

### Executive Board's management report

## 2018: SLOWER GROWTH AMID POLITICAL AND GEOPOLITICAL TENSIONS

The exceptional rebound in growth experienced in 2017, due in particular to global trade, decelerated throughout 2018. The implementation of customs barriers on exports affected all geographical areas and, by creating a confidence shock, also reduced the level of investment. Moreover, in Europe, the intensification of political uncertainties (Italy, Brexit), which have not been dissipated, has worsened visibility for economic agents, while the sharp rise in oil prices has weighed on consumption. The decoupling in growth in the various regions therefore widened between the United States, on the one hand, where growth continued to accelerate, and the rest of the world, on the other hand, where it slowed. Despite these concerns, the central banks of developed countries continued to manifest their confidence by tightening their accommodating monetary policy (end of purchases of financial securities and/or increases in key interest rates).

### A year marked by the resurgence of political and geopolitical risks

Since the spring of 2018, Donald Trump's protectionist rhetoric has intensified. After imposing sanctions on steel and aluminum that hit almost all its partners, the U.S. president concentrated on China: a first round of tariffs on \$50 billion of Chinese goods imported into the United States (taxed at 25%) was followed by a second round of tariffs on \$200 billion of imported goods (taxed at 10%). Each of these measures led to an equivalent response by Beijing, raising fears of an unlimited escalation of protectionist reprisals between the two countries. At the end of 2018, a period of calm was negotiated between Donald Trump and Xi Jinping, with a 90-day truce starting on December 1 during which both countries agreed not to raise tariffs with the stated aim of reaching a lasting trade agreement. Pressure also remains strong on Europe and Japan due to the threat of possible U.S. trade sanctions on the automotive sector.

Europe also faces tough political issues with both Italy and the United Kingdom. On Brexit, the political situation got bogged down at the end of the year. London and Brussels reached an agreement on the terms of the UK's departure from the European Union, but Theresa May was unable to get it approved by the House of Commons. In Italy, it was not until mid-December that the Italian government returned to a more orthodox economic policy, in large part due to pressure from the financial markets. This lack of visibility contributed to weaker European growth by inhibiting investment decisions.

### Decoupling of global growth rates

In the eurozone, the economic upturn in 2017 gradually faded due to a global environment that became increasingly unfavorable. The contribution of foreign trade decreased significantly in 2018 after several exceptional quarters, due to the drop in foreign demand. In addition to this underlying trend, the slowdown in European growth intensified in the second half due to the impact of temporary external factors (changes in automobile regulations, social unrest in France) and persistent political tensions between the European Union and the United Kingdom and Italy. Consumers were also hurt by the sharp rise in gasoline prices. Under these circumstances, the pace of job creation certainly slowed, but nevertheless remained sufficiently strong to increase wage pressures due to a dwindling of available labor.

These reassuring factors for the inflation outlook led to an adjustment in the signals from the European Central Bank (ECB): it gradually reduced its purchases of financial assets – which ceased entirely on January 1, 2019 – while expressing confidence in the idea of an initial increase in key rates by the end of 2019.

In the United States, growth continued to accelerate throughout the year driven by the momentum in 2017, the impacts of the tax reform (voted in December 2017) felt by households and companies, and a massive increase in public spending. Although the trade war led by Donald Trump weighed on global activity, it did not have a strong impact on domestic growth, which benefited from increased consumption. As a result, the Fed continued to raise its key rates, taking advantage of the rise in inflation. This drove the dollar, U.S. sovereign rates and equity markets higher. These broad-based upward trends came to a halt during the second half of the year due to fears about the consequences of protectionism, higher inflation and the end of the growth cycle.

In emerging countries, capital outflows accelerated, jeopardizing financial balances – reflected, in particular, in a sharp depreciation of currencies – which forced central bankers to suddenly raise their key rates. Against this volatile backdrop, virtually all emerging economies slowed in the second half of 2018. In China, the clean-up of the financial system decided by the authorities in 2017 and the Sino-U.S. trade war contributed to the slowdown in activity. Given the magnitude of the drop in foreign demand, the Chinese government sought to revive domestic growth drivers through monetary easing, a tax reform for households and lower corporate levies, but the impact of these measures remains limited to date. In terms of commodities, in October 2018, the price of oil temporarily spiked to over \$80 a barrel before prices resumed a downward trend trajectory following Donald Trump's partial about-face on the issue of the oil embargo against Iran. This fall in prices in the last quarter was also fueled by concerns about the momentum of production growth and global overproduction.

### In France, the executive and growth were confronted by the "yellow vests" social movement

In 2018, the French government endeavored to pursue reforms in an increasingly unfavorable economic environment. Companies continued to invest, but households sharply reduced their consumer spending in the face of rising inflation. At the end of the year, the "yellow vests" movement had a strong negative impact on the rebound in activity that had begun in the third quarter. The government's announcements are expected to boost purchasing power in 2019 but could lead to a widening of the deficit, as anticipated by the upward trend in French interest rates. Lastly, real estate prices rose sharply throughout 2018, continuing the trend observed in 2017. Despite a stabilization in the number of existing housing units, the rise in prices was widespread throughout the country, although the acceleration was particularly marked in Paris.

## BANQUE EUROPÉENNE DU CRÉDIT MUTUEL

BECM is a reasonably sized bank that caters to businesses and real estate professionals. It conducts its business nationally and in Germany.

