible and financial assets.

This posting allows us to apply amortization rules for underlying assets to the technical maluses (the maluses allocated in full or in part to a depreciable asset are thus amortized in full or in part). However, the portion of maluses allocated to commercial funds always benefit from a presumption of non-amortization.

Loans and receivables

Advances to credit institutions and customers are reported on the balance sheet at their nominal value plus accrued interest.

Commissions received upon the granting of financing and those paid to business introducers on loans are progressively recognized under income according to a method that means they are assimilated as interest. This actuarial deferment is recorded as net interest income on the income statement. On the balance sheet, commissions received and marginal transaction costs, which are staggered, are integrated into the outstanding loan in question.

Receivables and related debt (accrued or outstanding interest, receivable and payable) are grouped with the asset and liability line items to which they are related.

Within all credit risks, in accounting terms we distinguish between performing, non-performing and compromised doubtful outstandings.

Monitoring of receivables relies on the Crédit Mutuel group's internal system for rating credit risk. The latter considers the probability of default of the counter-party *via* an internal rating and the rate of loss based on the nature of the exposure. The internal rating scale is comprised of twelve levels, nine of which are for performing counter-parties and three for non-performing counter-parties.

Downgrading receivables

Loans are classified non-performing when they bear a proven risk, i.e. when payments due have been unpaid for more than 3 months, 6 months for real estate and 9 months for local authorities, or when it is likely that the debtor cannot reimburse the entire amount due or when the term has expired or even in the event of court-supervised liquidation.

Beyond the regulatory definition, outstandings may also be classified as non-performing when presenting a risk of loss by relying, particularly, on financial, economic or legal analysis of the customer or on any other information that may call into question the solvency of the third party.

When a loan meets the criteria for downgrading, all of the outstandings held by the customer (or by the group to which the customer belongs) as well as any outstandings of co-holders or co-borrowers are contaminated; and this applies to all banks federated with the Crédit Mutuel group.

Loans are classified as compromised doubtful when prospects for collection have severely deteriorated and when it is expected they will be written off. They are specifically identified as non-performing receivables by a specific accounting entry and the unpaid interest is no longer recognized.

Non-performing loans whose contractual terms are once again respected and for which the credit risk is no longer proven, are reclassified in the category of performing loans. This is also the case when a non-performing loan has been subject to restructuring with nevertheless a probationary period of twelve months.

Write-down of proven probable losses

A write-down is recorded when there is objective proof, as a result of an event occurring after a loan or group of loans has been granted, that it is likely to generate a loss. An analysis is done at each closing contract by contract. The write-down is equal to the difference between the carrying amount and the updated amount of estimated future cash flow at the original loan's interest rate. In the event of a variable rate, it is the most recent contractual rate that is booked.

A write-down pertaining to capital is recognized in the form of provisions, of which allowances and reversals are included in the cost of risk, except for the effect of the passage of time related to the mechanics of updating, which is recorded as NBI among interest received. A write-down pertaining to interest on non-performing loans is classified among interest received.

The provision is subtracted from the asset for the write-down of loans and is attributed to the liability among provisions for risks for funding and guarantee commitments.

Restructured loans

Non-performing loans restructured on non-market terms and reclassified as performing loans are subject to a discount immediately recognized as an expense and added back into the interest margin over the life of the loan.

Segmentation of outstandings

Outstandings are presented in the annexed notes broken down according to geographic sector. These represent the places where CIC operates fixed facilities.

Debt securities and acquired shareholders' equity

Government securities, bonds and other fixed-income securities (interbank market securities, negotiable debt securities, transferable securities) are divided into trading securities or long-term investment securities; and shares and other variable-income securities are divided into trading securities, held-to-maturity securities, portfolio activity, investment activity, investments in subsidiaries and associates and other long-term investments. The cost of acquisition and disposal constitute a fiscal year expense.

Trading securities

These are securities that, originally, are either acquired or sold with the intention of reselling or repurchasing them in the short term or held by the institution as part of its market-making activity. They are recorded on the acquisition date and at their purchase price excluding expenses, while including, where appropriate, accrued interest. At the close of each accounting period, the shares held are valued at the most recent market day price. The overall balance of differences resulting from changes in value is recognized on the income statement as income or expense.

Short-term investment securities

These are securities that are not recorded among either trading securities, nor long-term investment securities, nor among portfolio securities, other long-term investments, investment in non-consolidated companies or investments in subsidiaries and associates. They are recognized at the purchase price, excluding purchase costs. Potential premiums or discounts are spread over their residual period.

At the close of the fiscal year, each line item is valued separately, and for bonds, securities are combined in homogeneous groups. When the carrying amount appears higher than their likely trade value, depreciation is accounted for in the amount of the unrealized loss, the calculation being made for each security or by a homogeneous group.

Gains, stemming from hedges, in the sense of Article 2514-1 of ANC 2014-07, taking the form of a purchase or sale of forward financial instruments, are taken into account in the calculation of write-downs.

Unrealized gains are not recognized and there is no compensation between unrealized gains or losses. The expected trading value, for securities listed in Paris, is the average price of the last month and for securities listed in foreign markets and bonds, it's the most recent price of the last month.

Long-term investment securities

These are securities acquired with the manifest intention to hold them until their maturity date. They are recorded at their purchase price, excluding purchasing costs. The difference between the purchase price and the redemption value is spread across their residual term. These securities are subject to a natural hedge or interest rate hedge.

A write-down occurs when the deterioration of the issuer's financial situation is likely to compromise repayment of the securities at their maturity.

Portfolio securities

They derive from investments made regularly with the sole objective of realizing a capital gain in the medium term without the intention of intervening long-term in business assets nor participating actively in its operational management. These investments are realized in the context of dedicated structures, in a significant and permanent way and the return is essentially derived from the realization of capital gains on the sale.

These securities are recorded at their purchase price. At the close of the fiscal year, each line item is valued separately. When the carrying amount appears higher than their value in use, a write-down is accounted for in the amount of the unrealized loss. Unrealized gains are not recognized. The value in use is determined by considering the general growth prospects of the issuer and the investment horizon. For listed securities, the average stock market price over a sufficiently lengthy period may be booked.

Other securities held long-term, investments in non-consolidated companies and investments in subsidiaries and associates

Other long-term investments are those made with the intention of fostering development of a lasting professional relationship with the issuer without, however, exercising any influence on its management. Investments in non-consolidated companies are those where holding long-term is deemed useful to the group's activity, especially because it makes it possible to exercise an influence on the issuer, or to ensure control of it.

They are recorded at their purchase price, which may be reappraised, or at their merger and similar transactions price. At the close of the fiscal year, each line item is valued separately. When the carrying amount appears higher than their value in use, a write-down is accounted for in the amount of the unrealized loss. Unrealized gains are not recognized. The value of use represents what the company would accept to pay out to obtain these securities if it was to acquire them in consideration of their ownership objective: it could be valued by different criteria such as potentially adjusted net asset, profitability and prospects for profitability, the average stock price in recent months.

Securities delivered in repurchase agreement

They remain a balance sheet asset and the debt vis-à-vis the transferee is listed as a liability. The principles for valuation and recording profit (loss) from these securities remain those applicable to the category to which they belong.

Criteria and rules for downgrading

In the event of a change in the intention or capacity to hold, and provided they satisfy the eligibility conditions and rules of transfer, securities may be downgraded. In the event of transfer, securities are subject on the day of transfer to valuation depending on their original portfolio.

Derivatives: forward interest rate or exchange rate instruments

The group takes part on its own behalf in various organized or over-the-counter markets or markets of fixed-term forward financial instrument conditioned on interest rates and exchange rates, pursuant to a risk management strategy related to interest and exchange rate positions of its assets and liabilities.

Operations on organized markets and related

Contracts on forward fixed term or conditional instruments traded on organized markets and related are valued in accordance with rules set by the banking regulations committee. Contracts are reassessed at the end of the period according to their price on the various markets. The gain or loss resulting from this reassessment is reported on the income statement.

Transactions on over-the-counter markets

Specifically concerned are interest rate and/or currency rate swaps, forward rate agreements (FRAs), option contracts (cap, floor, etc.). Transactions are earmarked from the start for different portfolios (open position, micro-hedging, overall management of balance sheet and off-balance sheet, specialized management).

Contracts classified in open position portfolios are valued at the lowest purchase price or their market value.

Income and expenses related to contracts classified in micro-hedge portfolios are logged in the income statement in a symmetrical manner for recognition of the hedged item.

Income and expenses pertaining to contracts classified in comprehensive rate risk management portfolios are recorded *prorata temporis* in the income statement.

Contracts recorded in specialized management portfolios are valued at their market value. Variations in value appear in the net banking income after correction to account for the counter-party risk and future management expenses.

Cash payments from netting of hedging derivatives are spread across the residual period of the items hedged.

Structured products

Structured products are financial schemes offered to customers in order to meet their needs more precisely. They are created from basic products, generally options. CIC markets different categories of structured products based on classic options, binary options, barrier options, Asian options, look back options, options on several assets, index swaps.

There are three major families for the valuation of these products: one coming from the resolution of a partial differential equation, one from discrete-time trees and one from Monte-Carlo. CIC uses the first and the last. The analytical methods applied are those selected by the market for modeling the underlying assets used.

The products are recognized at their market value. The parameters used for valuation are those observed or derived *via* a standard model of observed values at the closing date. In the event where no organized market exists, the values used are taken from the brokers most active in trading the corresponding products and extrapolated from quoted values. All parameters used are archived.

In the event where the value of certain instruments is calculated using complex models, the market parameters serving as a base for their valuation are corrected in a prudent manner to take into account, particularly, the level of liquidity of the markets concerned and their relevance to long maturities.

Valuing non-listed forward financial instruments

These instruments are reappraised based on the observable market price, according to the procedure called "flashing." This last method consists of taking note each day at the same time of the bid and offer prices from several contributors *via* market flow software. A single price is retained for each useful market parameter.

Tangible and intangible assets

They are recognized at their acquisition cost, potentially re-assessed, plus any directly attributable and necessary expenses to make them operational in view of using them.

After initial recognition, fixed assets are valued at historical depreciated cost, i.e. at their cost less accumulated depreciation and impairment losses.

The depreciable amount is determined after deduction of the net residual value of disposal costs. The useful life being generally equal to the expected economic life of the asset, there is no residual value.

Fixed assets are depreciated according to the linear mode over the asset's expected useful life for the business as a function of its own estimated rate of consumption of its economic benefits. Assets not having a defined useful life are not depreciated. Allowances for depreciation are recognized under the rubric "Amortization charges and depreciation of tangible and intangible assets" in the income statement.

When a fixed asset is comprised of several components that could be subject to replacement at regular intervals, having different rates of use or procuring economic benefits at different rates, each component is recognized separately from the start and each of the components is depreciated according to a scheme that is appropriate to the component. The component approach was retained for operating buildings and investment properties.

The lengths of depreciation for buildings are:

- 40-80 years for large structures;
- 15-30 years for enclosed and covered areas;
- 10-25 years for equipment;
- 10 years for fixtures and fittings.

Intangible assets:

- leasehold rights paid are not depreciated, but are subject to a depreciation test;
- up-front fees paid to the landlord are depreciated over the life of the lease as if it was additional rent;
- other components of goodwill are amortized over 10 years (acquisition of customer contracts portfolio).

Depreciable property, plant and equipment are subject to depreciation tests when on the reporting date there are indications of impairment loss. Non-depreciable property, plant and equipment are subject to a depreciation test once a year.

If an indication of impairment exists, the recoverable amount of the asset is compared to its net carrying amount. In the event of loss of value, a write-down is recognized on the income statement; it changes the depreciable amount of the asset prospectively. The write-down is repaid in the event of changes to the estimated recoverable amount or if the indications of impairment disappear. Write-downs are recognized under the rubric "Amortization charges and depreciation of tangible and intangible assets" of the income statement.

Gains and losses on the disposal of fixed operating assets are recorded on the income statement on the line "Net gains on other non-current assets."

Gains and losses on the disposal of investment property are recorded on the income statement on the line "Income from other activities" or "Expenses from other activities."

Accruals

The issuance costs of loans issued up until December 31, 1999, are amortized over the course of the fiscal year of issuance, and for issuances after that date, are spread across the lifetime of the loan.

Bond redemption premiums are depreciated on a straight-line basis, based on the length of the loan.

Provisions for depreciation

Charges and reversals of provisions are classified by type in the corresponding expense accounts.

Provisions are valued for the amount corresponding to the best estimate of outflow of resources required to settle a certain obligation, which corresponds to the best estimate assumption.

Provisions for country risks

Established to cover sovereign risks as well as risks on emerging countries, these provisions have been determined according to the economic situation of borrowing countries. The portion affected by these provisions is shown as a deduction from the corresponding assets.

General allowances for credit risks

Since the 2000 fiscal year, general allowances for credit risks are incorporated to cover the risks inherent but not yet proven on performing loans and commitments given to customers. They are identified:

- for credit activities other than specialized financing, by an average cost of risk such as may be understood in a long-term perspective, or 0.5% of a performing customer loan;

for specialized financing as well as for foreign branches, by a cost of risk obtained from debt ratings to which an average default rate is associated. This method makes it possible to account for the least dispersion of risks, the unitary importance of records and thus a greater volatility.

These general credit risk provisions will be subject to reversals if the occurrences that they are intended to confront actually materialize.

Since the 2003 fiscal year, they may include a general provision for major group risks.

Regulated savings contracts

Comptes épargne logement (CEL – mortgage saving accounts) and *plans épargne logement* (PEL – mortgage saving plans) are regulated products accessible to customers (natural persons) that combine an interest-bearing savings phase, and then provide access to a mortgage loan in a second phase. They generate for the distributor institution two types of commitments:

- future compensation from savings at a fixed rate (only on PELs, the remuneration rate for CELs being akin to a variable rate, periodically revised based on an indexation formula);
- a loan agreement with customers who request it, under predefined conditions (PEL and CEL).

When these commitments are potentially unfavorable, they're covered by provisions. These cover the commitments on existing contracts on the determination date of the provision; the future opening of mortgage saving agreements or mortgage saving accounts are not taken into account.

Future outstandings related to mortgage savings agreements are estimated from statistical analysis of customers in a given rate environment. PELs that are subscribed as part of an overall offer of related products and not meeting the aforementioned behavioral laws are excluded from projections. Outstandings at risk that are subject to a provision are made up of:

- for PEL deposits, the difference between the probable outstanding savings and the minimum expected savings. The latter are determined with a confidence level of 99.5% on the basis of several thousand scenarios of different rates;
- for mortgage savings agreement loans, future volumes depending on the likely exercise of acquired rights and already existing loans.

Future losses are evaluated with regard to non-regulated rates of term deposits for savings and ordinary home loans for loans. This approach is led by uniform generation of PEL and CEL in terms of regulated conditions, without compensation between different generations. Losses determined thusly are updated from rates derived from the average of the last twelve months of the curve of zero coupon swaps compared to Euribor 3 months. The amount of provisions rests on the average loss observed from several thousand scenarios of rates generated by stochastic modeling. The impacts on profit (loss) are recorded as interest paid to customers.

Assets and liabilities expressed in foreign currency

Assets and liabilities expressed in a currency other than the local currency are converted at the official exchange rates on the closing date. Unrealized gains or losses resulting from these conversions are recognized on the income statement with any differences in exchange rate gains or losses on transactions during the fiscal year.

However, translation adjustments for long-term investment securities and investments in non-consolidated companies expressed in foreign currency and funded in euros are not recorded on the income statement. Nevertheless, if securities must be assigned or reimbursed, a provision is established for the amount of the unrealized exchange loss.

Funds for general banking risks

Funds for general banking risks (FGBR) were created as a measure of prudence to cover risks of a general and undetermined nature, inherent to banking activities. Allowances and reversals to FGBR are made by management and appear on the income statement.

Interest and commissions

Interest is recognized on the income statement *prorata temporis*. Commissions are recorded according to receipt criteria with the exception of those pertaining to financial transactions, which apply at the time of the close of issuance or time of invoicing.

Interest from non-performing loans are not recognized as revenue.

Commissions include income from banking operations compensating third parties for services provided, with the exception of those that by nature are interest, i.e. calculated according to the length and amount of the debt or the commitment given.

Pension liabilities and related

In application of the ANC's recommendation 2013.02, the commitments are subject to a provision for which the difference will be recognized in the profit (loss) for the period. The underlying assumptions for calculating pension liabilities and related are the following:

- a discount rate determined by reference to the long-term rate of high quality corporate bonds at the close of the fiscal year;
- a salary escalation rate calculated from an estimate of long-term inflation and real wage growth.

Post-employment benefits under a defined benefit plan

The commitments are calculated using the projected unit credit method to determine the present value of the commitment and the cost of services provided for the fiscal year, based on assumptions. The differences generated by changes in these assumptions and by differences between previous assumptions and what actually occurred constitute actuarial gains and losses.

When the plan has assets, these are valued at fair value and their expected return impact profit (loss). The difference between the real return and expected return constitutes an actuarial variance.

Curtailments and settlements of the plan produce a change in the commitment, which is recognized in the profit (loss) for the period.

Supplementary pensions within the pension funds

The AFB interim agreement dated September 13, 1992, modified pension plans for banking institutions. Since the 1st of January 1994, banks affiliate with the national plans, Arrco and Agirc. CIC's three funds, which ensured payment of the various expenses required by the interim agreement, merged on January 1, 2008, in order to pool their reserves. After the merger, reserves of the merged entity cover the liability in full; reserves were subject to a full assessment in 2008. In order to comply with the provisions of the Fillon law of August 23, 2003, and the Social Security Financing law 2008-1330 of December 17, 2008, the transformation into a pension management institution (IGRS) of the merged entity, with as a corollary shifting reserves and liabilities to an insurance agency, occurred in 2009.

Other post-employment benefits under a defined benefit plan

Future retirement benefits and supplementary pensions, including special schemes are either covered by insurance contracts or bankrolled for the uncovered portion by such contracts.

Bonuses as retirement benefits paid annually take into account rights acquired on December 31 of each fiscal year, weighted by the coefficients of employee turnover and probability of survival.

The commitments are calculated using the projected unit credit method. Notably, factors taken into account include: mortality, staff turnover rate, salary increase rate, the rate of social security contributions in prescribed cases and the financial discount rate.

Retirement benefits due and paid to employees over the course of the year are subject to reimbursement by the insurer up to the amount covered by the latter.

The commitments for retirement benefits are determined on the basis of the contractual indemnity for retirement at the initiative of the employee who has reached his or her 62nd birthday.

Post-employment benefits under a defined contribution plan

Since 1994, a company agreement has been in place creating a supplemental retirement scheme through collective capitalization for the benefit of the group's staff and especially for the former CIC Paris. This scheme was extended to the staffs of the former Union Européenne de CIC at the time of the merger of the two institutions in 1999.

Other long-term benefits

Employees receive a bonus related to an award for long-term service obtained after 20, 30, 35 or 40 years of seniority. This commitment is fully funded in the company's accounts and valued according to the same principles as those for retirement benefits.

Tax Credit for Competitiveness and Employment (*Crédit d'impôt pour la compétitivité et l'emploi* – CICE)

The amount of the tax credit for competitiveness and employment (*Crédit d'impôt pour la compétitivité et l'emploi* – CICE), non-taxable, is recognized as a credit to a sub-account of employee benefits expenses.

Operations in States and territories, which are non-cooperative with respect to fighting fraud and tax evasion

The bank does not operate, directly or indirectly, in States or territories targeted by Article L.511-45 of the French Monetary and Financial Code or appearing on the list established by the decree of February 12, 2010.

Explanatory notes are presented in millions of euros.

NOTE 2 Government securities and related

	12/31/2018				12/31/2017			
	Transaction	Investment	Invest.	Total	Transaction	Investment	Invest.	Total
Securities held	773	1,075	543	2,391	865	879	668	2,412
Loaned securities								
Translation adjustments								
Accrued interest	1	0	14	15		2	19	21
Depreciated securities								
Gross amount	**774**	**1,075**	**557**	**2,406**	**865**	**881**	**687**	**2,433**
Write-downs								
Net amount	**774**	**1,075**	**557**	**2,406**	**865**	**881**	**687**	**2,433**
Unrealized gains		7		7		58		58

The positive (or negative) differences between the reimbursement price and the purchase price of short-term investment securities and long-term investment securities are respectively €0 million and -€74 million.

For government securities there were no transfers of shares between categories.

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NOTE 3 Advances to credit institutions

	12/31/2018		12/31/2017	
	On demand	In the future	On demand	In the future
Current accounts	6,119		1,852	
Loans, securities received in repurchase agreement	1,269	7,258	1,406	6,438
Securities delivered in repurchase agreement		6,834		7,522
Accrued interest	12	14	11	15
Non-performing loans				
Write-downs				
TOTAL	**7,400**	**14,106**	**3,269**	**13,975**
TOTAL ADVANCES TO CREDIT INSTITUTIONS		**21,506**		**17,244**
of which equity loans		22		40
of which subordinated loans		166		245

Non-performing loans do not include compromised doubtful loans.

Performing loans do not include restructured loans.

NOTE 3 *bis* Breakdown by geographic region of advances to credit institutions

	France	USA	Great Britain	Singapore	Hong Kong	Total
Overall gross outstandings on 12/31/2018*	19,620	158	33	1,598	71	21,480
of which:						
Non-performing loans						
Compromised doubtful loans	*0*					*0*
Write-downs:						
Inventories on 12/31/2017	0					0
Allowances						
Reversals	0					0
Exchange rate effects						
Inventories on 12/31/2018	0					0

* *Excluding accrued interest.*

NOTE 4 Advances to customers

	12/31/2018	12/31/2017
Commercial loans	93	214
Accrued interest		0
Other financing		
■ Loans and credits	36,424	32,479
■ Securities delivered in repurchase agreement	11,036	8,092
■ Accrued interest	115	79
Overdrawn current accounts	966	1,326
Accrued interest	1	1
Non-performing loans	679	812
Write-downs	-315	-363
TOTAL	**48,999**	**42,640**
of which eligible loans to the European Central Bank	*3,580*	*2,873*
of which subordinated loans	*11*	*11*

Non-performing loans include €441 million of depreciated compromised doubtful loans in the amount of €229 million.

Advances to customers include €237 million of restructured loans of which €203 million on non-performing outstandings.

NOTE 4 *bis* Breakdown by geographic sector of advances to customers

	France	USA	Great Britain	Singapore	Hong Kong	Total
Overall gross outstandings on 12/31/2018*	40,947	2,724	1,618	2,872	1,036	49,197
of which:						
Non-performing loans	*188*	*17*	*33*			*238*
Compromised doubtful loans	*441*					*441*
Write-downs:						
Inventories on 12/31/2017	-317	-23	-18	-5		-363
Allowances	-68		-6			-74
Reversals	99	5	18	5		127
Exchange rate effects and related	-5					-5
Inventories on 12/31/2018	-291	-18	-6			-315

* *Excluding accrued interest.*

NOTE 4 *ter* Write-downs of non-performing loans

	12/31/2017	Allowances	Reversals	Other variations	12/31/2018
Assets					
Write-downs on advances to credit institutions					
Write-downs on advances to customers	361	74	-127	7	315
Write-downs on leasing transactions and operating leases					
Write-downs on bonds and other fixed-income securities	61	2	-2	-13	48
Write-downs on other assets	1			-1	0
TOTAL	**423**	**76**	**-129**	**-7**	**363**

Total non-performing loans to customers amounted to €679 million compared to €812 million on December 31, 2017. They are covered by write-downs on assets up to an amount of €315 million, or 46.4% compared to 44.7% previously.

The coverage rate of gross customer outstandings by all write-downs and provisions covering credit risks is 1.36% as compared to 1.60% in 2017.

Non-performing loans are covered by these write-downs with the exception of provisions for country risks and general provisions for credit risks concerning performing loans.

NOTE 5 Bonds & other fixed-income securities

	12/31/2018				12/31/2017			
	Transaction	Investment	Invest.	Total	Transaction	Investment	Invest.	Total
Listed securities held	9,099	8,819	23	17,941	6,951	6,755	92	13,798
Non-listed securities held		698	1	699		426	13	439
Loaned securities								
Accrued interest	6	23	1	30	5	14	2	21
Non-performing loans[1]		135	203	338		141	317	458
Gross amount	**9,105**	**9,675**	**228**	**19,008**	**6,956**	**7,336**	**424**	**14,716**
■ Write-downs		-163		-163		-27		-27
■ Provisions			-47	-47		-1	-58	-59
Net amount	**9,105**	**9,512**	**181**	**18,798**	**6,956**	**7,308**	**366**	**14,630**
Unrealized gains						14		14
of which subordinated bonds								
of which securities issued by public bodies				*2,449*				*2,005*

(1) Non-performing loans include €134 million of compromised doubtful loans.

The positive (or negative) differences between the reimbursement price and the purchase price of short-term investment securities are -€17 million and zero for long-term investment securities.

Trading securities and short-term investment securities were valued at market price from external data from organized markets, or for over-the-counter markets, from the rates of leading brokers, or when the price wasn't available, from comparable securities listed on the market.

NOTE 5 *BIS* Bonds & other fixed-income securities – Tracking the transfer of categories occurring in 2008 pursuant to Regulation CRC 2008-17 amending Regulation CRB 90-01

As result of the exceptional situation due to the deterioration of world financial markets, CIC proceeded to transfer securities out of the Trading and short-term investment categories. These reclassifications were carried out on a valuation basis on July 1st, 2008.

	Carrying amount on day of transfer	Carrying amounts on the balance sheet at closing	Price at closing if transfers had not occurred	Unrealized gain or loss
Assets reclassified from:				
■ Trading securities to long-term investment securities	18,443	824	1,143	319
■ Trading securities to short-term investment securities	349	2	2	
■ Short-term investment securities to long-term investment securities	421	57	59	2
TOTAL	**19,213**	**883**	**1,204**	**321**

Note 6 Shares and variable-income securities

	12/31/2018				12/31/2017			
	Transaction	Investment	TAP	Total	Transaction	Investment	TAP	Total
Listed securities held	546	19		565	968	37		1,005
Non-listed securities held		208		208		159		159
Loaned securities								
Accrued interest								
Gross amount	**546**	**227**		**773**	**968**	**196**		**1,164**
Write-downs on securities		-2		-2		-1		-1
TOTAL	**546**	**225**		**771**	**968**	**195**		**1,163**
Unrealized gains								

No transfer between portfolios took place during the 2018 fiscal year.

NOTE 7 Investments in non-consolidated companies and other long-term investments

	12/31/2017	Acquisitions Allowances	Disposals Reversals	Transfers	Other variations	12/31/2018
Other long-term investments						
■ listed						
■ non-listed	85				14	99
Investments in non-consolidated companies						
■ listed						
■ non-listed	9				-1	8
Subtotal	**94**				**13**	**107**
Translation adjustments						
Loaned securities						
Accrued interest						
Calls for funds and advances on current account in SCIs (Property Investment Companies)						
GROSS AMOUNT	**94**				**13**	**107**
Write-downs						
■ listed securities						
■ non-listed securities	-6					-6
Subtotal	**-6**					**-6**
NET AMOUNT	**88**				**13**	**101**

NOTE 8 Investments in subsidiaries and associates

	12/31/2017	Acquisitions Allowances	Disposals Reversals	Transfers	Other variations	12/31/2018
Gross value	5,755				328	5,993
Translation adjustments	-1				-1	-2
Loaned securities						
Accrued interest						
Calls for funds and advances on current account in SCIs (Property Investment Companies)						
Write-downs	-144	-42	26			-160
NET AMOUNT	**5,610**	**-42**	**26**		**237**	**5,831**
Gross book value of securities in non-listed credit institutions	3,060					3,274
Gross book value of investments in listed subsidiaries and associates						
Gross book value of investments in non-listed subsidiaries and associates	5,754					5,992

Transactions with subsidiaries and associates

	12/31/2018 Subsidiaries and associates		12/31/2017 Subsidiaries and associates	
	Total	Of which subordinated	Total	Of which subordinated
ASSETS				
Advances to credit institutions	12,460	166	7,897	245
Advances to customers	2,037		1,339	
Other miscellaneous debtors	120		154	
Bonds and other fixed-income securities				
Swaps purchases	1,112		1,151	
LIABILITIES				
Due to credit institutions	27,320		24,562	
Customer deposits	825		475	
Other liabilities	989		1,120	
Swaps sells	197		382	
Debt securities	2,088	1,545	1,823	1,486
OFF-BALANCE SHEET				
Commitments given				
Credit institutions[1]	1,703		2,525	
Customers	1,517		1,311	
Commitments received				
Credit institutions	1,446		1,201	

(1) Commitments given to subsidiaries and associates concern notably the guarantees given to regional banks on their issuance of certificates of deposit and negotiable medium-term notes.

Transactions with subsidiaries and associates for which there exists a shareholding link are not significant.

Transactions with related parties

All transactions with related parties were concluded under normal market terms, that is to say, those that are usually practiced by the institution in relationships with third parties, so that the beneficiary of the agreement receives no benefit from the agreement in comparison to terms given any other third party, taking into account the terms of use in companies in the same sector.

NOTE 9 Intangible assets

	12/31/2017	Acquisitions Allowances	Disposals Reversals	Other variations	12/31/2018
Gross value					
■ Goodwill	56				56
■ Start-up costs	1				1
■ Research and Development expenses					
■ Other intangible assets	68		-5	3	66
Gross amount	**125**		**-5**	3	**123**
Amortizations					
■ Goodwill	-55			2	-53
■ Start-up costs	-1				-1
■ Research and Development expenses					
■ Other intangible assets	-18	-2	4	-4	-20
Amount of amortizations	**-74**	**-2**	**4**	-2	**-74**
Net amount	**51**	**-2**	**-1**	1	**49**

NOTE 10 Property, plant and equipment

Property, plant and equipment	12/31/2017	Acquisitions Allowances	Disposals Reversals	Other variations	12/31/2018
Gross value					
■ Operating sites	200	1		-1	200
■ Non-operating sites					0
■ Operating buildings	786	3		-1	788
■ Non-operating buildings	2			-1	1
■ Other property, plant and equipment	112	2	-3	4	115
Gross amount	**1,100**	**6**	**-3**	1	**1,104**
Amortizations					
■ Operating sites					
■ Non-operating sites					
■ Operating buildings	-501	-24	11	-1	-515
■ Non-operating buildings		0		0	0
■ Other property, plant and equipment	-104	-2	3	1	-102
Amount of amortizations	**-605**	**-26**	**14**	0	**-617**
Net amount	**495**				**487**

NOTE 11 Equity

	12/31/2018	12/31/2017
Number of securities held	231,711	231,711
Part of the share capital	0.61%	0.61%
Carrying amount	10	10

CIC's equity derives from the partial contribution of assets from the CIAL, done in 2006.

NOTE 12 Other assets and liabilities

	12/31/2018		12/31/2017	
	Assets	Liabilities	Assets	Liabilities
Premiums on options	362	334	232	219
Settlement accounts for security trades	58	50	41	29
Debts representing securities borrowed		1,229		2,210
Deferred taxes				
Miscellaneous receivables and payables	6,399	1,810	6,910	2,298
Non-performing loans	1		1	
Related debt	1	2	1	1
Write-downs	-1		-1	
TOTAL	**6,820**	**3,425**	**7,184**	**4,757**

NOTE 13 Accruals

	12/31/2018		12/31/2017	
	Assets	Liabilities	Assets	Liabilities
Collection accounts	1	3	1	41
Foreign currency adjustment and off-balance sheet accounts	3,554	3,312	3,826	3,985
Other accruals	1,293	3,334	951	879
TOTAL	**4,848**	**6,649**	**4,778**	**4,905**

The case concerning check image transfer fees has once again been brought before the Court of Cassation, following the banks' appeal in January 2018 against the Paris Court of Appeal's ruling of December 21, 2017, which upheld the decision of the *Autorité de la Concurrence* (French Competition Authority) of September 21, 2010, to sanction the banks, including CIC.

No timetable has yet been set to that effect.

NOTE 14 Due to credit institutions

	12/31/2018		12/31/2017	
	On demand	In the future	On demand	In the future
Current accounts	12,408		13,750	
Future accounts		21,084		14,872
Securities sold in repurchase agreement				
Securities delivered in repurchase agreement		20,042		14,023
Related debt		137		52
TOTAL	**12,408**	**41,262**	**13,750**	**28,947**
TOTAL DEBT DUE TO CREDIT INSTITUTIONS		**53,670**		**42,697**

NOTE 15 Customer deposits

	12/31/2018		12/31/2017	
	On demand	In the future	On demand	In the future
Special savings accounts	7,379	2,208	7,002	2,040
Related debt				
TOTAL – SPECIAL SAVINGS ACCOUNTS	**7,379**	**2,208**	**7,002**	**2,040**
Other debts	21,199	5,583	19,455	6,554
Securities delivered in repurchase agreement	6	2,018	6	2,011
Related debt		25		23
TOTAL – OTHER DEBTS	**21,205**	**7,626**	**19,461**	**8,588**
TOTAL FOR CUSTOMER DEPOSITS ON DEMAND AND IN THE FUTURE		**38,418**		**37,091**

NOTE 16 Debt securities

	12/31/2018	12/31/2017
Certificates of deposit	12	16
Interbank market securities and negotiable debt securities	19,607	15,372
Bonds	5,187	4,107
Other debt securities	13	15
Related debt	111	68
TOTAL	**24,930**	**19,578**

NOTE 17 Provisions

	12/31/2017	Allowances	Reversals	Other variations	12/31/2018
Provisions for counter-party risks					
■ on signature commitment	19	1	-2		18
■ on off-balance sheet commitments					
■ on country risks					
■ general provisions for credit risks	291	66	-21	4	340
■ other provisions for counter-party risks			-130	130	
Provisions for losses on forward financial instruments	**6**	**7**			**13**
Provisions on subsidiaries and holdings					
Provisions for risks and non-risk counter-party expenses					
■ provisions for retirement expenses	47	1	-1		47
■ provisions for mortgage saving agreements	8	2			10
■ other provisions[1]	767	70	-16	-161	659
TOTAL	**1,138**	**147**	**-170**	**-27**	**1,088**

ANC Recommendation No. 2013-02 pertaining to rules for valuing retirement commitments in accordance with the IAS 19R.
[1] As of December 31, 2018, the inventory of provisions includes €522 million of provisions related to the temporary effects of tax consolidation.

NOTE 17 *bis* Provisions for risks on commitments to Mortgage Savings Agreements

	12/31/2018		12/31/2017	
	Outstandings	Provisions	Outstandings	Provisions
PEL – Mortgage saving plans	1,714	10	1,651	8
CEL – Mortgage saving accounts	87		84	1
Mortgage savings loans	2		2	

NOTE 17 *ter* Provision pertaining to retirement benefits

Retirement Benefits	Opening	Transfers	Effect of discounting	Financial income	Cost of services rendered	Other (transfers, management fees)	Variation in actuarial gains and losses	Payments to beneficiaries	Insurance premiums	Closing
Commitments	52	-1	1		3		2	-3		54
Insurance policies	31			-1				-2	4	32
Surplus Assets/ Commitments										
PROVISION	**21**	**-1**	**1**	**1**	**3**		**2**	**-1**	**-4**	**22**

NOTE 18 Subordinated debt

	12/31/2017	Issuances	Reimbursements	Other variations	12/31/2018
Subordinated debt	1,358	54		1	1,413
Participating loans					
Perpetual subordinated debt	163				163
Related debt	2				2
TOTAL	**1,523**	**54**		1	**1,578**

PRINCIPAL SUBORDINATED DEBT

	Issue date	Amount of Issuance	Fiscal year-end amount	Rate	Maturity
Participating loan	05/28/1985	€137m	€137m	a	b
redeemable subordinated notes	03/24/2016	€414m	€414m	Euribor 3 months +2.05%	03/24/2026
redeemable subordinated notes	11/04/2016	€700m	€700m	Euribor 3 months +1.70%	11/04/2026

a) Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.

b) Non-depreciable, but reimbursable at borrower's discretion as of 05/28/1997 at 130% of the nominal value revalued by 1.5% per year for future years.

NOTE 19 Equity and FGBR

	Capital	Premiums	Reserves[1]	Revaluation surplus	Regulated provisions	Retained earnings	Profit (loss) for the period	Total	Funds for general banking risks
Balance on 01/01/2017	**608**	**1,088**	**5,668**	**44**	**48**	**126**	**882**	**8,464**	**379**
Profit (loss) for the period							853	853	
Appropriation of earnings from previous fiscal year			500			382	-882		
Distribution of dividends						-342		-342	
Other variations					2	2		4	
BALANCE ON 12/31/2017	**608**	**1,088**	**6,168**	**44**	**50**	**168**	**853**	**8,979**	**379**
Balance on 01/01/2018	**608**	**1,088**	**6,168**	**44**	**50**	**168**	**853**	**8,979**	**379**
Profit (loss) for the period							772	772	
Appropriation of earnings from previous fiscal year						853	-853		
Distribution of dividends						-951		-951	
Other variations			-1		3	6		8	
BALANCE ON 12/31/2018	**608**	**1,088**	**6,167**	**44**	**53**	**76**	**772**	**8,809**	**379**

(1) The Reserves line item included on 12/31/2018: €61 million of legal reserves, 287 million of special reserves for long-term capital gains, 5,659 million of free reserves, 124 million of statutory reserves and 1 million of special reserves Art 238bis.

CIC's capital on December 31, 2018, was constituted of 38,027,493 shares of a nominal value of €16.

CIC's corporate profit (loss) amounted to €771,726,563.21.

It is proposed that the shareholders' meeting allocate the sum of €847.9 million coming from the profit of €771.7 million and from retained earnings in the amount of €76.1 million in the following manner:

Dividends for the 2018 fiscal year	847.8
Dividends drawn from reserves	152.3
TOTAL DIVIDENDS DISTRIBUTED	**1,000.1**

NOTE 20 Breakdown of certain assets/liabilities according to their residual term

	< 3 months and on demand	> 3 months < 1 year	> 1 year < 5 years	> 5 years	TBD	Receivables Related debt	Total
ASSETS							
Advances to credit institutions[1]	14,658	3,249	1,959	1,614		26	21,506
Advances to customers[2]	12,618	7,511	14,006	14,470		115	48,720
Bonds and other fixed-income securities[3]	30	568	4,212	4,412		24	9,246
LIABILITIES							
Due to credit institutions[4]	39,131	7,717	5,336	1,348		137	53,670
Customer deposits	33,232	2,471	2,185	505		25	38,418
Debt securities							
- Certificates of deposit		11	1				12
- Interbank market securities and negotiable debt securities	9,406	10,150	50			40	19,646
- Bonds	88	402	2,051	2,645		72	5,258
- Other		14					14

(1) Except for non-performing loans and write-downs.

(2) Except for non-allocated stock, non-performing loans and provisions for depreciation.

(3) Exclusively for short-term investment securities and long-term investment securities (excluding non-performing loans).

(4) Except for other sums due.

NOTE 21 Counter-value in millions of euros of assets and liabilities in foreign currencies

The Counter-value of assets and liabilities expressed in foreign currencies is €36,311 and €39,439 million on December 31, 2018.

CIC does not have significant operational positions in foreign currencies.

NOTE 22 Guarantee commitments given

In the context of Crédit Mutuel Alliance Fédérale's refinancing operations (mortgage market and secured bonds), certain customer credits distributed by CIC constitute assets pledged in guarantee to these refinancing operations backed by third party entities of the group. On December 31, 2018, they amounted to €6,537 million.

NOTE 23 Commitments on forward financial instruments

Transactions on forward financial instruments (according to the notion of micro/macro hedging transactions and open position management activities/ specialized management on outright and conditional transactions).

	12/31/2018			12/31/2017		
	Hedging	Management activities	Total	Hedging	Management activities	Total
Outright transactions						
Organized markets						
- Rate contracts	5,937	183,514	189,451	2,108	136,892	139,000
- Exchange rate contracts						
- Other transactions		7,869	7,869		4,676	4,676
Over-the-counter markets						
Forward rate agreements		3,449	3,449		12,493	12,493
- Rate swaps	4,798	130,354	135,152	4,766	135,340	140,106
- Financial swaps	912	11,427	12,339	630	9,719	10,349
Other transactions		465	465		301	301
Swaps – other		10,688	10,688		12,995	12,995
Conditional transactions						
Organized markets						
- Rate options						
Bought						
Sold		757	757			
- Foreign currency options						
Bought						
Sold						
- Shares and other options						
Bought						
Sold						
Over-the-counter markets						
- High and low rate cap contracts						
Bought		11,948	11,948		11,814	11,814
Sold		12,076	12,076		11,741	11,741
- Options on interest rates, foreign exchange, stocks and other options						
Bought		13,445	13,445		13,050	13,050
Sold		13,440	13,440		13,038	13,038
TOTAL	**11,647**	**399,412**	**411,059**	**7,504**	**362,059**	**369,563**

BREAKDOWN OF CONTRACTS ON OVER-THE-COUNTER INTEREST RATE INSTRUMENTS BY PORTFOLIO TYPE

2018	One-off Open Position	Micro hedge	Overall interest rate risk	Specialized management	Total
Outright transactions					
Purchases				1,759	1,759
Sales				2,155	2,155
Default swaps		5,096	614	152,449	158,159
Conditional transactions					
Purchases				25,393	25,393
Sales				25,516	25,516

2017	One-off Open Position	Micro hedge	Overall interest rate risk	Specialized management	Total
Outright transactions					
Purchases				3,959	3,959
Sales				8,835	8,835
Default swaps		4,171	1,224	158,054	163,449
Conditional transactions					
Purchases				24,864	24,864
Sales				24,779	24,779

During the 2018 fiscal year, there were no transfers between the hedge swaps portfolio and the trading swaps portfolio.

NOTE 24 Breakdown of futures according to their residual term

	< 1 year	> 1 year < 5 years	> 5 years	Total
Rate instruments				
Organized markets				
- Purchases	42,406	24,164	26,835	93,405
- Sales	43,093	26,802	26,907	96,802
Over-the-counter markets				
- Purchases	5,351	6,914	1,206	13,471
- Sales	5,721	7,086	1,195	14,002
Rate swaps	31,661	67,062	36,429	135,152
Foreign exchange instruments				
Organized markets				
- Purchases				
- Sales				
Over-the-counter markets				
- Purchases	10,543	3,108	29	13,680
- Sales	10,538	3,103	29	13,670
Financial swaps	2,157	7,393	2,789	12,339
Other forward financial instruments				
Organized markets				
- Purchases	437	3,430	331	4,198
- Sales	610	2,935	127	3,672
Over-the-counter markets				
- Purchases				
- Sales				
Swaps	3,489	6,743	436	10,668
TOTAL	**156,006**	**158,740**	**96,313**	**411,059**

NOTE 25 Forward financial instruments – Counter-party risk

The counter-party risk related to forward financial instruments is estimated according to the methodology used for calculating prudential ratios.