- It covers the following markets and areas of activity:
  - small, medium and large companies, with appropriate targeting based on the regions to ensure that its services complement those of the Crédit Mutuel Alliance Fédérale federations;
  - financing real estate development, developers, property sellers and real estate investors in France, primarily in the housing sector;
  - real estate companies that manage commercial and business rental properties in France and Germany;
  - payments processing for major players in the retail, transport and services sectors.

On December 31, 2018, the bank had a workforce of 399 persons, comprised of 211 women and 188 men. Eighteen percent of the workforce has been renewed over the last two years. BECM's ability to train its employees is illustrated by the fact that 40 employees have transferred to other Crédit Mutuel Alliance Fédérale entities over the past two years. The average age of employees is 44 years and 6 months.

- The commercial network comprises 53 branches and BECM Monaco, a subsidiary in which BECM holds a 99.99% stake.
  - By market, BECM has:
    - 36 branches in the corporate market in France and Germany; 15 branches in the real estate professionals market, including two new branches created in 2018: Méditerranée Marchands de biens and Anney Immobilier;
    - two specialized branches dedicated to niche markets in the retail sector.
  - By region, BECM's network consists of:
    - 44 branches in France; 8 branches in Germany; 1 branch in the West Indies.

BECM offers its customers advanced technical expertise in investment financing

and services to support their strategy. Its customer relationship managers ensure that customers benefit from all their expertise, as well as the skills of the teams at the various Crédit Mutuel Alliance Fédérale subsidiaries.

For large operators in the real estate market in France, as part of the Crédit Mutuel Alliance Fédérale organization, BECM focuses and synthesizes expertise upstream from the home financing activities carried out by the retail networks. It also contributes to the development of the Group's real estate subsidiaries. In the real estate market, it partners with developers and real estate companies.

BECM also works with large German companies, particularly those with operations in France, and with the German subsidiaries of French groups. It contributes its knowledge of local German markets and makes its know-how available to corporate customers. The teams based in Frankfurt, Düsseldorf, Stuttgart, Hamburg and Munich design personalized solutions tailored to the needs of German customers. The business of financing major real estate investors was added in 2016 to support French real estate companies that invest in German real estate assets, as well as German real estate companies and investors.

BECM distributes the products and services of Crédit Mutuel Alliance Fédérale subsidiaries in all areas related to the corporate and real estate markets.

On December 31, 2018, BECM had total customers of 20,271, of whom 16,779 were businesses and professionals, 1,907 were individuals (primarily in the West Indies) and 1,585 fell into other categories (real estate investment companies, non-profit organizations, etc.). Broken down geographically, 18,240 customers are based in France and 2,031 are based abroad.

## SALES RESULTS AND OPERATIONAL EFFICIENCY

2018 was the last year of the 2013-2018 Medium-Term Plan. In terms of business activity, new business volumes and revenue increased in both the corporate market and the real estate market:

BUSINESS INDICATORS	UNIT	AS OF 12/31/2018	CHANGE / 12/31/2017
<b>Corporate market (in € millions)</b>			
New MT/LT loans	M€	2,184	+ 4.6%
New equipment leasing	M€	504	+ 45.7%
New real estate leasing	M€	140	+ 77.9%
Commission income on loans France	K€	15,133	+ 26.5%
Debits subject (to transaction fees)	M€	76,326	+ 11.4%
Commission income on accounts	K€	16,968	+ 12.3%
<b>Real estate market</b>			
New loans and guarantees for developers	M€	2,686	+ 1.1%
New investor loans in France	M€	328	+ 12.9%
New loan agreements with real estate companies and investors in Germany	M€	1,074	+ 4.7%
Guarantee commissions GFA (financial completion bond)	K€	22,479	+ 0.6%

### Corporate market

All activities for which objectives were set are up sharply compared to 2017 and ahead of the targets set.

Customer acquisition increased with 737 new accounts opened during the year. The customer attrition rate is favorable and, therefore, the customer portfolio continues to grow with over 336 new net customers. Prospecting continues to be a priority for BECM's sales teams, with a focus on smaller companies that complements the Crédit Mutuel regional banking network. In the segment of the corporate market comprising companies with revenue of over €50 million, 61 net accounts were opened. Debits subject to transaction fees increased sharply by 11.4% compared to 2017. Growth in medium/long-term new loans continued: up 4.6% to €2.2 billion in new loans. This growth was driven by Germany, where new loans rose by 20.3% to €504 million.

In the context of the diversification of its activities, the objective in terms of financing vehicle fleets was achieved, particularly in the Ile-de-France region.

In employee savings, the branches in the South and East were instrumental in exceeding the target set. The PACTE Act of 2019 and the quality of the Group's products and services will enable it to increase market share.

In corporate insurance, creating a complete, structured and competitive range of insurance products for companies and professionals opens the door to a diversification of activities into bank-insurance. The corporate market is one of the priority areas for the development of Assurances du Crédit Mutuel.

### Real estate market

Targets for new business of all types and in all segments were exceeded, reflecting an exceptionally strong year for new business.

The financing of real estate development operations in conjunction with new listing contracts acquired by Crédit Mutuel Agence Immobilière, as well as a diversification in the financing of property transactions, resulted in a sharp increase in new short-term loans of 12.5%.

In the professional real estate investment field, another focus of diversification, new long-term loans also increased, by 12.9%.

Lastly, the combined strength of the activities of Foncière's branches in France and Germany increased new business volumes, maintained the levels of outstanding loans despite significant prepayments in France, and led to a significant rise in arrangement fees in the second half of 2018.

### Operational efficiency

The main highlights of 2018 in France are described below. The pooling of the Technical Sales, Commitments, Permanent Control and Compliance functions with those of the Crédit Mutuel Alliance Fédérale federations and CIC's regional banks continued.

Back office duties have been adapted by streamlining administrative tasks in relation to the processing of financial flows and increasing remote involvement in customer relationships through the use of technology.

In parallel with the measures taken to restructure CIC's regional banking networks, the powers delegated to branch managers and customer relationship managers were increased in the corporate and real estate markets. These measures have fostered greater decision-making responsibility closer to customers, greater responsiveness and greater efficiency in the credit application processing systems.

In Germany, the pooling of support functions with Targobank's teams impacted the logistics and IT management domains, and a structural IT migration project is underway towards an upgraded information and management system that will create new development possibilities.

The risk appetite framework has been supplemented and now comprises 18 indicators in six main risk areas: credit risk, solvency risk, return risk, liquidity risk, interest rate risk and operational risk. The management of these indicators is essential in order to control changes in risks, particularly credit risks, by reducing them and diversifying activities. The quarterly reporting on these indicators shows that BECM has a safety margin with regard to the alert thresholds set by the Supervisory Board.

In addition, the risk mapping was validated by the Supervisory Board on July 26, 2018. It provides a concise overview of BECM's main risks, particularly in terms of credit and operational risks.

## CUSTOMER BUSINESS AND FINANCIAL RESULTS

### Loans (average monthly balances)

Total managed on-balance sheet and off-balance sheet loan commitments reached €25.9 billion, an increase of €2.2 billion or 9.2%.

On-balance sheet loans grew by 7.3% to €15.0 billion.

An exceptionally high number of prepayments were made, primarily due to external growth transactions by several customers who refinanced on the financial markets and the repayment of the financing of Group's Press division. This item represented

over €1.2 billion of the €14 billion in total loans at year-end 2017, i.e., approximately 8.8% of outstanding loans.

As a result, lending slowed in the first half of 2018; growth returned in the second half and the year ended with a higher increase than the market trend.

The corporate market grew by 7.6%, with loans totaling €9.8 billion, compared to a 9.9% increase in 2017. Investment loans rose by 13.8% to €7.3 billion, with a significant 22.9% increase in Germany. Operating loans fell by €0.2 billion to €2.5 billion.

The real estate market is driven by loans to developers, which increased by 25.1% to €1.3 billion. Business with real estate companies and investors rose 2.5% to €3.8 billion.

External loans backed by financial assets and held by the Group's business subsidiaries (equipment leasing, real estate leasing and factoring) rose by 18.4% to €1.7 billion.

Guarantees given, mainly in the real estate sector, grew by 14.0% to €2.8 billion. Undrawn confirmed credit lines increased by 10.0% to €6.2 billion.

### Deposits (average monthly balances)

Deposits rose by 3.9% to €12.7 billion. Deposit intake was positive, despite significant volatility towards the end of the year. It was fueled by the German market, which generates 37% of the deposits.

The loan-to-deposit ratio was 118.2% compared to 114.4% at end-2017. Savings balances fell by €105 million, or 5.6%, to €1.8 billion, due to low yields related to the short-term yield curve.

### Financial results

BECM's interest margin grew by 5.0% to €166.8 million. Net income from transactions with customers was up €17.4 million to €189.5 million, driven by growth in loan volumes and the lower cost of deposits.

The rate of return on loans fell by 0.02 point to 1.41%. Due to the mix of real estate businesses and professionals, the rate of return on loans fell from 1.43% in 2017 to 1.39% in 2018.

In Germany, it rose from 1.35% in 2017 to 1.41% in 2018, driven by the sharp rise in loans to real estate companies.

The average cost of deposits fell by 0.07 point to 0.08%. In France, the average cost fell from 0.19% in 2017 to 0.10% in 2018. In Germany, it fell from 0.06% in 2017 to 0.04% in 2018.

The contribution of hedging transactions (fixed-rate lender/floating-rate borrower swap indexed to the 3-month Euribor) continued to decline significantly by €8.7 million, from €24.6 million in 2017 to €15.9 million in 2018, due to the maturity of earlier contracts that were renewed at lower rates. However, this decline was less significant than that in 2017 of €17.5 million.

Other net interest income was nearly stable at €64.7 million. It comprised primarily non-utilization or commitment fees of €25.2 million, up 0.7%, and bond and guarantee fees, in particular for property development, which totaled €27 million, up 2.3%.

Other net banking commission income fell by 2.8% to €62.3 million, although excluding fees on electronic payments, it rose sharply (+6.7%), in particular due to account fees (+12.2% to €18.7 million), service fees (+7.6% to €9.7 million) and financial fees (+17.7% to €4.8 million). Commission income on loans fell slightly by 3.0% to €21 million, despite a sharp upward trend in the second half of the year (€13 million) compared with the first half (€8 million).

Commission income on electronic payments fell to €6 million in 2018 due to further increases in charges billed by Visa and MasterCard in the global payments sector associated with Europe and non-Europe interchange rates. Action plans to recover cost increases in prices invoiced to customers are being implemented through a renegotiation of existing contracts.

Net banking income grew by 2.5% to €298.0 million. General operating expenses rose by 3.8% to €95.0 million.