Credit risks of forward financial instruments	12/31/2018	12/31/2017
Gross exposure		
Credit institution risks	1,445	1,157
Company risks	1,261	1,401
TOTAL	**2,706**	**2,558**

	12/31/2018		12/31/2017	
Fair value of forward financial instruments	Assets	Liabilities	Assets	Liabilities
Fair value of forward financial instruments	4,401	4,486	4,360	5,175

NOTE 26 Other off-balance sheet liabilities

	12/31/2018	12/31/2017
Foreign currency transactions		
Currencies receivable	2,143	1,838
Currencies payable	1,939	1,475
Forward financial instrument liabilities		
Transactions made on organized markets and related		
Forward currency exchange transactions		
- Hedged	18,945	11,106
- Other transactions	78,818	87,251
Financial currency swaps		
- One-off open position		
- Micro-hedge	912	630
- Overall interest rate risk		
- Specialized management	11,427	9,719
Leasing liabilities		
Remaining fees to be incurred on real estate leasing contracts		
Remaining fees to be incurred on equipment leasing contracts		

NOTE 27 Interest income and expenses

	2018 Fiscal year		2017 Fiscal year	
	Income	Expenses	Income	Expenses
Credit institutions	383	-814	1,083	-1,573
Customers	1,014	-191	931	-185
Leasing and operating lease				
Bonds and other fixed-income securities	224	-361	249	-257
Other	89	-90	87	-117
TOTAL	**1,710**	**-1,456**	**2,350**	**-2,132**
of which subordinated debt expense		*-23*		*-18*

NOTE 28 Income from variable-income securities

	2018 Fiscal year	2017 Fiscal year
Short-term investment securities	2	5
Portfolio securities		
Investments in non-consolidated companies and ATDLT	20	10
Investments in subsidiaries and associates	619	633
Share of income from SCIs (Property Investment Companies)		
TOTAL	**641**	**648**

NOTE 29 Commissions

	2018 Fiscal year		2017 Fiscal year	
	Income	Expenses	Income	Expenses
Cash and interbank transactions		-3	2	-4
Transactions with customers	206	-3	200	1
Security trades	3	-9	3	-9
Foreign currency positions	3	-1	3	-1
Off-balance sheet transactions				
- Securities commitments	8		9	
Forward financial commitments	4	-7	3	-4
- Funding and guarantee commitments				
Providing financial services	310	-23	336	-27
Commissions on payment instruments		-103		-98
Other commissions (including returned goods)	16	-11		-15
TOTAL	**550**	**-160**	**556**	**-157**

NOTE 30 Gains or losses on trading portfolio transactions

	2018 Fiscal year	2017 Fiscal year
On trading securities	64	234
On foreign currency transactions	44	22
On forward financial instruments		
- Interest rates	118	106
- Exchange rates	4	19
- On other financial instruments including stocks	66	-61
Subtotal	**296**	**320**
Allowances for write-downs of financial instruments	-7	
Reversals on write-downs of financial instruments		12
TOTAL	**289**	**332**

NOTE 31 Gains or losses on investment portfolio transactions and related

	2018 Fiscal year	2017 Fiscal year
Short-term investment securities transactions		
- Capital gains on sale	50	144
- Capital losses on sale	-43	-24
- Allowances for depreciation	-4	
- Reversals on depreciation		3
Portfolio securities transactions		
- Capital gains on sale		
- Capital losses on sale		
- Allowances for depreciation		
- Reversals on depreciation		
TOTAL	**3**	**123**

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NOTE 32 Other banking income and expenses

	2018 Fiscal year		2017 Fiscal year	
	Income	Expenses	Income	Expenses
Accessory income	3		1	
Transfers of expenses				
Net provisions			37	-22
Other banking income and expenses	2	-9	31	-47
Net income and expenses from other activities				
TOTAL	**5**	**-9**	**69**	**-69**

NOTE 33 Employee benefits expense

	2018 Fiscal year	2017 Fiscal year
Salaries & wages	-249	-261
Social security contributions	-117	-116
Pension expenses	-6	-2
Employee profit-sharing and incentive schemes	-29	-28
Taxes, levies & payments related to compensation	-36	-36
Net allocation to provisions for pensions		-3
Other net allocation to provisions	-1	
TOTAL	**-438**	**-446**

The amount of the Tax Credit for Competitiveness and Employment (*Cédit d'impôt pour la compétitivité et l'emploi* – CICE), recognized as a credit to employee benefit expenses, amounted to €4.5 million for the fiscal year 2018.

CICE, in particular, made it possible to maintain and even increase funding for employee training to a level well above regulatory allowances and to improve the group's competitiveness overall, notably through efforts:

- in terms of investment in new technologies such as digital tools (tablets) and videoconferencing systems;
- in IT developments, with a virtual assistant, based on cognitive technologies, designed to bring even higher quality service to customers;
- in development of new payment modes by telephone and ancillary services;
- in the search for new services for business clientele;
- in the use of electronic signatures to sign contracts remotely.

NOTE 34 Cost of risk

	2018 Fiscal year	2017 Fiscal year
Allowances for write-down of non-performing loans	-204	-119
Reversals of write-down on non-performing loans	128	121
Irrecoverable loan losses covered by write-downs	-59	-43
Irrecoverable loan losses not-covered by write-downs	-10	-24
Recovery of written-off debts	13	12
Receivables balance	**-132**	**-53**
Net provisions	-68	-15
Reversal of provisions	153	29
Balance of risks	**85**	**14**
TOTAL	**-47**	**-39**

NOTE 35 Gains or losses on non-current assets

	2018 Fiscal year					2017 Fiscal year
	Government securities and assimilated	Bonds & ATRF	Holdings & ATDLT	Investments in subsidiaries and associates	Total	Total
On non-current financial assets						
■ Capital gains on sale	124	4			128	141
■ Capital losses on sale				-25	-25	-3
■ Allowances for depreciation				-42	-42	-101
■ Reversals on depreciation			30	26	56	95
Subtotal	**124**	**4**	**30**	**-41**	**117**	**132**
On property, plant and equipment and intangible assets						
■ Capital gains on sale					1	1
■ Capital losses on sale					-1	-3
Subtotal						**-2**
TOTAL					**117**	**130**

NOTE 36 Non-recurring income

	2018 Fiscal year	2017 Fiscal year
Provision	-1	
TOTAL	**-1**	

NOTE 37 Income tax

	2018 Fiscal year	2017 Fiscal year
Current tax – Excluding the effect of tax consolidation	-77	-29
Current tax – Regularization of previous fiscal years		
Current tax – Including the effect of tax consolidation	28	-99
TOTAL	**-49**	**-128**
On current activities	-49	-128
On non-recurring events		
TOTAL	**-49**	**-128**

CIC has been the holding company of a tax consolidated group since January 1st, 1995.

Each fiscally integrated company is repositioned in the situation that it would be if it was taxed separately.

The savings or additional income tax expense resulting from the difference between the tax due by integrated subsidiaries and the tax resulting from analysis of the overall result is booked by CIC.

NOTE 38 Breakdown of income statement by geographic zones

	France	USA	Great Britain	Singapore	Hong Kong	Total
NBI	1,362	117	35	52	7	1,573
General operating expenses	-737	-47	-10	-20	-4	-819
GOI	625	70	25	32	3	754
Cost of risk	-35	-3	-4	-4	-1	-47
Operating income	590	67	21	28	1	707
Gains or losses on non-current assets	118					118
Income before exceptional items	708	67	21	28	1	825
Non-recurring income	-1					-1
Taxes	-40	-8	2	-3		-49
Allowances/reversals of regulated provisions	-3					-3
Net profit/(loss)	**664**	**59**	**23**	**25**	**1**	**772**

NOTE 38 *bis* Breakdown of income statement by business sector

	Network	Private management	Corporate banking	Structure and holding	Total
NBI	542	425		606	1,573
General operating expenses	-416	-332		-71	-819
GOI	126	93		535	754
Cost of risk	-14	-6		-26	-47
Operating income	111	87		509	707
Gains or losses on non-current assets		118			118
Income before exceptional items	111	205		509	825
Non-recurring income				-1	-1
Taxes	-42	-38		31	-49
Allowances/reversals of regulated provisions	-1			-2	-3
Net profit/(loss)	**68**	**167**		**537**	**772**

NOTE 39 Average workforce

	2018 Fiscal year	2017 Fiscal year
Bank technical staff	1,842	1,874
Managers	2,200	2,228
TOTAL	**4,042**	**4,102**

NOTE 40 Compensation paid overall to top executives

	Salary fixed portion	Salary – variable portion	Benefits in kind	Miscellaneous add-backs	Total 2018	Total 2017
Top executives	0.3				0.3	0.3

No compensation was paid to members of the Board of Directors.

There were no advances or loans granted during the fiscal year to members of the Board of Directors.

NOTE 41 Profit (loss) per share

On December 31, 2018, CIC's share capital was €608,439,888, divided by 38,027,493 shares of €16 in nominal value, of which 231,711 are treasury shares, which are not taken into account in calculating the profit (loss) per share.

Thus, for the 2018 fiscal year, the profit (loss) per share amounted to €20.42 compared to €22.57 for 2017.

NOTE 42 Assets deposited at the *Caisse des dépôts et consignations* and inactive accounts

	Number of accounts	Amounts in euros
Identified accounts mentioned in II of Article L.312-19 of the French Monetary and Financial Code	26,231	96,364,825.45
Accounts filed and mentioned in Article L.312-20 of the French Monetary and Financial Code	1,075	2,746,585.22

In accordance with the law No. 2014-617 of June 13, 2014, pertaining to inactive bank accounts and unclaimed insurance policies.

NOTE 43 Fees to statutory auditors

	12/31/2018					
Amounts excluding taxes	PriceWaterhouseCoopers Audit		Ernst & Young		KPMG	
Certification of accounts	0.48	100%	0.48	100%	0.48	100%
Non-audit services						
TOTAL	**0.48**	**100%**	**0.48**	**100%**	**0.48**	**100%**

	12/31/2017					
Amounts excluding taxes	PriceWaterhouseCoopers Audit		Ernst & Young		KPMG	
Certification of accounts	0.48	77%	0.48	100%	0.48	100%
Non-audit services	0.14	23%				
TOTAL	**0.62**	**100%**	**0.48**	**100%**	**0.48**	**100%**

The above amounts correspond to amounts recognized as expense during the fiscal year.

Non-auditing services in 2018 correspond in particular to certifications of revenue and NBI for CIC's branches and transfer pricing.

3.4.3 Information related to subsidiaries and associates

Companies and addresses *(currency, in thousands)*	Capital	Shareholders' equity less capital, excluding 2018 profit (loss)	Portion of capital held (in %)	Carrying amount of shares held – Gross	Carrying amount of shares held – Net	Advances granted by CIC	Deposits and pledges given by CIC	Last fiscal year's before tax revenue[1]	Last fiscal year's net profit/(loss)	Dividends received in 2018 by CIC
Detailed information concerning subsidiaries and interests held in French and foreign companies whose gross value exceeds 1% of CIC's capital										
A/ SUBSIDIAIRIES (more than 50% of capital held by CIC)										
A.1 CREDIT INSTITUTIONS										
French subsidiaries										
CIC Ouest – 2 avenue Jean-Claude-Bonduelle, 44000 Nantes – Siren 855 801 072	83,780	462,922	100	366,583	366,583	0		500,191	91,945	91,215
CIC Nord Ouest – 33 avenue Le-Corbusier, 59800 Lille – Siren 455 502 096	230,000	370,538	100	313,940	313,940	0		530,215	112,991	101,200
CIC Est – 31 rue Jean Wenger-Valentin, 67000 Strasbourg – Siren 754 800 712	225,000	434,981	100	231,132	231,132	0		666,426	165,466	145,800
Banque Transatlantique – 26, avenue Franklin-D.-Roosevelt, 75008 Paris – Siren 302 695 937	29,372	81,745	100	119,665	119,665	0		106,233	36,762	31,800
CIC Sud Ouest – 20 quai des Chartrons, 33000 Bordeaux – Siren 456 204 809	155,300	114,266	100	220,670	220,670	100,000		319,109	36,442	36,613
CIC Lyonnaise de Banque – 8 rue de la République, 69001 Lyon – Siren 954 507 976	260,840	462,412	100	341,811	341,811	0		818,800	176,330	144,556
CM-CIC Bail – 17*bis place des Reflets Tour D2,* 92988 Paris la Défense Cedex – Siren 642 017 834	35,353	-8,674	100	453,728	453,728	0		2,628,673	-8,828	0
CM-CIC Épargne Salariale – 12 rue Gaillon, 75002 Paris – Siren 692 020 878	13,524	9,655	99.94	31,958	31,958	0		27,468	2,305	4,505
CM-CIC Lease – 48 rue des Petits Champs, 75002 Paris – Siren 332 778 224	64,399	26,909	54.08[2]	22,310	22,310	0		512,347	12,689	3,995
Foreign subsidiaries										
Banque de Luxembourg – 14 boulevard Royal L-2449 Luxembourg	104,784	891,616	100	902,298	902,298	0	344,562	254,694	64,067	57,021
Banque CIC Suisse – 11-13 Marktplatz CH4001 Basel, Switzerland	CHF 125,000	CHF 263,893	100	CHF 338,951	CHF 338,951	0	CHF 2,473,040	CHF 139,438	CHF 29,273	0
CM-CIC Market Solution INC – 520 Madison Avenue 37th Floor, New York 10022 United States	USD 13,431	- USD 12,772	100	USD 8,251	USD 678	0		USD 2,687	- USD 22	0

(1) For banks, the NBI.

(2) 27.88% directly by CIC, 26.20% indirectly by CIC.

3

Companies and addresses *(currency, in thousands)*	Capital	Shareholders' equity less capital, excluding 2018 profit (loss)	Portion of capital held (in %)	Carrying amount of shares held		Advances granted by CIC	Deposits and pledges given by CIC	Last fiscal year's before tax revenue[1]	Last fiscal year's net profit/(loss)	Dividends received in 2018 by CIC
				Gross	Net					
A.2 OTHER										
CM-CIC Investissement – 28 avenue de l'Opéra, 75002 Paris – Siren 562 118 299	1,655,177	80,318	100	1,912,745	1,912,745	0		7,734	3,645	3,744
Adepi – 6 rue Gaillon, 75002 Paris – Siren 331 618 074	244,193	495,443	100	474,937	474,937	0		0	61,181	0
CIC Participations – 4 rue Gaillon, 75002 Paris – Siren 349 744 193	8,375	14,805	100	40,268	23,180	0		0	81	0
CIC Associés – 4 rue Gaillon, 75002 Paris – Siren 331 719 708	15,576	1,833	100	19,788	17,415	0		0	-3	0
Caroline 3 – 4 rue Gaillon, 75002 Paris – Siren 493 154 272	8,112	-8,010	100	8,112	93	0		0	-8	0
Caroline 4 – 4 rue Gaillon, 75002 Paris – Siren 493 154 140	7,712	-7,613	100	7,712	88	0		0	-10	0
Caroline 5 – 4 rue Gaillon, 75002 Paris – Siren 493 154 249	7,697	-7,518	100	7,697	169	0		0	-9	0
Caroline 6 – 4 rue Gaillon, 75002 Paris – Siren 493 154 264	7,437	-7,236	100	7,437	192	0		0	-8	0
Caroline 13 – 4 rue Gaillon, 75002 Paris – Siren 493 154 405	8,952	-7,998	100	8,952	688	2,199		7,575	-257	0
Caroline 24 – 4 rue Gaillon, 75002 Paris – Siren 501 427 223	7,712	-6,917	100	7,712	595	2,041		-7,609	-191	0
Caroline 30 – 4 rue Gaillon, 75002 Paris – Siren 501 428 072	24,600	-8,127	100	24,600	787	0		11,117	-6,486	0
Caroline 35 – 4 rue Gaillon, 75002 Paris – Siren 501 428 189	7,897	-5,350	100	7,897	1,986	0		6,819	-560	0
Caroline 75 – 4 rue Gaillon, 75002 Paris – Siren 824 197 370	11,433	6,501	100	11,433	8,694	0		2,918	-9,400	0
SAS Ouest Atlantique Bail – 4 rue Gaillon, 75002 Paris – Siren 501 427 991	6,930	-18,627	100	6,930	354	0		1,633	-1,387	0
B / HOLDINGS (10 to 50% of capital held by CIC)										
French holdings	0	0	0	0	0	0		0	0	0
Foreign holdings	0	0	0	0	0	0		0	0	0
C/Aggregate information concerning other subsidiaries and holdings (more than 10% of the capital held by CIC and whose gross value doesn't exceed 1% of CIC's capital)										
SUBSIDIARIES										
French subsidiaries				89,771	34,881					1,557
foreign subsidiaries				35	0					0
HOLDINGS										
in other French companies				9,678	9,592					686
in foreign companies				1,322	1,322					7,000

(1) For banks, the NBI.
(2) 27.88% directly by CIC, 26.20% indirectly by CIC.

3.4.4 Activities and financial income from subsidiaries and holdings

3.4.4.1 Regional banks[1]

BANQUE CIC NORD OUEST

(Capital in € millions)	2018 Corporate, unconsolidated	2017 Corporate, unconsolidated
Registered workforce on 12/31	2,398	2,508
Balance sheet total	23,604	22,095
Equity (attributable to the group) including FGBR	714	702
Customer deposits	17,140	16,285
Customer loans	20,236	18,800
Net profit/(loss)	**113**	**105**

BANQUE CIC EST

(Capital in € millions)	2018 Corporate, unconsolidated	2017 Corporate, unconsolidated
Registered workforce on 12/31	3,054	3,223
Balance sheet total	27,035	26,548
Equity (attributable to the group) including FGBR	825	806
Customer deposits	20,632	20,393
Customer loans	23,225	22,242
Net profit/(loss)	**165**	**151**

CIC LYONNAISE DE BANQUE

(Capital in € millions)	2018 Corporate, unconsolidated	2017 Corporate, unconsolidated
Registered workforce on 12/31	3,707	3,676
Balance sheet total	35,481	33,487
Equity (attributable to the group) including FGBR	900	868
Customer deposits	25,558	24,276
Customer loans	30,151	27,863
Net profit/(loss)	**176**	**150**

BANQUE CIC SUD OUEST

(Capital in € millions)	2018 Corporate, unconsolidated	2017 Corporate, unconsolidated
Registered workforce on 12/31	1,731	1,720
Balance sheet total	15,967	14,737
Equity (attributable to the group) including FGBR	306	301
Customer deposits	9,859	9,461
Customer loans	13,897	12,503
Net profit/(loss)	**36**	**35**

BANQUE CIC OUEST

(Capital in € millions)	2018 Corporate, unconsolidated	2017 Corporate, unconsolidated
Registered workforce on 12/31	2,495	2,517
Balance sheet total	22,298	21,301
Equity (attributable to the group) including FGBR	639	638
Customer deposits	16,041	15,543
Customer loans	19,329	18,396
Net profit/(loss)	**92**	**95**

(1) Customer deposits are considered, excluding customer certificates of deposit and reverse transactions.
Customer loans are considered excluding reverse transactions but including leasing operations.

3.4.4.2 Specialized subsidiaries – retail banking

CM-CIC ÉPARGNE SALARIALE

(Capital in € millions)	2018 Corporate, unconsolidated	2017 Corporate, unconsolidated
Registered workforce on 12/31	137	131
Balance sheet total	67	82
Equity	23	23
Managed assets (excluding current bank accounts)	8,385	8,196
Net profit/(loss)	**2.3**	**4.7**

CM-CIC BAIL

(Capital in € millions)	2018 Consolidated(1)	2017 Consolidated[1]
Registered workforce on 12/31	257	244
Balance sheet total[2]	9,551	8,685
Equity[2]	917	569
Managed assets (excluding current bank accounts)(2)	8,874	7,980
Net profit/(loss)[2]	**27.7**	**18.3**

(1) CM-CIC Bail, CM-CIC Leasing Benelux and CM-CIC Leasing GMBH.
(2) Financial data.

CM-CIC LEASE

(Capital in € millions)	2018 Corporate, unconsolidated	2017 Corporate, unconsolidated[1]
Registered workforce on 12/31	53	50
Balance sheet total[1]	4,532	4,422
Equity[1]	96	97
Managed assets (excluding current bank accounts)(1)	4,385	4,111
Net profit/(loss)[1]	**13.4**	**14.2**

(1) Financial data.

CM-CIC FACTOR

(Capital in € millions)	2018 Corporate, unconsolidated	2017 Corporate, unconsolidated
Registered workforce on 12/31	373	345
Balance sheet total	8,060	7,580
Equity	161	155
Volume of receivables purchased	37,104	34,164
Managed assets (excluding current bank accounts)[1]	7,165	6,485
Net profit/(loss)	**13.6**	**7.8**

(1) Including Dailly trade receivables
Managed assets are net of provisions.

3.4.4.3 Specialized subsidiaries – retail banking

CIC BANQUE TRANSATLANTIQUE

(Capital in € millions)	2018 Consolidated IFRS	2017 Consolidated IFRS
Registered workforce on 12/31	427	400
Balance sheet total	4,943	4,524
Equity (attributable to the group) including FGBR	176	182
Managed savings, held in custody	30,948	29,902
Customer deposits	4,144	3,679
Customer loans	3,283	3,043
Consolidated and profit/(loss) attributable to the group	**30.9**	**34.1**

Customer deposits are considered with the exclusion of customer certificates of deposit and reverse transactions.

Customer loans are considered excluding reverse transactions but including leasing operations.

CIC SUISSE

Key figures established according to the local accounting basis *(Capital in millions of Swiss francs)*	**2018** Corporate	**2017** Corporate
Registered workforce on 12/31	379	355
Balance sheet total	9,261	8,408
Equity	418	389
Held in custody	4,792	5,030
Net profit/(loss)	**29.3**	**23.4**

BANQUE DE LUXEMBOURG

Key figures established according to the local accounting basis *(Capital in € millions)*	**2018** Corporate	**2017** Corporate
Registered workforce on 12/31	906	844
Balance sheet total	15,290	13,087
Equity including FGBR[1]	1,060	1,048
Held in custody and deposits	69,323	73,727
Net profit/(loss)	**64.1**	**63.5**

(1) Equity includes non-taxable provisions.

BANQUE DE LUXEMBOURG INVESTMENTS SA

Key figures established according to the local accounting basis *(Capital in € millions)*	**2018** Corporate	**2017** Corporate
Registered workforce on 12/31	43	40
Balance sheet total	49	47
Equity including FGBR[1]	6	6
Held in custody and deposits	0	0
Net profit/(loss)	**48.0**	**28.7**

3.4.4.4 Specialized subsidiairies – private equity

CM-CIC INVESTISSEMENT

(Capital in € millions)	2018 Corporate, unconsolidated	2017 Corporate, unconsolidated
Registered workforce on 12/31	47	43
Balance sheet total	1,766	1,767
Equity	1,739	1,739
Valuation of portfolio	1,523	1,541
Net profit/(loss)	**3.6**	**4.1**

CM-CIC CAPITAL

(Capital in € millions)	2018 Corporate, unconsolidated	2017 Corporate, unconsolidated
Registered workforce on 12/31	12	11
Balance sheet total	296	323
Equity	143	140
Valuation of portfolio	293	265
Net profit/(loss)	**2.6**	**3.9**

CM-CIC INVESTISSEMENT SCR

(Capital in € millions)	2018 Consolidated[1]	2017 Consolidated[1]
Registered workforce on 12/31	41	40
Balance sheet total	2,280	2,009
Equity	2,255	1,974
Valuation of portfolio	2,333	2,353
Net profit/(loss)	**281.0**	**141.1**

(1) CM-CIC Investissement SCR + CM-CIC Innovation.

CM-CIC CONSEIL

(Capital in € millions)	2018 Corporate, unconsolidated	2017 Corporate, unconsolidated
Registered workforce on 12/31	21	18
Balance sheet total	16	11
Equity	12	7
Valuation of portfolio	0	0
Net profit/(loss)	**4.8**	**-0.9**

3.5 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Fiscal year ending on December 31, 2018

At the shareholders' meeting of the Crédit Industriel et Commercial – CIC,

Opinion

In executing the mission entrusted us by the shareholders' meeting, we conducted the audit of the annual financial statements of the Crédit Industriel et Commercial – CIC pertaining to the fiscal year ending December 31, 2018, which are attached to this report.

We certify that the annual financial statements, in regard to French rules and accounting standards, are true and fair and give an accurate depiction of the results of operations for the past fiscal year as well as the financial situation of the company's assets at the end of this fiscal year.

Basis of the opinion

Accounting basis

We conducted our audit according to applicable professional standards in France. We feel that the items that we collected were of a sufficient and appropriate basis for forming our opinion.

The responsibilities incumbent upon us pursuant to these standards are expressed in the section "Responsibilities of statutory auditors with regard to auditing annual financial statements" of this report.

Independence

We accomplished our auditing mission in accordance with the applicable rules of independence, during the period from January 1, 2018 to the date our report was issued, and in particular, we did not provide any services prohibited by Article 5, paragraph 1, of the (EU) regulation No. 537/2014 or by the professional code of conduct (*recueil de déontologie*) of statutory auditors.

Justification of the assessment – Key points of the audit

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code pertaining to justification of our assessment, we bring to your attention key points of the audit as they pertain to the risk of material misstatements, which according to our professional judgment, were the most important for the audit of the annual financial statements, as well as our response in the face of these risks.

These assessments fall within the scope of the audit of annual financial statements together and in shaping the opinion previously expressed. We are not expressing an opinion on isolated elements of the annual financial statements.

Assessment of write-downs for proven credit risks on outstanding customer loans

Identified risk	Our response
The Crédit Industriel et Commercial accounts for write-downs and provisions to cover a proven credit risk on exposures to clientele. Write-downs of loans and receivables are constituted to cover this risk, on an individual basis. Provisions are constituted for funding and guarantee commitments. Write-downs and provisions are realized as soon as there's an objective indication of a loss in value. Write-downs correspond to the difference between the carrying amount of the loans and the amount of estimated future cash flows. As of December 31, 2018, non-performing loans stood at €679m. The related write-downs and provisions amounted to, respectively, €315m and €18m, such as presented in notes 4 and 17 of the appendix to the annual financial statements. The principles employed in terms of provisioning the credit risk are described in note 1, "Accounting principles, assessment methods and presentation" in the appendix to the annual financial statements. The assessment of write-downs and provisions require the exercise of judgment to identify the exposures presenting a risk of non-recovery, or for the determination of future recoverable cash flows and the time period for recovery. We considered that the assessment of write-downs and provisions constitute a key point of the audit owing to: ■ the relative importance of outstanding loans on the balance sheet; ■ the complexity of estimating the probability of default, losses in the event of default or future recoverable cash flows.	We examined the process and the controls related to the assignment of internal ratings on loans and receivables that present a proven risk of default, as well as the procedures for quantification of the corresponding write-downs. We reviewed: ■ by calling on our IT specialists, the provisions that guarantee the integrity of data used by rating and write-down models; ■ on a sampling of receivables, the classification of outstandings between performing and non-performing. As for credit risk on businesses, we: ■ took into account the records of governance decisions on write-downs; ■ examined the files of impaired loans with sampling to check for documentation of the credit rating and the level of impairment retained; ■ and, where appropriate, assessed the merit of adjustments made manually to internal credit ratings. As for credit risk in retail banking, we: ■ calculated the evolution over time of the following key indicators: the relationship of non-performing receivables to total outstandings and the rate of coverage of non-performing receivables by write-downs. Each time that an indicator differed from the average, we analyzed the differences observed; ■ and, where appropriate, by sampling, we completed a critical examination of impaired loan files to check for documentation of the credit rating and the amount of write-down retained.

Risk on the valuation of complex financial instruments

Identified risk	Our response
As part of its capital market activities in proprietary trading and in connection with its offerings of services to customers, the Crédit Industriel et Commercial possesses complex financial instruments. As indicated in note 1, "Accounting principles, assessment methods and presentation" from the appendix to the annual financial statements, derived instruments and trading securities are recognized at their market value, the counterpart of this re-evaluation is reported on the income statement: ■ trading securities are valued at market price from the most trading recent day. The overall balance of differences resulting from changes in value is recognized on the income statement as income or expense. ■ Derivatives are recognized at their market value. In the event where valuation of certain instruments is made from complex instruments, the market parameters serving as the basis for their valuation takes into account, in particular, the liquidity level of the markets concerned and their relevance in terms of longer maturities. We considered that the value of complex financial instruments involved a significant risk of material misstatements in the annual financial statements because they require the exercise of judgment, particularly concerning: ■ determination of parameters of non-observable valuations on the market for an instrument; ■ the use of internal and non-standard valuations; ■ the estimate of the main valuation adjustments that take into account the counterparty or liquidity risks, for example; ■ the analysis of potential valuation changes with counterparties in the context of margin calls or disposal of financial instruments.	We evaluated the process and controls put in place by the Crédit Industriel et Commercial for identifying and valuing complex financial instruments, including in particular: ■ the governance of valuation models; ■ independent explanation and validation of the results recorded on these transactions; ■ controls pertaining to the collection process of the parameters required for valuation of complex financial instruments; Specialists in risk modeling and quantitative techniques were included in our audit teams. With their assistance, we also: ■ completed counter-valuation tests on a sample of complex financial instruments; ■ analyzed the internal identification and validation processes of the primary value adjustments applied to financial instruments and their evolution over time. Our analyses dealt with the examination of methodologies retained on market reserves and value adjustments, and the governance mechanism put in place by the company to control the adjustments made; ■ we examined the primary spreads in existing margin calls, the losses and/or gains in the event of disposal of complex financial instruments in order to assess the coherence of earlier valuations retained.

Specific verifications

In accordance with professional standards applicable in France, we also conducted an audit of specific verifications prescribed by legal and regulatory requirements.

Information provided in the management report and in other documents on the financial situation and the annual financial statements addressed to shareholders

We have no comment to make as to the fair presentation and consistency with annual financial statements of the information provided in the Board of Directors' management report or in other documents on the financial situation and annual financial statements addressed to shareholders.

The fairness and consistency with annual financial statements of information pertaining to late payments mentioned in Article D.441-4 of the French Commercial Code leads us to make the following remark:

as indicated in the management report, this information does not include banking transactions and related operations, as your company considers that they are not within the scope of information to produce.

Corporate governance report

We certify the existence, in the Board of Directors report on corporate governance, of the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information provided pursuant to provisions of Article L.225-37-3 of the French Commercial Code on compensation and benefits paid to corporate officers as well as on the commitments made in their favor, we have verified their concordance with the accounts or the data used to establish these accounts and, as appropriate, with the items gathered by your company from companies controlling your company or controlled by it. On the basis of this work, we certify the accuracy and sincerity of this information.

Information resulting from legal or regulatory requirements

Designation of statutory auditors

We were named statutory auditors of the Crédit Industriel et Commercial – CIC company by the shareholders' meeting of May 25, 2016, for the KPMG SA firm, of May 26, 1999, for the ERNST & YOUNG et Autres firm and of May 25, 1988 for the PricewaterhouseCoopers Audit firm.

On December 31, 2018, the KPMG SA firm was in its third year of its mission without interruption, the ERNST & YOUNG et Autres firm in its twentieth year and the PricewaterhouseCoopers Audit firm in its thirty-first year.

Responsibilities of management and persons charged with corporate governance as regards the annual financial statements

It is the responsibility of management to prepare annual financial statements presenting a true reflection, in accordance with French accounting rules and principles, as well as to implement internal controls that it feels are necessary for preparation of annual financial statements without material misstatements, whether due to fraud or are the result of errors.

During the preparation of annual financial statements, it is incumbent upon management to assess the company's ability to continue as a going concern, and as the case may be, the necessary information with regard to business continuity and to apply the standard accounting policy for a going concern, unless it is foreseen to liquidate the company or cease doing business.

The annual financial statements were approved by the Board of Directors.

Responsibilities of the statutory auditors pertaining to the audit of annual financial statements

It is our responsibility to prepare a report on the annual financial statements. Our goal is to obtain reasonable assurance that the annual financial statements taken together do not contain any material misstatements. Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit conducted in accordance with professional standards may systematically detect every material misstatement. Misstatements may come from fraud or result from errors and are considered significant when one can reasonable expect that they may, either individually or cumulatively, influence economic decisions made by users who make decisions based on the financial statements.

As specified by Article L.823-10-1 of the French Commercial Code, our mission of certification of financial statements does not consist of guaranteeing the viability or quality of your company's management.

In the context of an audit completed in accordance with professional standards applicable in France, the statutory auditor exercises its professional judgment throughout the audit process. Furthermore:

- it identifies and assesses the risks that the annual financial statements contain material misstatements, whether they are due to fraud or result from errors, defines and implements audit procedures to confront these risks, and gathers elements that it believes are sufficient and appropriate to form an opinion. The risk of non-detection of a material misstatement from fraud is higher than a material misstatement resulting from any error, because fraud may involve collusion, falsification, deliberate omissions, false statements or circumventing internal controls;
- it takes note of relevant internal controls for the audit in order to determine the appropriate audit procedures for the circumstance, and not for the purpose of expressing an opinion on the effectiveness of internal controls;
- it assesses the appropriateness of accounting methods retained and the reasonableness of accounting estimates made by management, as well as information concerning estimates provided in the annual financial statements;
- it assesses the appropriateness of management's application of accounting policy for a going concern and, depending on the elements gathered, the existence or not of any significant uncertainty related to events or circumstances likely to call into question the company's ability to continue as a going concern. This assessment relies on the elements collected up to the date of the report; however, with a reminder that subsequent circumstances or events could call into question the going concern. If it concludes the existence of significant uncertainty, it draws the attention of readers of the report to the information provided in the annual financial statements concerning this uncertainty or, if this information is not provided or is not relevant, it expresses reservations about certification or refuses to certify them;
- It assesses the overall presentation of the annual financial statements and judges if the annual financial statements reflect the underlying operations and events in a manner that presents an accurate image.

Executed in Neuilly-sur-Seine and Paris La Défense, on April 18, 2019

The statutory auditors

KPMG SA	**PricewaterhouseCoopers Audit**	**ERNST & YOUNG and others**
Arnaud Bourdeille	Jacques Lévi	Hassan Baaj
Partner	*Partner*	*Partner*


INVESTING
to... preserve the world
of tomorrow

4

NON-FINANCIAL PERFORMANCE STATEMENT

4.1 A WORD FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Backed by 20,000 employees on behalf of more than 5 million customers, CIC has been making a difference for more than 160 years. It relies simultaneously on a spirit of initiative, a capacity for innovation, and strong values of solidarity and proximity, which it shares with Crédit Mutuel Alliance Fédérale.

As a partner to one out of three businesses in France, CIC supports its customers' entrepreneurial projects and helps them to promote sustainable and responsible growth. It places social and cooperative responsibility (SCR) at the center of its overall performance. In service of the real economy, it develops and improves practices every day to reduce their social and environmental impact.

Launched at the end of 2018, the 2019-2023 strategic plan, ensemble#nouveaumonde (together#newworld) is a collaborative effort built over 18 months to strengthen this commitment and set high ambitions for cooperative human development:

- 100% of employees trained about the transformation;

- gender equality in management and governance positions;
- assessment of non-financial policies by the group's entities;
- development and monitoring of policies in different sectors (defense, civil nuclear energies, coal-fired power plants and mining);
- strengthening of investments in the financing of renewable energy;
- a 30% increase in financing projects with a significant impact on climate;
- reducing the group's carbon footprint by at least 30%.

In terms of social policy, training programs, with employees physically present or attending remotely, account for 6% of 2018 payroll expenses. In addition to strengthening all employees' awareness of social and environmental challenges, CIC intensified training dedicated to the bank's digital transformation through the program, *Le digital et moi* and support for employees adopting new technologies.

Professional and personal conduct form the core of our commitments. This year, CIC has strengthened the various ways it prevents and combats corruption, including its code of conduct and its criteria for entering into new client relationships, especially in so-called sensitive countries.

In terms of cultural and social policy, CIC provides long-term support to numerous projects to support young artists and non-profit, social solidarity, economic, environmental and many other kinds of projects through a policy of patronage and active partnerships throughout the country. It is also committed to values promoted by sports and supports numerous regional events or sports organizations. Finally, it promotes youth entrepreneurship, philanthropy, skills sponsorship, and, through its different entities, cooperative efforts in multiple domains.

This statement of non-financial performance is an expression of that desire to build a responsible economy by reconciling economic imperatives with social and environmental impacts and centering its strategy around customer relationships, employee commitment and technological innovation.

Nicolas Théry	**Daniel Baal**
Chairman of the Board of Directors	Chief Executive Officer

4.2 PREAMBLE

To follow up on our previous publications on the social and environmental impacts of our activity and on CIC's commitment in favor of sustainable development, a consolidated statement of non-financial performance was drafted in 2018. This statement incorporates information required by Articles L.225-102-1, R.225-105-1 and R.225-105, Articles 70 and 173 of the law pertaining to energy transition for green growth of August 17, 2015, Article 14 of the law pertaining to combating food waste of February 11, 2016, the Sapin II law No. 2016-1691 of December 9, 2016, Article L.225-102-4 of the law of March 27, 2017, pertaining to the duty of vigilance by parent companies and sourcing companies.

The actions of the Crédit Mutuel group in terms of corporate social responsibility are subject to statements of non-financial performance (NFPS) by the Confédération Nationale du Crédit Mutuel and by the Crédit Mutuel Alliance Fédérale. Crédit Mutuel Alliance Fédérale's statement is published in its registration document.

NB: Unless otherwise noted by an *, the following remarks apply to figures mentioned in the indicator tables included at the end of the statement.

Furthermore, some paragraph headings include MA, R/O, SOCXX, SOTXX, ENVXX coding to facilitate comparison with a cross-reference table present at the end of this statement.

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4.3 CIC'S BUSINESS AND VALUE-SHARING MODEL (BM)

For more than a century and a half, CIC has distinguished itself by relying on a spirit of initiative, a capacity for innovation, a taste for challenges, an entrepreneurial mindset and a search for simplicity.

The primary subsidiary of Crédit Mutuel Alliance Fédérale, CIC is a universal bank organized around five business lines – bank insurance, corporate banking, capital markets, private banking, private equity.

A community bank, CIC, a holding and retail banking network in the Paris region, brings together 5 regional banks and specialized subsidiaries in all the finance and insurance business lines, in France and abroad.

It relies on a physical network of nearly 2,000 offices, 4 foreign commercial branches, 34 representation offices and 17 private banking locations abroad.

A digital bank that's 100% human, CIC is diversifying how it creates relationships: branches, social media, collaborative platforms...

It is run by 20,000 employees in the service of more than 5 million customers.

DATA AS OF DECEMBER 31, 2018

CUSTOMERS BY MARKET	COMMERCIAL ACTIVITY	FINANCIAL STRUCTURE
4.1 MILLION PRIVATE INDIVIDUALS	€188.5 BILLION IN LOANS[1] €152.1 BILLION IN FUNDING[1] €197.2 BILLION IN SAVINGS MANAGED	€15.1 BILLION IN EQUITY
ALMOST 120,000 NON-PROFITS	€5.4 MILLION IN INSURANCE BASED SAVINGS IARD	CET1 RATIO WITH NO CIC GROUP TRANSITIONAL MEASURES: 13.0%
138,000 BUSINESSES	€2.1 BILLION INVESTED IN UNLISTED COMPANIES	CET1 RATIO WITH NO CRÉDIT MUTUEL ALLIANCE FÉDÉRALE TRANSITIONAL MEASURES: 16.6%
740,000 CORPORATE		LONG-TERM RARTINGS: MOODY'S[2]: AA3 STANDARD&POOR'S[3]: A FITCH[4]: A+ OUTLOOK: STABLE[5]

CIC's solid financial balance sheet underpins its development strategy in proposing multiple offers in banking, insurance, telephony, remote surveillance...

In the service of human beings, whom it places at the heart of the relationship, CIC strives to support its customers wherever they are in real time by proposing high quality, appropriate and competitive products, and by combining adept tools, a smooth flow of information, excellence in service and protection of data and assets in each of its business lines.

A digital bank, which benefits from the group's IT resources, it offers innovative products with cutting-edge technology.

The priority of CIC's strategic plan is to be the bank of reference when it comes to customer service, range of services and innovation in a digital world, for an enhanced relationship between account managers and customers and thus creating an ecosystem of trust in a context marked by:

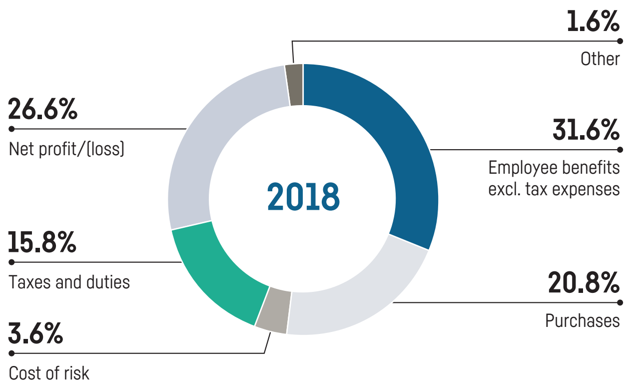
- a complex macro-economic environment with historically low rates;
- increasing regulatory pressures;
- technological changes (digital revolution), which impact the customer relationship (internal processes, computer security) and create new competitors;
- new expectations by customers who are better informed, more connected, and concerned about secure on-line banking services;
- the changing behaviors and expectations of stakeholders;
- climate change and scarcity of resources.

(1) Consolidated outstandings on the books.
(2) CIC.
(3) Crédit Mutuel Alliance Fédérale.
(4) Crédit Mutuel group.
(5) For the 3 rating agencies.

CIC's involvement in the entrepreneurial fabric and the country's economy reflects the principles that define its vision of the world and the challenges of today and tomorrow:

Distribution of value (SOT09)

APPORTIONMENT OF NBI AND OTHER RESULTS OF 2018



At the employee level:

- 6.4% of payroll expense invested in training;
- Nearly 4,500 hires (Permanent + Fixed-term contracts) in 2018;
- 46% of women among management or the like.

At the customer level:

- 78.8 billion in outstanding residential loans[1];
- 54.7 billion in outstanding equipment loans[1];
- 1.4 billion outstandings[2] for financing renewable energy projects in France and internationally;
- +20% in the number of projects financed in renewable energies with professionals, farmers and small and medium-sized businesses;
- 305 proprietary trading investments in non-listed companies.

At the country level:

- 86.5% of NBI is realized in France;
- +9% of Passbook Savings outstandings for others between 2017 and 2018;
- 13.7 million budget dedicated to patronage and sponsorships;
- 16% of revenues returned to communities through taxes and levies.

At the financial level:

- 73% of NBI achieved by retail banking;
- Higher long-term financial ratings.

The "Chairman's Message", the profile, the key consolidated figures and the business lines, presented at the beginning of CIC's registration document as well as the "Financial Elements" chapter complete the description of the company's business model.

4

(1) Consolidated outstandings on the books.
(2) Aggregate authorizations.

4.4 THE GROUP'S NON-FINANCIAL RISKS AND OPPORTUNITIES (R/O)

The group is exposed to a certain number of associated risks, which are detailed in the "Financial Elements" section of the registration document.

The primary non-financial risks/opportunities identified result from the challenges confronted by the group as previously described and from relationships that it is developing with its stakeholders described below (ENV02):

- relationships with shareholders and executives: involvement of CIC in the process of corporate social responsibility described below (validation of sectorial policies by the Boards of Directors, etc.);
- at the level of employees and their representative bodies: refer to Chapter 4.5 "Responsible Management of Human Resources";
- with private customers, professionals, associations, businesses: this concerns communication at the time a service or product is designed, signing of contracts, response to the bidding process, response to questionnaires (cf. Chapter 4.6 "A Responsible Economic Agent," paragraphs 4.6.1 to 4.6.9);
- suppliers, sub-contractors, firms providing jobs for the unemployed or appropriate companies: relationships are established at the level of the group's business line centers for certain supplier relationships (logistics, IT) and at the level of each entity for other suppliers. These are detailed in Chapter 4.7 of the Vigilance Plan, "Being a Trusted Partner";
- associations, foundations, partnerships, universities, civil society: cf. Chapter 4.8: "An Actor in Culture and Society";
- professional organizations in the field of activity of each of the group's entities: regular contacts as part of country-wide animation;
- governments, monitoring and regulatory authorities, rating agencies: transmission of information.
- The relationships with non-financial ratings agencies and NGOs when controversies are handled at the level of Crédit Mutuel Alliance Fédérale and the Confédération Nationale du Crédit Mutuel (CNCM).

A map of Environmental, Social and Governance (ESG) risks was outlined for all of Crédit Mutuel Alliance Fédérale. The summary of risks presented below covers all the risks identified other than governance risks or elements specific to Crédit Mutuel Alliance Fédérale. The denoted performance indicators sometimes cover a larger scope than that of CIC to the extent it concerns indicators originating from Crédit Mutuel Alliance Fédérale's business line centers. Moreover, some will only be available beginning in 2019, such as the changes between 2017 and 2018 in the absence of data on 2017.

MAP OF SIGNIFICANT ESG RISKS

Summary

Non-financial information category	Significant non-financial risks	Primary prevention measures	Performance indicators
GOVERNANCE			
Failure to advise the clientele Inappropriate goods and services sold	Risk of losing customers	Routine quality measures Satisfaction surveys Adaptation of proposed offerings	Complaint monitoring indicator (Paragraph 4.7.2.3.5. – SOT106, SOT107, SOT108)
SOCIAL			
Transformation of skills Lack of employee training	Risk of non-compliance of banking operations	Significant training budget (> 6% of payroll expense) Support for all employees in digital transformation	Training Indicators (Paragraph 4.12 – SOC46, SOC47, SOC50) Transformation training ratio (Paragraph 4.5.1. – SOC122)
Discharge of employees (management of employees, professional recognition, quality of work life, etc.)	Risk of non-respect of procedures Risk of failure to advise customers/ prospects – Loss of NBI	Internal support mechanism for employees (regular interviews, group charters and agreements, measures for improving QWL[1], etc.)	Rate of job rotation (Paragraph 4.5.3.1. – SOC27) Absenteeism indicators: Variation in the number of days absent (Paragraphs 4.5.5.1. and 4.12 – SOC124, SOC38, SOC39, SOC40)

(1) QWL: Quality of Work Life.