The cost/income ratio remained low at 31.9%, compared with 31.5% in 2017. This performance was achieved by developing the business and providing customers with products, and therefore through value creation, rather than by reducing general operating expenses, which would limit the potential for growth.

Gross operating income rose by 1.9% to €203.0 million.

Net provision allocations/reversals for loan losses stood at €31.4 million, a decrease of €9.2 million. It represents 0.22% of the annual average of total loans and 15.5% of gross operating income.

Operating income rose by 8.2% to €171.6 million.

Therefore, after an income tax charge of €61.3 million, net income totaled €109.9 million, up 10.0%.

### EQUITY

Since its creation, BECM has developed its business in markets that are structurally more exposed than retail banking markets. Moreover, the prudential supervision mechanism introduced by the European Central Bank (ECB) after the financial crisis tightened regulatory constraints on banks.

BECM must comply with a capital adequacy ratio every year in line with the development of its weighted risks (on- and off-balance sheet credit risks and operational risks).

In April 2018, BECM released its annual ICAAP report to measure its capital adequacy in a number of adverse scenarios with high levels of intensity. In all cases, the tests confirmed the soundness of its balance sheet and the quality of its risk policy.

As of December 31, 2018, BECM had a Common Equity Tier 1 (CET1) ratio of 11.13% and a leverage ratio of 5.81% (transitional period calculation).

## CORPORATE MARKET: MAIN HIGHLIGHTS IN 2018

An initial action applying an approach focusing on needs in various fields was carried out on the mobility of employees and managers, which involved the back office, digital tools and new products.

In the context of a Group system, BECM has developed relationships with the world of start-ups and innovative companies throughout its network (in Strasbourg, Lyon, Paris, Grenoble and Toulouse) with dual-function corporate customer relationship managers combining a portfolio of "mature" companies and a portfolio of start-ups. A loan budget has been allocated to this start-up approach, which is based on a structured offer in terms of needs, communication on the BECM online site, a market portal for internal company tools, a loan database, appropriate training, and a platform for exchanges and collaborative work.

The offer of investment loans was adapted to take account of the financial context, particularly through the offer of floating-rate loans with a fixed-rate option. A range of loans called "Transition" has also been deployed with a focus on the digital transition, the energy transition and the Social and Environmental Responsibility transition.

The diversification of activities based on the services developed by the Group was extended to the mobile telephone sector and vehicle fleet financing. It has also been extended in the business insurance field.

The intensive customer relationship culture has been reinforced by improved coverage of core portfolios and the diversification of activities.

A project to organize the small business market was launched to support the development of this market by the Crédit Mutuel Alliance Fédérale local branches. Over the next five years, BECM will train customer relationship managers in the retail network's business market, with either a full-time or part-time presence in its branches. This project, known as the BECM Academy, will be implemented in 2019 and will also rely on an adapted training program that is being finalized by CM-CIC Formation.

BECM is a founding partner and coordinator of the Club In with Banque Transatlantique, which focuses on innovation and international markets.

This business club, which is also an additional mechanism for business development, provides a network effect to its customers, who present their activities and products to other business partners.

Lastly, the bank activated a collaborative innovation laboratory ("Fab Lab") in the corporate market to provide disruptive responses to its activities when necessary. Employees take part in discussions to offer new ideas and carry out new innovative projects.

## THE REAL ESTATE PROFESSIONALS MARKET: MAIN HIGHLIGHTS IN 2018

For over 15 years, Crédit Mutuel Alliance Fédérale has entrusted responsibility for the business division that finances real estate professionals to BECM.

As such, BECM manages Crédit Mutuel Alliance Fédérale's relations with national real estate developers and major multi-regional developers. Its customers also include leading property dealers, land developers and professional real estate investors in France. With branches located throughout the country, BECM finances real estate development projects geared mainly towards housing, in cooperation with the group's banking networks and real estate subsidiaries. Within Crédit Mutuel Alliance Fédérale, BECM is also responsible for relations with listed real estate companies and major investors that manage residential, commercial and business rental properties.

Thanks to its knowledge of the markets and operators, BECM plays a key role in the real estate value chain:

- helping Crédit Mutuel Agence Immobilière obtain real estate listing contracts;
- contributing to the development of EPS remote surveillance by bundling it into financed programs; and
- financing home loans through the group's retail networks.

Lastly, in the area of real estate, BECM organizes and oversees, on behalf of the group, training, procedures and guidelines, a legal watch and the management and development of the "business" IT tools for which it is responsible.

It also acts as a liaison with the regulatory authorities for inquiries concerning the group's commitments vis-à-vis real estate professionals or in connection with the tasks of the European Central Bank (ECB).

Financing offered by BECM to operators is governed by strict prudential rules adapted to the particular characteristics of each deal. Its decentralized organization close to the markets in which it operates, its specialized teams, its dedicated analysis and management tool and the financing guidelines framework enable BECM to ensure tight risk management.

BECM has developed its profile in the real estate investment financing market conservatively, remaining very selective in its commercial proposals in view of the increase in asset values and heightened competition.

In 2018, a decision was made to create two new branches dedicated to real estate professionals:

- A branch in Aix-en-Provence, which will open in the second quarter of 2019 and will be aimed at prospective property dealers in the Provence-Alpes-Côte d'Azur region and professional real estate customers of the Crédit Mutuel branches of the Crédit Mutuel Méditerranée Federation.

It will strengthen the contribution to the marketing of existing properties in the network through Crédit Mutuel Agence Immobilière and the needs of being accommodated.

- A branch in Annecy, which opened on January 1, 2019, confirms BECM's positioning in a field covered by three Crédit Mutuel Alliance Fédérale federations: Savoie Mont Blanc, Dauphiné Vivarais and Sud-Est. It encourages the development of Crédit Mutuel Agence Immobilière's listing contracts, as well as property loans and services for their retail customers in these regions.

## HUMAN RESOURCES

Since 2017, Crédit Mutuel Alliance Fédérale has adopted a common status for the Group's employees in France that supports the development of the company's culture, strengthens the social pact, protects all employees, helps employees work better together by providing the same employee benefits, and offers new opportunities for mobility and career development.

BECM's compensation policy is based on the following principles:

- no links between risk-taking and variable compensation;
- individual raises based on performance, skills development and scope of responsibility;
- raises approved on a decentralized basis by branch and unit managers;
- raises based on loyalty, commitment, job competence in a team setting and the ability to be involved in the development of activities that help BECM move forward.

As of December 31, 2018, the number of people employed under permanent and fixed-term contracts totaled 399 (391 permanent contracts, 4 fixed-term contracts and 4 on secondment).

Staff movements during the year included 31 hires under permanent contracts, 40 departures of employees under permanent contracts (mainly transfers of staff assigned to CCS and retirements) and 4 net departures of employees under fixed-term contracts.

## SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Social and Environmental Responsibility (SER) is built on a set of economic, social, societal, environmental and governance commitments.

The SER policy is part of Crédit Mutuel Alliance Fédérale's cooperative and mutualist DNA and contributes to the group's development and image through the search for increased efficiency, productivity and safety. Its purpose is to achieve a balance between sustainable development, ethics and economic logic.

BECM is part of society, is committed to it and is considered a responsible player, mainly through four strategic priorities:

- economic responsibility: financing the economy in our regions and at the very local level;
- social responsibility: developing a human resources policy that promotes employment, training and professional employee development;
- environmental responsibility: adopting environmentally-friendly consumption habits;
- civic responsibility: promoting collective action, such as the support provided to research against melanoma, in partnership with the oncodermatology department at the Institut Gustave Roussy in Villejuif.

This means supporting the economy, supporting local territories and adopting a community-based and responsible approach. In particular, this involves implementing sector policies (mining sector, coal-fired power plants, civil nuclear energy, defense, purchasing, etc.) that contribute to the company's image as an ethical entity.

As stated above, BECM participates in the deployment of the SER Transition loan, together with the Energy Transition loan and the Digital Transition loan.

This SER commitment is also reflected in its respect for mutualist values such as solidarity, responsibility, autonomy and initiative, team spirit and compliance with the code of conduct and ethics.

## COMPOSITION OF THE GOVERNING BODIES

The Shareholders' Meeting of May 4, 2018 renewed the terms of office as members of the Supervisory Board of Messrs. Gérard Bontoux, Hervé Brochard, Hervé Chatanay, Gérard Diaquenot, Pierre Husserr, Robert Laval, Daniel Schoepf and Philippe Tuffreau.

At the Supervisory Board's meeting of May 4, 2018, Messrs. Olivier Chambaud, René Dangel, Bertrand de Buyer and Bruno Ligonnet were appointed members of the Executive Board and the appointment of Mr. René Dangel as Chairman of the Executive Board was renewed.

The provisional appointment of Mr. Bernard Dalbiez for the remainder of Ms. Danièle Joannes' term of office was approved by the Supervisory Board on July 26, 2018.

At the conclusion of the Supervisory Board meeting of December 6, 2018, the terms of office of Messrs. Jean-Louis Boisson, Roger Danguel, Rémy Groz, Pierre Husserr and Robert Laval expired because they had reached the age limit for serving on the board.

Mr. Daniel Schoepf also announced his resignation.

At the Supervisory Board meeting of December 6, 2018, the following provisional appointments were proposed:

- Ms. Simone Muller for the remainder of Mr. Robert Danguel's term of office;
- Ms. Marie-Jean Boog for the remainder of Mr. Robert Laval's term of office;
- Ms. Mireille Gavillon for the remainder of Mr. Jean-Louis Boisson's term of office;
- Ms. Monique Joly for the remainder of Mr. Pierre Husserr's term of office.



Mr. Alain Teteoie was appointed Vice-Chairman of the Supervisory Board to replace Mr. Jean-Louis Boisson.

## EQUITY INTERESTS

As of December 31, 2018, shareholdings in subsidiaries and other equity interests stood at €13,279,466.62, of which €12,642,900 concerned the Monaco BECM subsidiary. For 2018, Banque Européenne du Crédit Mutuel Monaco posted net income of €890,266.50.

The SNC Foncière du Crédit Mutuel subsidiary acts as a property dealer in managing security related to cases in dispute or litigation. The company posted a profit of €11,689.90 for the year.

## RECENT DEVELOPMENTS AND OUTLOOK

2019 is the start of a period that will be very important in the history of BECM and Crédit Mutuel Alliance Fédérale because it will be the first year of the five-year strategic plan, *Ensemble#nouveau monde*, which will be implemented between 2019 and 2023.

This strategic plan reflects a desire for development and profound transformation in light of the acceleration of changes in the company, in customer behavior and in their expectations for a fluid and simpler relationship with their bank.