Summary

Non-financial information category	Significant non-financial risks	Primary prevention measures	Performance indicators
SOCIETAL			
Lack of awareness of the ESG issues in the group purchasing policy	Risk of non-respect of the vigilance plan	Respect of purchasing policy Signing of supplier charter	Number of supplier charters signed (Paragraph 4.7.2.3.5. – SOT100)
Malice in the handling of customer/prospect banking operations	Risk of internal or external fraud Risk of conflicts of interest Risk of information theft	Strengthening control procedures of banking operations	Amount of claims for internal and external fraud (Paragraph 4.7.1.1. – SOT101)
Breakdown in security of IT systems	Risk of downtime in bank IT systems Risk of cybercrime Risk of non-respect of General Regulations on the protection of customer data	IT systems security committee Certification ISO 27001 Training of employees in GDPR (General Regulations on Data Protection)	Rate of availability of primary TP applications[2] (Paragraph 4.6.8.4. – SOT102) Impact of claims > €1,000 (Paragraph 4.6.8.4. – SOT103) Rate of training in GDPR (Paragraph 4.5.1. – SOT105)
FIGHT AGAINST CORRUPTION			
Non-respect of procedures	Risk of corruption	Regular training of employees Internal controls	Percentage of employees trained in the fight against corruption (Paragraph 4.7.2.3.5. – SOT104)
HUMAN RIGHTS			
Controversies over the non-respect of human rights	Risk of exposure through activities Risk of non-respect of the vigilance plan	Contractual clauses Crisis management mechanism Communication of the vigilance plan	Number of alerts from the "Power to Report" monitoring tool (Paragraph 4.7.2.3.4. – Audited but non-published data)
ENVIRONMENTAL			
Absence of dedicated CSR governance	Regulatory risk (poor application of regulatory texts)	The group's SCR commitment Validation of decisions by the Board of Directors Dedicated organization with contacts in each entity	SCR Indicators integrated into the strategic plan "ensemble#nouveaumonde 2019-2023": Indicators of human development (Indicators in process of development)
Lack of consideration for the carbon footprint of the group's entities in the exercise of their activities	Risk to reputation Regulatory risk	Carbon offset mechanism ISO 50001 certification process (energy management)	GHG Emissions: 5-year goal of 30% reduction in the group's carbon footprint (Paragraphs 4.9.1., 4.7.2.3.3. – indicators in process of development)
Failure to consider specific rules on sectors that pollute in granting financing Absence of prevention measures to reduce the carbon footprint of banking and investment operations	Risk of losing clientele and attractiveness (impact on NBI) Financial risk (depreciation of controversial securities in the portfolio)	Sectoral policies Integration of ESG criteria in granting credit and investment choices	Amount of funding authorizations for renewable energy projects (baseline calculated to reach a goal of a 30%-increase in financing of projects with strong impacts on the climate in 2023) (Paragraphs 4.6.3.3. – 2018 indicators: FS ENR Portfolio[3] in process of development – 2019 indicator: FS ENR Portfolio + ENR Network)
Lack of consideration for risks associated with climate change	Risk of transition Physical risk	Work in progress on case studies in order to prepare risk management methods	In process of development

Methodology applied to creating the ESG risk mapping:

The group risk department of Crédit Mutuel Alliance Fédérale has a mapping of group risks that makes it possible to grasp all of the factors that might affect the activities of Crédit Mutuel Alliance Fédérale and their performance. This mapping is the starting point for work led by a dedicated team to identify, assess and prioritize ESG implications for the group.

The approach in place (inspired by the CSR Reporting Methodological Guide published by the MEDEF) draws on the collaborative work of the group's Risks and CSR teams, which consists of identifying risk factors for each area of ESG. These risks were subject to analysis (by experts) that allowed for grading based on the probability of occurrence, their seriousness in terms of impacts and the possibility of non-detection. The grading scale of 1 (very significant risk) to 5 (insignificant risk) is the one used for the group's risk mapping and applied to the ESG implications. This work allowed us to highlight a summary of significant ESG risks, featuring risk prevention and mitigation measures as well as the main performance indicators.

(2) TP: transactional process – major applications used by the banking network and customers.
(3) FS ENR: Funding projects specialized in Renewable Energies.

It should be noted, like legal risks, the risk to reputation is seen as a consequence of other risks (especially financial, operational, credit, commercial). The group manages the risk to reputation by means of other risks. However, the threat of harm to the group's reputation may have significant consequences. That is why the group carefully evaluates the possible consequences of various risks (preventive measures) and ensures proper functioning of a crisis unit when a proven risk to reputation arises.

The mapping of significant ESG risks was approved by the group's risk committee (executive body) and the risk monitoring committee (deliberative body).

Mappings of group risks and major ESG risks will be displayed at Crédit Mutuel Alliance Fédérale's entities in order to adapt them to the risks to certain business lines such as (but not limited to) insurance, asset management, consumer credit, etc.

A description of policies and reasonable efforts associated with these risks is integrated into CIC's overall policy in terms of corporate social responsibility (refer to the performance Indicators included in the summary table on pages 322 and 323). Very attentive to potential risks, the group is spearheading an active policy across all non-financial spheres, even if until now the indicators monitored haven't demonstrated significant risks other than those presented above. This policy also has as its goal to transform these risks into opportunities to increase the group's overall performance.

CIC plays a part in the policy defined by Crédit Mutuel Alliance Fédérale based on values the group has defended since its inception: proximity, responsibility, solidarity.

(ENV01) Crédit Mutuel Alliance Fédérale is developing its CSR approach – re-labeled social and cooperative responsibility (SCR) – with a goal of creating innovation, wealth and sustainable growth. Based on a relationship of mutual trust by all, this policy has five goals broken down into fifteen commitments:

GOAL	COMMITMENTS
POLICYHOLDERS AND CUSTOMERS	1 - Listen to our customers and members
	2 - Promote bank inclusiveness
	3 - Control risks in the conduct of business
OF GOVERNANCE	4 - Support efficient functioning of governing bodies
	5 - Empower cooperative governance
SOCIETAL	6 - Formalize a policy of responsible purchasing
	7 - Maintain responsible relationships with our partners
	8 - Contribute to the development of the country
	9 - Support local initiatives
SOCIAL	10 - Promote diversity and equal opportunity
	11 - Strengthen support for careers, synergies in the development of internal mobility and development of skills
	12 - Make work life and internal communication processes a strategic lever for employee commitment
	13 - Strengthen the dynamics of social dialog
ENVIRONMENTAL	14 - Reduce our environmental impact
	15 - Promote quality products and responsible services

Furthermore, in 2015 Crédit Mutuel Alliance Fédérale adhered to Committee 21, a network of stakeholders involved in the operational implementation of sustainable development and on December 19, 2018, it committed itself alongside other businesses to initiatives regarding inclusive access to products and services concerning training and learning in 2019 and 2020, in conjunction with governmental measures taken in favor of purchasing power.

This SCR approach is an integral part of the 2019-2023 strategic plan "ensemble#nouveaumonde"[1] of the group articulated in 2018 with employees, integrating in particular the following goals:

- 100% of employees trained in the transformation;
- gender equality in management and governance positions;
- 30% increase in financing of projects with a significant impact on the climate;
- 30% reduction in the group's carbon footprint.

CIC's mission also consists of pursuing its commitment to sustainable development in regions where it operates, through, among other things, its responsible management, its service offerings and its support for initiatives with positive social and environmental impacts.

Its contacts in each of the group's entities are working in collaboration with the SCR team, which is integrated with the risk and compliance department of Crédit Mutuel Alliance Fédérale.

In parallel with the group's action, working groups and committees dedicated to particular themes or actions may be constituted within some of the group's entities. Likewise, some initiatives in this domain may be subject to approval at the management committee level and commitments taken by certain entities of the group. As an example, the Banque de Luxembourg is a member of the IMS Luxembourg business network, the national branch of Europe's CSR organization, which works in developing CSR policies in Luxembourg.

(1) Available at this address: http://www.bfcm.creditmutuel.fr/fr/bfcm/pdf/2018_11_13_CP_PMT5Y.pdf

4.5 RESPONSIBLE MANAGEMENT OF HUMAN RESOURCES

As of December 31, 2018, CIC has 20,327[1] registered employees, distributed as follows:

- banks: 17,231;
- french subsidiaries: 1,290;
- branches/offices and foreign affiliates: 1,806.

The commitment and involvement of employees is a key factor in the group's successful development and financial performance. CIC's social policy aims at creating conditions to better support profound changes that impact the group's business lines, and which make it possible to address financial, regulatory and behavioral challenges while promoting career advancement and well-being at work.

4.5.1 Training, a factor in the ability of employees to adapt and grow

The purpose of training is to support the group's strategic changes in order to maintain its competitiveness, meet regulatory requirements and support the professional development of employees by helping them adapt to the rapid changes in their profession.

As for employees of the sales network, training is a priority and is built around 3 themes:

- inescapable strategic actions related to the acquisition of new skills (new offerings, regulations, technologies, etc.) or over a multi-year period related to strengthening of skills (technical, methodological, behavioral);
- initiation of a career path and deepening of knowledge;
- individual actions to strengthen skills.

A large part of training is provided by CM-CIC Formation, Crédit Mutuel Alliance Fédérale's skill center. This involves the establishment of training sessions that closely match the needs of employees to help them acquire sustainable skills. In 2018, about 50% of the network's training sessions related to career paths.

CM-CIC Formation favors a blended learning approach, combining face-to-face training with distance learning). The e-learning modules, e-videos, on-line classes, etc., are considered as complementary tools to face-to-face training, which help trainees experience new situations, share and work with others while acquiring knowledge. The group has 3 training centers located in the Bas-Rhin, the Essonne and the Loire-Atlantique regions, which makes it possible to bring together groups of employees, in the context of their careers, who are practicing the same profession for the purpose of sharing experience and training.

CIC's school for both male and female executives, launched in 2017, offers a 5-month training cycle in both theory and practice addressed to future branch managers. The goal of the cycle is to provide them with the means to grasp as much as possible the changes and the challenges of the bank of the future.

All employees have a FORMAD remote training platform, which integrates dynamic and interactive modules. The home page is personalized, and the catalog offers targeted trainings based on the profession practiced. Every year, new e-learning courses are posted on-line. In 2018, distance learning represented 30% of training courses compared to 14% in 2017[2]. Besides prescribed e-learning courses, especially on the General Regulations on Data Protection (GDPR) with nearly 89% of the group's employees trained by CM-CIC Formation[2] (SOT105), 2018 was marked by continued strategic training. With a training session specifically dedicated to the bank's digital transformation, *Le digital et moi*, and to the means of interacting with customers and other group players, *La technologie au service de l'humain*, the goal of this training is to support employees in the appropriation of new technologies. Even if this training was deployed for branch managers and account managers, some modules were also followed by all employees. The agreement related to Provisional Job and Skill Management (GPEC) also specifies training modalities for other professions, trainings unrelated to skills unique to each profession and the means of individual training at the employee's initiative: individual training leave (CIF), validation of prior experience (VAE), skills assessment, professional development counseling (CPE), personal education account (CPF).

In 2018, the training budget represented 6.4% of payroll expense with a total of more than 697,000 hours of training sessions[3], or 36 hours per employee. The goal of the group's 2019-2023 strategic plan ensemble#nouveaumonde is to train 100% of employees in the transformation. At the end of 2018, the trainings sessions offered by CM-CIC Formation on the subject were taken by 76% of employees[2] (SOC122).

Quantitative data concerning training appears at the end of the statement (indicators SOC46 to SOC50).

(1) HR Data.
(2) Data concerning all employees trained by CM-CIC Formation, including those from CIC.
(3) In contrast to 2017, all e-learning trainings were taken into account, not just those constituting a prerequisite to face-to-face training.

4.5.2 Provisional job and skill management

In March 2016, a three-year group agreement related to provisional job and skill management (GPEC) was signed for the purpose of allowing businesses that benefit from this agreement to continually dispose of the skills necessary for their activities, evolution and development. The GPEC tools are available to employees to acquire and update skills necessary for exercising their job, and to acquire new ones to evolve into a new position in the context of career management.

4.5.2.1 Anticipating the evolution of professions

With the entry into force of agreements signed in 2017 constituting the common statutes for employees of Crédit Mutuel Alliance Fédérale, the nomenclature of the group's positions was prepared to include the specific functions exercised in each of CIC's businesses. This unique job nomenclature makes it possible to follow the evolution of professions and the skills necessary to practice them. Actions are taken depending on the needs of businesses as highlighted in positions or in skills, as well as identified needs for training or change for employees whose jobs have evolved. This could involve measures to adjust staffing, mobility issues, adaptation training or reconversion, while still respecting the goals of workplace quality. A monitoring commission constituted of group union delegates is tasked with reviewing the intermediate results once a year and to make suggestions within the framework of action plans, monitoring the evolution of professions, issuing opinions on tools and established support measures, suggesting improvements, training as part of the GPEC and which could be, where appropriate, integrated into training plans.

4.5.2.2 The employee, a participant in his or her career plan

The Professional Interview is that special moment of exchange between managers and employees aimed at facilitating adaptation to changes and progress by everyone in the group. It's a time to assess the employee's skill level, to set a path for progress in the job and to facilitate future changes, based on progress achieved and observed successes, and may involve a component of functional and/or geographic mobility. The TalentSoft application, which structures this interview, and which is open to all employees, also administers the Return from Absence Interview. The interview is one of the procedures used to detect employees with high potential.

4.5.2.3 Promoting mobility

As part of the agreements constituting common statutes, negotiations on mobility, which opened in 2017, resulted in a group agreement concerning geographic mobility in order to harmonize the conditions for mobility that apply to all group employees. The willingness of the group's businesses to promote internal mobility and to recruit primarily among the group's employees was reaffirmed. The group considers mobility as a key element in professional development and career progression, fostering employees' capacity to adapt and opening new horizons to them in an environment of constant change.

The group's employees benefit from the "JOBS" application. This job listing market facilitates the search of offerings published throughout the regions and internationally and can create alerts about new opportunities that meet the user's expectations. The unique job nomenclature contributes to better understanding the jobs offered. A library of the group's job-skill data sheets is also available on the employees' Intranet site. Data sheets are divided into 12 families and for each given job presents: the job, the primary tasks, the skills required to exercise these tasks, the primary jobs that are closely related (those from which an employee can advance to exercise this job and those towards which he or she may advance after a successful assignment on this job). For the same job, a summary sheet and a comprehensive data sheet are offered, complete with the required job skill levels, details on job skills and definitions of general skills. A guide to facilitate procedures for employees and defining the practical rules of group mobility is available on the Intranet tool.

4.5.2.4 Recruiting for the future

At the end of 2018, a campaign to attract the best talents was pitched around CIC's values: the spirit of initiative, a constructive manner, the challenger mindset and the spirit of simplicity. Hiring young talents to CIC happens particularly through work-study and internship programs for which an assertive policy is carried out, based on the quality of candidates, while making certain that the conditions in which they are welcomed are optimal and with a goal of hiring them at the end of their contract. CIC continues to develop close ties with numerous higher education establishments, particularly during trade gatherings, recruitment days and career forums, etc. Recruitment techniques are also evolving with the use of tools offering more dynamic and innovative applicant processes, such as a delayed video interview solution, which allows applicants to describe themselves beyond their CV and recruiters to better discover the personalities of the candidates.

4,451[1] employees were recruited in 2018 for open-ended and fixed-term contracts (+2.7%). The portion of employees within the scope (selected for social indicators) being less than 30 years old is stable and represents nearly 20% of the entire workforce.

Integration mechanisms are in place to support new employees. In this way, recently hired employees in the network benefit from a career path combining theoretical training, days of immersion and application in an office as well as self-learning. Furthermore, in subsidiaries, specific training sessions or tutorials are also adopted for new recruits.

(1) Refer to the SOC13 to SOC17 indicators, on all the companies in the group as indicated in the methodology appearing at the end of the statement.

4.5.3 An employer that encourages employee involvement in a sustainable fashion

4.5.3.1 Lasting jobs

Total workforce[1] of the group is stable in comparison to the end of 2017 (20,327 employees). The banks recorded a decrease in their workforce of 207 employees (-1.2%). French affiliates saw their workforce increase by 86 employees (+7.1%). The workforce of foreign establishments also grew by 116 employees (+6.9%).

Over the scope selected for the following indicators (entities located in France, Banque de Luxembourg and Banque de Luxembourg Investments SA), which includes 19,520 employees (natural persons), 96.2% have open-ended contracts (CDI).

CIC posted a turnover rate (SOC27) of 4.3%, stable in comparison to 2017 (SOC123). Data concerning hirings and firings are shown in the table of social indicators.

4.5.3.2 A policy of transparent and incentivized compensation

The components of fixed compensation are described in the appendix of the group's new agreement available on the Intranet. Each job is positioned in a group classification grid on one or several levels. Each classification level has a base salary range. The classification grid, base salary grid for the year and rules on changing levels, decision criteria and minimum amount of individual raises are published. Job functions and compensation may not be subject to discrimination.

Moreover, an annual electronic Individual Social Report (ISR) allows the employee to be knowledgeable about the components of his or her overall compensation for the preceding year and any changes. It also mentions other benefits which the employee enjoys as a group employee and indicates where to find additional information. The ISR is available in DOCRH, a tool in which employees have access to documents that concern them (ISR, electronic pay stubs, training certificates, etc.). *Via* the Intranet site, "The Employee's Universe," employees have access to various tools and documents.

An annual report on compensation policies and practices for employees whose professional activities have substantial impact on the company's risk profile is communicated to the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) and published on the group's Internet site.

At year's end, employees were prepared for implementation in 2019 of the reform on withholding of income tax with the appearance on their November pay stub of the rate of withholding applied to 2019 income, the simulated amount of their withholding, the simulated amount of their salary after withholding, and an indication of steps to take if necessary.

The gross payroll expense of open-ended contract employees is €909.1 million, an increase of 2.6% in comparison to 2017. Quantitative data concerning compensation appears at the end of the statement (indicators SOC73, SOC107 to 109 and SOC80).

4.5.3.3 Employees: partners in the group's overall performance

This year, the overall rate of profit-sharing and rate of incentive compensation paid in 2018 for the year 2017 amounted to 12.00% of payroll expense (9.5704% for profit-sharing and 2.4296% for incentive compensation) after management's decision to grant a supplemental profit-sharing amount of 1.6653% notwithstanding the non-recurring surcharge on income tax imposed on large businesses and affecting the group's net profitability. Thus, for CIC entities falling under the unique status, 20,396 employees for this reason received an overall amount of €97.6 million. Furthermore, employees having made at least one installment of €370 to the PEG (Group Savings Plan) benefitted from €19.7 million of matching contributions with a matching amount clearly superior to that of past years.

Complete information on employee savings was made available to all employees on the Intranet (video, self-learning, documentation).

In 2018, new agreements were signed for the period 2018-2020 regarding the rules that define profit-sharing and incentive compensation in which employees within the scope of unique status benefit. These agreements:

- improve the legibility and transparency of the basis of calculation for profit-sharing;
- improve bonuses on the lowest salaries in the calculation for distribution of the profit-sharing package and the special profit-sharing reserve (this measure often concerns young employees at the beginning of their careers);
- and increase the ceiling of the cumulative rate of profit-sharing and incentive compensation with respect to gross annual salary.

Incidentally, there are no stock option plans for CIC's executives.

4.5.3.4 A progressive social security policy

With regard to supplemental health coverage, the general plan's contribution paid by the group exceeds that prescribed by law. This system of a contribution proportional to salary favors the lowest incomes. Other measures also benefit families by improving on the provisions prescribed by the collective agreement. In terms of provident schemes, employees also benefit from quality protection financed to a large extent by the group, particularly concerning maintenance of salary for 3 years in the case of long-term illness and a level of income maintained until retirement in the case of disability. Also provided for in the guarantees for employee plans:

- in terms of beneficiaries of the death benefit, payment of the increase per dependent child paid directly to dependent children, which takes into consideration changing family situations;
- calculation formulas of the annuity of a spouse adjusted to actual age at time of retirement to allow spouses of older employees to receive a lifetime annuity;
- payment of the education annuity for children who pursue their studies or who are infirm until their 28th birthday.

For retirement, employees of CIC benefit, in addition to the basic compulsory social security schemes and the complementary ARRCO-AGIRC, from a supplemental funded retirement plan, "CIC Retraite," entirely funded by the employer. Employees have the possibility of making voluntary payments and to assign rights originating from the time-saving account (CET) to the plan. A second mechanism allows employees to establish a supplementary pension by funding a PERCOG by payment of profit-sharing, or incentive compensation, through voluntary payments or transfer of rights from the CET.

(1) HR Data.

4.5.4 A business that promotes equal opportunity and diversity

The prohibition and fight against any form of discrimination (SOC69) and respect for gender equality in the workplace (SOC56) are part of the commitments of the group's managers and are featured on the Intranet: *Manager : les bonnes pratiques* A group charter related to the fight against discrimination, promotion of diversity and vocational integration as well as retaining workers with disabilities has existed since 2016. Moreover, in all of the group's entities, employees of the HR department in charge of recruiting have taken training in non-discrimination at the time of hiring in order to comply with the law 2017-86 of January 27, 2017, regarding equality and citizenship (Article 214).

4.5.4.1 Policy promoting gender equity (SOC 56)

The agreement pertaining to the GPEC includes the goal of workplace equality between men and women. It stipulates that particular attention will be given to equal representation of men and women in different jobs. Where appropriate, a company must implement a policy that encourages, or even extends invitations in particular towards women or men when they are underrepresented in a job, especially when the job has a bearing on their professional career.

At the level of the banks and certain subsidiaries, agreements or commitments exist or are incorporated into broader agreements like that of CIC Ouest on the quality of life at work and workplace equality or that of CIC Nord Ouest with an agreement pertaining to equality in the workplace, non-discrimination and quality of life at work. In terms of gender equality, these agreements deal with the promotion of workplace equality between men and women from the time of recruitment, equal treatment with regard to qualification, classification, compensation, conciliation between family and professional life and are subject to oversight. An outline of specific individual attributes for reducing identified wage disparities was defined as part of the agreements on mandatory annual negotiations (NAO).

Through its initiative, "Impact f," the Banque de Luxembourg encourages women to take on responsibilities and recognize that they bring a wealth of assets benefiting the company. This initiative includes, in particular, personal development seminars and awareness campaigns for all employees and mentors.

Moreover, commitments by CIC Ouest to the *Printemps des Fameuses* and the *Jeune Pousse* award from the association *Femmes du Digital de l'Ouest*, demonstrate the particular importance internally of the bank's willingness to promote women. In keeping with this, portraits of *Fameuses de CIC Ouest* were posted on the Intranet.

Finally, the REV REM application (for REVision of REMuneration) provides specific information on the history and the positioning of compensation of each employee and makes it possible for managers to define proposals in the context of the package allocated annually. REV REM reproduces summaries that make it possible to verify that proposals preserve or improve gender equality.

Thus, 4,108 women are executives or managers with open-ended contracts, an increase of 3.8% in comparison to 2017. 43.9% of executives or managers who were promoted in 2019 were women, compared to 39% in 2017. The passage of the common statute with different compensation grids from 2017 to 2018, partially impact these changes. The group's 2019-2023 strategic plan ensemble#nouveaumonde targets gender equality in managerial and governance positions. In 2018, the report shows that women hold 46% of these positions (men 54%), i.e. an increase of 3 percentage points as compared to 2017 (SOC126).

The distribution of the workforce by age and by sex appears at the end of the statement on all the companies in the group as indicated in the methodology note.

4.5.4.2 Actions promoting diversity (SOC69)

CIC is a partner of the portal *Mon stage de troisième* (My high school internship) and welcomes trainees from priority neighborhoods.

Some companies pursue their own actions. Thus:

- CIC Nord Ouest is diversifying candidate profiles to hire as part of the agreement pertaining to workplace equality, non-discrimination and quality of life at work. The partnership with the Mozaïc HR firm, which specializes in recruitment of graduates with diversity in view of diversifying applications, was renewed for 2018 and 2019;
- CIC Lyonnaise de Banque is taking action in the context of *100 chances, 100 emplois* (participation in interview sessions and meetings in Marseille), whose goal is to help young adults find employment thanks to a network of local businesses, combat discrimination and promote diversity.
- For its part, the Banque de Luxembourg is a signatory to the *Lëtzebuerg* diversity charter, whose goal is to encourage businesses to respect and promote diversity. Actions to raise awareness and information campaigns to promote diversity are conducted with employees, especially on the occasion of Diversity Day.

4.5.4.3 Employment and Vocational Integration of persons with disabilities (SOC70)

Established in June 2016, the group charter pertaining to combating discrimination, promotion of diversity and vocational integration as well as retaining workers with disabilities within the group, publicizes the group's goals with regard to disabilities:

- promoting recruitment and integration of workers with disabilities;
- retaining workers whose disability occurred or evolved in the course of a career;
- allowing access to training for workers with disabilities under the same conditions as any other employee;
- promoting measures of assistance and support for workers with disabilities;
- establishing internal communications to inform employees about disabilities.

As an extension to this charter, agreements pertaining to vocational integration and retaining workers with disabilities was signed (as it was at CIC Est in 2018) or specific commitments were taken in the context of broader agreements on workplace equality, non-discrimination and quality of life at work, like at CIC Nord Ouest and CIC Lyonnaise de Banque.

In the absence of specific agreements, mechanisms exist to promote the integration of persons with disabilities. It is reflected essentially in measures in favor of employees with disabilities and addresses participation in acquiring equipment related to the disability, support in administrative processes, granting of time-off for these processes, taking responsibility for the workstation layout, adjustments to the work schedule if the disability requires it, adaptation of physical conditions for professional training to the disability. At CIC Est, hotlines were established with a company specialized in disabilities to support employees in their reporting procedures.

There are one/several advisors for persons with disabilities in some entities. The goal is to communicate and raise employee awareness on perceptions about disabilities, and explain the advantage of the RQDW approach[1] for employment retention, helping employees to recognize the quality of disabled workers (DW), providing advice in terms of behavior to adopt in the face of questions about the disability and in some entities taking action to promote direct recruitment of employees with disabilities. Thus, at CIC in IDF, several actions were taken throughout the year to change how employees viewed disabilities:

- 3 quizzes on RQDW, invisible disabilities and job retention, followed up by web presentations;
- during disabilities week: an interactive awareness exhibition, *Qui est qui ?* (exhibition of 10 portraits of people engaged in favor of persons with disabilities. Some are living with disabilities, others not… Visitors have to connect the 10 life stories presented to them with the 10 portraits. So that all employees participate in this event, each day, the 10 portraits, on display in corporate headquarters, were transferred to branch offices), *Handi Simul* studios in the two central buildings, and participation at the *Handi Réussites Spécial Femmes* recruitment fair;
- virtual reality immersion workshop in branch offices.

Furthermore, CIC Ouest conducted an operation to combat prejudice against the disabled inside the company by supporting the first edition of *HandiRun Enterprises* backed by the association *Courir et avec* in which some employees participated.

Certain work was also entrusted to ESATs (assistance and service centers helping disabled people into work) or to EAs (adapted companies).

CIC Est is part of the constituency of companies of the Léa Association, which acts in favor of the development of the performance of adapted companies in Alsace (increase and perpetuation of services conducted by EAs, skills training for EA employees recognized as workers with disabilities, help for DW employees from EAs in integrating companies in a mainstream environment).

4.5.4.4 Employment of seniors (SOC69)

The agreement pertaining to GPEC also has the goal of balancing representation of the generations. It underscores the importance that each work unit is careful to not lose skills when there is a retirement.

Seniors also benefit from safeguarding their professional career through the professional interview and interviews on career development.

The action plan concerning the 2016-2018 generation contract continued. It has as its goals: sustainable hiring of young people and retaining seniors on the job by promoting the employability and adaptability of all employees through means of training and support in changing conditions. The group's management is particularly committed to keeping seniors on the job by maintaining their proportion in the workforce equal to that noted as of December 31, 2015.

Furthermore, future retirees of the Banque de Luxembourg and their managers are supported as part of a program that emphasizes the transmission of knowledge for successful transition and preparing for new life projects.

4.5.4.5 Promotion and respect for provisions of the fundamental conventions of the International Labor Organization

- Respect for the freedom of association and the right to collective bargaining (SOC67): the group's entities (with exceptions due to size) regularly gather their employee representatives (CE, CHSCT, DP [works council; health, safety and working conditions committee, staff representative]). Employers of entities in the scope of indicators have not been convicted of any infractions for obstruction. The agreements in force: on the one hand, the group's agreement on union negotiation, and on the other hand, the agreement on the duties of CIC's union representative and on union and social communication, which describe in particular the means made available to union representatives of the group and CIC, measures for the protection and development of careers from which the latter benefit, and the means made available for union and social communication.
- Elimination of discrimination in terms of employment and profession (SOC64): in accordance with the law, CIC is attentive in its social policy to promoting the elimination of these forms of discrimination, especially through actions described in paragraphs 4.5.4.1 to 4.5.4.4.
- Elimination of forced or mandatory work (SOC65) and Effective Abolition of Child Labor (SOC66): CIC does not resort to forced or mandatory work, nor to child labor in its foreign branches or subsidiaries.

4.5.5 A company concerned about the conditions and quality of life at work (SOC45)

4.5.5.1 Measures for prevention and monitoring with regard to employee health and safety and harassment

For all companies under the group agreement, there exist:

- an action plan pertaining to avoidance of stress on the job. The actions proposed for preventing, reducing and eliminating stress on the job take into account the work done by the task force and the survey conducted with employees by an outside firm. Preventive measures concern workstation design and equipment, adaptation of the Intranet site, use of messaging, the role and training of the manager, training and support for employees, the organization of work;
- as an appendix to the internal rules of each company concerned:
  - a charter pertaining to the prevention of and fight against harassment and violence (an informational brochure on prevention of acts of harassment and violence at work was distributed to employees),
  - a security charter with rules applying to all of the group's employees and to any person with authorized access to facilities, IT resources or information made available to or used by the group,
  - a safety handbook, which details procedures and safety instructions to apply to different situations that may occur. This guide is comprised of several themes and in particular the safety of premises and natural persons. It is available to employees on the Intranet.

(1) *Recognition of the Quality of the Disabled Worker.*

Moreover, besides the warning procedure in the context of prevention and combating harassment or violence within the group, employees also have the power to report any failure to respect the legal and regulatory obligations as well as professional or internal standards that they may observe in the context of their activities.

For the companies concerned, an update of the single document for evaluating professional risks and the evaluation grid of arduousness is done annually. To prevent certain risks specific to business: armed attack, physical aggression, incivility, an update and reminder of safety instructions are done regularly.

Concerning incivilities by the clientele, employees have an electronic resource that allows the reporting of incivilities and which contains recommendations concerning measures to take *vis-a-vis* concerned employees. Training sessions on the management of incivilities are conducted especially for employees at reception areas in branch offices. These employees must have previously followed a self-learning module on the subject.

Various documents (safety handbook, the security toolkit and the group's network safety guide, "Act together in the face of incivility (in customer relations)," "Preventing any acts of harassment and violence at work"...) are available on the Intranet as well as in self-learning modules ("Safety and fire prevention" and "Raising awareness about security-Protection of people and property"). Actions to raise awareness are conducted regularly like those that serve as a reminder about policy, rules and safety instructions to users of smartphones in 2018. Furthermore, exercises to simulate evacuation in the event of fire or prevention of other risks, like putting up flood barriers in Paris, are carried out.

Prevention measures pertaining to health are also conducted:

In 2018, CM-CIC Bail conducted a training session for senior managers on the detection of depression and an informational meeting on cancer at work with the "Cancer@Work" association with employees and the human resources department.

The Banque de Luxembourg organized managerial training sessions in the context of a seminar on the theme of "Confronting psycho-social risks."

Furthermore, information was distributed on the Intranet concerning measures to take in the event of heatwaves or high temperatures, introductions to first aid in partnership with the French Red Cross, flu vaccinations, the availability of a medical library on health on the Intranet in the Paris Region.

In addition, the question of specific possible problems in dealing with family and professional responsibilities was addressed during professional interviews.

Larger initiatives were also put in place in certain entities of the group like the creation of a "Work Together" space on CIC Ouest Intranet, intended for employees at corporate headquarters and which presents, in particular, the rules of life and safety in the building. A life charter was developed. It involves employees and relies on 4 principles: respect for others, responsibility with regard to the quality of place, the priority of security for people and property, the shared burden of eco-citizen efforts (CSR).

CIC declared 120 occupational accidents that resulted in medical leave (including relapses).

Absenteeism (SOC38) other than maternity/paternity leave represented 178,408 working days of absences over the fiscal year (+7.7% as compared to 2017) (SOC124), or 9.1 days per employee as compared to 8.5 days in 2017.

Otherwise, CIC is actively participating in employee health, provident and retirement coverage (cf. Paragraph 4.5.3.4 An advance social protection policy). All of the provisions are published in the "The Employee's Universe" on the Intranet.

4.5.5.2 Improving the job and workspace environment

This is manifested in the search for equipment and ergonomic furniture, and by considering orientation with respect to fixtures and lighting, and sometimes through training sessions like that of the Banque de Luxembourg, "Communication and Cohabitation in Open Space" for affected departments.

4.5.5.3 Promotion of the group's managerial values

Promotion of the group's managerial values are covered by a group management charter, so as to contribute to the quality of life at work. Management spec sheets are available to managers. Each one of them treats a managerial situation in a summarized manner, puts forth recommended practices and proposes lines of action. All of the documents are available on the Intranet and accessible to everyone.

4.5.5.4 A flexible work organization with entitlement to days off

The new agreement on work schedules, which came into force on the 1st of January 2018, allows entities in the group to adapt their organization to the behavioral changes of customers and adjust reductions in work time with flexibility. It takes into account the responsibility for employees' health and safety and must allow employees to balance professional life with personal life. Taking into account the diversity of activities and the organizational constraints of companies as a result of the new agreement, several possible work formulas were defined with acquisition of days off when the weekly schedule exceeds 35 hours (off-cycle). Practices within the group are harmonized and simplified; that's the case, for example, of the period of reference for acquisition of paid vacation.

The proportion of part-time employees is 5.6% (indicators SOC29 to SOC32).

4.5.5.5 The search for work-life balance

As indicated in Paragraph 4.5.4.1, certain agreements signed at the level of entities of CIC contain measures to strengthen the balance between professional and personal life, particularly at the level of the organization and work schedule.

In 2018, a group agreement on support for employees in the use of digital tools and the right to disconnect was signed. In particular, it's a reminder of the right of employees to not deal with emails read outside of working hours except for proven emergencies. A code of good conduct for communication tools is included in this agreement for the purpose of ensuring reasonable, useful and efficient use of these tools. On this occasion, meetings were organized with agency managers so that they could present their point of view on the right to disconnect and its implementation with their employees. This testimony was posted on the Intranet.

Moreover, the agreement pertaining to the GPEC specifies that during the professional interview, the question of reconciling private and professional life may be asked. In the event of problems, solutions should be sought.

Moreover, the agreement on the donation of days implemented in 2015 and finalized for a 3-year period was renewed this year for an indefinite period of time. It provides for establishment of a common fund in order to pool donations made by employees at the group level and not only, as prescribed by law, donating days for employees of the same company. Thus, employees who need a donation benefit from the same options whatever the size of the company in which they work. The possibility of using a donation was extended in the event of illness, disability or accident of particular seriousness of a spouse or civil partner.

Measures may also be taken to allow the employee to deal with constraints related to geographic mobility apart from moving expenses, according to agreements in force within the group's companies.

4.5.6 Social Dialog*

4.5.6.1 Professional relationships and overview of collective agreements*

In accordance with the Rebsamen law pertaining to social dialog and employment, the rules on consultation and information from representative bodies of the personnel have changed since 2017 with the introduction of 3 major annual consultations with the Works Council for all entities concerned:

- consultation on the company's economic and financial situation;
- consultation on the company's strategic orientations;
- consultation on the company's social policy, working conditions and employment.

One-off consultations remain possible. Drafts of collective agreements, their review or denunciation are, however, no longer subject to consultation with the Works Council.

The economic and social database (called BDU, unique database) provides the necessary supports for these consultations according to the deadlines defined for the Works Councils (CE) and also for the CHSCT (health, safety and working conditions committee) of certain French entities of the group. All persons authorized to consult the database are informed each time a document is posted on-line in this database. Other data are provided monthly, especially on workforce, part time, fixed-term contracts, etc.

Concerning information from the Works Council, their frequency (annual, bi-annual, one-time) varies depending on the group's entities.

4.5.6.2 Social progress agreements (SOC83)

In 2018, the following group agreements were signed:

- agreement on donation of days within the group;
- agreement concerning additional profit-sharing payment for the 2017 fiscal year;
- group agreement on job mobility;
- agreement on support for employees in the use of digital tools and the right to disconnect;
- group agreement pertaining to profit-sharing for the 2018, 2019, 2020 fiscal years;
- group agreement for participation of employees in the company's profits for the same duration as the agreement on profit-sharing;
- amendments concerning the group savings plan (n° 22 and 23), the group's collective retirement savings plan (n° 7 and 8), the group convention (n° 2) and group agreement on geographic mobility (n° 1).

Specific agreements were signed at the level of certain CIC entities.

In terms of health and safety (SOC84), 2 group agreements were signed: the agreement on donation of days and the agreement on the right to disconnect. Present in all of the group's institutions of at least 50 employees, a CHSCT contributes to employees' health and safety protection and to improvement in working conditions.

4.5.6.3 Employee satisfaction (SOC87)

CIC is ranked for the 2nd consecutive year among winners of "Best Employer" by the journal Capital, 2nd in the banking and financial services sector (1st for retail banks) based on grades awarded by its own employees, but also by those working in the same field. Moreover, satisfaction surveys are sometimes conducted in certain entities of the group on a given topic. Thus, in 2018, the employees of CIC Ouest were invited to respond to a questionnaire as part of monitoring psycho-social risks. The Banque de Luxembourg led an effort to gather the opinion of employees on managerial culture within the bank.

4.5.6.4 Raising employee awareness about CSR

Awareness campaigns for employees are already present through several group initiatives:

- existence of a company travel plan;
- an SRI (socially-responsible investment) employee savings plan, labelled by the Inter-Union Employee Savings Plan Committee (CIES);
- dematerialization of pay stubs, BSIs (Individual Social Reports), meal tickets;
- dissemination of articles on CSR in internal journals like *Le billet de l'ISR*, (socially-responsible banknote), found in the weekly letter of the CM-CIC Asset Management "Economy and Markets";
- "Be a Good Eco-Citizen at Work" space on the Intranet;
- in the professions in offerings proposed (SRI, solidarity savings);
- and at the level of compliance and risk management.

They were strengthened in 2018 by:

- information on disabilities in the company to promote living better together;
- events for the launch of an exclusive offer of electrically-assisted bikes (e-bikes) for employees and the collection of used books;
- promotion of CSR in the internal bi-annual journal *Les cahiers de l'initiative* devoted to this subject;
- the mobilization of employees for solidarity actions or in favor of the environment (book recycling operation at CIC);
- integration of CSR goals in the group's 2019-2023 strategic plan.

4.6 A RESPONSIBLE ECONOMIC AGENT

CIC is a committed player in the development of an economic and social ecosystem in the regions where it has operations. This commitment translates by providing financing, offering products and services, responding to the needs of all, while taking into account the challenges and principles of sustainable development, especially in terms of ethics and code of conduct.

4.6.1 Financing offers and initiatives to develop entrepreneurship (SOT09)

4.6.1.1 Support for business creators, self-employed entrepreneurs and those taking over a business

Among the new customers of business and professional markets in 2018, nearly 77% have revenue of less than €1.5 million. With the CréaCIC offer, CIC proposes:

- permanent support thanks to a network of account managers trained in business creation or taking over a business, a program of regular conversations to monitor the business, partnerships with several networks (Initiative France network, Management Agencies, ADIE...);
- individualized financing solutions;
- social protection schemes;
- rate reductions adapted to the means of payment and account management.

Self-employed entrepreneurs also benefit from an offer adapted to their needs.

A charter on business creation completes the mechanism put in place for business creators/those taking over a business, which is based on a fitting and warm welcome and frequent and regular monitoring during the first 3 years of life of the future business.

For students under 28 years old who wish to take the plunge into entrepreneurship, CIC offers the *CIC Start Étudiants Entrepreneurs* loan at a 0% rate to facilitate the first steps in their business creation plan, a free comprehensive professional contract for one year to manage their professional account, the backing of partners to support them and also a free e-boutique proposal for one year for those who wish to launch into e-commerce.

A dedicated space for business creation on the www.cic.fr website and an "Entreprenons.fr" discussion platform are made available to business creators and all entrepreneurs (very small enterprise (TPE), artisans, retailers, self-employed entrepreneurs...) to help them in their efforts and provide them with free practical, legal, fiscal and qualitative social information accompanied by advice and answers from experts.

4.6.1.2 Support for innovation

CIC is also committed to innovative entrepreneurs.

A specific dedicated branch for start-ups and innovative businesses was established with account managers specialized in banking networks and specific offers and measures.

It offers, among other things, the Innovative Enterprise Loan with an allowance for reimbursement of up to 2 years in order to give the project the time to succeed. A bundled offer of services dedicated to business startup was additionally launched at the end of 2018 (Global Startup Contract).

Finally, the unique partnership signed on December 19, 2018, between the BEI and Crédit Mutuel Alliance Fédérale, and which will be materialized in €300 million in joint financing for innovative SMEs and ETIs (small to intermediate-size enterprise), and those located in cohesion regions, will allow CIC to even better meet the needs of these businesses by offering particularly attractive financial terms.

After CIC Lyonnaise de Banque opened a connected welcome space in 2018, especially dedicated to innovation with specific tools, *CIC Place de l'innovation* in Lyon, a second space was opened in Marseille this year with a dedicated welcome space with links to entrepreneurs, regional players in innovation (for instance, incubators), financing advice, the group's expertise and a partnership with Marseille Innovation, which made it possible to push the model even further with digital skills dispensed on site by schools. Moreover, the website www.cicplacedl'innovation.com was enhanced this year with a blog, thus contributing to building a community organized around the single theme: innovation

CIC Sud-Ouest also offers customized solutions to "young innovative start-ups," young businesses in sectors with strong potential for growth (new technologies, new services), connections to the local ecosystem and support at all stages of their growth with dedicated interlocutors, "innovation advisors." Conventions were signed with partners of innovation (nurseries, clusters, incubators) like the Bordeaux association UNITEC (technophile located in Pessac).

At the national level, since this year 43 corporate customer relationship managers have been dedicated to the start-up branch.

CM-CIC Innovation, a subsidiary of CM-CIC Investissement[1], invests and often reinvests – its own equity to support innovate businesses and structure their development with seed capital (completion of the prototype), capital injection (first sales realized), private equity (expansion, international).

(1) *CM-CIC Investissement and its subsidiaries, present across the entire national territory, supports businesses in the network over the long term, in each step of their development: risk capital, private equity, buyout capital, advice in mergers and acquisitions.*

To go even further, as an active shareholder, CM-CIC Investissement helps managers of its equity interests to open the way for questioning and exchange with other portfolio entrepreneurs. That's the essence of "Tech it Easy," a gathering between the world of young innovative companies and medium-sized entities (ETIs), focused on technology to follow, which leads to a change in practices. The 2018 edition dealt with augmented and composite virtual realities. These technologies are no longer in the experimental stage. The time has arrived for actual integration, for practical innovations and for the first gains in productivity. They are at the fingertips of businesses and their impact is quickly proving to be significant wherever they penetrate the market. Managers present at this event thus discovered some very concrete cases thanks to a panel of eight participants who came to present applications in the fields of industry, health, marketing and even cultivation.

One of the businesses in CM-CIC Investissement's portfolio was laureate of the innovation prize at the awarding of the 2018 Grand Prizes for external growth from the magazine CFNEWS.

For its part, in 2018, CM-CIC Asset Management launched the CM-CIC Global Innovation fund, focused on innovative companies in the world for investors.

Partnerships were also formed with stakeholders in innovation (cf. Paragraph 4.8.2.1).

4.6.1.3 A responsible and active stakeholder for development of SMEs over the long term

CM-CIC Investissement and its subsidiaries exercise the group's "equity transaction" activities by supporting companies over the long term, at all stages of their development, are signatories of the charter of Investors' Commitments for Growth of France Invest and is therefore committed, beyond the rules already set in the profession's code of conduct and in the context of the regulatory framework defined by the AMF in terms of economic, social and human, environmental and good governance issues. CM-CIC Investissement SCR is also a shareholder of the LUCIE agency, creator of the premier social responsibility label based on ISO standard 26000.

As of December 31, 2018, the capital invested of its own equity amounts to €2.3 billion, including 88% in non-listed enterprises and in nearly 359 investments.

CM-CIC Investissement proposes the "Expansion SME" offering, intended to meet the needs of SMEs for equity and quasi-equity of less than €1 million in their plans for growth or transfer. As for the "CM-CIC Transactions SME" offering, it helps executive shareholders wishing to transfer their small cap business (value of business less than or equal to €7 million).

4.6.2 Supporting the digitalization of businesses

In terms of financing, a new range of investment loans were rolled out at the end of 2018. Among these loans, the Digital Transition Loan has as its purpose to facilitate business digitalization projects. It concerns financing tangible and intangible investments related to the digitalization of a business' activities for the purpose of modernizing its tools and/or transforming its economic model through digital technology. Like all other loans in this portfolio, it receives subsidized interest rates.

In terms of digital tools, CIC already offers its customers a range of products adapted to their needs:

- CIC e-invoices by Épithète, a complete on-line billing and payment service, which is intended for all economic and professional players in the broadest sense (associations, self-employed entrepreneurs, microenterprises, small and medium-sized companies, ETIs, large companies) and allows them to work easily with their customers and suppliers, even if they are not themselves subscribers to the service, and to exchange orders, estimates, invoices, payments, etc. Further developments, prioritized by the project team, will be delivered in 2019, and will allow networks to offer their customers solutions that meet their expectations;
- the e-services package of CM-CIC Factor, a subsidiary specialized in the mobilization of receivables and factoring, which proposes 100% digital and secure management of accounts receivables in its factoring offer to microenterprises and medium-sized companies, etc.;
- a payment card that replaces paper meal tickets and whose functionalities were enhanced in 2018 by signing a partnership with Edenred – Ticket Restaurant® (CIC Restaurant Ticket Card);
- an e-boutique offer to support customers in new distribution channels by offering creation of their e-boutique along with a web agency, an e-payment solution and preferential financing, depending on their needs.

Besides, meetings are organized regularly to help business leaders in the use of digital tools: CIC Ouest in the context of the Nantes Digital Week thus brought together professionals who were able to discuss their digital practices in a very concrete fashion with students and trainers of the IMIE, a school of its digital subsidiary, and with noted professionals.

4.6.3 Financing, investments and services to facilitate the energy transition (ENV53)

4.6.3.1 Financing and services for individuals (SOT59)

As concerns real estate, besides the Eco loans at a zero interest rate (Eco PTZ and supplemental Eco PTZ) for certain specific work to improve energy performance of housing in old buildings, long-term sustainable development loans are offered (outstandings: €1.8 million) and short-term (outstandings: €4.5 million) for work benefiting from tax credits in buildings completed for more than two years ago. To these three existing products, there are the *Prêts Eco Energie* (Alsace, Bourgogne Franche Comté, Nouvelle Aquitaine regions, etc.). In order to help with the realization of energy saving projects, CIC has joined with Direct Energie and offers, to individuals, on the website cic.fr, to do a free energy assessment of their dwelling and provide financing at advantageous rates.

In addition, CIC offers home insurance that covers renewable energy systems (heat pumps, geothermal, aero thermal, photovoltaic solar panels, etc.) along with the property on which they were installed. It is also envisaged to offer civil liability coverage for electrical production in the event electricity is sold back to the grid when photovoltaic panels are registered.

Concerning modes of transport:

- Eco-Mobilité offers were rolled out at the end of 2018 with very favorable terms for electric vehicles and attractive terms for gas vehicles without ecologic malus;
- CIC e-cycle offer was part of a phased deployment in the network in 2018. It is a rental solution with option to buy an electrically-assisted bike (e-bike), which includes everything (delivery, financing, maintenance and assistance).

In terms of auto insurance, people with eco-friendly behavior can take advantage of attractive offers: reduced rates if the vehicle travels less than 6000 km a year, if a driver under 28 years old takes a driver education class, extension of the driver's bodily harm coverage if he or she uses other means of land-based transport (mass transit or bicycle rather than car for home-to-work trips). Damage to the bicycle is also covered. In addition, auto liability protection covers disputes relating to public transit passes or bicycle rental. If it's a matter of insuring an electric vehicle, the battery and recharger cable are covered under the policy warranty. For vehicles 3 years or older, the policyholder who accepts the use of guaranteed refurbished parts to repair his or her car in the case of damage also benefits from a rate reduction.

4.6.3.2 Financing of renewable energy equipment for professionals and businesses

Financing investments dedicated to the energy economy and high-energy performance may now be achieved with the energy Transition Loan from the new portfolio of investment loans with subsidized rates, initiated at the end of 2018.

At the end of 2017, CIC also signed an agreement with the BEI aimed at establishing a refinancing package, valid for 4 years, on wind or photovoltaic projects. Besides the financing, the BEI will participate in up to 50% of the risk on selected projects. In the regions, projects financed in 2018 mostly concerned installations of photovoltaic parks whose outstandings as of December 31, 2018, increased by more than 45%.

Furthermore, professionals and businesses have the possibility of financing acquisition of hybrid, electric or public transportation vehicles with a leasing arrangement.

The production of lease financing for electric vehicle acquisition realized in 2018 increased by nearly 29% as compared to 2017, and that of public transportation by more than 23%.

Developing renewable energy equipment for farmers

Experts are helping farmers more and more with high-performance renewable energy equipment projects. In 2018, CIC's investments of this type for farmers grew by 44%. Photovoltaic projects and those with methanization units represents, respectively, 40% and 58% of this funding.

4.6.3.3 Financing *grand projects* in renewable energy (SOT60) and project funding[1]

CIC also participated in higher profile projects in France and abroad in various domains.

In 2018, the project financing department of CIC financed 16 projects, including 8 in renewable energies:

- 5 wind energy projects in France: it concerns five portfolios of on shore parks totaling about 830 MW,
- one offshore park of 860 MW in the North Sea (United Kingdom)
- and two biomass projects: cogeneration units operating on waste wood, one in partnership with the Meridiam Transition Fund, providing heat to a wood pellet manufacturing factory in Champagne Ardennes and another consisting of a portfolio of two power stations providing heat to district heating networks.

The outstandings for renewable energy projects (cumulative authorizations) at the end of December 2018 reached €1.4 billion, comprised mainly of onshore and offshore wind projects), solar and biomass. CIC also financed a diversified portfolio of gas-powered cogeneration plants providing heat to industrial facilities in diversified sectors.

The group's 2019-2023 strategic plan ensemble#nouveaumonde set the growth target for financing projects with high-impact on climate at 30%. Initially, this goal concerns corporate banking activity, particularly through the financing of projects.

All funded projects strictly meet the environmental standards of the country in which they are located.

This financing is subject to an internal vetting procedure, including the ESG criteria described in the vigilance plan (Paragraph 4.7.2.3.3).

4.6.3.4 Investments in businesses that respect the environment

CM-CIC Investissement and its subsidiaries also participate in development projects by investing in businesses whose products are respectful of the environment and are high-performing with regard to energy consumption (manufacturing of biomass-fired boilers, multi-use solar panels, aero-voltaic units that can simultaneously produce electricity and heat).

(1) *"Project funding" in this case is understood to mean a very specific category of corporate financing, called specialized financing (defined particularly by Article 147.8 of the European Regulation 575/2013) and meeting very specific criteria. These criteria, such as approved by the ACPR in October 2012, are used to set eligibility for deals in CIC Project Financing portfolio.*

4.6.4 Supporting the CSR efforts of businesses

A new CSR Transition Loan helps businesses and professionals that wish to make investments in responsible development:

- at the social level: improving work conditions, training plan for teams, hardware equipment;
- in terms of energy savings: creation of new, more energy-efficient products, etc.;
- on environmental issues: waste recycling solutions, reduction of paper consumption, implementation of a process to comply with rules and regulations, solutions for reducing greenhouse gas emissions, introduction of assessment tools that make it possible to measure the impact of actions on the environment, etc.

A bonus is awarded after 2 years of amortization if the business presents a CSR audit that shows improvement over what was communicated to the bank at the time the loan was arranged.

4.6.5 Facilitating the integration of young people

For each important stage of a young person's life (apprenticeship, higher education studies in France or abroad, driver's license, first move away from home, first job, creation of a business…), CIC offers customized solutions.

In particular, subscribers of a CIC Studies loan can benefit from help in a comprehensive job search (search strategy, writing a CV and cover letter, preparing for the job interview, etc.).

In the context of renting an apartment, CIC offers to advance the security deposit requested by the landlord and to procure a rental guarantee from the owner in the event of unpaid rent or expenses thanks to *Accès Locatif* and *Loca-Pass*.

CIC acts concretely to help young people enter working life with its *Objectif Premier Emploi* offer, which offers free banking for a year, appropriate insurance policies and a loan at preferential rates to finance initial expenses related to equipment or moving-in.

CIC also offers the driver's license loan at €1 per day to facilitate access to driver training for vehicles in the 2-wheel category (A1 and A2) and autos (B) where the cost could represent a major obstacle to obtaining a job. The amount of loans granted in the banking network totaled €8.2 million at December 31, 2018.

The group also hosts a blog on Facebook entitled *Jeunes Expat'*, which is CIC's page intended for youth who wish to go abroad for studies, internship or a job.

4

4.6.6 Being present for associations (SOT40)

The number of non-profit organization (NPO) customers in the banking network registered a growth of 6% in 2018 in comparison to 2017. Among other things, CIC offers to optimize collection of donations (Dynaflux Globa'Collect) with a delegation that can assist with the entire donation process, from calling donors to receipt of gifts, from depositing checks to generating receipts, and integrating gifts into record keeping. The Associations Package also provides the possibility of associations offering supporters payment by credit card even without having a website. CIC also offers the "Lyf Pay" application, a payment solution, for collecting secure electronic gifts *via* mobile devices, which also allows associations to create and develop their relationship with their donor by using the mobile device as a new channel of communication, to simplify and manage their events thanks to a solution that goes from selling tickets to receipt and payment.

Financing and investment solutions adapted to their needs are also offered, including lease financing.

Some associations also benefit from the Passbook Account and the Savings Cards for Others, which CIC offers to its clientele (cf. Paragraph 4.6.8.2).

There CIC's commitment is also manifested by partnerships with associations in various domains (cf. Chapter 4.8 Player in Cultural and Social Life). A participant at the National Forum of Associations and Foundations, CIC was a partner of the hands-on workshop "SRI and Sharing Fund."

4.6.7 Financing projects of a social nature (SOT72)

CIC is involved in the establishment of financing for construction of social housing and through CIC Dynaflux Immobilier and its subsidiary Euro TVS offers a solution to low-cost housing companies for processing collection of rental payments and expenses.

4.6.8 An offering of responsible products and services

4.6.8.1 Promotion of Socially Responsible Investment (SRI) (SOT28)

CM-CIC Asset Management has been:

- a member of FIR (Forum for Responsible Investment) since 2004, and EuroSIF (the European Association of FIR);
- a member of the CDP water project (formerly Carbon Disclosure Project), associated with its carbon program since 2011 and with its forest program since 2013;
- a member since 2011 of the ICGN (International Corporate Governance Network);
- a supporter of the AFG-FIR transparency code since its inception;
- a member of the Green Bonds Principles since 2015;
- signatory to the PRI (United Nations Principles for Responsible Investment) since 2012;
- a signatory of the Paris appeal on climate since December 2015 as part of COP21;
- a signatory to Access to Medicine Index since July 2017;
- a signatory to the declaration: "Towards generalization of non-financial rating" since 2017;
- and of the Global Investor statement to governments on climate change since 2018.

The CM-CIC Asset Management offer is articulated in 2 SRI product lines:

- the best in class SRI funds: CM-CIC Objectif Environnement, CM-CIC Obli SRI, CM-CIC Moné SRI intended for private and institutional investors.

  CM-CIC France Emploi, a solidarity sharing fund is now managed according to "best in class" SRI principles and according to a process that excludes the coal (threshold of 20% in consolidated revenue or in the production process) and tobacco sectors. This fund is managed directly in a diversified manner, with 40% of shares. CM-CIC AM participates in the context of solidarity with the group's customers by paying a matching contribution to Association France Active;
- the "Social Active" business-to-business SRI line of funds, created by CM-CIC AM and CM-CIC Épargne Salariale, labelled by the Inter-Union Committee on employee savings plans (CIES).

Dedicated SRI funds are also offered.

This range of responsibly-managed funds was supplemented by the launch in 2017 of CM-CIC Green Bonds, which earned the governmental label: Energy and Ecological Transition for the Climate (TEEC). This fund is intended for a clientele of individuals or employee savings plans and institutional savings plans and has as its objective to contribute to financing energy transition by adopting an approach focused on projects with significant benefits to the environment. Its outstandings as of December 31, 2018, were comprised of as much as 99.2% green bonds. These bonds are chosen with respect to Green Bonds Principles and environmental, social and governance criteria, and interest in the project being finance.

CM-CIC AM regularly participates in conferences on the challenges and practices of SRI. In particular, it was involved during the 4th edition of SRI Encounters and Performances organized by Option Finance on the theme of regulatory changes in the domain of sustainable financing.

SRI is included in the weekly newsletter "Economy and Markets" disseminated for the clientele and on CIC's Intranet by CM-CIC AM through *Le billet de l'ISR*.

Another fund, BL Equities Horizon (labelled Ethibel EXCELLENCE) is offered by the Banque de Luxembourg in collaboration with VIGEO and Ethibel.

Banque de Luxembourg Investments (BLI), the subsidiary of asset management of the Banque de Luxembourg signed the United Nations charter on Principles of Responsible Investment (UNPRI) in 2017, and implemented an investment strategy based on environmental, social and governance (ESG) criteria.

4.6.8.2 Encouraging solidarity savings and investment

The Passbook Savings for Others is a solidarity product, as labelled by Finansol. 50, 75 or 100% of annual interest is given back in the form of donations to 1 to 4 partner associations, which work in the area of humanitarian emergencies (Action Against Hunger, Catholic Relief Services, Doctors of the World), children (The Little Princes Association and UNICEF), social housing (Abbé Pierre Foundation, Habitat and Humanism), or medical research (Curie Institute). The Card for Others also gives back donations to these same partners when making purchases with the card. Thanks to donations collected throughout 2018 with these 2 solidarity products, the amount given back by CIC in 2018 to partner associations increased by more than 27% in comparison to 2017.

CIC also offers a sharing fund to support employment: CM-CIC France Emploi (as labelled by Finansol), of which half of the profits are donated to the France Active Association, which supports and finances solidarity businesses that create or consolidate jobs and people having difficulty finding employment who create their own business.

Among the range of SRI products dedicated to the "Social Active" employee savings plan, labelled by the Inter-Union Committee on Employee Savings plans (CIES), 4 mutual funds (FCPE) are solidarity plans (*obli solidaire, équilibre solidaire, tempéré solidaire, dynamique solidaire*).

4.6.8.3 Support for fragile populations (SOT39)

4.6.8.3.1 Offerings for the fragile or vulnerable clientele[1]

CIC is attentive to supporting customers who are going through difficult life situations, whether they are structural, social or short-term in nature. The provisions that have been put in place by the bank are described in the vigilance plans in Paragraph 4.7.2.3.3.

4.6.8.3.2 Insurance and fragile populations

At the level of insurance, people with low incomes may receive State subsidies with regard to supplemental health coverage. Subject to resources, determined by Social Security, they may benefit from a CMU-C contract or have access to a *Complémentaire santé ACS* policy, reserved for clients eligible for Complementary Health Assistance.

Since January 2017, CIC's borrowers, insured at ACMs for a loan related to their principal residence, may benefit from continued medical approval. Enrollment in insurance coverage by ACM borrowers provides them the possibility of also being covered, in the future, under the same terms of medical approval, for a new loan in the event of changing primary residence without any additional medical paperwork, even if, in the meantime, they've encountered a health problem.

(1) Protected adults and persons facing death of a loved one.

Borrowers may, since last year, also fill out their medical paperwork on line. This development is part of the desire to improve service to customers and making medical paperwork smoother.

Furthermore, CIC complies with the "AERAS" convention (get insurance and borrow with an increased health risk) designed to facilitate access to insurance and credit for people presenting an increased health risk.

The Health Law of January 26, 2016, established the "right to ignore": on the one hand, persons having had a cancer pathology are exempt, in certain conditions, from declaring their former illness at the time of requesting insurance for a loan; on the other hand, the establishment of a reference grid of pathologies makes it possible to take into account therapeutic advances in medical underwriting.

The nursing care insurance offered allows for fragile populations to finance their future needs in this area. Furthermore, isolated populations may find in our funeral coverage a solution for financing their funeral through an insurance mechanism, but also, thanks to the provisions, the guarantee that the funeral will be organized according to their desires.

4.6.8.3.3 Helping to manage one's budget

CIC is committed to offering products that allow the customer to control his or her budget:

- the "CIC Alerts," which sends alert messages by email or SMS related to the account(s) (balance, transactions…), payment transactions, payment instruments (bank card outstandings…). The receiving frequency, thresholds and manner of activation are parameters set by the customer;
- the "Budget Management" functionality offered by mobile solutions and on cic.fr, gives a summary and graphic view of expenses and income. It was enhanced this year by an account aggregation function of secondary institutions inside or outside the group;
- credit simulators are also available on all of the sites of CIC banks;
- after review, consolidation of several existing loans into a single loan may also be suggested, which can facilitate monitoring one single monthly payment and one single contact person;
- moreover, sector policy was established in 2017 on consumer credit, which sets the rules to respect with regard to marketing and business practices, approval and financing, collection, preventing and combatting money laundering and financing terrorism, processing of personal data and processing claims;
- concerning credit in reserve, the rate defined is fixed depending on the purpose, and it is possible to benefit from the best rates at the time on any unreleased portion; as long as credit is not used it costs nothing, the amount and the monthly payment are adapted to the customer's budget, reimbursement of credit may occur at any time with no additional charges;
- in the new offering *Assur Prêt*, a borrower's insurance, calculation of the premium is determined at the time of enrollment so that the borrower knows in advance about all the annual premiums.

In addition, considering future changes in customers' cash flow related to the implementation of withholdings in 2019 with different terms and conditions for paying taxes, training sessions have been conducted in order to support and include withholding information in the advice provided to customers.

4.6.8.4 Responsible offers with regard to health and safety (SOT80)

With regard to health, with its bank insurance business, CIC offers health insurance products, provident schemes, nursing care insurance for individuals and self-employed persons, and group insurance coverage for businesses. In addition to a supplemental health offer for all private sector employees, customizable for the business, additional supplementary health coverage is offered. This latter coverage is aimed at complementing benefits paid by basic and supplemental insurance plans, the coverage related to these plans often proven to be insufficient for the employee and his or her family. Dedicated services complement these offerings. The Avance Santé card allows insured persons to pay their health care expenses without doing so in advance. Health insurance subscribers have the possibility of transmitting estimates and invoices, which are not transmitted electronically, from a mobile device (by sending photos) and thus obtaining a quick response as to what expenses are covered. A helpline support service called CIC Senior Assistance is also available in order to enable isolated or fragile individuals to live at home and maintain autonomy.

Concerning property insurance for borrowers, CIC offers continued medical approval during a change in primary residence (cf. Paragraph 4.6.8.3.2). Furthermore, when an enrollment request for borrower's insurance is subject to medical formalities (declaration of state of health, health questionnaire, medical analysis, medical report…) the medical e-approval device makes a secure site available to the borrower on the Internet where he or she can fill out medical paperwork. The customer may thus fill out the paperwork when and where it is most convenient and obtain a quick response.

In terms of physical security, CIC offers Theft Protection (protection for property and persons), which was complemented by an offer of a remotely-monitored carbon monoxide detector, as this kind of poisoning represents one of the primary causes of accidental death by poisoning. Moreover, the e-declaration is a quick way to file a home or auto claim by computer and/or a smartphone, which is available to individuals 24/7.

In terms of IT security, significant resources have been deployed to secure banking transactions. Recurrent messages to raise the awareness of customers are present on personal pages of online banking, as well as permanent content, especially in the "Security" folder. In 2018, informational meetings on the topic of cybercrime were organized by CIC Lyonnaise de Banque, CIC Nord Ouest and CIC Est for their customers.

Security solutions for Internet bank transactions are suggested (Safetrans, K-sign certificate, keyless entry, confirmation code sent by SMS of interactive voice service, mobile confirmation) so that the customer provides authentication with CIC's online banking services and can make sensitive transactions. In the context of combatting fraud pertaining to transactions made by card *via* the Internet, customers have the possibility, from their personal space on the Internet or from mobile applications, to suspend use of the payment card for home shopping transactions made for a period of his or her choice. Moreover, customers may subscribe to a card with a dynamic cryptogram, where the three numbers of the printed cryptogram printed on the back of the card are replaced by a small screen generating a new code every hour.

Considering the processing of sensitive banking data and the numerous offers of services proposed, Euro-Information, the IT subsidiary of Crédit Mutuel Alliance Fédérale, pays very special attention to all aspects of the IT system, which changes every year to adapt to new risks, and strengthens defenses. An IT security management system was deployed in 2016 across all production and hosting sites, thus making it possible for Euro-Information to earn ISO 27001 certification in 2017.

The basic principles remain the following:

- availability: provide a reliable system with permanent accessibility;
- confidentiality: secure access, processing and data;
- integrity: guarantee reliability of data;
- proof: through traceability and audit features, make it possible to substantiate actions on the system.

Various monitoring indicators have been established, including the availability rate of the primary TP applications[1] which is on the order of nearly 100% in 2018 (SOT102) and IT claims whose cost exceeds €1,000 are very low. In 2018, it amounted to 239 (SOT103).

Employees are also made aware of the most common frauds (messages on Intranet, training sessions) and to the ethics rules applicable especially to the use of IT tools and email. Furthermore, a newsletter on IT security published by Euro-Information is now disseminated on the Intranet of all of the group's employees. It includes, notably, a rubric "The security tip of the week," addressed to employees.

4.6.9 A relationship that's mindful of respect for the customer

4.6.9.1 The desire to establish quality service (SOT73)

In a context where the digital revolution has sped up everything, customers expect good and timely service. To meet these expectations, CIC is developing an efficient, modern and omni-channel relationship, which gives the customer the choice of recourse to his or her advisor or to using the tools of technology for greater autonomy. In order to be successful in this endeavor, the IT and organizational project, "Priority Customer 2018," initiated at the end of 2016, has continued in 2018.

Employees also participated in shaping the 2019-2023 strategic plan, "ensemble#nouveaumonde," whose ultimate purpose is excellence in customer relationships.

The constant search for a trusting relationship with customers was manifested in 2018 by:

4.6.9.1.1 Strengthening of employee's skills

The advisor remains at the center of the face-to-face, telephone and digital relationship with customers. With a budget of more than 6% of payroll expense, there are many training sessions: in terms of welcoming, listening, diagnostic accuracy, relevancy of offers, control of tools. As part of the "Priority Customer 2018" project, training modules were developed regarding the areas of remote and digital banking (cf. Paragraph 4.5.1). Promotion of digital tools may also be done to provide informational items, as CIC Sud Ouest does in its weekly information newsletter intended for branches, in which appears the column, "#Tous connectés" (#All Connected). A "Digital Minute" is mandatory in all agency weekly meetings.

Area specialists may also be called in to provide support for specific customer needs, including by remote means, since this year by webinar. Digital advisors support agency employees in the field to ensure that they assimilate the group's digital changes. Moreover, in order to support Business account managers, a store with downloadable videos and interactive PDFs is available to managers during conversations with customers. Chats are also organized on specific topics for customer relationship managers with specialists with whom they can discuss complex subjects. Training sessions are also offered to ensure quality relationships with each customer. Monitoring is carried out with respect to the domain of online banking, whether in terms of its use by customers, delays in response from account managers or recourse by the latter to the email analyzer or virtual assistants.

In other group business lines, similar approaches are undertaken, for example, the Service Attitude 2.0 training, followed by all CM-CIC Bail employees, which consists of establishing a frame of mind focused on internal and external customer satisfaction.

4.6.9.1.2 A more personalized relationship with clientele

The website cic.fr makes it possible to enhance the customization of advice and content based on the customer profile. The customer may save the most utilized operations as favorites and customize his or her profile with display preferences. He or she also has the possibility *via* the online banking application accessible on computer, smartphone or tablet of staying in touch with his or her account manager thanks to a dedicated space and declaring the projects or areas of interest from the customer space in order to take advantage of customized offers at the right time. Furthermore, modularity is also one of the criteria considered in the design of new offers. Therefore, the customer may now create, with his or her account manager, the individual health coverage that best corresponds to his or her needs: in supplemental health, for coverage of preventive and alternative care as well as hospitalization costs, and additional supplemental coverage.

It should be noted that customer relationship managers do not receive commissions on sales of products they offer, which contributes to offering customers the most appropriate solution.

Furthermore, in order to establish long-term relationships with new customers, the Welcome process makes it possible to personalize interactions with customers throughout the first year depending on their contact patterns and their activities.

4.6.9.1.3 Innovative and secure offerings that simplify the life of customers

Surveys are conducted in order to suggest offerings that are aligned with the needs of customers. Thus, in 2018, customers were questioned to find out their real expectations in terms of digital protection.

New offerings that are introduced are more and more frequently co-designed with future users, customers and network employees based their universe of needs. Among the new services offered this year:

- Monetico Mobile + intended for mobile professionals, is a payment terminal, which functions *via* a mobile application connected by Bluetooth to a smartphone or tablet, and allows businesses to manage fleets of terminals while offering very competitive fleet rates;
- the free mobile application Lyf Pay combines mobile payment and benefits to facilitate purchases and offers consumers multiple payment options: in-store, on-line, to friends who are users – or not – of the app; and the benefit of loyalty offers, information and management and control of expenditures.

4.6.9.1.4 An efficient and reactive approach

The decentralized organization of the banking network leads to responsiveness to customer demands. About 90% of decisions to grant credit are taken locally and autonomously in the consumer market. In 2018, CIC opted for proximity, simplifying the organization of regional

(1) *TP: transactional process – major applications used by the banking network and customers.*

hierarchical structures for the benefit of local branches, allowing for more responsiveness service.

Facilitating tools were also put in place to allow account managers to maximize contacts, like the email analyzer rolled out in branches. A research assistant also assists customer relationship managers in answering recurring questions concerning specifics in terms of auto and fire or casualty insurance, savings, and since 2018, consumer credit and related borrower's insurance, lease financing, health and individual provident schemes. The tools deployed must allow network employees to make time to provide the necessary scope of advice and spend relational time with customers. More broadly, the goal is to use cognitive solutions in all banking insurance business lines where these solutions are likely to generate growth.

4.6.9.1.5 To be in phase with customers who are more and more connected and autonomous

CIC is adapting to new lifestyles while offering customers a fluid and monitored relationship through the means of communication that they prefer in their relationship with the bank. A user's guide that consolidates the various topics related to digitalization of retail outlets was implemented so that customer relationship managers assimilate all tools of the omni-channel relationship. More and more digital transactions may now be carried out on the Internet and on mobile applications with, in the case of contracts, recourse to electronic signature. The targeted goal is to make 100% of functionalities in all markets accessible to the customer on the web or mobile device.

In terms of account management, a new space was created in 2018, since then accessible on the customer space and on mobile apps, which facilitates card management by the customer. The customer may consult detailed card information and manage parameters depending on needs: temporarily increasing his or her payment and withdrawal limits, activating/deactivating payments on the Internet, stop payments and order a new card simultaneously…

In the domain of insurance, customers have on their smartphone a dedicated space in which appears information related to insurance, policies held and in which they have the possibility of accessing various services: quotes for home insurance, the "3 photos auto quote" for auto insurance, which makes it possible to obtain a complete custom quote in a few seconds by simply taking photos with a smartphone of the vehicle's registration certificate, the operator's driver's license and the information statement of current auto insurance. On line or at the branch, the account manager gets involved during the subscription process to answer potential questions and make useful adjustments depending on the needs of the future insured.

Borrowers can also complete medical paperwork on line in a totally secure and confidential manner and have follow-up to their medical approval in real time.

Declarations and follow-up on auto or home claims are also feasible on line. Regarding auto claims, the insured may now choose his or her garage, take advantage of approved garage services, chose the date of the appraisal.

Regarding credit: for consumer credit, numerous transactions may now be done remotely by the customer under certain conditions: simulation, subscription, unlocking amortized consumer credit, instant unlocking of funds from a smartphone for customers having credit in reserve, increasing bank card limits for an "impulse" purchase before making a cash payment or consumer credit subscription within a 30-day period. The account manager at the center of the process follows simulations, a customer's subscription process that's been started or finalized, interacts with the customer, and after assessing the risk, finalizes the loan. Regarding real estate loans, it is now possible to follow the progress of one's file on the Internet site.

In terms of service, CIC Mobile Account offer includes checking account, remote management tools, international payment card and a mobile telephony package, which thus meets the new expectations of customers in terms of simplicity and connectivity. On another issue, in terms of remote surveillance, CIC Theft Protection service allows customers to remotely control their alarm system in complete security.

In 2018, a space on cic.fr was designed to allow customers to have an overall view of different functionalities that are offered to them on online banking.

4.6.9.1.6 Measuring quality

In 2018, customer opinions were collected on the online banking consumer credit application pages on the Internet. Customers were questioned not only about their satisfaction, but also about the design of applications developed for them: design, functionality, ergonomics. Employees may also be solicited as users when new offers are launched. This year, a questionnaire was addressed to branch managers in view of improving the relationship with customers.

In the context of the quality process, satisfaction surveys are routinely done with new individual and professional customers. Surveys are also conducted in the event a relationship is terminated. Constant monitoring is carried out to allow branch managers to know what their customers are thinking. At retail outlets, a scoreboard – involvement and mobilization for the quality action plan (IMPAQ) – allows us to consult various quantitative and qualitative indicators related to the quality of customer relationships and helps us to identify failings or alerts when there are sensitive situations. This year, the Net Promoter Score, an indicator of customer loyalty, which evaluates with a single question the probability of recommending the bank, was integrated into the IMPAQ scoreboard. The monitoring also makes it possible to adapt responses to identified customer expectations. Focused surveys and studies are conducted simultaneously, and CIC also participates in external satisfaction surveys. The propensity of persons questioned to recommend CIC allows us to measure their degree of satisfaction.

The subsidiaries that support the network also carry out surveys like CM-CIC Épargne Salariale in 2018, with its savings account customers, as part of its ISO 9001 certification. Other activities benefit from the same ISO 9001 certification like the CCS payment method[1] or CM-CIC Agence Immobilière, and the ETS customer relations center for AFNOR's quality standard NF Customer Service Relation 345. Moreover, CCS tracks the quality level of its services through a monthly scoreboard made available to its subscribers and sets annual improvement goals by branch of activity.

4.6.10 Encouraging suppliers and subcontractors to consider social and environmental issues (SOT81)

Mechanisms are in place to create favorable conditions for long-term relationships with suppliers. They are described in the group's vigilance plan (see Section 4.7.2): purchasing policy, suppler charter, etc.

(1) The group's business center involved in bank output, logistics and network support.

4.7 BEING A TRUSTED PARTNER

4.7.1 Trustworthy practices (SOT79)

CIC is part of Crédit Mutuel Alliance Fédérale whose development model is based on the values of solidarity, proximity and social responsibility.

4.7.1.1 Actions undertaken to prevent corruption

The group's code of conduct

It is carried out by each entity in the group, including CIC. This registration document, annexed to internal rules of procedure, resumes the primary contractual, regulatory and statutory provisions in force with regard to the code of conduct. It's a reminder of the general principles that must be respected by all group employees in exercising their duties such as:

- rules and regulations, procedures and internal standards;
- the protection of information (professional secrecy and confidentiality);
- the quality of service due the clientele (duty to provide advice and information);
- the duty of vigilance in the context of performing transactions for the clientele;
- integrity and probity;
- avoidance of conflicts of interest;
- combating corruption.

It refers to the obligations of employees who hold positions deemed "sensitive," especially in capital markets, corporate and investment banking, portfolio management and financial analysis, exposing their holders to possibly situations of conflict of interest or to possessing confidential and privileged information. To that extent, they are subject to the rules that regulate and limit their personal transactions concerning financial instruments.

The new version of the Code of Conduct, updated and enhanced, took effect during the summer of 2018 at the end of a legal process of consultation with social partners. The primary modifications concern:

- addition of provisions related to combatting discrimination, which emphasize the prohibition of employees to treat customers differently or to refuse to provide goods or services on the basis of discriminatory criteria; and
- development of the topic of fighting corruption, which henceforth is the subject of a detailed chapter constituting a code of behavior on the matter.

The chain of command is called to monitor respect for these principles whose application is subject to regular verification by the control departments.

It should be noted that the amount of claims related to fraud for CIC reached €7.1 million in 2018 (SOT101).

The mechanism to fight corruption

The law pertaining to transparency, the fight against corruption and modernization of economic law, called the "Sapin II law," voted on November 8, 2017, entered into force on the 1st of July 2017. It provides for new measures intended to fight corruption by companies or groups employing more than 500 employees and whose consolidated revenue exceeds €100 million. These entities are required to take measures to prevent and detect the commission of acts of corruption or influence peddling in France or abroad.

CIC, like all of the group, strengthened its measures to fight corruption in complying with the new legal provisions. To this end, the following measures and procedures were established and are ongoing:

- the creation of a code of behavior, this being integrated into the Code of Conduct (see above), which defines and illustrates various types of behavior to prohibit, which likely characterize acts of corruption or influence peddling;
- the adaptation of an internal warning system, which since June 2018[1] is intended to elicit reports from employees, including recourse to outside authorities, and which allows improved protection for whistleblowers;
- establishment of a mapping of risks, which is regularly updated and intended to identify, analyze and prioritize the risks of exposing the company to corruption, particularly as a function of sectors of activity and geographic zones in which activity is carried out;
- besides procedures already in force to assess customer status, systematic evaluation of top-tier intermediaries and suppliers;
- the consolidation of accounting control procedures, internal or external, intended to ensure that books, registers and accounts are not used to conceal acts of corruption or influence peddling;
- training measures intended for managers and staff who are most exposed to the risks of corruption and influence peddling;
- an internal control and assessment mechanism for these measures.

This provision furthermore relies on a disciplinary system incorporated into internal rules and regulations, which allows for sanctioning company employees in the event of violating internal rules.

All employees, customers and business partners will be made aware of the commitment to fight against any corruption in the group and not tolerate any act of this type. This policy shall apply to all employees, whether they are technicians or managers, to all executives as well as outside individuals at the company's disposition.

The compliance department, in particular, is responsible for ensuring that procedures are carried out to prevent and combat corruption, verification of compliance, organization of any possible investigation in the event of suspicion and responding to inquiries by employees about real or potential situations related to corruption. Compliance possesses the necessary independence and means to fulfill its mission in total impartiality.

(1) Measure applicable beginning on the 1st of January 2018 according to decree n° 2017-564 of April 19, 2017.

Supplemental mechanisms

CIC has also established a mechanism to fight money laundering and financing of terrorism in accordance with regulatory requirements and adapted to the risks generated by the various activities exercised across the national territory and abroad. This mechanism, including a set of procedures and tools, is implemented by employees trained and assigned to detect suspect operations. It is itself subject to thorough internal controls and to regular evaluation on the part of supervisory authorities.

In this context, CIC is committed to respect regulatory requirements, which consist of:

- knowing the customer and his or her operations better and assessing the risk of money laundering with the aim of avoiding any relationship whose character or activities could be unclear;
- exercising vigilance in proportion to the risks, based on the type of clientele, installation, products and distribution channels, on the origin of funds deposited and/or the flow of such funds in order to detect unusual or atypical operations;
- involving all employees in the fight against money laundering through regular training and awareness activities. CIC does not have installations in States or regions called "non-cooperative," a list of which is regularly published by the French government (SOT90). Operations likely to be carried out by customers directed towards countries in which the international Financial Action Task Force (FATF) emphasizes as having insufficient controls are, incidentally, subject to strengthened measures of vigilance.

4.7.1.2 Criteria for beginning a new customer relationship

The group has adopted an internal policy for entering into relationships that applies to all entities in France and abroad.

The group supports its customers in the realization of their projects by being attentive to the management of risks, particularly the risk of reputation. In view of this, it refuses on principle any relationship with third parties about which one may reasonably believe they carry out or promote, explicitly or implicitly, illegal practices or practices contrary to the group's values, such as:

- the advocacy or incitement to terrorism;
- the call to hatred, violence or attacks on the human person;
- discrimination, particularly of a racist or homophobic nature;
- pedophilia, pimping;
- active or passive corruption, money laundering;
- undeclared labor or fiscal fraud.

In addition, for the specific risks they create for the bank, relationships with natural or legal persons with ties to certain activities are not acceptable, such as prostitution or pornography, sects, fortune telling or astrology, arms trade, etc.

More generally, the bank does not pursue relationships with third parties when the economic or social interests and/or local or regional proximity does not seem obvious, but also when conditions of transparency or trust or not (or no longer) present.

4.7.1.3 New relationships and clientele of so-called "sensitive" countries

The mechanism that exists in terms of managing operations and customers located in countries deemed "sensitive" has been strengthen since 2016.

The compliance department is responsible for identifying, establishing and disseminating within the group lists of countries according to their degree of sensitivity: green (standard procedure for new relationships), orange (strengthened procedure) and red (exemption procedure).

The purpose is to define progressive procedures or bans pertaining to new relationships with customers who reside in the concerned countries.

Countries that do not practice automatic exchange of information according to the OCDE standards are classified on the red list. For these countries, new relationships are not authorized with the exception of those duly validated by a strictly controlled procedure. New relationships with politically exposed persons (PEP) residing in a country on the red list are not authorized in any case.

It is forbidden to maintain direct or indirect relationships with an offshore legal address, with consulting firms offering offshore structures or customer consultants (SOT91).

4.7.1.4 Representatives of interests

The Sapin II law created a specific regime for representatives of special interests, supervised by the High Authority for Transparency in Public Life (HATVP), providing for:

- the obligation to apply a strict code of conduct;
- the obligation to report oneself on an *ad hoc* digital directory intended to inform citizens about one's activities;
- the establishment of an annual report.

These provisions entered into force on the 1st of July 2017. The group's framework procedure pertaining to special interest representatives, established under the aegis of the CNCM, is the registration document, which applies uniformly to all the various regional groups of which it is comprised. Thus, for Crédit Mutuel Alliance Fédérale, some entities are potentially concerned. The General Secretariat of the CNCM takes care of registration of entities that meet the required criteria on the digital directory of the HATVP as well as sending the respective annual reports.

4.7.2 Vigilance plan

4.7.2.1 Introduction

The law n° 2017-399 of March 27, 2017, pertaining to the responsibility of parent companies and initiating companies is the law known as "duty of vigilance."

By this law, large companies have the obligation to establish and implement a "vigilance plan," intended to prevent serious harm to human rights and the environment as part of their activities and those of subcontractors or suppliers with which they have a long-standing business relationship.

This obligation, which applies to companies (subsidiaries included) employing at least 5,000 employees in France or at least 10,000 employees in France and abroad, in particular concerns the group and the entities of which it is comprised.

This document is submitted to the group's control and compliance committee and auditing and accounting committee, which represents the surveillance authority.

It is accessible to employees of each group entity, particularly through the PIXIS Intranet. It may be subject to modifications as the group makes progress in the matter and incorporates particularities of certain professions.

The vigilance plan and its implementation are made public through the non-financial performance statement (NFPS).

4.7.2.2 Presentation of the group's vigilance plan

4.7.2.2.1 Definition of the vigilance plan

"The plan contains reasonable and adequate vigilance measures to identify risks and prevent serious harm to human rights and fundamental freedoms, health and safety of persons as well as to the environment, which result from the company's activities or those of companies it controls within the meaning of the II of Article L.233-16, directly or indirectly, as well as the activities of subcontractors or suppliers with which there is an established commercial relationship when these activities after related to this relationship." (cf. Article 1 of the law No. 2017-399).

The vigilance plan is completely integral to the social and cooperative responsibility process – SCR – which has been implemented for several years by Crédit Mutuel Alliance Fédérale.

4.7.2.2.2 Scope of the vigilance plan

The vigilance plan makes it possible to identify risks and prevent serious harm in the following areas:

1/ Human rights and fundamental freedoms

There are several categories:

- **inherent human rights**: meaning equality, freedom, property, safety and freedom from oppression;
- **rights that are aspects or consequences of the preceding**:
  - from the principle of legality, for example, ensues universal suffrage, gender equality, and also equality before the law, employment, taxes, justice, access to culture,
  - the principle of freedom elicits the existence of the individual freedoms, of opinion, expression, assembly, worship, the right to unionize and to strike,
  - the right of property implies the freedom to dispose of personal property and entrepreneurial freedom,
  - the right to safety justifies the preclusion of arbitrariness, the presumption of innocence, respect for the rights of defense, the protection of individual freedom by justice;
- **social rights,** meaning services that are the responsibility of the collectivity: we can cite the right to work, protection of health, free public education;
- **rights related to the environment**, which affirm the right of everyone to live in a balanced environment that's respectful of health and which consecrates the notion of sustainable development and the precautionary principle.

The vigilance plan covers infringements on human rights and fundamental freedoms generated by activities of the group (subsidiaries and employees) or partners (suppliers and intermediaries) on their stakeholders within the context of established commercial relationships.

2/ The health and safety of individuals

a) Definitions

- The WHO defines health as the "the complete state of physical, mental and social well-being, which does not only consist of the absence of illness or infirmity."
- Safety designates all of the provisions intended to ensure the protection of persons and property in a manner such that the situation in which one finds his or herself has an acceptable level of risk.

b) Examples of risks to safety and health at work

Physical activity (working on a screen, lumbago, etc.), noise, occupational or chemically-caused cancers (asbestos, etc.), travel, psycho-social risks (aggression, external violence, occupational exhaustion or burn out, harassment and internal violence, stress, suicides), etc.

c) The vigilance plan covers infringements on health and safety within the company, but also outside the company

- Internally, the employer should ensure safety and protect the health of employees. The employer should take the necessary preventive measures against occupational risks and inform and train employees about these risks. The employer should also respect certain rules in the layout and utilization of work premises.
- Externally, the employer should also ensure that the company's activities like those of its suppliers do not have negative repercussions on the health and safety of the supplier's employees, customers or any other persons.

d) The environment

Risks related to the environment are industrial or technological risks generated by the group or partners, which have an impact on the environment: water, air, sites and soils, noise, etc. Risks related to financing and investment activities are also included, the goal being to reduce as much as possible the environmental consequences resulting from these activities.

They concern:

- the vitality of the ecosystem (protection of the ecosystem, resource management, pollution);
- management of water, agricultural, fishing and forest resources, but also climate change and biodiversity and the air;
- environmental health (the impact of the environment on human health).

4.7.2.2.3 Persons concerned by the vigilance plan

All those people likely to be affected by a risk or an infringement of a social or environmental nature are those who are involved in the context of the group's activities or in the context of a commercial relationship, particularly with suppliers and subcontractors.

That means employees, temporary workers, staff (detached or not) of suppliers, subcontractors, customers and any other persons involved.

These people may be the cause of a violation of social or environmental rights; they may also be accomplices (active or passive) or even victims.

In summary, it's necessary to distinguish:

- the risks generated by the entity/subsidiary on employees;
- the risks generated by the entity/subsidiary on customers through the business activity, financing, investments, or the products and services offered;
- the risks generated by the entity/subsidiary on its partners (suppliers and subcontractors, intermediaries, etc.) and third parties;
- the risks generated by partners (suppliers, intermediaries, etc.) with which the entity/subsidiary has an established commercial relationship, when activities are linked to this relationship or when these risks affect employees and third parties.

4.7.2.3 Vigilance plan measures

In accordance with the law, it includes the following five primary measures:

- a mapping of risks intended to identify, analyze and prioritize them;
- regular assessment procedures of the status of subsidiaries, subcontractors or suppliers with which there is an established commercial relationship, in terms of mapping risks;
- appropriate measures to mitigate or prevent serious harm;
- a warning system and procedures for reporting the existence or occurrence of risks;
- a mechanism to monitor any measures put in place and to assess their effectiveness.

4.7.2.3.1 The mapping of social and environmental risks

The mapping of risks covers the areas evoked above based on an awareness of employees' work situation, relationships with customers and partners, activities exercised by the company and those of subcontractors and suppliers.