During the first half of 2019, BECM will carry out the following actions:

- In terms of sales:
  - the adaptation of the sales policy to the new conditions defined by the Group and dictated by the markets;
  - customer acquisition initiatives, including days dedicated to prospecting in France and Germany;
  - equipment leasing actions (Flash lease) and pre-granted loans to core portfolio customers;
  - inventorying core target customer projects and proposing a debt restructuring offer;
  - an initiative aimed at increasing customer loyalty through an employee savings offer in connection with the PACTE Act, meal vouchers and group health insurance.
- In terms of organization and operational efficiency, the hook-up of the regional branches to the CGS flow platforms will be completed.
- In the area of training, strategic actions are designed to:
  - promote the development of bank-insurance in the business market, increase

- corporate market share and net banking income and gain new customers;
- adopt a customer-centered development strategy, in particular through a universe of needs approach (day-to-day management, development strategy, human resources, transmission, start-ups and innovative companies, real estate professionals);
- furnish branch managers and customer relationship managers with the tools to provide informed advice to customers by giving them the keys to understand national economic guidelines and the current tax and legal situation;
- launch a new service activity: e-invoices;
- combine innovation and profitability of payment processing solutions;
- support the increase in lending authority and convert regulatory requirements into opportunities to improve performance in prevention, risk management and profitability (risk culture and compliance).

The strategic actions are traditionally complemented by the various career pathways, including a new pathway dedicated to further skills development for real estate professionals, primarily regulatory e-learning modules, as well as a skills enhancement component through employee training modules. The emphasis is particularly placed on supporting back offices with the "BO Entreprises: actors in distance relationships" and "BO Entreprises: sales support" modules.

Lastly, e-learning training is provided in regulatory areas such as Tracfin, international financial sanctions, the General Data Protection Regulation, FATCA and QI.

In the real estate market, BECM will open a second branch in Paris in order to comply with one of the recommendations of the European Central Bank in its report on Commercial Real Estate. It will join the team of the CIC Iberbanco real estate professionals branch in Paris and provide continuity for the business relationship with the branch's existing customers, who are mainly property dealers in Ile-de-France. This will also make it possible to exploit the financing potential of the Grand Paris project under improved conditions. The priorities set for 2019 are consistent with the priorities of the BECM and Crédit Mutuel Alliance Fédérale 2019-2023 strategic plan. They take into account the changes that will be required, in conjunction with this plan, in the business market in terms of distribution channels (physical, direct, remote and expertise channels), the approach to the offer in terms of needs, the digital transformation of the activity and sales promotion.

They are divided into five areas:

- Acquiring new customers in three segments:
  - small businesses, in support of the strategy at the level of the Crédit Mutuel local banks and the Crédit Mutuel Alliance Fédérale, as well as start-ups and innovative companies;

- SMEs with sales over €10 million;
  - large and medium-sized European companies.
- The development of loans from the budget for pre-approved loans, specialized financing and financing structures and real estate company financing in Germany.
  - Deposit inflows, against a backdrop of possible rate hikes. The objective will be to stabilize the pool of overnight deposits accumulated during the market's excess liquidity period and to adjust the offering of term accounts by moving fixed-rate products to floating-rate products in a timely manner.
  - Support for growth in commission income, through financial flows and account fees thanks to the quality of service and by promoting the new processing organization with the CGS Corporate Flow platforms, as well as by continuing efforts to distribute telephone, vehicle fleet and corporate insurance products.
  - The adaptation of distribution methods, through the "Customer Relationship Managers 2.0" profile, which make it possible to take the bank to the customer (digital tools) and have the customer come to the bank (videoconference).

## FINANCIAL INFORMATION (by month-end balance)

### Management of financial risks

The Crédit Mutuel Alliance Fédérale's ALM technical committee manages the group's interest rate, foreign exchange and liquidity risks and, therefore, those of BECM. As part of overall asset and liability management, the duration and type of refinancing is decided according to asset/liability management rules, particularly in terms of transformation and interest rate risk and regulatory ratios. As cash centralizer, BFCM ensures that group entities have sufficient liquidity; accordingly, BECM does not bear any liquidity risk on its own account.

### Balance sheet

Total assets as of December 31, 2018 amounted to €19.3 billion, compared to €19.0 billion in 2017 (+1.6%).

### Liabilities

Interbank transactions amounted to €5.0 billion and consisted almost exclusively of refinancing activities with BFCM.

Customer deposits, down by 2.4% at €12.1 billion (including accrued interest), consisted mainly of term deposits (€5.3 billion), customers' current account credit balances (€5.3 billion) and savings accounts (€1.5 billion). The fund for general

banking risks (FGBR) totaled €200 million. Total shareholders' equity and reserves (including FGBR and net income), was €1,483 million compared with €1,408 million in 2017, following the appropriation of 2017 retained earnings. Subordinated debt totaled €281 million (excluding accrued interest), including €50 million in the form of super-subordinated securities subscribed by BFCM to help BECM bolster its long-term funding resources. Articles L.441-6-1 and D.441-4 of the French Commercial Code provide for specific disclosures relating to the due date of trade payables.

### Assets

Interbank transactions mostly reflect cash surpluses placed with BFCM. On the reporting date, loans to customers (including accrued interest) were up by 9.1% to €15.0 billion versus €13.8 billion in 2017. Cash facilities (€1.5 billion), capital asset financing (€9.6 billion), loans to developers (€1.4 billion), other loans (€1.3 billion) and customers' current account overdrafts (€0.9 billion) accounted for most of the facilities granted.

Non-performing loans to customers (gross outstandings of €254 million) were 63% covered by provisions. BECM pursues a prudent loan reclassification and provisioning policy.

### Income statement

As of December 31, 2018, interest and similar income totaled €266.1 million, consisting mainly of interest received on loan transactions with customers (€219.2 million). Interest and similar expenses (€31.3 million) consisted mainly of interest paid to BFCM in respect of refinancing and interest paid on customers' term deposits.

Net banking income amounted to €298 million, compared with €290.7 million in 2017.

General operating expenses totaled €96.9 million, of which €2.1 million was incurred on behalf of other Crédit Mutuel Alliance Fédérale entities and subsequently recovered. Net operating expenses for BECM therefore totaled €94.8 million.

Net provision allocations/reversals for loan losses came to €31.4 million. An amount of €32,949 corresponding to non-tax-deductible rental and depreciation of company cars was added back to taxable income.

After an income tax charge of €61.3 million, net income for the year came to €109.9 million compared to €99.8 million in 2017.

### Appropriation of prior year earnings and net income proposed to the Shareholders' Meeting

The appropriation of net income and retained earnings submitted to the Shareholders' Meeting is as follows (in euros):

2018 net income	109,853,434.04
Prior year retained earnings	524,847.14
Total available for appropriation	110,378,281.18

The Executive Board proposes to allocate:  
 – an amount of €110,000,000 to the revenue reserve;  
 – and carry the residual balance of €378,281.18 forward as retained earnings.  
 In accordance with currently applicable legal provisions, the Executive Board reminds you that the following dividends per share were distributed in respect of the previous three financial years:

Year	2015	2016	2017
Amounts in euros	4.85	7.24 <sup>(1)</sup> 4.13 <sup>(2)</sup>	5.29 <sup>(1)</sup> 3.09 <sup>(2)</sup>
Dividend eligible for the tax allowance provided for in Article 158 of the French Tax Code	yes	yes	yes

(1) For shares entitled to the full year's dividend. (2) For new shares entitled from June 6, 2016.

Strasbourg, April 4, 2019. The Executive Board

## Pursuant to the provisions of Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, we set out below the information concerning supplier and customer payment periods referred to in Article D. 441-4 of said Code for invoices received and issued but not settled as at the fiscal year closing date and which were in arrears:

	Article D. 441-4 I-1*: Invoices received but not settled as at the fiscal year closing date and which were in arrears by:						Article D. 441-4 I-2*: Invoices issued but not settled as at the fiscal year closing date and which were in arrears by:					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
<b>(A) Arrears tranche</b>												
Number of invoices concerned	38						N/A					
Total of the invoices concerned, inc. taxes	116,482	0.00	0.00	0.00	0.00	0.00	We consider that the scope of the information disclosed concerning the payment periods referred to in Article D. 441-4 of the Commercial Code excludes bank and related transactions.					
Percentage of total purchases for the fiscal year, inc. taxes	1.10%	0.00%	0.00%	0.00%	0.00%	0.00%						
Percentage of revenue for the fiscal year, inc. taxes												
<b>(B) Invoices excluded from (A) concerning payables and receivables in litigation or not recognized</b>												
Number of invoices excluded	0						N/A					
Total amount of excluded invoices (specify whether tax inclusive or exclusive)	0											
<b>(C) Reference payment periods used (contractual or statutory - Article L. 441-6 or Article L. 443-1 of the Commercial Code)</b>												
Payment periods used for calculating arrears	Contractual periods: within 30 days of receipt of the invoice or supplier's payment period if greater						Contractual periods: due on receipt of the invoice					

## Balance sheet of Banque Européenne du Crédit Mutuel

(All amounts are expressed in thousands of euros)

Assets	2018	2017
Cash and due from banks	3,626,489	4,926,873
Investment securities	658	520
Investment in unconsolidated affiliates	12,643	11,023
Loans and advances to customers	15,040,324	13,780,136
Customer liabilities under acceptances	0	0
Bank premises and equipment	1,176	872
Goodwill and other intangible assets	1,094	1,067
Deferred tax assets	0	0
Other assets	573,969	247,864
<b>Total assets</b>	<b>19,256,353</b>	<b>18,968,355</b>
<b>Liabilities and stockholders' equity</b>	<b>2018</b>	<b>2017</b>
<b>Liabilities</b>		
Financial liabilities held for trading	–	–
Customer deposits	12,073,741	12,371,641
Due to other banks	5,072,634	4,674,226
Acceptances outstanding	–	–
Profit tax payable	4,299	1,253
Deferred tax liabilities	–	–
Provisions	10,308	9,535
Subordinated debentures	281,081	301,083
Other liabilities	331,370	202,586
Funds borrowed	–	–
Funds for general banking risks	200,000	200,000
<b>Stockholders' equity</b>	<b>1,282,920</b>	<b>1,108,196</b>
Issued capital	134,049	134,049
Share premium	368,011	368,011
General reserves	–	–
Other reserves	670,482	606,035
Retained earnings	525	101
<b>Net result</b>	<b>109,853</b>	<b>99,835</b>
<b>Total liabilities and stockholders' equity</b>	<b>19,256,353</b>	<b>18,968,355</b>

## Income statement of Banque Européenne du Crédit Mutuel

(All amounts are expressed in thousands of euros)