The objectives sought consist of:

1/ Identifying the risks

This means identifying all the dangers to which employees (of the company or suppliers), customers or third parties may be exposed.

2/ Analyzing the risks

The risk incurred for each identified dangerous situation is to be defined and evaluated based on:

- the nature of the danger;
- the means of prevention already existing (technical, organizational, human).

3/ Classifying risks

The classification of risks makes it possible to:

- determine action plan priorities based on the potential seriousness and probability of occurrence;
- implement preventive measures.

For each area (human rights, fundamental freedoms, health and safety, environment), work has been done to identify the primary risks. These risks were the subject of analysis (by experts) that made it possible to evaluate in two times by using first gross risk and then residual risk.

Gross risk considers the probability of occurrence and frequency, as well as the impact that the particular case may have on the entity's activities and the services it provides to the clientele. Scoring is established based on the five following levels:

Scoring	1	2	3	4	5
Degree of risk	**Very substantial**	**Substantial**	**Average**	**Low**	**Very low**

For each case, the residual risk is then valued according to the extent to which there is coverage for the observed risk based on the existence and relevance of preventive or mitigation measures in place. Its scoring is established based on the 5 following levels of risk:

Scoring	1	2	3	4	5
Degree of risk coverage	**Very satisfactory coverage:** risk covered by a control mechanism	**Satisfactory coverage:** risk covered by a suitable mechanism (organization, procedures, controls, etc.)	**Average coverage:** risk covered but with one or more points for improvement identified	**Insufficient coverage:** risk partially covered with significant points for improvement identified	**Deficient coverage:** risk not covered and corrective measures need to be quickly implemented

On this basis, Crédit Mutuel Alliance Fédérale identified the following primary potential risks:

- concerning human rights and fundamental freedoms: discrimination, undermining equality, breach of the principle of respect for private family life; infringement on the right to strike, the freedom of assembly and the right to association as well as on the freedom of expression;
- concerning the health and safety of individuals: health risks, non-respect for legal working conditions, infringement on the safety of workers and inequality of access to the right to health;
- concerning the environment: the risk of pollution, failure to fight global warming, damage to biodiversity and violations in the management or waste.

The mapping is likely to evolve as progress is accomplished in each area. It is envisaged to articulate this mapping based on the functions exercised (for example, the purchasing function).

4.7.2.3.2 Assessment procedures for the status of suppliers and subcontractors

Regular assessment of the status of subcontractors and suppliers outside of the group with which there is a commercial relationship is conducted with the help of various operational procedures within the group.

1/ Bidding process procedures

Most purchasing is conducted by the group's business line centers.

Certain business lines have defined procedures for the bidding process in view of the importance of negotiations. Therefore, at Euro-Information, suppliers were listed in categories whose principle is "essential and responsive suppliers" (economic or strategic importance for Euro-Information or for its customers). For the bidding process and in regular fashion, Purchasing teams ask these suppliers to provide documents that can attest to their CSR procedures (or to provide the link to the document on the Internet) in order to know the content. This operation is applied in the purchasing process of equipment/software, but also in the context of buying immaterial computer services from DSC (Digital Services Companies) suppliers. Euro-Information conducts a regular review of it.

The evaluation of suppliers is also done through policies established by the group (sectoral policies, purchasing policy and charter with suppliers, essential outsourced services/see below).

2/ Collection of documentation and information on suppliers outside the group

Numerous elements that make it possible to check on the identity of the supplier, its reputation and the quality of service provided are collected as part of the group's procedures.

- The following information is collected about suppliers and service providers:
  - As part of the obligations of vigilance in the context of combating undeclared labor (Article L.8222-5 of the Labor Code) for all suppliers whose revenues exceed €5,000: Kbis extract, URSSAF declaration, URSSAF authentication, the list of foreign workers (LNTE), certificate of vigilance,
  - other documents requested by certain business line centers depending on their activity: E&O insurance, proof of 10-year liability insurance, license for domestic transport, CNAPS governing[1] approval (Safety), professional licenses of security agents, etc.,
  - INSEE files and legal information that may be consulted with the BILI (companies, associations, individual entrepreneurs) application,
  - for accredited suppliers in the CONTRACT application: contracts, maintenance records, operational elements, etc.;
- regulatory data from the supplier (legal structure, address, SIRET, NAF, legal category, etc.) are reported in the application – PIEFOU – a management tool for supplier invoices;
- When the supplier is also a customer, elements related to the fight against money laundering and the financing of terrorism (CLCB-FT) are requested of the supplier or service provider.

3/ Selection of intermediaries and collection of information

- For retail banking, the PRESC application for IOBSPs (intermediaries in banking operation and payment services) makes it possible to identify the following documents: ORIAS registration, civil liability insurance, financial security, mandate, etc.;
- In addition, each retail bank or specialized profession, establishes a referencing procedure for IOBSPs, which allows for the formalizing of the collection of required information and the implementation of certain controls;
- For capital markets, the group establishes a policy for the selection of financial institutions or other intermediaries to which customer orders are entrusted for execution on French or foreign markets. The chosen entities must dispose of procedures and mechanisms to execute orders

(1) National Council on Private Security Activities.

that correspond to the objectives set in the group's execution policy (available on the Internet) and particularly to certain criteria (rules of good conduct, terms and conditions of transmission and execution, security of processing). The selection of intermediaries may be modified depending on the evaluation grid and controls carried out;

- Each of the group's concerned entities (particularly in the case of management companies) is responsible for the approval of brokers in financial instruments with whom they deal and for monitoring the relationship with them. In this regard, the entity:
  - formalizes a procedure for initiating a new relationship, including, in particular, combating money laundering,
  - establishes and keeps current a formal list of authorized brokers which whom it is authorized to work,
  - establishes an evaluation grid of brokers, which allows for regular evaluation based on qualitative criteria.

4/ Outsourcing of essential services to group and non-group entities

The procedural framework regarding control of outsourcing so-called "essential" activities, elaborated by the group's permanent control and compliance central functions, includes the policy, procedures and its appendices (quality and service evaluation form, contract evaluation form, recommended contractual clauses, reference list of PSEEs[1], etc.) as well as audit charters specific to certain professions (CCS, Euro-Information, etc.). These documents are updated as needed.

Since this year, non-group providers of essential services have been asked to sign the supplier charter.

Dedicated network PSEEs mainly concern investment services (portfolio management, etc.), banking operations (means of payment, storage of precious metals, transport of funds, etc.), IT services, archive management or even debt collection.

Regular monitoring of the primary service provider business centers (CCS, Euro-Information and certain professions) is conducted by the group's central functions and annual supervisory audits are also prepared. A summary is available in the group's internal control report.

4.7.2.3.3 Actions to mitigate and prevent risks

A set of measure aimed at reducing and preventing these risks is implemented vis-à-vis customers, suppliers and employees. These measures are presented below.

1/ In relations with customers

a) Relationships based on ethics and the code of conduct

Rules of proper conduct exist within the group to prevent risks to which customers could be subject. They are defined by internal rules that apply to all of the group's entities and to which is appended the safety charter, the code of conduct, the code of ethics and deontology and the charter on prevention and fight against harassment and violence in the workplace.

b) Protection of personal data

Knowing the customer and the relationship between the bank and the customer requires gathering, using and storing a certain amount of information about him or her. The collection, use and processing of these data are protected and also covered by professional secrecy.

- Entities of the Crédit Mutuel group comply with the principle of relevance and proportionality of the data collected with regard to the purpose of data processing, in order to guarantee respect for legal provisions.
- Customer information is handled in a clear and pedagogical manner, particularly concerning:
  - the identity of the person responsible for processing;
  - the purpose of data processing, avoiding unduly generic wording;
  - the obligatory or optional nature or answers and the consequences of failure to reply;
  - the recipients of this information;
  - his or her right to access, object or correct the information.

Information about the protection of personal data is disseminated to customers who use online banking as well as about account opening conventions.

On April 27, 2016, the European Parliament and the Council adopted the Regulation on the protection of natural persons with regard to the processing of personal data and the free movement of such data. This regulation, which came into effect on May 25, 2018, will strengthen protection of personal data.

CIC adapted its tools and guidelines to incorporate the regulatory changes coming from the GDPR[2]. These accommodations concern the following points:

- creation of a register of data processing activities;
- realization of an impact analysis for data processing likely to present an elevated risk to the rights and freedoms of natural persons;
- implementation of mechanisms and procedures that show respect for rules pertaining to data protection;
- establishment of a data protection officer;
- application of the principle of protection of personal data in the design of the processing operation;
- the rights of individuals.

Furthermore, CIC adopted a security charter – management of personal data, disseminated on its website.

c) Fragile and vulnerable populations

Sustained action on the part of authorities (Banque de France and Observatoire de l'inclusion bancaire) with regard to banking inclusion has been on-going since August 2017. In this context, the group is a participant in the concerned working groups and the governance body dedicated to tasks intended to:

- increase the volumetric of detection and develop support for persons in financially precarious situations;
- strengthen the attractiveness of the Fragile Customer Offerings to promote its structure;
- reduce rates in favor of the fragile clientele.

(1) Outsourced essential services.
(2) General Data Protection Regulation.

In this context, the group adopted a "Policy of commitments in favor of fragile and vulnerable clientele." It describes actions taken and on-going within Crédit Mutuel Alliance Fédérale since the end of 2017 to promote banking inclusiveness, to ensure the protection of financially fragile or vulnerable clientele (especially protected adults) and emphasize support for them with the goal of meeting the expectations of the Authorities (OIB[1]-BdF-ACPR) and public authorities.

In 2018, CIC processed regulatory reports by sending quantitative and qualitative data required by authorities (to the ACPR in the form of the questionnaire on commercial practices and protection of clientele and to the *Observatoire de l'inclusion bancaire*).

d) Accessibility of banking services

In the context of regulations on the accessibility of establishments open to the public (ERP) to persons with disabilities, a public accessibility register (RPA) exists in all retail outlets in order to inform the public about the degree of accessibility of the location as well as provisions made to allow all persons, especially those with disabilities, to benefit from branch services. Moreover, 99% of ATMs are now accessible to the visually-impaired.

Bank statements in Braille are made available and CIC has been committed for several years to an accessibility process to make its locations and applications accessible to all, including to seniors and persons with disabilities or having functional limitations, on any type of support (computer, smartphone, tablet, etc.). Thus, a remote interpretation service in sign language is available to hearing-impaired customers. Operators assist customers for free, by chat or by video-link with the services they need. And from the mobile application, customers can take advantage of this assistance during discussions in the branch. Moreover, deaf or hearing-impaired customers who have telephone subscriptions with CIC, can now take advantage of one free hour per month of translation, in accordance with regulations.

Simultaneously, regular technology surveillance is conducted on technical devices and raising awareness about accessibility was incorporated into internal training courses taken by the teams in charge of IT development. Certain employees are now experts on accessibility. They help with projects at all stages, audit sites or applications upon request and process customer feedback. The level of accessibility of the site cic.fr is specified on the home page.

In another area, CIC respects the generic terms of primary banking fees and services defined in the decree of March 27, 2014, which aims at simplifying consumer access to rate information. Finally, the glossaries of the advisory committee of the financial sector and the financial education guides ("The Keys to the Bank") from the French Banking Federation are accessible on the site cic.fr

e) Processing of customer claims

The mechanism for processing claims implemented by entities in the group's sales network includes the three following levels:

- customer account managers and agency managers are responsible for processing claims at the first level. They are thus analyzed at the location the customer is most familiar with in order to respond in the best possible manner to the request;
- in each region, a specialized customer service department (CSD) provides an appeal process for the customer if the initial response is not satisfactory;
- after having exhausted the previous appeal, the customer may address CIC's consumer Ombudsman. The latter relies on the Secretariat of Mediation at the national level.

The customer is informed about the existence of the mechanism and its organization particularly by means of the website. Contact information for the regional CSD can thus be found there, as well as a specific toll-free telephone number. The mediation charter is also available for consultation there. All of these items are also available in branches upon request.

During the fiscal year 2018, the process of classifying claims by branches was simplified. To each type of claim, there was a related acknowledgement of receipt, as well as customer-tailored responses.

Consoles for operational management were made available to branches (Executive Console) and to teams monitoring customer relations (CSD Console): these tools were enhanced with alerts about respecting regulatory time limits and about documentation of the communication tool used with customers.

Data entry of their claims by individuals in a secure environment of online banking will be generalized at all windows when the access mechanism incites customers sufficiently to make simple requests by use of secure messaging and not by means of the claims system.

Between the end of 2018 and 2019, inbound call centers will internalize the claims they identify in the tool.

f) The mediation process (SOT74 to SOT78)

Consumer mediation, in place since the 1st of January 2016, is manifested by the introduction of a dedicated website, featuring the mediation mechanism and providing customers with on-line access (at the address: https://www.lemediateur-cic.fr/). The mediator's annual report is also available to view. The mediator is registered on the list of mediators; the European Commission is notified by the Assessment and Mediation Control Commission.

In 2017, the group's mediator and the AMF's mediator signed an agreement giving customers the possibility of presenting any claim within the scope of the AMF to either the AMF mediator or the group mediator, with the understanding that the choice is irrevocable.

g) Integration of ESG criteria in the professions (SOT88)

Sectoral policies

Sectoral policies are formalized for the domains of defense and security, coal-fired power plants, mines, civilian nuclear energy. The group has thus decided:

- to stop financing new coal-fired power plants and not develop relationships with businesses whose primary activity is coal extraction or whose activity related to the coal sector is more than 50%;
- to stop financing mining operations if one of the following characteristics is present: coal mining project, asbestos mining project, artisanal mines, critical impact on a protected zone or a wetland registered on the RAMSAR list, sites registered as UNESCO world heritage sites and to not develop relationships with businesses whose primary activity is coal extraction or whose activity related to the coal sector is more than 50%;
- to incorporate security activity into sectoral policy concerning the defense sector and to bring particular attention to respect for Human Rights and fundamental freedoms in support of businesses in these sectors.

Other sectoral policies, on private banking, consumer credit, group purchasing policy, and the commitment in favor of the fragile or vulnerable complete this list. They are all available to view on the Intranet at cic.fr.

A CSR item must be present in all files of corporate banking's credit committees for sectors about which a sectoral policy note was disseminated.

(1) OIB: Observatoire de l'inclusion bancaire (Banking inclusion monitoring center).

***Project financing*[1]**

CIC disposes of an internal assessment methodology, resuming the classification scale of the "Equator Principles."

- Category A Projects – Projects presenting negative social and environmental impacts, which are potentially significant, heterogeneous, irreversible or unprecedented.
- Category B Projects – Projects presenting limited negative social or environmental impacts, but less numerous, generally specific to one site, largely reversible and easy to treat with mitigation measures.
- Category C Projects – Projects presenting minimal or no negative social or environmental impacts.

Any new financing project is subject to external due diligence including an environmental impact component. This component is also subject to monitoring as part of the semi-annual portfolio review.

Files are chosen on a set of parameters, which incorporate in particular, social, environmental and ethical criteria, depending on the sector of activity and the countries chosen. Great attention is thus given to social utility criteria (for example, analysis includes the more or less strategic nature of the project for the country, the alignment of interests of various stakeholders, the overall economic rationality), local acceptance (known opposition of environmental defense groups or the local population, noise pollution, impact on the landscape, etc.) and respect of environmental criteria (compliance with current and foreseeable standards).

In the energy sector, CIC supports its customers in financing energy transition and is committed to reducing greenhouse gas emissions through its financing choices.

With regards to fighting corruption, the disbursement, which occurs after satisfying KYC procedures, and upon certification issued by a trusted third party (independent technical expert), is an effective means of control on compliance of expenditures. The department's internal strategy is to focus on sectors that it knows well and whose collective effectiveness is based on satisfaction of basic needs (supplying or producing energy, means of communications, telecommunications, outsourcing of public services).

The project financing department usually participates in projects in countries where the political and solvency risks are contained (i.e. "designated countries" in the sense of the Equator Principles). When the department intervenes in a more precarious country, both politically and in terms of environmental standards, it is in consideration of the project's economic necessity and in participating alongside banks that have signed the Equator Principles or multilateral bodies. In each of these projects, the social and environmental impacts are not only taken into account when the operation is chosen, but also throughout the life of the project (for example: obligation of monitoring the construction phase and its environmental impact by an independent engineer if the size of the project warrants it, contractual obligation of the borrower to respect standards and their evolution throughout the life of the project).

Taking into account the environmental impact of real estate leasing to businesses

CM-CIC Lease asks the lessee for an environmental study articulating the different phases depending on the case:

- in the "upstream phase": an environmental review completed on a documentary basis;
- in "phase 1": an environmental review comprising at the minimum a documentary study and a site visit by an expert to possibly detect any site-specific risk factors;
- in "phase 2": an environmental review comprising an in-depth site investigation that could lead to performance of soil surveys, potential inspection of groundwater, etc.

Private equity and ESG criteria

The social responsibility of CM-CIC Investissement is included in its investment doctrine. An assessment questionnaire of policy in terms of corporate social responsibility is submitted to certain companies in its portfolio. This questionnaire is used for any new investment project study. Identified points of improvement are subject to monitoring during the detention period of participation. In 2018, employee investors had training with the theme "SME Program and CSR Awareness." During this training, small-group work was conducted on practical cases and based on an internal questionnaire and concluded with SME testimony.

Socially responsible investment

The active and rigorous approach for selection of sovereign issuers and CM-CIC Asset Management companies is based on:

- the exclusion of companies involved in the production or trade of anti-personnel mines and cluster munitions (Ottawa Convention and Also Treaty) as well as States not respecting international norms or conventions;
- the selection of businesses whose activity contributes to sustainable development, by the very nature of the company or the products and/or services offered;
- shareholder activism (closely monitoring controversies, dialog with businesses on improvement of their social responsibility policy, systematic vote at shareholders' meetings);
- best in class approach: CM-CIC AM's SRI approach rests in the first instance on a non-financial analysis of businesses according to environmental, social and governance (ESG) criteria, complemented by an awareness of corporate policy and the business' commitment for a responsible approach. Sectoral specificities are taken into account and regular meetings with company executives take place, For States, the following is taken into account: the legal framework, respect for fundamental freedoms, protection of the environment and living conditions, economic well-being. This analysis is then compared with that of agencies specialized in socially responsible investment. A selection is then made by retaining only 50% of the initial securities. Then, a choice is made to create a portfolio of funds by retaining securities presenting the best potential stock performance.

Following the annual assessment report established by the PRI, CM-CIC AM obtained, for the 4th consecutive year, the highest rating: A+ ("Strategy and Governance" module). This appreciation is acknowledgment of CM-CIC AM's strategy to integrate ESG (environmental, social and governance) factors in the management of its range of funds.

Furthermore, the investment strategy of BLI-Banque de Luxembourg, the asset management subsidiary of the Banque de Luxembourg, rests on:

- establishing regular reviews of controversies that are likely to lead to the removal of companies from BLI's investment universe;
- excluding of companies linked to certain sectors;
- outlining a transparent strategy for voting by proxy;
- commitment by establishing a dialog between businesses on questions and controversies related to ESG.

An internal socially responsible investment committee (SRIC) is guarantor of the ESG approach.

(1) "Project funding" is understood here as a very specific category of corporate financing, called specialized financing (defined in particular by Article 147.8 of European Regulation 575/2013) and which meets very specific criteria. These criteria, such as approved by the ACPR in October 2012, are used to set eligibility for deals in CIC Project Financing portfolio.

2/ In the relationship with subcontractors and suppliers (SOT81)

a) Group purchasing policy

A purchasing policy applies to all purchases by entities of Crédit Mutuel Alliance Fédérale.

The acquisition of goods and/or services constitutes a management act and is part of the operational application of the group's strategy. This policy, adopted in 2017, incorporates criteria based on economics, quality, respect of technical requirements as well as ESG factors.

All contracts with suppliers and/or service providers include a clause dedicated to respect for provisions in force in terms of labor law. In the context of the charter of supplier relations, suppliers and/or service providers are committed to respecting the reference texts on human rights and labor law. The group gives particular attention to respecting best practices in professional ethics and in particular to strictly respecting principles pertaining to corruption under any form, notably concerning practices in terms of gifts and other benefits.

Other measures supplement this policy and promote responsible behavior by suppliers and/or service providers. Thus, the group favors relationships with suppliers and/or service providers, though equal on the technical and financial services level, which adopt an environmental approach that incorporates ESG criteria and which respect a social policy combating discrimination.

A power of attorney was signed by the buyers of Euro-Information serving notice to them of the respect linked to obligations in terms of sectoral purchasing policy.

b) The charter on supplier and service provider relations for sustainable procurement

Established in 2017, this charger describes all of the commitments, notably in terms of human rights, vigilance (access to the "power to report") and corruption, to be respected by suppliers and service providers contracting with one or more of the group's entities. Each of them must sign the document. First of all, identifying the charters signed by suppliers was undertaken for all those whose revenue exceeded €1 million. Progress must occur to incorporate the specificities of certain suppliers and professions.

Thus, at Euro-Information, the accession process began at the start of September 2018, by sending it to the concerned suppliers. Signing the charter is now also part of the policy of beginning a new relationship. In 2019, for certain suppliers this charter should replace the collection of documents that formalizes their CSR efforts.

c) Suppliers' professions centers

A large part of purchases is done by the group's suppliers' professions centers like CCS, SOFEDIS and Euro-Information.

Incorporation of CSR criteria in the relationship with CCS's general resources department with suppliers is materialized by:

- inclusion of the company's obligations of vigilance and CSR policy in drafting specifications for a bidding process;
- existence of an analysis grid for responses to bid solicitation, which prescribes the weight of responses by companies on environmental and social aspects in the overall rating by type of activity (household, recycling, hospitality);
- incorporating into the program reviews of accounts that monitor and audit social aspects under the Labor Law (especially in the context of combating undeclared labor);
- inclusion of *ad hoc* paragraphs on CSR aspects in standard contracts;
- annual obligation for all managers in the central services sector having decision-making authority regarding suppliers, to declare gifts of any amount whatsoever.

Concerning Euro-Information, the "Supplier Management Relationship" process is part of the certified Quality processes ISO 9001 V2015 monitored and audited by the AFAQ (the last renewal audit took place in June 2017. In 2018, there was a follow-up audit that was positive). The process is put into writing, published and demonstrates the different steps of a beginning relationship, contractualization and management of the supplier relationship. In addition, a "Supplier Supervision" committee keeps an eye on:

- gathering ratings on essential and responsive suppliers;
- gathering "financial ratings" for essential and responsive suppliers established in France; that will be expanded in 2019 to foreign suppliers;
- gathering/updating of CSR reports for the same suppliers.

A 2018 status report will be established by the monitoring committee beginning with the first quarter, the objective being to gather all of the "financial" and "quality" ratings.

Euro TVS, subsidiary of Euro-Information, dedicated to the digitalization and computer processing of documents and means of payment, also introduced environmental management and is certified ISO 14001.

3/ In relationships with employees

There are multiple procedures and preventive measures depending on the type of risk (infringement of Human Rights, risk to the environment) that employees may suffer or that they may cause in the context of their activity.

At the group level, the fundamental principles in terms of rules of good conduct are defined by internal rules and the three following appendices:

- the charter on safety;
- the code of conduct, to which is appended the code of ethics and deontology;
- the charter on prevention and fighting harassment and violence in the workplace.

Each year, a survey is organized at the network level of the group with the help of a dedicated tool (BACEDE). It concerns carrying out an assessment of the application of rules of the code of conduct with executives or branch offices.

This action makes it possible to verify that the stated rules of good conduct (respect for values and texts, duty of confidentiality, duty of reserve, respect of the person, avoidance of conflicts of interest, etc.) are respected and that corrective measures (raising staff awareness, training, sanctions, etc.) are put in place in the concerned branch offices in order to remedy any noted potential shortcomings.

a) Prevention of infringement on rights of employees[1] and measures put in place

- Violence and harassment: internal rules and the "charter on preventing and fighting harassment and violence in the group."
- Health and safety: CHSCT (health, safety and working conditions committee), occupational physician, etc.
- Group agreement on supporting employees in the use of digital tools and the right to disconnect (signed in April 2018).
- Incivilities: procedure for combatting incivilities and INCIV application.

(1) Non-exhaustive list.

- Assaults and hold-ups: "armed robbery" procedure.
- Trade union freedoms: the group's agreement on union negotiations, the bank's collective agreement, etc.
- Labor law: labor legislation, the bank's collective agreement, etc.
- Right to notify: "power to report" procedure.
- Protection of personal data: the group's code of conduct, procedures pertaining to CNIL.
- Protection of private life: protocols for recordings and phone tapping, protocol for video surveillance, etc.
- Corruption and influence peddling: the group's internal anti-corruption mechanism.
- Fight against discrimination: charter pertaining to the fight against discrimination, promotion of diversity and vocational integration as well as retaining workers with disabilities within the group.

b) Prevention of direct environmental impact generated by the activity of employees within the company

By its activity, prevention measures essentially address reduction of paper consumption (reduction of consumption and recycling).

- Waste management: "collection of used printer cartridges" procedure, selective sorting mechanism (paper recycling, recovery of used batteries, etc.).
- Paper waste: dematerialization of numerous documents (simulation of credit or estimates and subscription to products on-line, electronic signature, electronic messaging, etc.).

4.7.2.3.4 The power to report (SOT109)

The power to report is an occupational warning system available to internal, external or occasional staff, which encourages them, in addition to the entity's normal warning methods, to report to their employer any serious failure to respect professional or legal obligations.

Reporting extends to all areas and particularly to human rights and fundamental freedoms, personal health and safety as well as the environment.

In accordance with rules and regulations, this procedure guarantees strict confidentiality of the identity of the originators and of persons targeted by the reporting. The employee runs no risk of sanction when the reporting is done in good faith. Moreover, the rules provide for recourse to outside authorities in an emergency situation. This mechanism is overseen by the compliance department, which ensures regular reporting.

4.7.2.3.5 Monitoring mechanism

Monitoring actions that have been implemented hinge on all the indicators and on the collection of figures touching on the previously mentioned themes[1].

Assessment of the code of conduct

An investigation is conducted every year at the level of Crédit Mutuel Alliance Fédérale. It concerns about 2,900 tellers of the cooperative network and network branches of regional banks of CIC, the BECM and CIC Iberbanco (subsidiaries).

Overall, in 2018, the rate of respect for rules of good conduct was maintained at a high level (between 90% and 100% depending on the rules) as compared to the previous fiscal year for all retail outlets. The rules subject to reporting are the following:

- respect for people;
- duty of good management;
- duty of confidentiality;
- duty of reserve;
- willingness and independence;
- duty of training those appointed;
- duty of training employees;
- conflicts of interest;
- respect for texts;
- respect for values.

Furthermore, among employees of CIC registered in 2018 for training on the rules of deontology in which figures the fight against corruption, 63% had finished the training at the end of 2018 (SOT104).

Processing claims and mediation

The mechanism in force for processing claims within the group allows the clientele to transmit all types of claims, whether they concern the functioning of accounts, savings or non-financial matters.

(SOT106) At the level of CIC, in 2018, the number of claims remained stable (-1.4%) as compared to 2017. (SOT107) Nearly 92% were closed during the year within an average timeframe of two months (SOT108).

As concerns mediation, the number of referrals by the group's mediator decreased by 7%[2] in 2018. The pricing of products and services and the means of payment remain the two primary subjects for referral.

It should be noted that the number of files admissible (eligible for mediation) is in decline, representing 14.6%[3] of total files, essentially on grounds that internal remedies were not exhausted.

Fragile clientele

Quarterly monitoring conducted at the level of Crédit Mutuel Alliance Fédérale identifies the number of third parties detected and the number of packages subscribed. In 2018, more than 10,000 packages were subscribed by customers detected as being fragile customers at CIC group level.

And 17% of staff in contact with the clientele was trained in the protection of these customers at the end of 2017.

Other indicators (non-exhaustive list)

Supplier charter

In 2018, nearly 60 charters signed by suppliers representing more than €1 million in revenue were identified by Euro-Information and CCS (SOT100).

Project financing

The 16 projects completed in 2018 (cf. Paragraph 4.6.3.3) are classified in category B.

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(1) Concerning the power to report, the monitoring indicator, overseen by the compliance department, is verified by an independent third party, but not published for reasons of confidentiality.
(2) Scope of banks, Banque Transatlantique and CM-CIC Épargne Salariale.
(3) Data established on the basis of files processed on January 31, 2019.

SRI

In 2017, CM-CIC AM earned for the third year the SRI label for 16 funds:

- CM-CIC Objectif Environnement;
- CM-CIC Moné SRI;
- CM-CIC Obli SRI;
- as well as 13 funds in the Social Active range of products: Social.Active Actions SRI, Social.Active Diversifié SRI, Social.Active Monétaire SRI, Social.Active Obligations SRI, Social.Active Solidaire SRI, Social.Active Actions, Social.Active Diversifié, Social Active Monétaire, Social Active Obligations, Social Active Tempéré Solidaire, Social Active Dynamique Solidaire, Social Active Obli Solidaire, Social Active Équilibre Solidaire. This label allows us to point out to investors SRI products that address demanding specifications not only on transparency and quality of SRI management, but also on how they demonstrate concrete impact on the environment or society.

These funds amount to outstandings of €1.1 billion.

And the outstanding amount of SRIs managed by CM-CIC AM with the CIES label reached €1.2 billion.

4.7.2.3.6 Documents available to view on the Internet

Title	Ref/link
Law n° 2017-399 of March 27, 2017, pertaining to the duty of vigilance of parent companies and sourcing companies	https ://www.legifrance.gouv.fr/eli/loi/2017/3/27/2017-399/jo/texte
Sectoral policies	https ://www.cic.fr/fr/banques/institutionnel/publications/responsabilite-societale-de-l-entreprise.html

4.8 AN ACTOR IN CULTURE AND SOCIETY

4.8.1 Patronage, cultural partnerships

4.8.1.1 Long-term support for cultural projects and heritage preservation (SOT55)

Since 2003, CIC has been the major partner of the *Hôtel National des Invalides* (*Musée de l'Armée*), whose heritage activities (restoration work), cultural activities (concerts, musical seasons) and temporary exhibitions (in 2018, "Napoleon the Strategist" and "Endless War in the East, 1918-1923") it actively supports.

CIC is also a founding sponsor of the Aix-en-Provence Easter Festival, which has achieved international recognition and has a strong local economic impact. CIC has renewed its support through 2022.

In 2018, it was once again a partner of the France 3 program *Des racines et des ailes* with 30 topics scheduled for the year.

4.8.1.2 Support for young artists

CIC's partnership with the *Victoires de la Musique Classique* introduces young virtuosos to the general public by giving them the opportunity to perform at the Hôtel National des Invalides and on many stages in France. Since 2005, Ophélie Gaillard has been playing a cello made by Francesco Goffriller in 1737 thanks to CIC. For the Easter Festival's newest five-year cycle, to honor and acknowledge the efforts of former CIC Chairman Michel Lucas, who founded the festival with Renaud Capuçon and Dominique Bluzet, current CIC Chairman Nicolas Théry and Chief Executive Officer Daniel Baal decided to create the Prix CIC Michel Lucas, which recognizes the merit, excellence and work of young musicians from all over France each year. The top six winners received the 2018 prize at the Easter Festival press conference held on October 16, 2018 at Les Invalides.

For over ten years, CIC Nord Ouest has supported the Fondation Royaumont, which offers specialized training to young artists and promotes their professional integration through the production of concerts at Royaumont and elsewhere. In 2018, the bank was patron of the concert Of Grief and Divine[1] by the Cosmos Ensemble.

CIC Suisse is a sponsor of the *Nouveau Cirque*, which is part of Young Stage, Switzerland's largest circus festival, which rewards young artists with prizes in the form of money or appearances in circuses, TV shows, and variety theater.

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(1) "De la douleur et du divin".

4.8.1.3 Patronages and sponsorships throughout France

Major cultural and regional sports projects funded in 2018	Beneficiaries	Patrons/Partners
Fine Arts		
ABCDUCHAMP Exhibition, a Marcel Duchamp survey	Métropole Rouen Normandie	CIC Nord Ouest
Lille Métropole Musée d'Art Moderne, d'Art Contemporain et d'Art Brut	LAM Lille Métropole	CIC Nord Ouest
Museum support – Participation in the exhibition of Picasso's "L'homme au mouton" – Acquisition of a work by Camille Claudel, "L'homme penché"	City of Roubaix – La Piscine, Musée d'Art et d'Industrie André Diligent	CIC Nord Ouest
Scientific and cultural project	Musée de Pont-Aven	CIC Ouest
Cultural programs	Musée d'Arts de Nantes	CIC Ouest
Musée des Beaux-Arts de Lyon	Club du Musée Saint-Pierre	CIC Lyonnaise de Banque
Artistic and cultural activities at the Musée Regards de Provence in Marseille	Association Regards de Provence	CIC Lyonnaise de Banque
"L'Industrie Magnifique": Promotion of local industry through contemporary works of art exhibited in public areas.	Association Industrie et Territoires	CIC Est
Exhibitions at the Musée Dhondt-Dhaenens (modern and contemporary art)	Fondation Dhondt-Dhaenens	Banque de Luxembourg
Music		
Musical projects	Orchestre National de Lille	CIC Nord Ouest
Support for "Nabucco"	Opéra de Lille	CIC Nord Ouest
Organization of concerts and development of artistic activities	Orchestre de Douai	CIC Nord Ouest
Musical projects	Opéra National du Rhin de Strasbourg	CIC Est
Festival de musique de Besançon Franche-Comté	Festival de musique de Besançon	CIC Est
Festival international de Colmar	Office de tourisme de Colmar – City of Colmar	CIC Est
Classical music festival and cultural activities	Les Flâneries musicales de Reims	CIC Est
Support for "Les Jeunes à l'Opéra" actions and video transmission project in the Auvergne Rhône-Alpes Region	Opéra de Lyon	CIC Lyonnaise de Banque
Festival International d'Art Lyrique d'Aix en Provence	Association pour le Festival d'Aix en Provence	CIC Lyonnaise de Banque
Concerts classiques à des fins sociales, culturelles et pédagogiques	La Folle Journée de Nantes	CIC Ouest
Debussy Festival	Association Classique en Berry	CIC Ouest
Funding of some projects by the Opéra National de Bordeaux	Arpeggio Association pour le Rayonnement de l'Opéra National de Bordeaux	CIC Sud Ouest
Maguelone Festival de Musique	Les amis du Festival de Maguelone	CIC Sud Ouest
Initiatives to provide access to music for socially disadvantaged, ill, disabled and elderly people	Fondation Écouter pour Mieux s'Entendre	Banque de Luxembourg
Concerts	Philharmonic concerts – Luxembourg Philharmonic Orchestra	Banque de Luxembourg
Theater		
Théâtre Impérial de Compiègne	Centre d'Animation Culturelle de Compiègne et du Valois	CIC Nord Ouest
Performance of "Mariage et châtiments"	Les amis du théâtre de Cambrai	CIC Nord Ouest
History and cultural events		
Les Rendez-vous de l'Histoire Festival in Blois – "L'économie aux Rendez-vous de l'histoire" lecture series – Historical novel prize – Prix Coup de Cœurs des Lecteurs de la Banque	Fonds de dotation des Rendez-vous de l'Histoire	CIC Ouest
Cultural events throughout the Bouches-du-Rhône department "MP2018 Quel amour!"	Association MPCulture	CIC Lyonnaise de Banque
Bayeux Calvados-Normandie War Correspondents Award	City of Bayeux	CIC Nord Ouest
Architecture and heritage preservation		
Cultural events on themes of architecture, engineering, urban planning, history of architecture and heritage and other disciplines related to the act of construction	Luxembourg Center for Architecture	Banque de Luxembourg
Preservation, restoration and promotion of France's architectural and cultural heritage	French Heritage Society	Banque Transatlantique
Restoration of the Saint-Philippe-du-Roule church's stained glass windows	Fonds de dotation Banque Transatlantique	Banque Transatlantique
Film		
Sport, Littérature et Cinéma Festival	Institut Lumière	CIC Lyonnaise de Banque
Festival du film de Sarlat	Festival du film de Sarlat	CIC Sud Ouest
Sports		
Cycling race	Les 4 jours CIC Bretagne de Plouay	CIC Ouest and CIC
World tennis tournament for children 14 and under	Les Petits As	CIC Sud Ouest

4.8.1.4 Actions to promote access to culture and sports

Partnerships are formed in the group to facilitate access to cultural events for disadvantaged people:

- CIC Suisse contributes to the Caritas CarteCulture Suisse, which allows people on the brink of poverty to participate in Switzerland's cultural and other offerings.
- The Banque de Luxembourg supports the *Écouter pour Mieux s'Entendre* Foundation, whose mission is to give greater access to music to people who are often excluded from cultural life (elderly people, the sick, people with disabilities, the socially disadvantaged) through participation in workshops and attendance at concerts and shows.
- CIC Est contributes to the promotion of classical music through its partnership with Radio Accent 4, which gives airtime to musical groups and associations in Alsace in the form of local music news broadcast every four hours (five times a day) and recordings and broadcasts of local concerts.
- CIC Lyonnaise de Banque participates in the *Tous au Balcon* project with the Opéra de Lyon, which sells tickets to an opera (*Le Cercle de Craie*) at a reduced rate of €10 to young people between 18 and 28 years old.
- And CIC Nord Ouest was a partner in the renovation of the Saint-Omer theater, which held its first performance in January 2019 after being closed for 46 years.

In addition, both nationally and regionally, employees can get free or discounted tickets to performances, museums and concerts. Partnerships can also offer the opportunity to host an exhibition or a work of art in the bank or to give employees access to works of art through private visits. This is how CIC Est employees were able to take part in guided tours during the *L'Industrie Magnifique* exhibition in Strasbourg. Finally, events can also be organized for employees with associations.

CIC is also committed to the values promoted by sports and supports numerous regional events or sporting organizations.

This is why CIC Ouest is involved in basketball, in the form of employee and volunteer training partnerships, partnerships with players that help families in difficulty fund their dreams, sports activities with the Basketball Pays de la Loire regional league, and partnerships for various projects with ADA Blois Basket, including the organization of educational actions and social integration through sports.

4.8.2 Responsible commitment (SOT53)

4.8.2.1 Support for many social, solidarity, economic and environmental projects

Below are a few examples in various fields:

- **Health** (prevention, support for research, help for the sick)
  - In 2018, through CM-CIC Market Solutions, CIC supported The NASH Education Program on the occasion of the first International NASH Day[1],
  - CIC Lyonnaise de Banque is also a founding member of the Hospices Civils de Lyon Foundation, which was recognized as a public-interest organization in 2017 and supports projects that accelerate medical research and innovation and provide comfortable hospital stays and support for patients and their loved ones beyond medical treatment. The bank participated in the construction of the Maison du Répit, which opened in 2018 and houses people who are sick or have disabilities and their caregivers. The bank also supports CIC – *Cerveau et Santé Mentale* at the Neurodis Foundation, which fosters links between the brain and psychiatry and aims to make the neurosciences more accessible to mental health and society,
  - CIC Suisse supports the Swiss Alzheimer's Association, which works to ensure that people with dementia are given optimal supervision, as patients and as people, so that their loved ones can be supported and assisted,
  - CIC Ouest is a founding member of the *Fondation d'Entreprise Thérapie Génique en Pays de Loire* and assists the SantéDige Foundation in Nantes in the improvement of management of liver and digestive diseases,
  - Banque Transatlantique is a founding member of the *Académie de Médecine* Foundation,
  - CIC Nord Ouest is a partner of the DigestScience Foundation, which is dedicated to research into digestive pathologies and nutrition;

The group's companies sometimes go beyond partnerships, donations (for the purchase of new toys for hospitals and other causes) and collection of donations. They want to involve employees in events organized by associations by participating in marathons or races such as the Bordeaux Marathon, or the *Vignoble d'Alsace* Marathon as part of the *Ensemble contre le mélanome* project with the Institut Gustave Roussy for CIC Est employees, or the *Course des Lumières* for cancer research with the Institut Curie for CIC Île-de-France employees – or by volunteering in the organization of events. As they do every year, Banque de Luxembourg employees helped to make the Fondation Cancer's *Relais pour la Vie* a success. For two days, CIC Suisse employees transformed the monkey pavilion at the Basel Zoo into a fun course for children who are hospitalized or in special institutions with the support of the "Dream Doctors" of the Théodora Foundation.

- **Social**
  - This year, as part of the bank's support to Habitat et Humanisme, CIC Lyonnaise de Banque invited its employees to participate in the "solidarity hour", a major awareness-raising operation to help people live better together, by devoting one hour of their working time to strengthening social bonds (exploration of various actions supported by the bank throughout the region where it is located),
  - CIC was a partner of *La nuit de l'eau*, a sporting and charity event organized by the French Swimming Federation and UNICEF that aims to raise public awareness of the importance of water as a key resource for people around the world and raise funds for a UNICEF program to provide access to safe drinking water, this year for children in Haiti. With CIC Nord Ouest, CIC also participated in the organization of the *L'Hiver Approche* concert evening for the benefit of Fondation Abbé Pierre,
  - CIC Ouest continued its commitment to the *Toit à Moi* association, which helps the homeless by offering them housing and helping them reintegrate,
  - CIC Sud Ouest conducted a clothing drive for its employees, and donations will be used by beneficiaries of the *Cravate solidaire* association in upcoming job interviews,

(1) Non-alcoholic steatohepatitis.

- CIC Est supported the association *Les Foulées du Sourire*, which fights against domestic and other forms of violence through education of children and awareness-raising,
- Banque de Luxembourg has continued its support to the Friendship Luxembourg association, which supports the poorest communities living in the most remote areas of Bangladesh through medical aid, education and good governance programs, sustainable economic development, natural disaster prevention and emergency assistance and river heritage conservation;

- **Education**:

CIC supports projects to promote equal opportunities.

- This is the case for CIC Lyonnaise de Banque, a partner of the *Coup de Pouce* association, which works for access to academic success for everyone and which participated in the *Déployons nos Elles* program of the *Les Entreprises pour la Cité* association, whose objective is to fight against stereotypes by helping young girls discover "men's" professions. The bank also lent its support to this year's *Lyon gagne avec ses femmes* festival organized by the *Les Lumineuses* association, which highlights female performance in all forms, including sports, literature, economics, everyday life and theatrical performances,
- CIC Ouest helped promote gender diversity in 2018 by being a partner of the *Digital Ouest Jeune Pousse des Femmes* Prize, which rewards female students who are conducting innovative projects using digital technology;

At the same time, CIC supports many higher education institutions (SOT44).

It is a partner in educational programs for the promotion of family entrepreneurship, with particular emphasis on the exchange of good practices in the transfer of the family business, such as:

- Audencia in Nantes: participation of CIC Ouest and CM-CIC Investissement: "Family entrepreneurship and society, between sustainability and change" chair, with a specific continuing education program for young people who work in family businesses called the *Certificat Future Dirigeant d'entreprise familiale – Stratégie, gouvernance et RSE*. CIC Ouest also supports innovation research and education programs such as Audencia's "Managerial Innovations: Giving meaning to managing differently" chair.
- The ICHEC Brussels Business School: the "Families in companies" chair, for which Banque de Luxembourg offers an annual support program for young people from family business backgrounds,
- EM Strasbourg: CIC Est is involved in the "Young Family Business Ownership" program created by the "Governance and Family Business Transfers" chair, and, since that year, it has been a partner of the "Saving Failing Businesses" Master's at Mines de Nancy;

CIC also participates in employment forums, sends internship proposals to higher education institutions and trains apprentices and work-study trainees.

- **Integration and reintegration (SOT45)**

CIC has maintained or developed other partnerships that promote inclusion, including:

- CIC Nord Ouest's partnerships in the Lille Foundation's *Bourses de l'Espoir* (awarding of scholarships to support the career paths and commitments of people in education and vocational training as part of its action for the promotion of equal opportunities) and with ARELI Émergence (helping the professional and social development of deserving students), its commitment to the Alliances network, which works through Squad Emploi and exchange networks on good practices, for the employment of young graduates from minority backgrounds, and with AJIR Hauts de France for the integration of young people from the region,
- CIC Ouest is a partner of the *60,000 Rebonds Grand Ouest* association, which supports and assists entrepreneurs post-bankruptcy and also positions itself as a permanent laboratory for post-failure recovery, with the aim of taking an in-depth look at failure in France. Since this year, the bank has also been contributing to solidarity employment in the *La Similienne* sports association for the sustainability of subsidized jobs, and the project to increase the training of young graduates and volunteers in the Basketball section.
- CIC Lyonnaise de Banque supports the *Sport dans La Ville* association's *Jogg dans la Ville* event to support young people in their social and professional integration and its *L dans la Ville* program, which supports young girls in their personal development and professional integration;

- **Emerging projects**

- CIC promotes youth entrepreneurship:

  It is a major partner of WorldSkills France for the *Olympiades des Métiers*, which every two years brings together young talents in more than 50 technical, artisanal and service trades. It continues its partnership with MoovJee (Movement for Young People and Student Entrepreneurs), which, through the "MoovJee – *Innovons Ensemble* Award", rewards students who run or are planning to run businesses with endowments and an individual mentoring program,

- Many actions were also carried out for all entrepreneurs in 2018:

  CIC launched CIC Esport Business Awards to help new players in this sector and help them grow their businesses. It is also a partner of the of French citizens abroad entrepreneur platform "W Project", whose objective is to transmit and share experiences and advice on life and business creation abroad.

  CIC Lyonnaise de Banque is a partner of the *Victoires de l'innovation* and for the third year in September, it launched "Innovating in a changing world", a collaborative competition for start-ups and innovative companies to promote projects that meet 10 pre-determined challenges in the fields of fintech or cybersecurity. For three days, the bank supported 20 projects through collaborative work sessions. It has also continued its partnership with the Cuisine du Web association, which promotes online and digital entrepreneurship. The bank is also a founding member with CM-CIC Investissement of the *Fondation Émergences de Lyon*, which helps to seek out societal projects.

This year, CIC Est became a partner in *Ailes de Cristal*, an event that rewards the know-how of entrepreneurs and artisans in Lorraine while highlighting the region's potential. The bank also supports the Bizz & Buzz digital festival in Alsace for professionals to share and learn to exploit digital technology in their businesses.

Highlighting and connecting talents in the Grand Ouest region who create momentum – such is the goal of *Talents à l'Ouest*, which started in 2018. By creating this series of thematic meetings, CIC Ouest promotes the conditions for an effective network so that actors from all walks of life (entrepreneurs, associations, cultural, sports, etc.) can get to know each other, talk, inspire each other and create links and synergies in the Grand Ouest region. These events are accompanied by a website (www.talentsalouest.com) and the @talentsalouest Twitter account to give highlights of meetings and offer interviews, portraits and news. The bank has also maintained its support for the activities of the association La Cantine, which brings together the actors in online and digital innovation in the Pays de la Loire and is involved in the Nantes Digital Week. The bank also participates in events organized by Atlanpole (forum, breakfasts), whose objective is to foster the creation and development of innovative companies with high growth potential, and is also a partner of the local social network "C'Chartres Business", which aims to develop local economic life and promote synergies between all entrepreneurs.

CIC Nord Ouest also renewed its partnership with LMI Innovation, which supports and funds the creators of innovative companies in the Hauts-de-France region.

Other actions to support business incubators and business start-up support structures were carried out,

- CIC Lyonnaise de Banque signed a partnership with Minalogic, a global competitiveness cluster for digital technologies in Auvergne-Rhône-Alpes. It is also an associate member of Lyonbiopôle, the health competitiveness cluster for the Auvergne-Rhône-Alpes region, and is a director of the Lyon French Tech association, whose mission is to strengthen Lyon's position as the leading metropolis in Europe for Innovation,
- CIC Nord Ouest is active with the Eurasanté EIG and is particularly interested in the support provided by the Eurasanté Bio-incubator to innovative healthcare companies as part of their creation and development,
- CIC Ouest is a Partners Club member of the Valorial agribusiness competitiveness cluster and supports ADN Booster, which supports start-ups and innovative projects in the Pays de la Loire and Brittany regions.
- In 2018, Banque Transatlantique became a founding partner of Club IN, which acts to promote the growth and success of mid-market businesses;

- **Support for philanthropy**
  - Banque de Luxembourg devotes most of its patronage budgets to promoting philanthropy, social entrepreneurship and impact investing in the countries where it operates. This action is expressed mainly through a strong dialogue with the Government of Luxembourg about the measures to be put in place to develop an environment in the Grand Duchy that encourages the commitment of each resident to projects of general interest and information campaigns nationwide. At the bank's initiative, testimonials from young project leaders in Belgium and Luxembourg were collected in 2017 and 2018 as part of a study conducted by HEC Liège (Baillet Latour Chair in Philanthropy) on the theme "What young people bring to philanthropy". In addition, Banque de Luxembourg renewed its support for "Impuls", the national program for the creation of social enterprises and cooperatives.
  - The mission of Banque Transatlantique's endowment fund is to contribute to the rise of philanthropy. It finances projects for excellence in the fields of health, solidarity and culture and offers a vehicle for structuring the generosity of philanthropists to facilitate the engagement of philanthropists for the general interest. The bank also organizes events to promote exchanges between philanthropists and between philanthropists and foundations and associations,
  - In addition, events are held to raise awareness among banking network customers about philanthropy.
- **Defense of the environment (SOT46)**

  Several initiatives were taken by the group's entities in 2018:
  - CIC Ouest was involved in the first "Blue Days" of the Ruptur association to mobilize companies, communities and students and get them thinking about the blue economy, which is based on the principles of the circular economy and promotes responsible, sustainable and ecological growth. The bank also supported the *Maisons du Monde* Foundation's *Aux Arbres* event, which brought together professionals, associations and citizens to promote solutions for preserving forests, biodiversity and the climate. Employees also participated in the event,
  - CIC Lyonnaise de Banque contributed to the setting up of an Ibity experimentation platform for the *Cœur de Forêt Madagascar* project (construction of flowerbeds for the production of seedlings in nurseries) and to training activities for agroecology conversion producers with the *Cœur de Forêt* association,
  - Banque Transatlantique continued its sponsorship of the Océanides project, a scientific, educational and humanistic project that aims to provide scientific proof that the oceans are the core of political, economic and social issues, enrich global marine policy and train future generations.

4.8.2.2 Skills sponsorship (SOT58)

The group sponsors skills, and several entities are active with the association "Nos Quartiers ont des Talents", which individually and effectively supports young graduates from modest social backgrounds in their search for employment.

Executive employees of CIC Lyonnaise de Banque sponsor young people through the "L dans la Ville" program.

In 2018, some of the group's employees also participated in the *J'invite un banquier dans ma classe* program, a financial education workshop.

Banque de Luxembourg employees who are involved in solidarity and education projects can ask the bank's *hellef helleffen* (help to help) committee for support. As a general rule, Banque de Luxembourg ensures that it always maintains a balance between financial support and skills sponsorship in its partnerships. This approach has benefited the following associations with regard to governance, communication, fundraising and risk management: the Luxembourg Red Cross, the Luxembourg Center for Architecture, the Écouter pour Mieux s'Entendre Foundation and the NGO Friendship Luxembourg. For the Banque Transatlantique Solidarity Days, employees of the bank participated in a day of mutual aid for the Aurore association for the renovation of a homeless center that it runs.

4.8.2.3 Taking action against bank exclusion by supporting microfinance

The total amount of lines made available to the ADIE by the six banks to finance micro-entrepreneurs increased from €4.80 million in 2017 to €5.38 million in 2018. In 2018, CIC also participated in Microloan Week and the support of micro-entrepreneurs by the ADIE.

CIC participates in the national life of the Initiative network and at the local level. It contributes to the sustainability of loan funds and helps to finance support for business creators. A number of employees are also actively involved in the various platforms. In 2017, CIC Ouest supported the Pays de Loire Initiative for the creation of a new Loan Fund specifically dedicated to the financing of company transfers and takeovers.

Banque de Luxembourg participated in European Microfinance Week 2017, which brings together microfinance professionals. It is also the main private funder of ADA (*Appui au Développement Autonome*), which plays a leading role in the promotion of microfinance in the Grand Duchy.

4.8.2.4 Human rights (SOT82)

CIC is committed to respecting human rights, in particular the rights covered by the main ILO Conventions (see Section 4.5.4.5 "Responsible human resources management" and Section 4.7.2.3.3 on the protection of personal data in the vigilance plan chapter "Being a trusted partner").

CIC Est supports the "Regards d'Enfants" association, whose purpose is to inform, train and educate children about citizenship and human rights. In 2018, the bank supported the "Imagine the city of human rights" contest.

Other solidarity, health, social and education actions were initiated in 2018 by CIC (see Section 4.8.2.1 "An actor in culture and society").

In the fight against food insecurity (SOT87), CIC Nord Ouest supported the Banque Alimentaire du Nord.

4.8.2.5 Commitments to responsible, fair and sustainable nutrition (SOT89)

Because of its activity, CIC's commitments in this area are mainly reflected in investments in responsible companies in the agri-food sector.

4.9 A STRONGER APPROACH TO THE ENVIRONMENT

(ENV01) The group's 2019-2023 strategic plan, ensemble#nouveaumonde, includes ambitious environmental commitments (ENV56):

- reducing the group's environmental impact, with a goal of reducing the group's carbon footprint by 30% between 2018 and 2023;
- and a 30% increase in funding for climate-impact projects over the same period, with loans for projects that reduce energy consumption.

Crédit Mutuel Alliance Fédérale, of which CIC is a member, is a signatory to the Paris Climate Appeal and is therefore committed to a safe and stable climate in which the temperature rise is limited to less than 2 degrees Celsius.

Efforts are underway to measure the calculation of the total carbon footprint and to set up reporting procedures. Similar measures will be taken for projects with a high climate impact. These key performance indicators are therefore not published in the 2018 statement.

4.9.1 Reduction of the direct carbon footprint

In 2019, CIC, CIC Nord Ouest, CIC Ouest, CIC Lyonnaise de Banque, CIC Est, and CIC Sud Ouest will publish, in accordance with regulations, a third GHG emissions assessment for the 2018 database. The previous assessment dates from 2014 and is available at the following address: https://www.cic.fr/cic/fr/banques/le-cic/institutionnel/publications/responsabilite-societale-de-l-entreprise.html.

The GHG emissions calculated are mainly from direct (Scope 1) and indirect (Scope 2) energy consumption. As for other indirect emissions (Scope 3), only paper consumption is currently taken into account.

The "operational control" method was adopted for all member entities of Crédit Mutuel Alliance Fédérale.

CIC greenhouse gas emission assessment is not consolidated.

Greenhouse effect reduction targets were revised to 5%, taking into account measures already undertaken between 2014 and 2018.

These objectives may be included in longer-term, more local commitments, as the Saint-Étienne regional branch of CIC Lyonnaise de Banque did in 2017 when it signed the Saint-Étienne Métropole Territorial Climate Plan commitment charter. This plan aims to combat greenhouse gas (GHG) emissions by:

- mitigating climate change, in particular by reducing the region's GHG emissions by at least 30% by 2020;
- and adapting to climate change by reducing the vulnerability of the region to its effects.

This led to the creation of an eco-responsible charter at the regional branch level.

In addition, the "Being Eco-Citizen at Work" hub on the intranet of the banks and certain subsidiaries encourages employees to apply environmentally friendly good practices with simple actions to reduce the direct carbon footprint. Alongside this approach, working groups are sometimes set up in CIC entities and are the impetus for internal initiatives concerning employee awareness during professional meetings or through messages, Intranet videos or internal newsletters. The human resources devoted to CSR can currently only be estimated given the highly decentralized organizational structure.

Nevertheless, the commitment made in the 2019-2023 strategic plan will intensify initiatives to reduce the direct carbon footprint.

4.9.1.1 Measure and reduce or optimize energy consumption in buildings (ENV03)

CCS is continuing efforts to optimize electricity consumption in the buildings it manages. There are plans to map the energy efficiency of buildings.

The implementation of an energy management system was launched in 2018, and it should be ISO 50001-certified in June 2020 for all CCS members and customers and be national and uniform in scope. This should result in increased energy performance through more effective monitoring and action plans and improved maintenance.

During significant renovation work, the standards or regulations in force are applied and the energy fixtures are reviewed. Heating distribution works, roof insulation, roofing, double flow ventilation and centralized technical management are planned. As a result, renovations and expansions at CIC Nord Ouest head office are ongoing and should enable the new building to receive a label. In addition to its compliance with the 2012 Thermal Regulation, the building will be given thermal labels certified by an external body: the *Bâtiment Basse Consommation en rénovation label* (BBC Rénovation) for existing parts and the Effinergie+ label for the extension and raised sections of the fifth floor.

No HQE labeling is planned, but HQE targets:

- low-impact construction site (demolition waste, construction waste, acoustics);
- user comfort (thermal, acoustic, visual),

will be determined separately. Those technical benchmarks have been incorporated into the specifications.

And mechanisms are being tested, such as heat recovery on air conditioning systems (dry coolers[1] to the air handling units). Every opportunity to improve the insulation of buildings is exploited, such as on the undersides of the walkways at CIC Ouest in Nantes. When moving offices, the ecological footprint of new buildings is also taken into consideration.

In some retail outlets, an automatic shutdown of certain electrical circuits (lighting, electrical outlets, etc.) has been programmed at night and on weekends. The replacement of conventional sources of lighting with LEDs is as much a commitment for new offices as for existing offices, such as

(1) *Dry coolers.*

in the parking lot of the CERGY building, or the replacement of the self-contained ELUs[1] with LED models. Presence detection (to manage lighting) is taken into account in renovations (restrooms, corridors, etc.). Nighttime lighting of buildings and certain points of sale is in compliance with lighting extinguishment obligations (Decree No. 2012-118 of January 30, 2012 respecting outdoor advertising, signs and banners),

In 2015, 111 branches and 27 central offices of CIC and Banque Transatlantique underwent energy audits pursuant to Law No. 2013-619 of July 16, 2013 introducing the obligation of a first energy audit for large companies. These audits were submitted in 2016 on the ADEME platform (ENV41). The recommended actions relate in part to measures already mentioned above: replacement of lighting with LEDs, control of heating and cooling systems (temperatures), hourly programming of air handling units, economical management of computers, etc.

In managed buildings, posters close to switches have been made available to remind occupants to turn off the lights when they leave. Employees are asked to contribute to the proper management of the energy consumption of the buildings they occupy through rapid reporting of air conditioning malfunctions and reminders of the rules to be obeyed for air-conditioned offices.

(ENV40) In addition, consumption of renewable or "green" energy is growing mainly through new connections to urban heating or cooling networks. Connections to these networks already exist in the Paris region, the north of France (Lille, Roubaix) and Nantes and should become more commonplace. At Banque de Luxembourg, all energy for buildings comes from renewable energies (hydroelectric and wind), and at CIC Lyonnaise de Banque, geothermal equipment is regularly maintained to improve its efficiency (ENV38).

As for IT equipment, the process for the automatic turning off and on of branch workstations is operational. This procedure has been tested in the main offices and is currently being deployed.

The equipment referenced and verified by Euro-Information is being monitored and energy consumption features compared. The new equipment installed by Euro-Information Services is both more efficient and less resource-intensive. Each year, equipment changes with the annual renewal of about 20% of the fleet. Employees are also made aware of good Internet and e-mail practices to limit the resulting power consumption.

4.9.1.2 Optimize travel (ENV37)

Company travel plans already exist in several CIC entities, including CIC Ouest for the registered office in Nantes (plan jointly set up with other Crédit Mutuel Alliance Fédérale entities), CIC Nord Ouest travel plan for the Lille Metropolitan Area (reviewed in 2015), and CIC Lyonnaise de Banque. Other plans are being developed, such as at CIC Sud Ouest.

At CIC Est, an Intranet hub entitled: "Working at Wacken" is devoted in part to the company travel plan (limited to the Wacken headquarters in Strasbourg) and initiatives to encourage cycling, public transit (payment for 50% of passes), carpooling (reserved parking spaces), free shuttles between the head office and the train station, free distribution of tram ticket books for cyclists and bike repair offered on site once a month paid for by the employer. Elsewhere, the use of public transit, cycling and carpooling is encouraged for the commute between home and work.

In 2018, employees were notified of a specific action with a demonstration when CIC first began to sell e-bikes.

At CIC Lyonnaise de Banque headquarters, charging stations for electric cars in the fleet have been set up.

Incentives for the use of public transit are in place at Banque de Luxembourg.

Other entities in the group with more than 100 employees have developed, within the scope of an urban travel plan, a travel plan that meets the requirements of Article 51 of the Energy Transition and Green Growth Act of August 17, 2015.

The tax on passenger vehicles on the perimeter of CIC and regional banks also continues to shrink (-19.6%), due in particular to a decrease in the number of vehicles in certain entities and the partial renewal of the fleet with less polluting vehicles. The CO_2 emission rate for the car fleet is down (-3.4% in one year). The group's company vehicle charter was revised in 2017. Environmental aspects are being integrated, such as consideration of all types of energy (including electric) in the choice of vehicles, a few hybrid vehicle models, creation of a green "CSR" bonus of €3,000 for clean cars (hybrid and electric), capping of vehicle CO_2 emission rates. The goal is to reduce the carbon footprint of vehicles by 30% by 2023.

Electrical terminals are present in parking lots for electric vehicles or rechargeable hybrids.

Online conferences and unified communication tools also limit travel. Using Skype makes it possible to participate in or organize video conferences directly from employee workstations. As regards training, self-training modules also allow employees to train from their workstations without traveling to another location.

Inter-site shuttles between group entities have been reduced through the pooling of certain forms of transportation.

4.9.1.3 Reduce resource consumption (ENV39)

Given its activity, CIC's actions focus on:

- water consumption: to optimize water consumption, air conditioning systems that discharge water are replaced whenever possible. Other mechanisms continue to be deployed, such as presence detectors, limitation of water flows, water fountains connected to tap water instead of bottles requiring transportation, installation of aerators on faucets and the installation of an automatic watering system with humidity probes to optimize the watering of green spaces. Helping employees detect abnormal water consumption (reporting and fast repair of leaks, reporting of abnormally high bills) is also one of the means used;
- paper and ink consumption: internally, with default black and white and double-sided document printing, electronic document management, a shift from individual to network printers, some workstations equipped with double screens to work directly on scanned documents. Employees are also made aware of the use of recycled paper by Intranet messages. This is highlighted in the SOFEDIS group central purchasing catalogue. The deployment of printer control software for multifunction copiers and network printers (WATCHDOC) continued in 2018. Its purpose is to simplify management of the printer fleet and measure the ecological footprint of this resource-consuming activity, and make users aware of the environmental impacts through personalized feedback.

(1) Emergency Lighting Units.

In addition, most of the group's employees have opted for electronic pay slips (94.6% are now digitized compared to 93.7% a year earlier), the Individual Social Report, restaurant tickets and #Initiatives internal reviews are also digitized (ENV43).

Invoices from intragroup suppliers are also digitized, as are those from customers in the public sphere (State, local authorities, public institutions). For other suppliers, the digitalization of invoices is an ongoing process.

For customers, the shift from paper statements to electronic statements for customers and employees continues to progress through actions taken with customers. The subscription to the web statement (instead of the paper statement) is automatic when a customer account is opened. The replacement of paper excerpts and statements by digital versions available on the Internet generated savings of paper of more than 55% at the end of December 2018, compared to nearly 50% at the end of December 2017. Finally, customers who wish to keep paper statements are encouraged to consolidate the sending of excerpt statements for all family members or a third party or group of third parties into a single envelope and optimize the frequency of mailings of account statements. The optimized postal envelopes rate reached 63.8% throughout the banking network at the end of 2018 (62.4% at the end of 2017). Euro TVS, the group's IT subsidiary specializing in digitalization in all areas, has implemented an ISO 14001-certified environmental management system.

The proliferation of remote services and the possibility of using electronic signatures, including in branches, offers new possibilities for reducing paper consumption. Signed documents and addendums are then archived electronically (GED) in the customer's online banking (under "Documents and Contracts").

In addition, CIC offers digital solutions for professionals and businesses to reduce the paper consumption described in Section 4.6.2.

Some publications for customers are also digitized and available in the customer area. Paper invitations are also being replaced by e-mailings and SMS confirmations.

4.9.1.4 Sustainable use of resources: land use (ENV49)

The group has no particular actions in this area.

4.9.1.5 Waste reuse and management (ENV39)

Initiatives are also being taken to develop the use of recycled or PEFC- or FSC-certified paper, such as the manufacture of small-format checkbooks made with mixed FSC paper (which represents 215 tons of mixed FSC paper in 2018).

Recycling and selective sorting (paper, cartridges, metal, glass, plastic) are already in place in many entities:

- at CIC Nord Ouest, individual baskets have been replaced by voluntary drop-off points consisting of six bins (paper, household waste, cups, metal cans, empty ink cartridges) in the head office's removal buildings;
- reusable cups can be used in the hot drink dispensers at CIC Ouest;
- Banque de Luxembourg has had its national *SuperDreckskëscht* label for waste management renewed (annual audit). This quality label is recognized by the European Commission, which has awarded it the "best practice" label in natural resource preservation and climate protection.

In 2018, CCS continued to deploy an optimization policy with waste recycling and equipment collection points on all central sites and in CIC networks for which it is responsible:

- standardization of collection containers, comprehensive removal for all types of waste (organic, glass, plastic, metal, plastic films), with the use of a single service provider for collection and recycling at CIC Est;
- end of deployment of participative sorting at the head office and throughout CIC Lyonnaise de Banque network with specific terminals, replacement of bins by mini-bins. Used paper and cartridges are collected and recycled for all branches and at the head office, cans, cups and plastic bottles for the head office and some central buildings;
- test participatory sorting for one CIC headquarters building. The aim is to make participatory sorting universal at all buildings by 2023.

In addition, this year, CIC Sud Ouest has implemented quarterly monitoring of the recycling rate and an information campaign for branches whose rate is less than 25%. The bank's goal is to achieve a recycling rate for the bank of 75%.

Waste electrical and electronic equipment is treated in accordance with the obligations of Decree No. 2016-288 of March 10, 2016.

As for recycling of computer equipment, Euro-Information Services uses spare parts from used equipment to extend the life of old equipment still in use. A resale of various ranges of still-reusable products is organized as needed *via* a broker. For telephones marketed to customers, a recycling solution is offered. End-of-life management for all equipment is monitored annually by Euro-Information by type of action: resale, destruction, repackaging, assignment pending.

As a result, the share of equipment repackaged by EI for CIC entities for which it is responsible in relation to broken, destroyed or recovered equipment increased from 33% in 2017 to 35% in 2018.

The obligation to recycle is also a concern of CCS real estate, which incorporated it into standard maintenance contracts for elevating devices. The service provider must provide the reprocessing slip for waste from electrical and electronic equipment (W3rd), special industrial waste and waste from service providers (packaging of new equipment, aerosol cans, glues and mastics, paint residues).

Food waste: restaurants in central buildings are managed in most cases by catering companies. Different bins are clearly identified and made available to employees to enable sorting. At CIC Est, organic waste is now treated with lombri-composting and at Banque de Luxembourg, food waste is collected and then reprocessed in a biomethanation plant.

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4.9.1.6 Food waste (ENV54)

Since a large part of collective catering is handled by service providers, CIC is not particularly concerned by the issue of food waste. Nevertheless, practices are being developed in this regard, and providers are taking greater account of employee expectations and thus avoiding waste. In addition, most foods are weighed (quantity per person). The use of small quantity food stocks and fast cooking makes it possible to adjust supply to demand at the end of service. Orders from caterers are also adapted to the number of guests. Employees are also invited to reduce food waste.

4.9.2 Actions with suppliers (ENV42)

Attention is paid to CSR policy:

- direct suppliers:
  - PEFC certification (forest certification recognition program that promotes the sustainable management of forests) for printers, some of which also have the Imprim'Vert label, which implies the implementation of actions to reduce the impact of their activity on the environment (choice of recycled paper),
  - increased digitalization of invoices;
- *via* the group's business centers in charge of logistics or IT.

The existing system is described in the vigilance plan in Section 4.7.2.3.3 "Being a Trusted Partner".

It should be noted that supplier CSR policies cannot, however, systematically constitute a determining criterion for the choices to be made given economic or technical constraints.

4.9.3 Measures to prevent, reduce or repair air, water and soil discharges that seriously affect the environment and consideration of any form of pollution specific to an activity, including noise and light pollution (ENV45)

In terms of CIC's own operations, there are many initiatives (recycling of paper, ink cartridges, selective sorting, thermal and sound insulation during installation of air conditioning) that have been supplemented internally by employee awareness-raising actions. They also involve customers.

4.9.4 Land use (ENV49)

The group has no particular actions in this area.

4.9.5 Measures taken to expand and preserve biodiversity (ENV50)

CIC contributes internally to the protection of biodiversity through its purchasing policy (use of recyclable paper, use of green cleaning products), reduced consumption of resources (water management, digitalization of documents) and recycling (paper, ink cartridges, recovery of used phones from customers in branches).

This protection of biodiversity can also be reflected in the management of its building stock, such as at the Banque de Luxembourg (green roof on the Royal site, late mowing of green spaces, etc.) or CIC Lyonnaise de Banque (planting of native species with low water needs at its Marseille Prado site) or the installation of hives on the roof of CIC headquarters.

Support for associations that work for the protection of biodiversity and also indirectly for animal welfare (ENV55) is another line of action (see Section 4.8.2.1 – "An actor in culture and society".) CIC's commitments to promote these associations can be relayed to customers as part of initiatives, as was the case at CIC Lyonnaise de Banque, which, in 2018, for each customer subscription to a web statement, gave a contribution from the bank to the Cœur de Forêt association for the planting of 15,000 trees in Madagascar. The choice of tree species to plant is made by taking into account the utility and added value of the plants.

In the business lines, social and environmental criteria are taken into account when financing major projects (respect for protected areas) and in the investments made by CM-CIC Investissement and its subsidiaries, which are signatories of the AFIC charter and have therefore promised to promote the implementation of good practices in the protection of ecosystems and biodiversity in certain sectors of activity.

This includes the support of CM-CIC Innovation for a company that aims to produce oil-based molecules (isobutene) from renewable resources such as non-food agricultural resources or of CM-CIC Investissement for companies specializing in the collection, sorting and recovery of waste.

In addition, the SRI CM-CIC *Objectif Environnement* action and the Green Bonds Fund described in Section 4.9.6.3 below are also a response to the preservation of biodiversity.

4.9.6 Climate change and CIC's activities

CIC is associated with the measures taken by Paris financial market actors on climate change that were described in a statement at Climate Finance Day on May 22, 2015, which was confirmed by another statement on June 29, 2016 by the Paris Green Financial Center.

4.9.6.1 Greenhouse gas emissions generated by activity (ENV51)

Since 2017, in accordance with Article 173 IV of the Energy Transition Act, the ACMs and CM-CIC Asset Management communicate within the given deadlines, to policyholders and in their annual report, how ESG issues (environment, social, and good governance) are to be taken into account in their investment policy, and in particular, as part of the "Environment" component for the measurement of greenhouse gas emissions from the assets in the portfolio. In the case of Banque de Luxembourg Investments portfolios, they tend to have a lower carbon intensity than their representative market indices.

With the exception of corporate banking for which a study was conducted in 2018, the GHG emissions generated indirectly by the other activities (retail banking, market activities, private banking and private equity), are not for the moment measured because of the difficulties encountered in developing a quantification method.

However, the division of exposures by sector appearing in the Basel 3 Pillar 3 information section of the 2018 registration document shows that CIC is not very active in activities that emit high levels of greenhouse gases (oil and gas, commodities, industrial transportation, building and building materials).

It should be noted that the measurement of the environmental footprint, the drafting of a carbon assessment and control and reduction of environmental impacts are among the questions addressed in the CSR questionnaire that CM-CIC Investissement submits to some of the companies in its portfolio. (see Section 4.7.2.3.3 – Private equity and ESG criteria). As regards project funding, the environmental impact is integrated into the selection and monitoring of projects.

Finally, two main GHG-emitting economic sectors (mining, coal-fired power plants) are treated in industry notes revised in 2018. In particular, the group has decided to stop the financing of:

- new coal-fired power plants and not to develop relationships with businesses whose primary activity is coal extraction or whose activity related to the coal sector is more than 50%;
- mining operations if one of the following characteristics is present: coal mining project, asbestos mining project, artisanal mines, critical impact on a protected zone or a wetland registered on the RAMSAR list sites registered as UNESCO world heritage sites and to not develop relationships with businesses whose primary activity is coal extraction or whose activity related to the coal sector is more than 50%;

4.9.6.2 Financial risks related to climate change (ENV52)

Like the entire financial sector, climate change exposes CIC to:

- physical risks resulting from natural hazards (100-year floods, storms, hurricanes, tornados, typhoons, earthquakes) and environmental or accidental risks arising from natural hazards (pollution, dam ruptures, major fires, Seveso hazards, nuclear catastrophes);
- transition risks that include the risks of transitioning to a low-carbon economy and are sectorial in nature;
- risk to reputation.

Apart from the physical impact on its own operations, the other impacts identified are as follows:

- risk of default by borrowers: in retail banking and corporate banking (large corporates, project financing);
- risk of asset depreciation for investment banking, market transactions (bond issues), asset management and property and health insurance activities;
- liability risk from lack of legal counsel, litigation related to fiduciary responsibility (asset management, insurance activities).

In the context of operational risks, physical risks have consequences:

- direct: on bank assets (real estate, vehicle fleet, etc.);
- indirect: on the bank's activities (customers and proprietary trading).

The types of possible losses include:

- the loss of value of a real estate property or the cost of maintaining its value (cost of reconstruction, repair, depreciation/loss of inventory, cost of soil decontamination);
- costs to human life (health, safety);
- financial losses (decrease or disruption of activity, expertise fees);
- shortfalls.

Transition risks are the result of adjustments made for a transition to a low-carbon economy, in particular when they are anticipated incorrectly or occur abruptly. These risks are related to the new regulatory requirements.

In the context of operational risks, transition risks generate consequences such as financial penalties.

All of these risks related to climate change are analyzed to assess Crédit Mutuel group's exposure and assess its financial consequences. The potential consequences can be reduced through emergency response and business continuity plans[1] and reduction measures (such as reasoned and diversified locations); moreover, they are taken into account when calculating capital requirements for operational risk.

Crédit Mutuel group's exposures to polluting sectors have been identified since December 31, 2016 in the quarterly monitoring of the CNCM risk department (general mining activities, extraction of coal and lignite, coal, coal trading). Since 2017, the Crédit Mutuel group has drawn up a map of operational risks for climate risk, the purpose of which is to describe climate-related risks, assess the group's exposure to such risks and assess their financial consequences. For its source data, this cross-functional mapping relies mainly on maps relating to real estate and other material assets, logistics and information systems.

(1) Also called PUPAs (Plans d'urgence et de poursuite d'activité).

The Crédit Mutuel group's exposures to polluting industries have been identified since December 31, 2017 in the quarterly monitoring of the Confédération Nationale du Crédit Mutuel risk department: general mining activities (ICB 017075), coal and lignite mining (NACE 0510Z and NACE 0520Z), coal (ICB 017071), coal retailing (NACE 4778B).

The share of polluting industry exposure accounted for 0.14% of total gross customer exposure (CIC consolidated scope – Basel calculator) as of December 31, 2018.

These sectors of activity are also governed by the monitoring of national industry limits, which is part of the Crédit Mutuel group's monitoring and risk management program and is applied to each regional group.

General mining activities, coal and lignite mining, coal (including the oil & gas industry), commodities whose industry limit is 4%. The retail coal business includes the Distribution sector, whose sectorial limit is 6%.

4.9.6.3 Adaptation to the consequences of climate change (ENV53)

This translates into support for customers in climate transition on a personal basis or through their professional activities.

For individuals, CIC provides financing solutions to reduce their energy consumption, use renewable energy for their homes, individual modes of transport (e-bikes, hybrid or electric vehicles) and offers to reduce fuel consumption (see Section 4.6.3.1).

CIC also offers savers SRI funds, through employee savings plans (see Section 4.6.8.1) and through:

- the CM-CIC Objectif Environnement fund, which invests in companies that are attentive to the environmental footprint of their production methods and to the "green" added value of their products and services as well as their governance and social issues;
- the TEEC-labeled CM-CIC Green Bonds fund, for which CM-CIC AM has defined its own analysis model that incorporates ESG criteria to select its obligations in compliance with the Green Bonds Principles.

As regards prevention, natural disasters (flooding, mudslides, avalanches, landslides, land subsidence) are covered by the multi-risk home insurance policies offered.

For companies, CIC finances projects for professionals and SMEs or large companies that involve renewable energies or generate energy and fuel savings (see Sections 4.6.3.2 and 4.6.3.3).

For prevention, "crop insurance" is offered to farmers to enable them to continue their activity in the event of climatic hazard from multiple perils (drought, hail, storms, frost, excess water) or hail and storms.

Support for companies in energy transition is also reflected in partnerships with competitiveness clusters. For example, CIC Ouest is a partner of the Pôle Mer Bretagne Atlantique competitiveness cluster, whose expertise includes:

- promoting the search for clean technologies to pursue the development of environmentally friendly shipbuilding;
- developing fisheries and aquaculture, stemming from a better understanding of biological resources;
- promoting the balanced and integrated development of the coastline.

As regards major projects, funding for equipment to develop renewable energy is increasing (see Section 4.6.3.3).

Through its investment choices in innovative companies, CM-CIC Investissement and its subsidiaries also support companies in energy transition such as:

- a company that offers next-generation lighting solutions and services based on low-energy LED technology (investment from CM-CIC Innovation);
- An SME that designs and manufactures products for the conversion of energy in harsh environments (including the construction of a hybrid locomotive).

The application of Article 173 of the Energy Transition and Green Growth Act is also a factor that reinforces the actions of CM-CIC AM and the ACMs toward companies so that they improve their environmental practices. For CM-CIC AM (PRI signatory and CDP water program member, formerly the Carbon Disclosure Project, associated with its carbon program and its forest program), this is reflected in particular through a process of dialogue and in-depth shareholder engagement with climate and environmental issues. The ACMs are committed to improving their capacity to assess the risks and opportunities of climate change. They are signatories of the 2014 Global Investor Statement on Climate Change.

- Institutional investor clients have the opportunity to invest in SRI funds (as do associations) and the CM-CIC Objectif Environnement and CM-CIC Green Bonds funds.
- In addition, since 2016, CIC has held a stake in Méridiam Energy Transition, a pioneering fund for long-term investment (15-20 years) dedicated to energy transition. The purpose of this fund, which has raised €425 million from institutional investors, is to finance projects of all sizes in the energy efficiency sector (public or private energy performance contracts), local energy services (urban heating networks, waste energy recovery units), electricity and gas networks (smart meters, interconnections with neighboring countries), and renewable energy projects (small hydropower plants, floating wind turbines).

In addition, actions carried out in CIC's biodiversity protection activities (see Section 4.9.5) can also contribute to mitigating climate change.

The group was also involved in the creation of the FBF brochure "Successfully Financing the Energy Transition" about the defense of the Green Supporting Factor (GSF), which recommends, with respect to prudential regulation, the introduction of a discount factor applicable to the capital requirements associated with exposures to assets that encourage energy transition. This could be a benefit to financing or investments made with counterparties whose activity falls within the scope of energy transition and financing or investments whose purpose is also in the field of energy transition. On March 21, 2018, the FBF, together with the ABI[1], expressed its support for the European Commission's action plan, which includes the GSF, and reiterated its commitment to accelerating energy transition.

(1) *Associazone Bancaria Italiana.*

4.10 GOVERNANCE

The governance aspect is addressed in the "Corporate governance" section of this 2018 annual report.

Some indicators at the end of the statement supplement the approach.

4.11 METHODOLOGICAL NOTE

The production of CSR indicators is part of a desire for knowledge and information about the behavior and contributions of CIC entities to society in general.

CIC uses the measurement and reporting methodology developed and updated by a national working group on Societal and Environmental Responsibility that brings together the various regional federations of Crédit Mutuel and the main subsidiaries of the Crédit Mutuel group.

This methodology organizes the rules for collecting, calculating and consolidating indicators, their scope, and the controls performed.

The approach adopted in the methodology is based in particular on:

- Article 225 of the Grenelle II Law as amended by the Order of July 19, 2017 and the Decree of August 9, 2017 following the transposition of the European Directive of October 22, 2014 on the publication of non-financial information;
- the Order of July 12, 2017 respecting various measures to simplify and clarify the information obligations of the company;
- the NRE Law;
- Article 173 of the Energy Transition and Green Growth Act;
- the Law of March 27, 2017 respecting the duty of vigilance of parent companies and sourcing companies;
- the Sapin II Law of December 9, 2016 respecting transparency, the fight against corruption and the modernization of economic life;
- the completion of greenhouse gas emission budgets (Decree No. 2011-829 of July 11, 2011);
- the ILO;
- the guiding principles of the OECD;
- the Global Reporting Initiative (GRI);
- the Global Compact;
- the Principles for Responsible Investment (PRI);
- the French Financial Management Association – Forum for Responsible Investment (AFG-FIR) Transparency Code;
- the label of the Inter-Union Employee Savings Plan Committee (CIES);
- the public label (SRI);
- the Finansol label for solidarity products;
- regular discussions with stakeholders.

Reference periods for data collected

The data correspond to the calendar year. They may in some cases refer to a previous fiscal year (2017 for microloans) or be reported over a rolling year and in this case receive an annotation.

Parameters and main management rules

A tool is used to collect quantitative data. However, for some indicators, for which the information retrieved is considered insufficiently reliable or non-existent, it was considered preferable not to say anything.

Corporate indicators

The entities included in the scope are:

- CIC in metropolitan France;
- the consolidated French banks and subsidiaries;
- Banque de Luxembourg and its subsidiary BLI.

This scope represents 96% of CIC's consolidated workforce.

The corporate data comes from the Group HR information system, except for Banque de Luxembourg and its subsidiary BLI.

The majority of workforce indicators are expressed in terms of registered workers.

They incorporate all types of employment contracts, including summer auxiliary contracts and contracts for AFB service employees not subject to collective bargaining agreements.

Societal indicators

The scope includes the banking network, Banque Transatlantique and Banque de Luxembourg.

The figures are based on the CGW management control group information system, except for microloan data (source Adie, France Active Garantie and Initiative France), data tracked by the Savings Department of Euro-Information Développement (donations to associations (LEA), and data on mediation from the SARA tool).

Patronage and sponsorship budgets were monitored by the various entities.

Environmental indicators

The scope is as follows:

- CIC in metropolitan France;
- the consolidated French banks and subsidiaries;
- Banque de Luxembourg and its subsidiary BLI.

Data:

- consumption of hot and cold from urban networks: consumption comes from files provided by suppliers;
- consumption of electricity and gas: starting this year, consumption comes from files provided by suppliers for the first 11 months of 2018 (the month of December was extrapolated). This means that 9% of electricity consumption and 13% of gas consumption is estimated. Only data concerning control rooms is still manually entered into the CONSOS collection tool and consumption of water and other forms of energy is extrapolated;

- consumption of water and other forms of energy: since the information relating to the monitoring of some forms of energy consumption and consumption of water is not available for all CIC buildings, especially branches, a calculation system was deployed by CCS to help estimate these forms of consumption when necessary. An extrapolation is performed to complete:
  - missing monthly consumption (in proportion to the months entered into the CONSOS tool),
  - consumption missing from some meters (average consumption per m^2 multiplied by the building area). Published data covers, in most cases, the period from November 1, 2017 to October 31, 2018;
- consumption of paper for internal use: this is the result of information provided by SOFEDIS (Crédit Mutuel Alliance Fédérale's purchasing center), CCS for the reprographic activity, external suppliers if necessary and the department in charge of journal subscriptions for the Crédit Mutuel group;
- consumption of paper for external use: apart from SOFEDIS data, the information provided by entities in the group's IT sector: Euro-Information Production and Euro P3C (checkbooks, bank cards, account statements) and other suppliers, especially for the preparation of documents for communication purposes;
- travel: the number of kilometers traveled by car fleets and the number of liters of diesel fuel and gasoline consumed by those fleets are estimated based on the information provided by CCS in charge of fleet management, on the basis of data obtained from fuel payment cards or on the basis of the internal monitoring of the consuming entities.

The reduction targets and actions stated for continued reduction of energy consumption include the continuation of:

- the optimization of energy consumption in buildings based on the recommendations from the energy audits carried out in 2015, the implementation of turning off and restarting of computer stations at the head office (after the branches);
- the digitalization of documents and the deployment of electronic signatures in branches for the signing of contracts by customers;
- The optimization of travel with a vehicle charter to encourage vehicles with a green bonus and a lower CO_2 emission rate.

The company has already implemented the following actions:

- information campaigns to promote environmentally-friendly behaviors among employees. (Best practices guide for: use of lighting, regulation of heating and air conditioning temperatures, etc.);
- integration of energy consumption considerations into the design of our new branches in compliance with the standards in force and during the renovation of older branches;
- the use of more energy-efficient lighting systems and the gradual replacement of conventional light bulbs with energy-saving light bulbs;
- for paper: encouraging the sending of electronic statements and other documents to our customers, the website and development of services available on that site, e-mail correspondence with our customers, increased use of the digitized documents (GED) internally, use of two-sided printers;
- regarding the car fleet, attention is paid to renewing the car fleet to equip it with less polluting vehicles.

4.12 2018 INDICATORS

CORPORATE INDICATORS – GROUP ENTITIES LOCATED IN FRANCE AND BANQUE DE LUXEMBOURG AND BLI

Publication indicators	Title	2018	2017 restated[1]	2017 published	Comments
WORKFORCE					
SOC01 *bis*	Registered workforce (individuals)	19,520	19,583	19,543	
SOC06	*Men*	*7,911*	*7,949*	*7,921*	
SOC07	*Women*	*11,609*	*11,634*	*11, 622*	
	Managers or equivalents	*8,951*	*8,850*	*8,823*	
SOC05	*Non-managers or equivalents*	*10,569*	*10,733*	*10,720*	
SOC08	*Open-ended contract employees*	*18,775*	*18,877*	*18,837*	
SOC08NCadre	*Non-manager open-ended contract employees or equivalent*	*9,845*	*10,043*	*10,030*	
SOC12	% open-ended contract employees	96,2%	96,4%	96,4%	
Age pyramid (individual workforce)		**19,520**	**19,583**	**19,543**	
SOC88	under 25 years old	1,290	1,371	1,371	
	men	*493*	*506*	*506*	
SOC89	*women*	*797*	*865*	*865*	
SOC90	25 to 29 years old	2,518	2,425	2,420	
	men	*994*	*955*	*951*	
SOC91	*women*	*1,524*	*1,470*	*1,469*	
SOC92	30 to 34 years old	2,864	2,991	2,984	
	men	*1,003*	*1,061*	*1,056*	
SOC93	*women*	*1,861*	*1,930*	*1,928*	
SOC94	35 to 39 years old	3,201	3,181	3,178	
	men	*1,155*	*1,145*	*1,142*	
SOC95	*women*	*2,046*	*2,036*	*2,036*	
SOC96	40 to 44 years old	2,592	2,467	2,458	
	men	*1,023*	*989*	*982*	
SOC97	*women*	*1,569*	*1,478*	*1,476*	
SOC98	45 to 49 years old	1,924	1,826	1,815	
	men	*852*	*818*	*811*	
SOC99	*women*	*1,072*	*1,008*	*1,004*	
SOC100	50 to 54 years old	1,817	1,985	1,981	
	men	*797*	*884*	*883*	
SOC101	*women*	*1,020*	*1,101*	*1,098*	
SOC102	55 to 59 years old	2,454	2,461	2,460	
	men	*1,121*	*1,126*	*1,125*	
SOC103	*women*	*1,333*	*1,335*	*1,335*	
SOC104	60 years old and older	860	876	876	
	men	*473*	*465*	*465*	
SOC105	*women*	*387*	*411*	*411*	

(1) Banque de Luxembourg Investments included.