	2018	2017
Interest income	266,143	266,290
Interest expense	(31,283)	(39,474)
<b>Net interest income</b>	<b>234,860</b>	<b>226,816</b>
Fee and commission income	419,620	382,584
Fee and commission expense	(357,336)	(318,534)
<b>Net fee and commission income</b>	<b>62,284</b>	<b>64,050</b>
Dividend income	0	1
Net trading income	1,500	927
Gains less losses from investments securities	1	1
Other operating income	(1,016)	(1,543)
<b>Operating income</b>	<b>297,629</b>	<b>290,252</b>
Salaries and other employee expenses	(44,307)	(43,231)
Occupancy expenses	(50,477)	(48,028)
Net impairment losses on loan and advances	(31,437)	(40,570)
Other operating expenses	(238)	(197)
<b>Operating expenses</b>	<b>(126,459)</b>	<b>(132,026)</b>
<b>Net result from operations</b>	<b>171,170</b>	<b>158,226</b>
Income from associates	–	–
Allocation to the funds for general banking risks	0	0
<b>Net result before tax</b>	<b>171,170</b>	<b>158,226</b>
Profit tax expense	(61,317)	(58,391)
<b>Net result after tax</b>	<b>109,853</b>	<b>99,835</b>

## Explanatory notes to the summary financial statements

### A – Accounting policies

#### Basis of preparation

French and European regulations do not require BECM to prepare and publish consolidated financial statements. It should be noted that BECM has no significant subsidiaries which would justify consolidated financial statements.

The summary financial statements are derived from the audited statutory financial statements of BECM and have been prepared according to French accounting principles (French Gaap) applied to credit institutions. The summary financial statement of financial position, the summary income statement and the summary explanatory notes are presented using the format defined in Appendices 1 through 3 of the Provisions for the Disclosure of Consolidated Financial Highlights of Domestic Banking Institutions issued by the Centrale Bank van Curaçao en Sint Maarten.

The audited financial statements of BECM as of December 31, 2018 will be made available at the registry of commerce in Strasbourg.

#### Investment securities

Securities recognized as assets are recorded in portfolios as laid down by regulations according to management intention on acquisition. They are valued according to their classification. All portfolios are recognized at historical or amortized cost, with the exception of the "trading portfolio" valued at the market value. Impairment charges are immediately recognized in the income statement, except for the unrealized temporarily losses on amortized cost portfolio.

#### Loans and advances to customers

Loans and advances to customers are initially measured at historical cost and subsequently at amortized cost and may be subject to impairment if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans.

## B – Specification of accounts of Banque Européenne du Crédit Mutuel

(All amounts are expressed in thousands of euros)

	2018	2017
<b>1. Assets</b>		
Total investments Gross	19,427	17,669
Less allowance for loan losses	(6,126)	(6,126)
<b>Net investments</b>	<b>13,301</b>	<b>11,543</b>
<b>Loans and advances to customers</b>		
Retail customers	58,872	24,281
Corporate customers	15,059,307	13,833,401
Public sector	6,736	34,053
Other	75,827	22,519
<b>Total loans and advances to customers</b>	<b>15,200,742</b>	<b>13,914,254</b>
Less allowance for loan losses	(160,418)	(134,118)
<b>Net loans and advances</b>	<b>15,040,324</b>	<b>13,780,136</b>
<b>2. Liabilities</b>		
<b>Customer deposits</b>		
Retail customers	24,530	31,013
Corporate customers	12,049,211	12,340,628
Other	–	–
<b>Total customer deposits</b>	<b>12,073,741</b>	<b>12,371,641</b>

## BECM BANK

Tamarind Plaza – Union Road # 133 – Cole Bay – Sint. MAARTEN  
 Phone : (1) 721 546 0609

## Statutory auditors' report on the Summary Financial Statements

Year ended December 31, 2018  
 To the Board of Directors of Banque Européenne du Crédit Mutuel,  
**Opinion**

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2018, the summary income statements for the year then ended, and related explanatory notes, are derived from the audited financial statements of Banque Européenne du Crédit Mutuel (the "Company") for the year ended December 31, 2018.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, on the basis of accounting described in Note A.

### Summary Financial Statements

The summary financial statements do not contain all the disclosures required by French Accounting Principles. Reading the summary financial statements and our report thereon, therefore, is not a substitute for reading the audited financial statements and our report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

### The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated April 25, 2019.

### Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis of accounting described in Note A.

### Auditors' Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements."

### Restriction on use of our report

This report is governed by French law. The courts of France shall have exclusive jurisdiction over any claim or dispute resulting from the engagement letter or the present report or any related matters. Each party irrevocably waives its right to oppose any action being brought before French courts, to claim that the action is being brought before an illegitimate court or that the courts have no jurisdiction.

Paris-La Défense, April 26, 2019: <b>The statutory auditors</b>	
<b>KPMG S.A.</b>	<b>ERNST &amp; YOUNG et Autres</b>
Arnaud Bourdeille	Hassan Baaj

## For the BECM, deviations between French Gaap and IFRS Gaap are:

	EQUITY (EXCLUDING NET INCOME)	NET INCOME
<b>French Gaap</b>	<b>1,173,067</b>	<b>109,854</b>
General provisions under French Gaap (funds for general banking risks)	200,000	0
IFRS Collective Impairment provisions	(33,315)	265
Deferred taxes under IFRS Gaap	2,559	(56)
Other differences between IFRS/French Gaap	(4,779)	(225)
<b>IFRS Gaap</b>	<b>1,337,532</b>	<b>109,838</b>

(All figures of the present report are expressed in thousands of euros)