Publication indicators	Title	2018	2017 restated[1]	2017 published	Comments
FTE DATA					
SOC01	Total FTE workforce	19,217	19,252	19,213	FTE (full-time equivalent) employees enrolled in the workforce as of December 31: ■ Regardless of type of employment contract (fixed-term/ open-ended/work-study/vacation assistant), ■ Even if "suspended", without compensation paid, – Excluding interns under internship agreements ■ Excluding temporary workers, excluding external service providers. People on disability are included.
SOC02	*France*	*18,298*	*18,389*	*18,389*	
	Non-France	*919*	*863*	*824*	
WORKFORCE – MOVEMENTS					
WORKFORCE – RECRUITMENT					
SOC13	Total number of individuals hired	4,451	4,335	4,330	All types of contracts (fixed-term/open-ended/work-study/ vacation assistant), Including fixed-term or temporary worker contracts converted to open-ended contracts. Excluding trainees and temporary workers.
SOC14	*men*	*1,713*	*1,626*	*1,623*	
SOC15	*women*	*2,738*	*2,709*	*2,707*	
SOC16	*Open-ended contracts*	*1,405*	*1,366*	*1,361*	
SOC17	*Fixed-term contracts*	*3,046*	*2,969*	*2,969*	
DISMISSALS AND REASONS					
SOC19	Number of open-ended contract employees who left as individuals	1,319	1,285	1,285	Types of open-ended contract "exits": resignations, ending of test period (mutually by employer and employee), conventional breaking of contract, dismissal, group mobility, retirement. Including deaths.
SOC20	*dismissals*	*165*	*135*	*135*	Whatever the reason: disciplinary (serious reason, for gross or serious misconduct)/economic/personal (professional inadequacy). Including transactional departures preceded by dismissal. Except conventional breaking of contract.
SOC27	*Turnover*	4.3%	4.2%	3.9%	Resignations + dismissals + end of probationary period + conventional breaking of contract/end-of-year total permanent employees
ORGANIZATION, WORKING HOURS AND ABSENTEEISM					
Organization of working time					
SOC29	Number of individual full-time employees	18,425	18,417	18,382	Employees on open-ended or fixed-term contracts whose working time is equal to the legal number of hours in the country. France: ■ 35 hrs. weekly or 151.67 hrs./month for non-managers; ■ full-time day (not reduced) for managers.
SOC30	Number of individual part-time employees	1,095	1,166	1,161	Employees on open-ended or fixed-term contracts whose working time is less than the legal number of hours in the country. France: ■ under 35 hrs. weekly or 151.67 hrs./month for non-managers; ■ full-time day (reduced) for managers.
SOC31	% of full-time employees	94.4%	94.0%	94.1%	
SOC32	% of part-time employees	5.6%	6.0%	5.9%	
Absenteeism and reasons					
SOC38	Total number of days of absence in working days	178,408	171,748	165,438	Days of absence of total workforce regardless of employment contract (fixed-term/open-ended/work-study) – Excluding interns and temporary workers. Excluding days of paid leave or contractual days (Reduced working hours – seniority – etc.). Absenteeism takes into account sick leave and absences due to work/commuting accidents. Maternity/ paternity leave is excluded.
SOC39	Illnesses	170,305	163,701	159,756	*Excluding occupational illnesses*
SOC40	Workplace accidents	8,103	8,047	5,682	*Including commuting accidents and occupational illnesses.*
SOC43	Number of reports for occupational illnesses	3	4	4	Occupational illnesses recognized as such by CPAM.

(1) Banque de Luxembourg Investments included.

Publication indicators	Title	2018	2017 restated[1]	2017 published	Comments
Health and safety conditions					
SOC44	Number of declared work accidents, with medical leave	120	137	137	Workplace and commuting accidents that were declared to CPAM (and classified as such by the CPAM) resulting in medical leave, regardless of the number of days off. Workplace or commuting accidents that did not result in medical leave are excluded. Relapses are included.
Compensation and changes					
SOC73	Gross payroll (in euros)	909,131,071	885,733,094	880,180,071	Cumulative gross compensation of employees in the establishment (excluding employer contributions). Compensation corresponds to salaries and bonuses paid during the fiscal year to all employees.
SOC107	Total gross annual compensation (in euros) of fixed-term contract employees	901,330,715	874,635,414	869,341,802	Fixed-term contract employees only – all statuses combined including senior executives.
SOC108	Total gross annual compensation (in euros) – fixed-term contract non-management employees	321,809,198	318,501,237	317,500,190	
SOC109	Total gross annual compensation (in euros) – fixed-term contract management employees	579,521,516	556,134,177	551,841,612	
Social security contributions					
SOC80	Total amount of social security contributions paid (in euros)	566,939,318	550,048,680	549,567,800	Employer contributions only.
Training					
SOC46	Amount of payroll invested in training (in euros)	58,021 484	55,088,086	54,987,690	
SOC47	% of payroll dedicated to training	6.4%	6.2%	6.2%	
SOC50	Number of total hours spent on employee training	697,152	612,397	611,385	Including e-learning hours as *a* prerequisite for face-to-face training, but excluding hours of e-learning training *only*.
EQUAL OPPORTUNITY					
Professional equality between men and women					
SOC59	Number of women managers or equivalent (open-ended + fixed-term contracts)	4,108	3,957	3,953	Working in France or abroad
	Number of men managers or equivalent (open-ended + fixed-term contracts)	4,843	4,893	4,870	
SOC60	% of women among managers or equivalent (open-ended + fixed-term contracts)	45.9%	44.7%	44.8%	
SOC61	Number of manager or equivalents promoted in the year to a higher level of function	526	267	257	
SOC62	number of women	231	104	104	
	number of men	295	163	153	
SOC63	% of women in promotions of managers or equivalent	43.9%	39, 0%	40.5%	
Employment and inclusion of disabled workers					
SOC68	Number of disabled workers	418	462	462	Number of people with disabilities (declared and recognized disability) within the entity, as a number of "individuals", not FTEs or "beneficiary units", defined in the mandatory declaration of employment of disabled workers.
SOC71	% of people with disabilities in total workforce	2.1%	2.4%	2.4%	

(1) Banque de Luxembourg Investments included.

Publication indicators	Title	2018	2017 restated[1]	2017 published	Comments
SOCIAL DIALOGUE					
Promotion and respect for provisions of the fundamental conventions of the International Labor Organization.					
SOC67	Number of convictions for obstruction (in France)	0	0	0	Final judgments only (not subject to appeal).
SOC78	Number of meetings with employee representatives (works council, health and safety committee, DPE, DS, etc.)	N/A	N/A	N/A	Because of their size, some entities do not have employee delegations.
SOC79	Number of information sessions with employee representatives (works council, health and safety committee, DPE, DS, etc.)	N/A	N/A	N/A	

(1) Banque de Luxembourg Investments included.

SOCIETAL INDICATORS – BANKING NETWORK, BANQUE TRANSATLANTIQUE FRANCE, BANQUE DE LUXEMBOURG AND BLI

Publication indicators	Title	2018	2017 restated[1]	2017 published	Comments
TERRITORIAL, ECONOMIC AND SOCIETAL IMPACT					
Territorial impact					
SOT01	Number of banking network retail outlets	1,911		1,941	Banque Transatlantique (scope covered by the non-financial performance statement)
SOT01A	Other retail outlets France	1		1	
SOT01B	Other retail outlets non-France	3		3	Banque de Luxembourg (scope covered by the non-financial performance statement)
Associations					
SOT40	Number of NPO customers (associations, unions, works councils, etc.)	120,146		113,382	Revised 2017 number. Refined management rules.
Patronage and sponsorships					
SOT52	Total budget dedicated to patronage and sponsorships *(in euros)*	13,634,775	13,050,018	13,042,518	
Environmental impact					
SOT63	Number of interest-free Eco-loans granted during the year	1,028		1,281	
SOT65	Total amount of interest-free Eco-loans granted during the year *(in euros)*	18,410,714		23,374,274	Annual production (end of month outstanding). Volume of loans granted to customers in the form of interest-free loans for the financing of new construction, under certain conditions, renovations and deliveries in new condition, extensions or elevations.
SOT69	Number of renewable energy projects financed (professionals and farmers)	174		145	Financing projects for renewable energy installations or systems actually carried out over the calendar year with professionals, farmers and small businesses. These include improvements to energy efficiency projects.
MICROLOAN[2]					
Supported personal microloan (partnership)					
SOT10	Number of microloans granted during the year	-	-	-	CIC does not distribute personal microloans.
SOT13	Amount of microloans financed during the year *(in euros)*	-	-	-	
Intermediate professional microloan – ADIE					
SOT16	Number of applications processed	1,556		1,187	
SOT17	Amount of credit lines made available *(in euros)*	5,380,000		4,800,000	

(1) Banque de Luxembourg Investments included.

(2) Amounts indicated are in euros.

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Publication indicators	Title	2018	2017 restated[1]	2017 published	Comments
Intermediate professional microloan – France Active Garantie					
SOT19A	Number of new microloans financed	588		634	
SOT20A	Amounts guaranteed (France Active Garantie + FGIF) *(in euros)*	12,812,839		11,812,863	SOT19A to SOT20B: corporate market. 2017 revised.
Intermediate professional microloans – France Active (interest-free loan from Caisse des Dépôts)					
SOT19B	Number of Caisse des Dépôts interest-free loans disbursed with a supplementary loan from the group	153		230	
SOT20B	Amounts lent *(in euros)*	801,100		975,666	Total amount of 2018 loans in addition to loans: €3,653,700 (€8,152,321 in 2017).
Intermediate professional microloan – Initiative France					
SOT22	Number of supplementary bank loans granted	2,105		1,797	
SOT23	Amount of supplementary bank loans granted *(in euros)*	145,400,000		123,100,000	
Other supported professional microloans					
SOT201	Number of supported professional microloans granted during the year (as part of a partnership)	-	-	-	
SOT202	Amount of supported professional microloans granted during the year (as part of a partnership) *(in euros)*	-	-	-	
Local microcredits					
SOT26	Number of local microloans granted locally in the group	-	-	-	
SOT27	Amount of local microloans granted locally in the group *(in euros)*	-	-	-	
RESPONSIBLE FINANCIAL SAVINGS					
SRI and ESG					
SOT28	SRI outstanding *(in millions of euros)*	7,726	7,140	7,093	Modified management rule: Total CM-CIC Asset Management and Banque de Luxembourg Investments SA.
SOT28LABEL	SRI outstanding with label *(in millions of euros)*	1,381	1,360	1,360	Modified management rule: Total CM-CIC Asset Management and Banque de Luxembourg Investments SA.
SOT87	Outstanding amounts invested by inclusion of ESG selection criteria *(in millions of euros)* excluding SRI outstanding	44,452	43,777	37,500	CIC outstanding amount managed by CM-CIC AM according to Decree No. 2012-132, called Decree 224 on the disclosure by portfolio management companies of social, environmental and governance quality criteria in their investment policy (Article D-533-16-1) and Banque de Luxembourg Investments SA.
SOT29	SRI – Voting policy – Resolution approval rate	78.4%		78.6%	Shareholders' meetings in which CM-CIC AM participated
SOT29-R	SRI – Voting policy – Number of resolutions handled	14,679		14,142	
SOT29-RA	SRI – Voting policy – Number of resolutions approved	11,501		11,080	Excluding minority resolutions approved and including minority resolutions rejected
SOT30	SRI – Voting policy – Number of shareholders' meetings in which the company participated	1,081		1,009	

(1) Banque de Luxembourg Investments included.

(2) Amounts indicated are in euros.

Publication indicators	Title	2018	2017 restated[1]	2017 published	Comments
Employee solidarity savings					
SOT37LCIES	Outstanding amount *(in euros)* of employee solidarity savings with the CIES label	246,981,597		179,210,546	2018: management rules amended.
Solidarity savings					
SOT33LFinansol	Savings outstanding on products with the FINANSOL label	26,888,780		17,743,607	
SOT33	*Outstandings excluding capitalization (in euros) passbook savings account Livret d'Épargne pour les Autres (LEA)*	*26,633,498*		*24,499,133*	
SOT31	*France Emploi mutual fund – Outstandings*	*255,282*		*252,379*	
SOT35	Amount repaid to associations from solidarity products	121,353		95,847	
	LEA donations	*111,221*		*85,070*	
	Donation of cards for others	*9,251*		*9,698*	
SOT32	*France Emploi mutual fund*	*882*		*0*	
CORPORATE PRODUCTS AND SERVICES					
SOT71	Outstanding regulated social loans (PLS, PSLA)	N/A	N/A	N/A	There are no outstanding PLS (social lease loan)/PSLA (social lease-ownership loan) loans in CIC banks because, like Crédit Mutuel, all of those loans are managed by Caisse Fédérale de Crédit Mutuel for refinancing matters. Outstanding investment loans to CIC local banks as of December 31, 2017 amounted to €88.7 million.
QUALITY OF SERVICE					
SOT75	Number of eligible cases in banking mediation	175		215	Cases received by customer relations department in France whose outcome is in regulatory framework of mediation
SOT77	Number of decisions favorable to the customer consistently applied	74		93	Data established for files processed on 01/31/2017 (186).
SOT78	Percentage of decisions favorable or partially favorable to the customer consistently applied	43.8%		50.0%	Statistics from the handling of cases transmitted to the mediator whose outcome is favorable to the customer, either consistently or after the decision of the mediator.
ECONOMIC IMPACT INDICATORS AVAILABLE IN MANAGEMENT REPORTS					
	Outstanding customer loans *(outstanding amount at the end of the month in millions of euros)*	128,078		119,730	
SOT83	*Individuals*	*64,703*		*61,494*	
	■ Home loan	75,972		72,173	
SOT84	*Individuals*	*56,681*		*53,606*	
	■ Consumer loan	6,211		5,799	
SOT85	*Individuals*	*4,806*		*4,668*	
SOT86	■ Equipment loan (microenterprises)	38,282		34,786	
	Individuals	*2,847*		*2,741*	
	Farmers	*1,490*		*1,357*	
	Professionals	*13,681*		*12,579*	
	Businesses	*19,252*		*17,118*	
	NPOs	*807*		*773*	

(1) Banque de Luxembourg Investments included.

(2) Amounts indicated are in euros.

ENVIRONMENTAL INDICATORS – FRANCE, BANQUE DE LUXEMBOURG AND BLI

Publication indicators	Title	2018	2017 restated[1]	2017 published	Comments
RESOURCE CONSUMPTION					
ENV04	Water consumption (m^3)	215,936	266,815	266,636	
ENV05	Total energy consumption *(in kWh)*	128,088,801	146,134,172	145,841,902	
ENV06	*electricity (in kWh)*	*102,128,663*	*117,009,386*	*116,817,397*	
ENV07	*natural gas (in kWh)*	*17,246,092*	*20,382,182*	*20,281,900*	
ENV08	*fuel oil (in kWh)*	*1,108,921*	*810,463*	*810,463*	
ENV05_1	*Steam heating in urban networks (in kWh)*	*5,170,150*	*5,578,736*	*5,578,736*	
ENV05_2	*Chilled water in urban networks (in kWh)*	*2,434,976*	*2,353,405*	*2,353,405*	
ENV09	Total paper consumption (in tons)	3,009	2,934	3,252	All paper-based (white paper, calendars, etc.) or cardboard-based (interleaves, archives, etc.) supplies with the exception of the packaging box for these supplies (recorded in waste).
WAYS OF REDUCING ENVIRONMENTAL IMPACT AND GREENHOUSE GAS EMISSIONS					
ENV15R	Consumption of recycled paper purchased *(in tons)*	270	261	261	
ENV15	Recycled used paper as output (waste) in tons	2,529	2,846	2,845	
ENV16	Used toner cartridges recycled after use (number)	40,361	38,196	38,196	
ENV30	Leakage of refrigerating gases from air conditioning facilities (tertiary air and water air conditioning)	N/A	N/A	N/A	
ENV20	Business travel – Automobile fleet *(in km)* GHG emissions assessment measured	48,305,712	47,743,493	47,532,793	
	Vehicle fleet – number of km in vehicle (gasoline)	2,579,752	1,653,308	1,600,608	
	Vehicle fleet – number of km in vehicle (diesel)	45,717,357	46,090,185	45,932,185	
ENV23	Business travel with personal vehicle *(in km)*	11,551,663	11,392,900	11,392,900	
ENV44	Human resources devoted to CSR in FTE	4.3	3.3	2.4	
ENV32K	Number of km avoided by videoconferencing	24,460,689	13,853,667	13,853,667	Excluding Banque de Luxembourg
ENV34	Documents digitized (in tons of paper avoided)	1,113	909	909	
ENV47	Amount of provisions and guarantees for environmental risk	-	-	-	
ENV48	Amount of compensation paid during the fiscal year pursuant to a court order for the environmental matters and actions for remedy for damage caused by it	-	-	-	

(1) Banque de Luxembourg Investments included.

GOVERNANCE – CIC HOLDING

Publication indicators	Title	2018	2017
GOUV01	Number of members of the Board of Directors or Supervisory Board	7	8
GOUV02	Number of women members of the Board of Directors or Supervisory Board*	3	2
GOUV9-01	Number of members of the Board of Directors or Supervisory Board by age bracket		
GOUV9-02	<40	1	0
GOUV9-03	40-49	0	1
GOUV9-04	50-59	3	4
GOUV9-05	>60	3	3
GOUV25	Total turnover rate of Boards during the year (new members elected out of total members)	0.0%	25%
GOUV26	Board attendance rate	61.0%	82%

* *Excluding director representing employees.*

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4.13 CROSS-REFERENCE TABLE

Articles R.225-105 and L.225-102-1 of the French Commercial Code	CIC indicators present in the CSR report (text and tables)
Business model	MA
Non-financial risks	R/O
Policies implemented/results of policies For performance indicators, refer to the table on pages 322 and 323 of this statement.	
1) CORPORATE INFORMATION:	
a) Employment:	
■ the total number and distribution of employees by gender, age and geographic area	SOC01_bis, SOC02, SOC05 to SOC08, SOC12 and SOC88 to SOC105
■ hires and dismissals	SOC13, SOC14 to SOC17, SOC19, SOC20, SOC27
■ compensation and changes	SOC73, SOC80 and SOC107 to SOC109
b) Work organization:	
■ organization of working time	SOC29 to SOC32
■ absenteeism	SOC38 to SOC40, SOC43
c) Health and safety:	
■ safety and health conditions at work	SOC45
■ work accidents, frequency and seriousness, and occupational illnesses[1]	SOC44
d) Corporate relations:	
■ organization of social dialogue, the procedures for informing and consulting employees and negotiating with them	SOC78, SOC79, SOC87
■ summary of collective agreements for health and safety at work and other issues	SOC83 to SOC84
e) Training:	
■ policies implemented for training, in particular with regard to the protection of the environment	SOC46, SOC47, ENV37, ENV43
■ total number of hours of training	SOC50
f) Equality of treatment:	
■ measures taken to promote equality between women and men	SOC56, SOC59 to SOC63
■ measures taken to promote the employment and integration of disabled people	SOC68, SOC70, SOC71
■ anti-discrimination policy	SOC69
2) ENVIRONMENTAL INFORMATION	
a) General environmental policy:	
■ organization of the company to take into account environmental issues and, where applicable, environmental assessment or certification procedures	ENV01 to ENV03, ENV41
■ resources devoted to the prevention of environmental risks and pollution	ENV44
■ amount of the provisions and guarantees for environmental risks, provided that this information is not likely to cause serious damage to the company in litigation in progress	ENV47*
b) Pollution:	
■ measures to prevent, reduce or repair air, water and soil discharges that seriously affect the environment	ENV32K, ENV37
■ consideration of any form of pollution specific to an activity, especially noise and light pollution	ENV45

* *Indicators not adapted to CIC banking activity.*

Articles R.225-105 and L.225-102-1 of the French Commercial Code	CIC indicators present in the CSR report (text and tables)
c) Circular economy:	
■ waste prevention and management	
■ prevention, recycling, reuse, other forms of recovery and waste disposal	ENV39, ENV43
■ actions to prevent food waste	ENV54
■ sustainable use of resources	
■ water consumption and water supply based on local constraints	ENV04, ENV39
■ consumption of raw materials and measures taken to improve efficiency in their use	ENV09, ENV15R, ENV39, ENV43
■ energy consumption, measures taken to improve energy efficiency and the use of renewable energies	ENV05 to ENV08, ENV40
■ land use	ENV49*
d) Climate change:	
■ significant greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	ENV20, ENV23, ENV37, ENV51
■ measures taken to adapt to the consequences of climate change	ENV39, ENV38, ENV42, ENV52, ENV53
■ voluntary medium-term reduction targets to reduce greenhouse gas emissions and the resources used for that purpose	ENV56
e) Protection of biodiversity:	
■ measures taken to preserve or restore biodiversity	ENV 50
3) SOCIETAL INFORMATION	
a) Societal commitments for sustainable development:	
■ impact of the company's activity on employment and local development	SOT01, SOT09, SOT59 to SOT60, SOT63, SOT65, SOT69
■ the impact of the company's activity on neighboring or local populations[2]	SOT10, SOT13, SOT16, SOT17, SOT19A, SOT20A, SOT19B, SOT20B, SOT22, SOT23, SOT26 to SOT31, SOT33, SOT37LCIES, SOT39, SOT40, SOT71, SOT72, SOT73, SOT74, SOT75, SOT77, SOT78, SOT83 to SOT88
■ relations maintained with the stakeholders of the company and terms of dialogue with them	SOT44, SOT45
■ partnership or patronage actions	SOT46, SOT48, SOT52, SOT53, SOT55, SOT57 to SOT58
b) Subcontracting and suppliers:	
■ consideration of social and environmental issues in purchasing policy	SOT81
■ consideration in relations with suppliers and subcontractors of their social and environmental responsibility;	SOT81
c) Trustworthy practices:	
■ measures taken for consumer health and safety	SOT80

* *Indicators not adapted to CIC banking activity.*

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Additional information

1) INFORMATION ABOUT COMBATTING CORRUPTION:	
■ actions undertaken to prevent corruption	SOT79
2) INFORMATION ABOUT ACTIONS TO PROMOTE HUMAN RIGHTS	
a) Promotion and respect for provisions of the fundamental conventions of the International Labor Organization regarding:	
■ respect for the freedom of association and the right to collective bargaining	SOC67, SOC78 and SOC79
■ the elimination of discrimination in employment and professional life	SOC64
■ the elimination of forced or compulsory labor	SOC65
■ the effective abolition of child labor	SOC66
b) Other actions undertaken to promote human rights.	SOT82
3) OTHER INFORMATION	
Societal commitments for:	
■ the fight against tax evasion[3]	SOT90 and SOT91
■ the fight against food insecurity	ENV54
■ animal welfare	ENV55
■ responsible, fair and sustainable food	SOT89

* *Indicators not adapted to CIC banking activity.*

(1) *The frequency and severity of work accidents are not reported explicitly, but the data needed for the calculations are published.*

(2) *CIC expresses its territorial impact through its local presence. Its activity does not have an impact on neighboring populations.*

(3) *Given the late publication of the law (October 23, 2018), we were not able to include the topic of tax evasion is not discussed in detail in this document. However, CIC complies with its regulatory obligations in tax matters and is especially vigilant that its customers comply with theirs as well.*

4.14 INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL PERFORMANCE STATEMENT IN THE MANAGEMENT REPORT

To the attention of the Executive Management,

Pursuant to the request made to us and in our capacity as independent auditor, a member of the network of statutory auditors of CIC company (hereinafter, the "company"), we hereby present our report on the Consolidated Statement of Extra-financial Performance for the fiscal year ended December 31, 2018 (hereinafter, the "Statement"), that the company has chosen to prepare and present in its management report, by reference to the legal and regulatory provisions of Articles L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code.

The company's responsibility

Within the scope of this voluntary approach, the company is responsible for preparing a Statement in accordance with the legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies applied in respect of these risks and the results of these policies, including key performance indicators.

The Statement was prepared in application of company procedures (hereinafter the "Guidelines"), of which the significant items are presented in the Statement.

Independence and quality control

Our independence is defined by the profession's code of ethics. Furthermore, we have implemented a quality control system that includes documented policies and procedures aimed at ensuring compliance with ethical rules, professional standards and applicable regulations and legislation.

The independent auditor's responsibility

Based on our work, our role is to formulate a reasoned opinion expressing moderate assurance as to:

- the Statement's compliance with the provisions stipulated in Article R.225-105 of the French Commercial Code;
- the truthfulness of the information provided in application of Paragraph 3 of Sections I and II of Article R.225-105 of the French Commercial Code, namely the results of the policies, including key performance indicators, and the actions relating to the main risks (hereinafter the "Information").

However, it is not our responsibility to express an opinion on:

- the company's compliance with any other applicable legal and regulatory provisions, particularly those concerning anti-corruption and combating tax evasion;
- the conformity of the products and services to the applicable regulations.

Nature and scope of the work

Our work described below was carried out by applying the provisions of Articles A.225-1 et seq. of the French Commercial Code determining the means whereby the independent third party body is to perform its assignment, and in accordance with professional standards as well as the ISAE 3000 international standard – Assurance engagements other than audits or reviews of historical financial information.

We carried out checks allowing us to assess the Statement's compliance with the legal and regulatory requirements and the truthfulness of the Information:

- we took due note of the activity of all the businesses included in the consolidation scope, their exposure to the main social and environmental risks associated with this activity, and, if applicable, its effects regarding respect for human rights and anti-corruption and combating tax evasion as well as of the policies deriving from them and their results;
- we assessed the appropriateness of the Guidelines with respect to their relevance, exhaustiveness, reliability, neutrality and comprehensibility, taking into account, if applicable, best practices in the sector;
- we verified that the Statement covers each category of information provided for in Section III of Article L.225-102-1 on social and environmental matters as well as respect for human rights and anti-corruption and combating tax evasion;
- we verified that the Statement includes a clear and reasoned explanation justifying the absence of the information required by the 2nd paragraph of Section III of Article R.225-102-1 of the French Commercial Code;
- we verified that the Statement presents the business model and the main risks related to the activity of all the entities included within the consolidation scope, including, whenever relevant and proportionate, the risks created by its business relations, products or services as well as the policies, procedures and results, including key performance indicators;
- we verified, whenever relevant to the main risks or policies presented, that the Statement presents the information provided for in Section II of Article R.225-105;
- we assessed the identification, ranking and validation process for the main risks;
- we enquired as to the existence of procedures for internal control and risk management implemented by the company;
- we have assessed the consistency of the results and key performance indicators selected with respect to the main risks and policies presented;
- we verified that the Statement covers the consolidation scope, i.e. all the companies included in the scope of consolidation in compliance with Article L.233-16 of the French Commercial Code, with the limits specified in the Statement;

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- we assessed the collection process implemented by the company aimed at ensuring the completeness and veracity of the Information;
- For the key performance indicators and the other quantitative results that we considered to be the most significant, we implemented in Appendix 1:
  - analytical procedures consisting of verifying the correct consolidation of collected data as well as the consistency of changes to them;
  - detailed tests based on sampling, consisting of verifying the proper application of definitions and procedures, and of reconciling data with supporting documents. This work was conducted with a selection of contributing entities and covers between 96% of the workforce enrolled and 92% of the group's energy consumption;
- we consulted documentary sources and conducted interviews to corroborate the qualitative information (actions and results) that we considered most significant, as presented in Appendix 1;
- we assessed the overall consistency of the Statement in relation to our knowledge of all of the companies included in the consolidation scope.

We consider that the work that we conducted in exercising our professional judgement enable us formulate a conclusion of moderate assurance; a higher level of assurance would have required more extensive verification work.

Means and resources

Our work was conducted by a skilled team of eight persons, took place between November 2018 and March 2019 and lasted for approximately fifteen weeks.

We carried out fifteen or so interviews with the persons responsible for preparing the Statement representing in particular the departments in charge of defining policies, distributing them and collecting information.

Conclusion

Based on our work, we did not observe any significant misstatement likely to call into question the Statement's conformity with the applicable regulatory requirements or the true and fair presentation of the Information, taken as a whole, in accordance with the Guidelines.

Comments

Without calling into question the conclusion expressed above, and in accordance with the provisions of Article A.225-3 of the French Commercial Code, we make the following comments:

- Concerning the management of risks associated with climate change for the group's banking activity, the preventative measures and associated indicators have not yet been fully defined.
- The indicators related to managing the risk "Lack of consideration for the carbon footprint of the entities in the exercise of their activities" are being developed.

Paris-La Défense, April 18, 2019

The independent auditor

ERNST & YOUNG et Associés

Caroline Delérable
Partner, sustainable development

Marc Charles
Partner

APPENDIX 1: INFORMATION CONSIDERED MOST IMPORTANT

Societal and governance information	
Qualitative information	**Quantitative information**
■ Suitability of offers and improvement of perceived quality and customer satisfaction ■ Purchasing policy and supplier charter ■ Banking controls for management of risks of malicious/fraudulent conduct ■ Security of information systems and protection of personal data	■ Number of claims received and processed and average processing time ■ Number of supplier charters signed ■ Amount of claims for internal and external fraud ■ Availability rate of primary TP applications ■ Impact of computer claims with a cost of over €1,000 ■ GDPR training rate ■ Number of reports from "Power to Report" tool ■ Percentage of employees trained in the fight against corruption
Social information	
Qualitative information	**Quantitative information**
■ Employee training	■ Workforce ■ Rate of transformation training ■ Number of employees who have completed at least one training session, number of hours of training, payroll invested in training ■ Change in the number of days of absence ■ Job rotation rate
Environmental and business information	
Qualitative information	**Quantitative information**
■ Structuring of group CSR commitments and governance ■ Reduction of carbon footprint of the group's buildings, clean travel policy ■ Sectoral policies for incorporating non-financial rules into funding	■ Building energy consumption ■ Amount of funding authorized for renewable energy projects

GETTING TOGETHER

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5

LEGAL INFORMATION

5.1 SHAREHOLDERS

5.1.1 Shareholders' meetings

Shareholders' meetings are open to all shareholders. There are no double voting rights.

The shareholders are convened to an Ordinary shareholders' meeting every year in accordance with the procedures and time frames laid down by applicable laws and regulations.

Any shareholder may vote by mail or appoint a proxy in accordance with regulatory procedures.

Decisions are adopted under the majority conditions laid down by law and are binding on all shareholders.

Appropriation of net profit

The net profit for the year consists of the year's income minus general operating expenses and other company expenses, including depreciation, amortization and provisions.

From this net profit – less any previous losses – at least 5% is drawn to form the legal reserve. This is no longer necessary when the legal reserve amounts to one-tenth of the share capital.

The balance, after deducting and appropriating the amount of long-term capital gains, increased by retained earnings, constitutes the distributable income.

From this distributable income, the shareholders' meeting may decide to draw any sums they consider appropriate for allocation to any optional reserve funds or to retained earnings. The balance, if any, is divided among all shareholders in proportion to the number of shares they hold.

Dividends are paid on the date set by the shareholders' meeting or, failing that, on the date set by the Board of Directors.

5.1.2 Ordinary shareholders' meeting of May 10, 2019

Resolutions

First resolution: Approval of the annual financial statements for the year ended December 31, 2018

The shareholders' meeting, having considered the Board of Directors' management report and the corporate governance appended thereto, as well as the statutory auditors' report and the annual financial statements for the year ended December 31, 2018, approves the aforementioned financial statements as presented, showing a net profit after tax of €771,726,563.21. The shareholders' meeting also approves the overall amount of expenses and charges not deductible from taxable profits totaling €39,345, as well as the tax liability of €13,546 resulting from the aforementioned expenses and charges.

Second resolution: Approval of the consolidated financial statements for the year ended December 31, 2018

The shareholders' meeting, having considered the Board of Directors' management report and the corporate governance appended thereto, as well as the statutory auditors' report and the consolidated financial statements for the year ended December 31, 2018, approves the aforementioned financial statements as presented, showing a net profit after tax (attributable to the group) of €1,385 million.

Third resolution: Appropriation of net profit

The shareholders' meeting, having taken note that:

- the company's net profit for the year amounts to €771,726,563.21;
- retained earnings amount to €76,129,242.67;
- as a result, distributable income amounts to €847,855,805.88.

Resolves to draw €152,267,260.02 from free reserves.

And to pay a net dividend of €26.30 for each of the 38,027,493 shares that make up the share capital, i.e. a total of €1,000,123,065.90. However, the dividend on shares that are not eligible for dividend under French law will be added to retained earnings.

The dividend will be paid out on June 4, 2019.

All of the dividend paid out is eligible for the 40% tax deduction provided for in Article 158-3, item 2, of the French Tax Code (CGI).

In accordance with the legal provisions in force, we remind you that the dividends paid per share for the last three years were as follows:

	2015	2016	2017
Amount in euros	8.50	9.00	25.00
Dividend eligible for the deduction provided for in Article 158 of the French Tax Code (Code général des impôts – CGI)	Yes	Yes	Yes

Fourth resolution: Agreements coming under Article L.225-38 of the French Commercial Code

The shareholders' meeting, having considered the special report of the statutory auditors on the transactions and agreements coming under Article L.225-38 of the French Commercial Code, and ruling on this report, approves the transactions and agreements set out therein.

Fifth resolution: Opinion on the total amount of compensation payable

Pursuant to Article L.511-73 of the French Monetary and Financial Code, the shareholders' meeting issues a favorable opinion regarding the total amount of compensation specified in the Board of Directors' report. This amount includes compensation of any kind paid during the year under review to Effective Managers and the categories of employees referred to in Article L.511-71 of said Code.

Sixth resolution: Capping of the total variable compensation payable to risk-takers

The shareholders' meeting, having considered the Board of Directors' report to the shareholders' meeting, resolves to cap the portion of variable compensation payable to risk-takers to two-thirds of their total compensation. This provision is applicable to compensation awarded as of January 1, 2019.

Seventh resolution: Approval of the components of the compensation paid or awarded to Mr. Nicolas Théry

The shareholders' meeting, having considered the Board of Directors' report to the shareholders' meeting, approves the components of the compensation paid or awarded to Mr. Nicolas Théry for the previous financial year.

Eighth resolution: Approval of the principles and criteria for determining, allocating and awarding elements of compensation to Mr. Nicolas Théry

The shareholders' meeting, having considered the Board of Directors' report to the shareholders' meeting, approves the principles and criteria used to determine, allocate and award elements of compensation to Mr. Nicolas Théry for that financial year up to June 1, 2019.

Ninth resolution: Ratification of the co-opting of Mr. Etienne Grad to replace Mr. Maurice Corgini

The shareholders' meeting approves the co-opting of Mister Etienne Grad, to replace Mr. Maurice Corgini for the remainder of his term of office, i.e. until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2020.

Tenth resolution: Appointment of Mr. Gérard Cormorèche to replace Mr. Jean-François Jouffray

The shareholders' meeting appoints Mr. Gérard Cormorèche to replace Mr. Jean-François Jouffray for a period of 3 years, i.e. until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2021.

Eleventh resolution: Renewal of the term of office of Mr. Nicolas Théry

The shareholders' meeting renews the term of office of Mr. Nicolas Théry for a period of 3 years, i.e. until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2021.

5.2 GENERAL INFORMATION

5.2.1 Legal information

(see also the "Presentation of CIC" and "Corporate governance" sections)

Company name and registered office

The company's name is:

Crédit Industriel et Commercial

Abbreviated to: **CIC**

This abbreviation can be used on its own.

Its registered office is located at: 6 avenue de Provence – Paris 9 – France

Telephone number: +33 (0)1 45 96 96 96

Applicable legislation and legal form

A bank organized as a *société anonyme* (French Limited Company) governed by the statutes and regulations in force and, in particular, by the provisions of the French Commercial Code governing corporations and the provisions of the French Monetary and Financial Code.

A company governed by French law.

Incorporation date and expiration date

The company was incorporated on May 7, 1859. Its term will expire on December 31, 2067, unless it is dissolved or its term is extended before that date.

Company purpose

(summary of Article 5 of the Articles of Association)

The purpose of the company, in France or abroad, is in particular:

- to carry out all banking operations and related operations;
- to provide all investment services and related services;
- insurance brokerage in all sectors;
- realtor activity;
- all professional training activities relating to the above matters;
- to acquire, hold and manage interests in all banking, financial, real estate, industrial and commercial companies in France or abroad.

Registration number and APE business identifier code

Paris Trade and Companies Register no. 542 016 381.

Business identifier code: 6419Z (other financial brokerage activities).

Legal documents relating to the company

The company's Articles of Association, minutes of shareholders' meetings and reports are available at the registered office located at: 6 avenue de Provence in Paris 9 (Corporate Secretary's office).

Fiscal Year

January 1 to December 31.

5.2.2 Dependency

CIC is not dependent on any patents, licenses or industrial, commercial or financial supply agreements for the conduct of its business.

5.2.3 Material contracts

To date, CIC has not entered into any material contracts, other than those entered into during the normal course of its business, that create an obligation or a commitment that would have negative consequences for the group as a whole.

5.2.4 Legal and arbitration proceedings

The case concerning check image transfer fees has once again been brought before the Court of Cassation, following the banks' appeal in January 2018 against the Paris Court of Appeal ruling of December 21, 2017 which upheld the decision of the *Autorité de la Concurrence* (French Competition Authority) of September 21, 2010 to sanction the banks, including CIC.

No timetable has yet been set to that effect.

There are no other pending or threatened government, judicial or arbitration proceedings, including any proceeding of which the company is aware, that may have or has had, during the past 12 months, material impacts on the financial position or profitability of the company and/or group.


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6 ADDITIONAL INFORMATION

6.1 DOCUMENTS AVAILABLE TO THE PUBLIC

(see also "legal information")

This registration document is available on CIC's website (www.cic.fr) and the AMF's website. The same holds true for all reports and historical financial information.

Any person wishing to obtain additional information on CIC may, with no commitment, request the documents:

- by postal mail: CIC – Relations extérieures 6, avenue de Provence – 75009 Paris
- by email: frederic.monot@cic.fr

The charter, the articles of association, the minutes of the shareholders' meetings and the reports may be accessed at the registered office: 6, avenue de Provence à Paris 9e (General Secretariat).

6.2 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Person with overall responsibility for the registration document

Daniel Baal, Chief Executive Officer.

Declaration by the person responsible for the registration document

After having taken all reasonable measures to that effect, I hereby declare that, to the best of my knowledge, the information contained in this registration document is accurate and contains no omissions that could adversely affect its scope.

I hereby declare that, to best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the company and all subsidiaries included in the scope of consolidation, and that the management report (the cross-reference table of the annual financial report appearing in Chapter 6 of this Registration Document indicates the content) is an accurate table of the changes in the business, results and financial position of the company and all the subsidiaries included in the scope of consolidation as well as a description of the main risks and uncertainties which they face.

I have obtained a completion letter from the statutory auditors, in which they state that they have audited financial position and financial statements in this document and have read the entire document.

Paris, April 18, 2019

Daniel Baal,

Chief Executive Officer

6.3 STATUTORY AUDITORS

The statutory auditors, PricewaterhouseCoopers Audit and Ernst & Young et Autres, and KPMG S.A., belong to the regional association of independent auditors of Versailles (*la compagnie régionale des commissaires aux comptes de Versailles*).

Principal statutory auditors

Name: PricewaterhouseCoopers Audit
Address: 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex
Represented by Jacques Lévi
Start date of first term of office: May 25, 1988
Current term of office: 6 fiscal years with effect from May 4, 2018
Expiration of current term of office: at the end of the shareholders' meeting called to rule on the financial statements for the fiscal year ended December 31, 2023.

Name: Ernst & Young et Autres
Address: Tour First – 1, place des Saisons, 92400 Courbevoie
Represented by Hassan Baaj
Start date of first term of office: May 26, 1999
Current term of office: 6 fiscal years with effect from May 24, 2017
Expiration of current term of office: at the end of the shareholders' meeting called to rule on the financial statements for the fiscal year ended December 31, 2022.

Name: KPMG S.A.
Address: Tour Eqho – 2, avenue Gambetta,
92066 Paris La Défense Cedex
Represented by Arnaud Bourdeille
Start date of first term of office: May 25, 2016
Current term of office: 6 fiscal years with effect from May 25, 2016
Expiration of current term of office: at the end of the shareholders' meeting called to rule on the financial statements for the fiscal year ended December 31, 2021.

Alternate statutory auditors

KPMG AUDIT FS 1.

6.4 CROSS-REFERENCE TABLES

Registration document cross-reference table

Annex 1 of European Regulation No. 809/2004		Pages
16	**Operation of the administrative, management, supervisory and executive bodies**	
16.1	Expiration date of current terms of office	43-49
16.2	Service agreements binding the members of the administrative bodies to the issuer or to one of its subsidiaries	39
16.3	Information on the auditing committee and the remuneration committee	39-42 / 54-61
16.4	Declaration indicating whether or not the issuer is in compliance with the legal corporate governance framework in force in its country of origin	38
17	**Employees**	
17.1	Number of employees	327
17.2	Interests in the issuer's share capital and directors' stock-options	42
17.3	Agreement providing for employee ownership of the issuer's shares	NA
18	**Major shareholders**	
18.1	Shareholders holding more than 5% of the share capital or voting rights	31
18.2	Existence of different voting rights of the aforementioned shareholders	31 / 382
18.3	Control of the issuer	31-32
18.4	Knowledge by the issuer of an agreement likely to a change in control at a later date	NA
19	**Related-party transactions**	272
20	**Financial information on the issuer's assets, financial position and results**	
20.1	Historical financial information	5 / 218-273 / 280-312
20.2	Pro forma financial information	NA
20.3	Financial statements	218-273 / 280-312
20.4	Verification of the annual historical financial information	274-277 / 313-315
20.5	Date of most recent financial information	218-273 / 280-312
20.6	Interim and other financial information	NA
20.7	Dividend distribution policy	33
20.8	Legal and arbitration proceedings	385
20.9	Material change in the financial or commercial position	217
21	**Additional information**	
21.1	Share capital	31-33 / 271
21.2	Charter and articles of association	31 / 382 / 384
22	**Major contracts**	384
23	**Information from third parties, expert declarations and declarations of interest**	NA
24	**Documents available to the public**	388
25	**Information on equity interests**	237-239 / 246 / 254 / 292 / 307-312

Cross-reference table to information required in the annual financial report mentioned in I of Article L.451-1-2d of the French Monetary and Financial Code as well as Article 222-3 of the general regulation of the *Autorité des marchés financiers* (AMF – French Financial Markets Authority).

		Articles of the French Commercial Code	Articles of the French Monetary and Financial Code	Articles of the French General Tax Code	Articles of the AMF General Regulations	Pages
1	**Declaration by the person responsible for the registration document**					
2	**Management report**					
2.1	Position of the company and of the group during the past fiscal year		L.232-1, L.233-26			5 / 207-273 / 278-312
2.2	Analysis of the changes in revenue, results and financial position of the company and group		L.225-100-1			5 / 207-273 / 278-312
2.3	Key financial and non-financial performance indicators of the company and group		L.225-100-1			218-273 / 280-312
2.4	Other information on the position of the company and group					
	Foreseeable development of the company and group	L.232-1, L.233-26				217
	Significant events that occurred after the reporting period but before the publication date of this management report	L.232-1, L.233-26				217
	Research and development activities	L.232-1, L.233-26				NA
	Existing branches	L.232-1				25 / 237
	Information regarding establishments by state or territory		L.511-45, R.511-16-4			216-217 / 237-238
	Equity investment in or takeover of companies with registered offices in France during a fiscal year	L.233-6, L.247-1				NA
	Activity and results of the entire company, subsidiaries of the company and the companies that it controls by branch of activity	L.233-6				207-273 / 278-312
2.5	Information on risks and internal control procedures					
	Main risks and uncertainties that the company and the group must face	L.225-100-1				62-65
	Financial risks associated with the effects of climate change and implementation of a low-carbon strategy	L.225-100-1				217
	Main characteristics of the internal control and risk management procedures implemented relating to the preparation and processing of accounting and financial information for all entities within the scope of consolidation	L.225-100-1				54-62
	Objectives and policy regarding hedging of each major category of transactions and exposure to price, credit, liquidity and treasury risks	L.225-100-1				62-151
	Information on the forward financial instruments whose underlying assets consist of agricultural commodities and resources implemented to avoid exercising a significant effect on the price of such agricultural commodities		L.511-4-2			144

		Articles of the French Commercial Code	Articles of the French Monetary and Financial Code	Articles of the French General Tax Code	Articles of the AMF General Regulations	Pages
2.6	Information on capital					
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Pursuant to Article 28 of European Regulation No. 809-2004 on prospectuses and Article 212-11 of the AMF General Regulations, the following items are included by way of reference:

- the consolidated financial statements and management report of the group for the fiscal year ended December 31, 2017 and the statutory auditors' reports on the consolidated financial statements as of December 31, 2017, presented on pages 270 to 308 and 64 to 263 and pages 309 to 313 and 264 to 269 of registration document No. D.18-0344 filed with the AMF on April 18, 2018;
- the consolidated financial statements and management report of the group for the fiscal year ended December 31, 2016 and the statutory auditors' reports on the consolidated financial statements as of December 31, 2016, presented on pages 219 to 257 and 74 to 217 and on pages 258 to 259 and 218 of registration document No. D.17-0398 filed with the AMF on April 19, 2017.

The chapters of Reference Document No. D.18-0344 and D.17-0398 not referred to above are either irrelevant to the investor or covered elsewhere in this registration document.

6.5 GLOSSARY

This glossary lists some of the technical terms and abbreviations in this document. The list is not comprehensive.

A

ABCP Asset-Backed Commercial Paper Money market security whose payments are derived from cash flows from a pool of underlying assets.

ABCP conduits: off-balance sheet securitization vehicles used to finance a variety of bank assets through commercial paper with maturities of less than one year.

ABS Asset-Backed Securities Securities representing a pool of financial assets, excluding mortgage loans, whose cash flows are derived from the underlying asset or pool of assets.

ACPR *Autorité de contrôle prudentiel et de résolution* French Prudential Supervisory and Resolution Authority for the banking and insurance sectors.

Add-on** Additional requirement.

AERAS Agreement*** AERAS is an acronym for *s'assurer et emprunter avec un risque aggravé de santé* which translates into English as "Insure and Borrow with an Aggravated Health Risk". It was signed in July 2006 and replaced the Belorgey agreement, signed in September 2001, between the government, banks, insurance companies, and consumer and patient associations to facilitate access to insurance and credit for people with an increased health risk.

AFS Available for Sale

AGIRC *Association générale des institutions de retraite des cadres* (pension plan for executives).

A-IRB Advanced Internal Rating-Based Approach Institutions provide internal estimates for all parameters. This approach requires historical data with a large enough statistical base to calculate the value of the parameters.

ALM Asset and Liability Management Set of management techniques and tools to measure, control and analyze the overall on- and off-balance sheet financial risks (mainly liquidity risk and interest rate risk).

AM Asset Management

AMA Advanced Method Approach. Optional approach requiring individual authorization by the regulator. The institution's request must be submitted as a formal application for authorization. In the absence of authorization to use the advanced approach, regulated institutions apply the standardized or even basic indicator approach. The latter may therefore be considered the standard procedure applicable by default.

AMAFI *Association française des marchés financiers* French association of financial market professionals in France. AMAFI's members are mostly investment firms, credit institutions and market infrastructure operators.

AMF *Autorité des marchés financiers* (the French Financial Markets Authority).

AML-CTF Anti-money laundering and counter-terrorist financing.

ANI Accord national interprofessionnel (national interprofessional agreement) January 11, 2013 agreement: this agreement amended the social rights of employees and employers, with advances on employee rights, such as universal access to a group insurance plan, and imposes stricter conditions for the use of precarious work (by taxing short fixed-term contracts). For the insurance business line, with respect to access to supplemental coverage of health-care costs: funding for this insurance plan is divided evenly between employees and employers. The agreements negotiated entered into force at the affected companies no later than January 1, 2016.

AQR Asset Quality Review The EBA has recommended that national supervisors coordinate the bank asset quality reviews with the timetable for the European stress test exercise. The asset quality reviews will verify that assets have been classified and properly valued to remove any remaining doubts as to the quality of European banks' balance sheets. This work was completed prior to the stress test exercise.

Arbitration 1. On a market, a transaction involving the sale of a security, financial product or currency to buy a different one. For a life insurance policy, a transaction that involves transferring some or all of the savings from one vehicle to another. 2. Legal term for a form of alternative dispute settlement. The resolution of a dispute is referred to a third party, the arbitrator, who is selected by the parties and whose decision is binding thereon (as opposed to mediation).

ARC *Atténuation du Risque de Crédit* (Credit Risk Mitigation). See CRM.

ARRCO *Association pour le régime de retraite complémentaire des salaries* (supplemental pension plan for employees)

AT1 Additional Tier 1 Perpetual debt instruments, with no incentive or obligation to redeem (in particular step-ups in interest rates). AT1 instruments are subject to a loss absorption mechanism which is triggered when the CET1 ratio is below a minimum threshold of 6.375%. The instruments can be converted into shares or reduced in nominal value. Total payment flexibility is required: automatic payments are prohibited and coupon payments may be canceled at the issuer's discretion.

B

Back office Department responsible for the administrative and accounting functions required to make transactions.

Bail-in For the purpose of considering systemic risk, a bail-in involves converting subordinated debt into equity to absorb the institution's losses. It allows the authorities to force banks to recapitalize with private capital and not with public funds.

Banking book** Banking book. All assets and off-balance sheet items not in the trading book.

Bank savings products Off-balance sheet savings outstandings held by our customers or held in custody (securities accounts, UCITS, etc.) – management data (group entities).

Basel 1 (the Basel Accords) Prudential framework established in 1988 by the Basel Committee to ensure the solvency and stability of the international banking system by setting an international standard minimum limit on the amount of equity of banks. It introduces a minimum ratio of capital to total risks borne by the bank of 8%.

Basel 2 (the Basel Accords) Prudential framework for better assessment and limitation of the risks borne by credit institutions. It has three complementary and interdependent pillars:

- Pillar 1, core minimum capital requirements: addresses the minimum capital required for credit, market and operational risk;
- Pillar 2 institutes the principle of a supervisory review process;
- Pillar 3 is focused on market discipline. It sought to improve banks' financial transparency by requiring that they disclose the information third parties would need to understand their capital adequacy.

Basel 3 (the Basel Accords) In 2009, the Basel Committee announced several series of measures to reinforce financial regulation and supervision. New rules were published to reinforce Basel 2 on prudential coverage of market risks and securitization transactions, risk management under Pillar 2, transparency under Pillar 3.

Basel Committee Forum where banking supervision topics are regularly (four times a year) discussed. It meets at the Bank for International Settlements in Basel.

BCBS 239 Basel Committee on Banking Supervision In January 2013, the Basel Committee issued its "principles for effective risk data aggregation and risk reporting" to enhance banks' ability to aggregate their risk data. These principles cover systemic banks (G-SIBs). The directive consists of 14 principles including 11 for banking institutions (governance and infrastructure, risk data aggregation capabilities and risk reporting practices) and 3 for regulators (supervisory review, tools and cooperation).

BCE ***Banque centrale européenne***.

Book Portfolio.

Bond (security)* A portion of a loan issued by an issuer, i.e., a company, public-sector entity or national government. An investor in a bond becomes the lender and therefore the issuer's creditor. In exchange for this loan, the investor generally receives interest paid periodically (the coupon). The capital (nominal amount) is in theory repaid at maturity. Reselling a bond before maturity may result in a gain or a loss.

Bps Basis points

Branch** A branch is a place of business that has no legal personality, is established in a Member State other than that in which the registered office is located, and through which a credit institution, investment firm, payment institution or electronic money institution provides a banking or payment service or issues and manages electronic money through a permanent presence in that Member State.

Broker Stock market intermediary who buys and sells on behalf of his or her clients.

C

CAD Capital Adequacy Directive (minimum equity requirements) European Directive dated March 15, 1993 imposing capital requirements of investment firms and credit institutions. This directive formed part of the liberalization of European financial services.

Capital buffers Additional capital requirements in the banking sector under CRD 4. These four buffers aim to take into account stages of the economic cycle and macroeconomic or systemic risk. They are all made up entirely of instruments eligible as CET1. They are: 1) the capital conservation buffer, which applies to all banks and is mandatorily set at 2.5% of risk-weighted assets; 2) the countercyclical capital buffer, established in the event of excessive credit growth (in particular deviations of the credit/net banking income ratio); 3) the buffer for systemically important institutions, which aims to reduce the risk that big banks will fail by strengthening their capital requirements; and 4) the systemic risk buffer, which aims to limit long-term, non-cyclical macroprudential or systemic risks.

Cash Flow Hedge Hedge of the exposure to variability in the cash flows of a recognized asset or liability or of a highly probable forecast transaction and that could affect profit or loss.

CCF Credit Conversion Factor This is the ratio between (i) the unused amount of a commitment that could be drawn and at risk at the time of a default and (ii) the amount of the commitment not yet used. Under the standardized approach, the regulator determines this factor. Under the internal ratings-based (IRB) approach, the CCF is calculated by the bank based on a review of its own customers' behavior.

CDD ***Contrat de travail à durée déterminée*** (fixed-term contract).

CDI ***Contrat de travail à durée indéterminée*** (permanent contract).

CDS Credit Default Swap** Contract in which an institution that would like to protect against the risk of non-payment of a loan it holds makes regular payments to a third party in exchange for which it receives a predetermined amount should the default in fact occur.

CET1 Common Equity Tier 1 A component of Tier 1 capital consisting of share capital instruments and the associated share premiums, reserves, retained earnings and the general banking risks reserve. Total flexibility of the payments is required and the instruments must be perpetual.

CET1 Ratio See CET1.

CGU Cash-Generating Unit The smallest group of identifiable assets whose cash flow is largely independent of the cash flows generated by other assets or groups of assets, in accordance with IAS 36.

CHF Swiss franc.

CHSCT Committee on health, safety and working conditions.

CIU* Collective investment undertaking Investment fund which pools the savings of a large number of investors in order to invest in marketable securities (shares, bonds, etc.) or in real estate (for OPCIs). These savings are invested by professionals (management companies) in a diversified manner in accordance with a stated strategy: investments in French, international or other equities, or in euro-denominated or foreign currency-denominated bonds, diversified investments in equities and bonds, etc. Fees are charged every year ("ongoing fees") for this professional management service. CIUs are subject to authorization by the AMF or another European authority.

CLO Collateralized Loan Obligations Securitization of loans of different sizes structured in multiple tranches.

CMBS Commercial Mortgage-Backed Securities Result from the securitization of commercial mortgages commonly issued on the US capital markets. It is a Mortgage-Backed Security (MBS) backed by commercial real estate assets.

CNIL National Commission on Informatics and Liberty (*Commission nationale de l'informatique et des libertés*) Instituted by the law dated January 6, 1978, the French Data Protection Act. This is an independent administrative authority whose primary mission is to protect privacy and individual and public liberties.

Cost/income ratio Ratio calculated using consolidated income statement items: ratio of general operating expenses (sum of the "General operating expenses" and "Movements in depreciation, amortization and provisions for property and equipment and intangible assets" lines on the consolidated income statement) to "IFRS net banking income."

Collateral A transferable asset or guarantee provided as a pledge to repay a loan if the beneficiary of the loan is unable to meet its payment obligations.

Clearing A mechanism that enables banks and financial institutions that are clearing house members to carry out transactions. A transaction always has a debtor and a creditor. Clearing reflects the book entry in the accounts that gives effect to the transaction. The credit to the creditor's account is said to "clear" the debit from the debtor's account.

Contingency and Disaster Recovery Plan The set of measures designed to ensure, in a variety of crisis scenarios including severe disruptions, the continuity, if necessary on a temporary or impaired basis, of essential or important services or other administrative tasks of a regulated company and the planned resumption of its activities, and to limit its losses. (Order of November 3, 2014 on internal control of banking sector, payment service and investment service companies subject to ACPR supervision).

COREP Common solvency ratio reporting Joint decision by all European banking supervisors on the European capital adequacy ratio (CAD3 = Capital Adequacy Directive [3]), which transposes the Basel II Accords into European law. The aim was, in particular, to reduce the administrative burden on institutions operating in several European markets and to facilitate cooperation among the supervisory authorities. The harmonization of the financial (FINREP) and prudential (COREP) reporting, framework was approved by the CEBS. It is part of the necessary convergence of regulatory reporting, arising from implementation of new IFRS and the Basel II reform.

Cost of known risks Net provisions on impaired assets (non-performing loans). "Impaired assets (S3)" line of the "Cost of risks" note attached to the consolidated financial statements.

Cost of unknown risks Introduced by IFRS 9, which imposes a new impairment model based on the principle of provisioning all or part of the expected losses, meaning a statistical provisioning when the loan is granted. Lines "12-month expected losses (S1)" + "expected losses at termination (S2)" of the "Cost of risks" note attached to the consolidated financial statements.

Country risk/Sovereign risk Sovereign risk concerns only commitments made with regard to a state or any entity related or equivalent to the state. It differs from country risk, which encompasses the risk exposure associated with any type of private and/or public counterparty in a single country.

Covered bonds Simple securitization instruments. These secure bonds are comparable to traditional bonds. They differ in that they offer protection in the event of the bond issuer's insolvency: covered bonds are backed by a pool of assets, allowing payments to be made to bondholders. Covered bonds are usually backed by mortgages or public sector (local government) debt.

CRBF Banking and Financial Regulatory Committee (*Comité de réglementation bancaire et financière*) This committee's mission is to specify, "within the scope of the guidelines defined by the government and subject to the powers of the *Comité de la réglementation comptable* [French accounting regulation committee], the general requirements applicable to credit institutions and investment firms."

Credit and counterparty risk Risk of loss due to the default of a customer or counterparty. RWAs and capital requirements concerning the Credit and Counterparty Risk include the amounts related to the hedging of CVAs inherent to over-the-counter derivatives other than credit derivatives recognized as reducing RWAs for credit risk, as well as RWAs and capital requirements pertaining to contributions to the default fund of a central counterparty.

Credit default swap (CDS) See CDS.

CRD Capital Requirement Directive European Directive on regulatory capital.

CRD 4 European directive that transposes the proposals of the Basel III Accords, which define the rules for bank capital. More specifically, it provides a harmonized definition of capital, proposes rules on liquidity, and seeks to address pro-cyclicality.

CRM Credit Risk Mitigation Mitigation or credit risk by taking into account real securities, personal sureties and credit derivatives, or clearing or novation mechanisms.

CRR (under Pillar 3) Capital Requirement Regulation European Capital Requirements Regulation (like CRD 4), which aims to stabilize and strengthen the banking system by forcing banks to set aside more capital, including high-quality capital, to mitigate the effects of crises.

CSR Corporate Social Responsibility The concept of CSR as a whole ("overall responsibility") means all the economic, social, societal, environmental and governance commitments made by a public or private organization, in the most concerted and open way possible, to implement an integrated sustainable performance strategy that is relevant and has a motivating impact on its shareholders, members, customers and employees and on the regions in which it operates.

Currency risk Risk to which the bank is exposed when it holds an asset or liability in a foreign currency, due to exchange rate fluctuations.

Customer funds invested in group savings products Sum of bank deposits, insurance savings products and bank savings products.

CVA Credit Valuation Adjustment Accounting adjustment, introduced by IAS 39, to the fair value measurement of OTC derivatives (interest-rate swaps whether or not they are collateralized, etc.). The adjustment involves incorporating a discount equal to the market value of the counterparty default risk into the valuation of products. Technically, this means measuring the difference between the risk-free value of an OTC trading book in the absence of default risk and its value taking into account potential counterparty default. The CVA is reflected in the accounts with a provision to protect against statistically expected losses. Over time, these provisions change along with the exposures (new contracts, expired contracts) and the credit quality of the counterparties. In prudential terms, CRD 4 introduced a capital requirement for the CVA in January 2014. This requirement is intended to cover unexpected losses resulting from significant changes in the CVA related to sharp and rapid deteriorations in the credit quality of the counterparties (significant increases in credit spreads). These scenarios are not absorbed in the calculation of the above-referenced CVA provision.

D

Delegated Act Format Procedure that allows the European parliament to delegate to the European Commission the power to adopt non-legislative acts of general application to supplement or amend certain non-essential elements of a legislative act.

Deposits The "Amounts due to customers" line on the liabilities side of the consolidated balance sheet.

Derivatives Financial instruments whose value depends on an underlying commodity or marketable security, such as oil or grain prices, for example, or interest rates and monetary developments. They may be used in different ways, including as insurance against certain risks or for investment or speculative purposes.

Desk Each desk on a trading floor specializes in a particular product or market segment.

Downgrade/Upgrade Rating downgrade: lowering the rating – Rating upgrade: improving the rating.

DTA Deferred Tax Asset. This arises from timing or temporary differences between accounting charges and tax charges.

DVA Debt Valuation Adjustment Accounting adjustment in the form of a provision, introduced in January 2013 by IFRS 13, for the fair value measurement of OTC derivatives. It matches the CVA provision in that it is an adjustment which aims to reflect the bank's own credit risk that it inflicts on its counterparty. The amount of the DVA, an adjustment to one of the bank's financial liabilities, corresponds overall to the CVA recognized as an asset by the counterparty with which the derivative contract has been made. The methods for calculating the DVA provision mirror those used to determine the CVA provision and therefore depend on the bank's own credit factors, i.e., its probability of default, market spread, recovery rate in the event of default, etc. Unlike the CVA, the risk reflected by the DVA is not subject to capital requirements.

6

E

EAD Exposure At Default Likely amount of exposure at risk at the time of default. This concerns the institution's on and off-balance sheet exposures in the event of counterparty default. Off-balance sheet exposures are converted to a balance sheet equivalent using internal or regulatory conversion factors.

EBA European Banking Authority European supervisory authority that replaced the Committee of European Banking Supervisors (CEBS). Its purpose is to promote harmonized and more reliable European standards. It has more powers than the CEBS as it can override national supervisors in an emergency. In addition to the new stress tests, the EBA must ensure application of new international solvency and liquidity standards.

EFP Capital requirement. Its amount is obtained by applying a rate of 8% to the weighted risks (or RWAs).

EHQLA Extremely High Quality Liquid Assets (level1)

EL Expected Loss Loss expected in the event of default. It is determined by multiplying exposure at default (EAD) by probability of default (PD) and by loss given default (LGD).

EMTN Debt security generally maturing in 5 to 10 years. These securities may have very different characteristics depending on the issuance programs, including more or less complex arrangements in terms of remuneration or guaranteed capital.

Eonia Euro OverNight Index Average The daily benchmark rate for unsecured (i.e., not backed by securities) interbank deposits made overnight in the eurozone.

ESR European Solvency Ratio.

ESMA (European Securities Market Authority)* The ESMA groups regulators of the financial markets of the member States of the European Union. This authority helps create standards and common practices on regulation and supervision.

ETF* Exchange Traded Funds that reproduce the changes in an index. When investors buy an ETF, they are exposed to rises and falls in the securities that make up the index in question without having to buy them. An ETF can be bought or sold on the exchange throughout the trading day just like "traditional" shares. ETFs are subject to approval by the AMF or another European authority.

ETI ***Entreprise de taille intermédiaire*** (medium-sized businesses).

EU European Union

EUR Euro.

Euribor Euro Interbank Offered Rate Benchmark rate for the money market in the eurozone. Euro area monetary market reference rate.

Expected loss See EL.

F

Fair value Market value. Price at which an asset can be sold if there is an open and active market for trading the asset.

Fair Value Hedge Hedge of exposure to changes in the fair value of a financial instrument that is attributable to a particular risk and could affect profit or loss.

FATCA Foreign Account Tax Compliance Act Law passed on the tax compliance of foreign accounts, that took effect in July 2014.

FATF Financial Action Task Force Intergovernmental body created in 1989 by the ministers of its member states. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

FBF ***Fédération bancaire française*** (French banking federation). Trade organization of all banks in France.

FCPE ***Fonds commun de placement entreprise*** (Company employee investment fund).

FCPI ***Fonds d'investissement de proximité dans l'innovation*** (Local innovation investment fund). UCITS with significant tax advantages acquired provided the shares are retained for a minimum of 5 years.

FCPR ***Fonds commun de placement à risqué*** (venture capital fund).

FED Federal Reserve System US central bank.

Financial Stability Board (FSB) A body of 26 financial authorities, several international organizations and bodies that develop financial stability standards. It facilitates cooperation in the supervision and oversight of financial institutions.

FIP ***Fonds d'investissement de proximité*** (Local Investment Fund) Fund whose asset is made up of at least 70% of unlisted French SMEs from 4 neighboring regions and created less than 7 years ago.

FRA Forward Rate Agreement Future interest rate agreements.

Front office Traders on the trading floor who handle market, foreign currency and interest rate transactions.

FSB Voir Financial Stability Board.

FTE Full-time equivalent.

FVA Funding Value Adjustment Adjustment to the price of a financial product that accounts for funding costs. It concerns, in particular, trades in derivatives on the OTC market that are not hedged or imperfectly hedged and represents the Net Present Value (NPV) of the additional funding cost to hedge these trades. FVAs are reflected in the accounts with a provision. Unlike the CVA, the risk reflected by the FVA is not subject to capital requirements.

G

GAAP Generally Accepted Accounting Principles** Accounting standards in force in the United States, defined by the Financial Accounting Standards Board.

General operating expenses The sum of "Employee expenses" (note 30 to the consolidated financial statements), "Other administrative expenses" (note 30c) and "Movements in depreciation, amortization and provisions for property and equipment and intangible assets" (note 30a).

The terms "general operating expenses" and "operating expenses" are used interchangeably throughout the document.

GBP British pound

GDP Gross Domestic Product.

GME ***Grandes et moyennes entreprises*** (Large- and medium-sized businesses).

Gross exposure Exposure before accounting for provisions, adjustments and risk mitigation techniques.

G-SIFIS Global Systemically Important Financial Institutions The 28 global systemically important banks; the list is updated every year.

H

Hedge funds (or arbitrage funds) Investment fund whose management objective is set in terms of absolute return. It seeks to obtain the maximum return on invested capital by using hedging, arbitrage and leverage techniques.

HQLA High Quality Liquid Assets (level 2) Assets of high and extremely high liquidity and credit quality.

Hybrid (security) Security that combines the characteristics of equity and debt (convertible bonds, equity notes, etc.).

Hybrid instruments Financial products that combine the characteristics of several types of marketable securities. They are between the pure debt and the capital of a company. The funding represented by these hybrid securities is often called quasi-equity. For example, a convertible bond is a hybrid security, since the debt security that the convertible bond represents may be converted into an equity security.

I

IARD ***Incendie, accidents et risques divers.*** (property and casualty insurance)

IAS International Accounting Standards.

Iboxx Index made up of bonds with a range of maturities.

ICAAP **Internal Capital Adequacy Assesment Process** Regulatory procedure for assessing whether banks have sufficient capital to cover all the risks to which they are exposed. The ICAAP must describe the procedures for calculating and stress-testing the institution's various risks. The supervisor approves the institution's ICAAP once a year.

IDD Insurance Distribution Directive.

IFRS See IFRS standards

IFRS standards **International Financial Reporting Standards** International standards for preparing financial statements established by the International Accounting Standard Board (IAS). These standards apply to all states that wish to adopt them. Unlike CNC (*Conseil national de la comptabilité*), French national accounting board) standards, which favor measurement of transactions at historical cost (acquisition cost), IFRS favor measurement of transactions at market value ("fair value").

IGRS ***Institution de gestion de retraite supplémentaire*** (French supplementary pension management institution).

ILAAP **Internal Liquidity Adequacy Assessment Process** Regulatory procedure for evaluating whether an institution's position is sufficient to cover liquidity risk through measures that the institution implements to control and mitigate such risk.

Impairment Accounting recognition of a probable loss on an asset.

Incremental Risk Charge (IRC) The Basel Committee sought to strengthen its framework by proposing that a standard be adopted to supplement the existing framework, with an "incremental" charge intended to cover the risks of default and of credit rating migration. The so-defined Incremental Risk Charge covers issuer risks (the issuer of a credit instrument, an underlying of a derivative, or a securitization vehicle) and not counterparty risk for market transactions that have in any case already been recognized.

Investment grade Long-term rating assigned by an external agency ranging from AAA/Aaa to BBB-/Baa3 for a counterparty or an underlying issue. A rating of BB+/Ba1 or below signifies a Non-Investment Grade instrument.

Interest margin Difference between interest income and interest expense:

- interest income = the "Interest income" line on the publishable consolidated income statement,
- interest expense = the "Interest expense" line on the publishable consolidated income statement.

Interest rate cap*** Ceiling rate or rate limit. Maximum upward change in the interest rate applicable to a loan if the contract so provides. This cap on the change in the interest rate is either set at a given value (e.g., 5.20%) or determined through a formula such as benchmark or index rate + fixed portion (e.g., initial rate +2%). The conditions for this cap (index, level, period, and terms and conditions) are defined in the contract and may also include a floor that limits a downward change in the rate. Combining an interest rate cap and floor creates an interest rate collar.

Interest rate floor Interest rate floor.

Interest rate risk Defined as the exposure of a bank's earnings to fluctuations in interest rates. As the value of an institution is directly related to its earnings, changes in interest rates also mean changes in its asset value with an impact on the balance of on- and off-balance sheet items.

Intermediation risk Risk to investment services providers that provide performance guarantees for transactions in financial instruments.

Insurance savings product Life insurance outstandings held by our customers - management data (insurance company).

IRB **Internal Rating-Based** Regulations have established a standard rating system but each institution may develop its own internal rating system. The system must allow for a rigorous and honest assessment of the characteristics of the debtors, for differentiation and for a relevant quantification of the related risks.

IRBF **Internal Rating Based Foundation** Institutions provide internal estimates of Probabilities of Default (PDs). The other parameters are still specified by the regulators.

Itraxx Credit derivatives market. It consists of the most liquid names in the European and Asian markets.

J

K

KRI **Key Risk Indicators** Measures indicating operational risks. Key elements for modeling the internal approaches (AMA – Advanced Measurement Approach) implemented by the banks. They are identified through risk mappings conducted in advance. The indicators must be data that are objective, quantifiable and continuously monitored. Each indicator has a threshold above which systematic actions are triggered. The indicators must be reviewed periodically as their relevance depends on the effectiveness of the risk control measures put in place.

L

L&R **Loans and Receivables**

LBO **Leveraged Buyout**

LCR **Liquidity Coverage Ratio** See LCR ratio.

LCR Ratio **(Liquidity Coverage Ratio)** Short-term, 30-day ratio that requires banks to continuously hold enough high-quality liquid assets to bear an acute crisis for 30 days. This monthly ratio is one of the provisions of Basel III.

LE Large entities

Leverage/Leveraged financing Debt financing.

Leverage ratio (LR) See leverage ratio.

Leverage ratio This is the ratio of regulatory Tier 1 capital to accounting on- and off-balance sheet items, after certain items are restated.

LGD **Loss Given Default** Ratio of loss in the event of default expressed as a percentage of EAD.

Libor London Interbank Offered Rate *** 22:34:16 PMLondon interbank rate

Liquidity The ability to cover short-term maturities. A market or security is liquid when transactions (buy/sell) can be carried out seamlessly, without sharp price fluctuations, due to high trading volumes. A "liquid" market is therefore a market in which it is easy to sell at a price close to the quoted price.

Liquidity buffer Buffer required to meet cash outflows assuming the markets are closed and there is no access to any liquidity.

Liquidity risk an institution's ability to secure the funds needed to finance its commitments at a reasonable price at any time. A credit institution may therefore find itself:

- At risk of not being able to honor its commitments due to a scarcity of financial resources.
- Risk of paying significantly more expensive refinancing.

Assets are less liquid than liabilities: if the credit institution is not sufficiently liquid, it may have to sell assets at a loss. (See liquidity)

Loan/deposits ratio Ratio expressed as a percentage of total lending to customers ("Loans and receivables due from customers" line on the assets side of the consolidated balance sheet) to customer deposits ("Amounts due to customers" line on the liabilities side of the consolidated balance sheet).

Loss Given Default See LGD.

Loss rate See LGD.

LTRO **Long Term Refinancing Operation** Refinancing operations the ECB offers to eurozone banks.

6

M

€M Millions of euros.

€B Billions of euros.

Market risk Risk related to the capital markets and to market volatility (interest rate, foreign currency, liquidity, counterparty). Risk of loss on an instrument due to adverse movements in market prices, for the minimum period needed to liquidate the position (1 day, 1 month, etc.).

Mark-to-market Method that values an asset at its market value, as opposed to the "historical cost" valuation, in which the asset remains valued at its price on the date of purchase, even if its market value has changed in the interim.

Mark-to-model Valuation of a financial instrument at fair value based on a financial model, in the absence of a market price.

M&A Mergers and acquisitions

Mezzanine Form of financing that falls between equity and debt. In terms of rank, mezzanine debt is subordinate to "senior" debt but is senior to shares.

Micro-hedging Hedging of the interest-rate, foreign-exchange or credit risks of an asset portfolio on an asset-by-asset basis.

Mid-cap Medium-sized market capitalization.

MIF I/MIF II/MIFID II/MIFIR The European Markets in Financial Instruments Directive, which entered into force on November 1, 2007, amends the conditions under which investors make their financial investments. It makes it easier for banks and other investment firms to offer their investment services in the 27 EU countries. Customers benefit from appropriate protective mechanisms and can take advantage of the new conditions of the offer. MiFID has been supplemented by MiFID II in order to address the weaknesses identified during the 2008 financial crisis and take into account the performance of the financial markets. The new regulatory framework was adopted in May 2014 and published in the Official Journal of the European Union on June 12, 2014 with the aim of improving the safety, transparency and functioning of the financial markets and strengthening investor protection.

Monte Carlo Method Simulation technique that uses repeated experiments in order to conduct assessments.

MREL Minimum Requirement Eligible Liabilities Minimum level of debts eligible for "bail-in", in a credit institution. About 8% of liabilities according to the "Bank Recovery and Resolution Directive", but which the national resolution authority will set on a case-by-case basis.

MRTs Material Risk Takers European Delegated Regulation no. 604/2014.

N

NACE Code Classification of economic activities according to NACE nomenclature (*Nomenclature statistique des Activités économiques dans la Communauté Européenne,* statistical classification of economic activities in the European Community).

NBI Net Banking Income.

Negotiable debt securities Fixed-term investments maturing in between 1 day and 7 years. As the minimum unit amount of an investment is relatively high (€150,000), money market securities are rarely subscribed by retail investors but rather by large investors and UCITS. The negotiable debt security category includes: - Certificates of deposit (CDs) - Medium term notes (MTNs) - Commercial paper (CP) - Notes issued by specialized financial institutions.

Net customer loans The "Loans and receivables due from customers" line on the assets side of the consolidated balance sheet.

Net interest income See interest margin.

Net interest income See interest margin.

Netting Netting systems are used to reduce the number of interbank settlements, the risks incurred on counterparties and the liquidity needs of participants.

New lending Amounts of new funds made available to customers – source: management data, sum of individual data for entities in the "Retail banking - Banking network" segment.

NII Net interest income.

Non-performing loans ratio Ratio of non-performing loans (see the "Individually impaired receivables" line of the consolidated financial statements) to gross loan outstandings at the end of the period (see the "Loans and receivables due from customers excluding individual and collective provisions" line of the consolidated financial statements).

Non-performing receivables rate See non-performing loan ratio.

NRE ***Loi sur les Nouvelles réglementations économiques*** (The French New Economic Regulations Law).

NSFR See NSFR ratio.

NSFR Ratio (Net Stable Funding Ratio) One-year ratio of available stable funding relative to required stable funding. Sources of funding must cover applications of funding at a ratio of 100% over a one-year horizon. Amounts to be funded are weighted by their liquidity and sources of funding by their stability. This quarterly ratio is one of the provisions of Basel III.

O

OATs Obligations assimilables du trésor *** (Fungible treasury bonds). Government bonds issued by Agence France Trésor (French Treasury) These listed bonds are called "fungible" because each new series (tranche) issued is linked to an already existing series with the same characteristics: interest rate, nominal value, maturity, repayment terms.

OCI Other Comprehensive Income This corresponds to revenues, expenses, gains and losses and other similar items that contributed to an increase or decrease in equity but which are excluded from the income statement. It includes, among others, unrealized gains and losses on short-term investment securities recognized at fair value and unrealized foreign currency gains or losses.

OEEC ***Organisme externe d'évaluation du crédit*** (External credit rating agency) An external credit assessment institution registered or certified in accordance with European regulations or a central bank that assigns credit ratings.

Operational risks Direct or indirect losses resulting from inadequate or failed internal processes, people and systems. This definition from the regulator of the Basel II Committee includes human error, fraudulent and malicious acts, failures of information systems, problems related to personnel management, commercial disputes, accidents, fires and floods.

Option* Financial instrument that gives investors the future right to buy (call) or sell (put), a financial asset (share, bond, currency, etc.) at a predetermined price.

Options (types of) 1. Binary options: Two possible options at maturity (payment of a predetermined amount or nothing). 2. Barrier options: options that may be created or canceled if the underlying asset exceeds or falls below a barrier (pre-determined price). 3. Asian options: generally, a contract entitling the holder to use the average price of an underlying as a reference while having a set strike price. 4. Lookback options: a purchase made based on a strike price corresponding to the minimum (maximum) price during the life of the option for a call (put).

OSTs ***Opérations sur titres*** (security trades).

OTC Over-The-counter An off-exchange market where buyers and sellers enter into transactions directly. This contrasts with an organized (on-exchange) market where transactions are carried out with the exchange. Transactions on an OTC market are often less standardized or take place within a more flexible regulatory framework.

Overall non-performing loan coverage ratio Ratio between the impairments recognized as risk (S1/S2/S3) and the gross non-performing loans (See Note 8c of the consolidated financial statements: "Impairment of performing loans and other impairment / Gross values subject to individual impairment (gross loans and finance lease)").

P

PACTE ***Plan d'action pour la croissance et la transformation des entreprises*** (Action Plan for Business Growth and Transformation). French bill that aims to empower French businesses to grow and rethink their place in society.

PD **Probability of Default** expressed as a % over a one-year horizon and calculated by the bank based on its observation of default rates over a long-term period. PD is calculated by type of borrower and type of loan.

Personal security Guarantee that pledges the personal assets of the person who has agreed to settle the debtor's debt if the debtor defaults (e.g., a security deposit).

Private Equity

Probability of Default See PD.

Public exchange offering* Transaction in which an entity publicly announces to shareholders of a listed company (the target company) that it has agreed to acquire their securities. The entity offers to acquire the securities in exchange for existing securities or securities to be issued in the future.

R

Rating Assessment by a financial rating agency (Moody's, Fitch Ratings, Standard & Poor's), the financial solvency risk of a national government or another public authority or of a given transaction: bond issue, securitization, etc. The rating has a direct impact on the cost of raising capital.

Rating agency Company that assesses the financial solvency risk of a company, bank, national government, local government (municipality (*commune*), department (*département*), region (*région*) or financial transaction. Their role is to measure the risk that the debt issued by the borrower will not be repaid.

Recovery Rate Recovery rate.

Representative office*** Office established by a bank in a foreign country where activity is limited to representation and information. This office may not carry out banking transactions.

Resecuritization Securitization that has underlying securitization positions, typically in order to repackage medium-risk securitization exposures as new debt securities.

Retail Retail banking.

Return on equity Net income attributable to the group as a percentage of opening shareholders' equity less dividends paid.

Risk weight Weighting of exposures that is applied to a specific exposure to determine the corresponding risk-weighted assets.

Risk Weighted Assets – RWA** Risk Weighted Assets (RWAs) are based on banks' exposures and their associated risk levels, which depend on counterparties' creditworthiness, measured using the methods provided for in the Basel III framework. See RWA.

RMBS **Residential Mortgage-Backed Securities**

RoE **Return on Equity** Ratio corresponding to the net profit on equity.

RTT ***Réduction du temps de travail*** (Reduction in working hours).

RW **Risk Weight** Weighted rate.

RWA **Risk Weighted Assets**

S

S1/S2/S3

- **S1** **Status 1** - non-downgraded performing loans: provisioning on the basis of 12-month expected credit losses (resulting from default risks over the following 12 months) as from initial recognition of the financial assets, provided that the credit risk has not increased significantly since initial recognition,
- **S2** **Status 2** - downgraded performing loans: provisioning on the basis of the lifetime expected credit losses (resulting from default risks over the entire remaining life of the instrument) if the credit risk has increased significantly since initial recognition, and
- **S3** **Status 3** - non-performing loans: category comprising the financial assets for which there is objective evidence of impairment related to an event that has occurred since the loan was granted. This category is equivalent to the scope of outstandings currently impaired individually under IAS 39.

S&P Standard & Poor's.

SA (Standard) Standard approach of measuring credit risks as defined by the European regulations.

Samurai format/Samurai program Legal program for issuing JPY-denominated bonds. An issuer may use this type of program if it meets a number of requirements set out by the Japanese supervisory authorities.

SCPI ***Société civile de placement immobilier*** (real estate investment company).

Secondary market Market on which securities that have already been issued are traded, also known as the stock exchange.

Security interest in real property Guarantee that pledges specific property on which the creditor may collect payment if the debtor defaults. (e.g., pledge on movable property or mortgage on real estate property).

Securitization Financial technique where financial assets such as receivables (for example, open invoices or loans outstanding) are transferred to investors by converting these receivables, via a *Special Purpose Vehicle*, into financial securities issued on the capital market.

Senior (security) Security benefiting from specific guarantees and priority repayment.

SEPA **Single Euro Payment Area** European framework following the changeover to euro coins and banknotes. SEPA offers a single set of means of payment in euros shared by all European countries. These new European means of payment enable consumers, companies, retailers and governments to make payments under the same conditions throughout the European area, as easily as in their own country.

Settlement – delivery* System that organizes and ensures the delivery of securities that have been bought (on which the transfer of ownership depends), usually against payment, in accordance with the order that was placed.

Settlement risk Risk that develops between the placement of an order, the timeline for settlement and the final receipt of the funds.

SFH ***Société de financement de l'habitat*** Credit institutions authorized as financial companies by the ACPR. SFHs are subsidiaries of full-service banks and their sole purpose is to grant or finance home loans. To obtain financing, SFHs issue covered bonds called ***obligations de financement à l'habitat***, which are either backed by mortgages or guaranteed.

Share Represents a fraction of a company's capital. It is a title of ownership that grants a number of rights, including the right to share in the earnings generated by the company (dividends), attend general meetings and vote at such meetings. A share may be listed on the stock exchange but this is not always the case.

Short selling Technique used by investors who believe that the price of a marketable security will fall. They sell the security even though they do not yet own it, with the expectation that they will buy it later at a lower price to make a profit.

Small cap Small market capitalization.

SMEs Small and medium-sized enterprises.

Solvency risk Risk of not having sufficient capital to meet potential losses on loans, securities, etc. This risk may result from other risks.

Sponsor (in the context of securitizations)** Institution, separate from the originator, that establishes and manages an asset-backed commercial paper (ABCP) program, or any other transaction or securitization in which it buys third-party exposures.

SPPI test Solely Payment of Principal and Interest The SPPI test makes it possible to classify financial instruments differently depending on whether or not the cash flows are made up solely of payments of principal and interest.

Spread The difference between the yield on the bond and the yield on a risk-free bond with the same maturity; the benchmark for the latter can be either the government bond rate or the *swap* rate.

SRI Socially Responsible Investment The process asset management companies use to select the marketable securities that make up their portfolio by systematically taking into account the issuer's environmental, social and governance (ESG) practices, in addition to financial criteria. Ideally this management goes hand-in-hand with a dialog between management and an active exercise of the voting rights attached to the shares.

SRF Single Resolution Fund Fund designed to help failing banks refinance themselves during the resolution phase. This phase involves implementing the plan endorsed by the Single Resolution Board (SRB), during which the bank in question no longer has access to the interbank market. The fund is not intended to recapitalize bankrupt banks, but to assist in the proper execution of the resolution plan.

SREP Supervisory Review And Evaluation Process The SREP aims to ensure that entities have implemented adequate provisions, strategies, procedures and mechanisms and that they have sufficient capital and liquidity to ensure sound and prudent management of the risks they may face, in particular those identified by stress tests and systemic risks.

SRM Single Resolution Mechanism Mechanism which is designed to prevent bank crises, or in any event manage them more effectively, *through*: 1) the establishment of recovery and resolution plans by the banks; 2) early intervention powers, with the possibility of appointing a special administrator; 3) the contribution of shareholders and debtholders (Tier 1, Tier 2, and even senior) to bank bail-ins (a principle that will not, however, be implemented before 2018); and 4) harmonized resolution powers at the European level.

SSM Single Supervisory Mechanism Defined by Council Regulation EU 127(6) TFEU conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions. It is made up of the ECB and the competent national authorities of the participating Member States. Eurozone states are required to join. For the other Member States, it involves close cooperation on a voluntary basis.

Stress test Stress tests of earnings and capital seek to assess a company's ability to withstand various crisis scenarios and an economic downturn. Pillar II of Basel II requires that stress tests be conducted.

Stressed Value at Risk (SVaR) This metric adjusts for the VaR procyclicality by applying scenarios that have been calibrated to a period of stress, and not just to the continuous 12-month historical observation period, to portfolio positions at a given calculation date.

Structured product Product designed by a bank to meet its customers' needs, consisting of a complex combination of options, *swaps*, etc. based on unlisted parameters and using various financial engineering techniques, including securitization. Its price is often determined through mathematical measurements that model the product's performance as a function of time and various market developments.

Subordinated note Security whose repayment ranks lower in priority than other claims if the issuer defaults

Super-subordinated notes These notes have the following characteristics:

- perpetuity: the term of the notes must be unlimited, and early repayment may occur at the sole discretion of the issuer or may even be prohibited;
- subordination: in the event of liquidation, repayment of the notes is subordinated to repayment of all other borrowings;
- conditional payment of interest: provision should be made, under certain conditions such as non-payment of a dividend to company shareholders, for the payment of coupons at the sole discretion of the issuer or the regulator. This non-payment is mandatory if a payment is likely to jeopardize the company's compliance with its prudential requirements. Step-up clauses are prohibited.mechanism for interest revision in the event of losses: the notes must allow the issuer, in addition to the non-payment of interest, to absorb losses through a reduction in the nominal value of the notes, so it can continue to operate.

Supervisory Risk Assessment The European Central Bank has been implementing the Comprehensive Assessment since November 2013. This exercise has three phases: the (Supervisory Risk Assessment), the Asset Quality Review (AQR) and the stress test. The 1st phase covers the key risks in bank balance sheets, including liquidity, leverage and funding. It relies on a quantitative and qualitative analysis based on historical and forward-looking information to assess the bank's intrinsic risk profile, its position relative to its peers and its vulnerability to a number of exogenous factors.

Swap Contract that is equivalent to swapping only the value differential.

T

Tier 1 capital This consists of Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital.

Tier 2 capital Tier 2 capital consists of subordinated debt instruments with a minimum maturity of 5 years. Incentives for early redemption are prohibited.

Tier 1 Ratio The ratio of Tier 1 capital to total risk-weighted assets.

TLTRO Targeted Long Term Refinancing Operation Targeted Long Term Refinancing Operations are part of the ECB's monetary policy. TLTRO grant long-term loans to banks to encourage them to increase their lending (for TILTRO II) up to three times the net amount of the loans granted to non-financial private agents (excluding home mortages).

TMO ***Taux moyen obligataire*** (fixed-rate bond index).

TPE ***Très petites entreprises*** (very small businesses).

Tracfin ***Traitement du renseignement et action contre les circuits financiers clandestins*** (Unit for intelligence processing and action against illicit financial networks) – The anti-money laundering unit of the French Ministry of Finance.

Trading* Buy and sell transactions on various types of assets (equities, commodities, currencies, etc.) for the purpose of generating a gain. Trading is generally done by a trader who buys and sells financial income from the trading floor of a financial institution.

Treasury shares Shares of its own stock held by a company, under share buyback programs and otherwise. Treasury shares have no voting rights and are not included in the earnings per share calculation.

TUP ***Transmission universelle de patrimoine*** (transfer of assets and liabilities).

U

US144A format/US144A program 22:34:16 PMLegal program for issuing USD denominated bonds. An issuer may use this type of program if it meets a number of requirements set out by the US supervisory authorities

UCITS Undertakings for Collective Investment in Transferable Securities.

Underlying* Financial asset (share, bond, etc.) on which an investment is based. The change in the value of the underlying determines the change in the value of the investment.

Unit-linked (insurance) In a life-insurance policy, this is the type of investment in marketable securities selected by the policyholder.

Unit-linked policies Unit-linked life-insurance policies are policies in which savings are invested in a variety of financial vehicles. These may be: shares or units in investment companies or funds (shares in SICAVs, units in mutual funds or SCPIs, units or shares in OPCIs, etc.) Their main advantage is that they offer a wide range of investments, allowing a variety of investment strategies for investors seeking diversity and performance. Through arbitrage, policyholders can change the allocation of their investments to the different units of account based on their investor profile and objectives and on the financial markets' performance. This differs from non-unit-linked single-product policies, which offer just one investment vehicle guaranteed by the insurer but do not diversify the holder's savings.

US United States of America.

USD US dollar.

V

Value at Risk (VaR)** Maximum potential loss following an adverse change in market prices over a specified period of time and at a given level of probability (also called the confidence level). It is an aggregate and probabilistic measure of market risk.

Value exposed to risk See EAD.

Volatility * Degree of change in a security, fund, market or index over a given period. This degree gives an indication of the investment risk. The higher the degree of change, the greater the likelihood that the security, fund or index will undergo significant changes in the future.

6

Sources:
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