



A French *société anonyme* (corporation) with share capital of €220,000,000
Registered office: 6 avenue de Provence, 75452 Paris Cedex 9
Paris Trade and Companies Register No. 480 618 800

**BOARD OF DIRECTORS' MANAGEMENT REPORT
ANNUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018**

March 2019

DISCLOSURE OF INFORMATION

Regulatory reports, prospectuses and issue documentation are available on the website of Crédit Mutuel – CIC Home Loan SFH:

<http://www.creditmutuelcic-sfh.com/en/covered-bonds/documentation/index-sfh.html>

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I. PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT



A French *société anonyme* (corporation) with share capital of €220,000,000

Registered office: 6 avenue de Provence, 75452 Paris Cedex 9

Paris Trade and Companies Register No. 480 618 800

Person responsible for the annual financial report

Mr. Christian Ander - Chief Executive Officer

Certification of the person responsible for the annual financial report

After taking all reasonable measures to this effect, I certify that, to the best of my knowledge, the information contained in the annual financial statements for the year ended December 31, 2018 is consistent with the facts and does not contain any omissions that may adversely affect its import.

I certify that, to the 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 and liabilities, financial position and results of the company, and that the attached management report gives a true and fair view of changes in the business, results and financial position of the company as well as a description of the main risks and uncertainties faced by the company.

The annual financial statements of the company as of December 31, 2018 are the subject of a statutory auditors' report with no observations.

Paris, March 29, 2019

Christian Ander
Chief Executive Officer

II. COMPANY STATUS AND ACTIVITIES

Crédit Mutuel – CIC Home Loan SFH was licensed by the French Credit Institutions and Investment Firms Committee (CECEI) at its meeting on May 31, 2007. At its meeting on March 28, 2011, the French Prudential Supervision and Resolution Authority (ACPR) authorized the company to opt for the status of "home loan financing company" (*Société de Financement de l'Habitat - SFH*).

The company's sole purpose is to help to refinance Crédit Mutuel Alliance Fédérale. In this connection, US 144A documentation was prepared in 2012 to enable the company to reach new investors in the United States.

1. KEY EVENTS DURING THE YEAR

The gradual upturn in inflation in the euro zone, the anticipated end of the ECB's quantitative easing ("QE") program, the continued rise in U.S. interest rates, political risks in Europe and international trade tensions, especially between the United States and China, contributed to the agitated and irregular functioning of the bond market in 2018.

In this environment, Crédit Mutuel – CIC Home Loan SFH carried out two public issues that contributed 14.8% of the medium- and long-term refinancing requirements of Crédit Mutuel Alliance Fédérale on the markets:

- €1 billion with a maturity of eight years in February 2018
- €1 billion with a maturity of ten years in June 2018

On October 26, 2018, the company also carried out two issues of €1 billion each that are held in-house by Banque Fédérative du Crédit Mutuel.

2. FUTURE OUTLOOK

In a market environment that promises to be complicated in 2019, our company will be asked to contribute to effectively complete our financing plan.

3. KEY EVENTS BETWEEN THE YEAR-END AND THE DATE OF THIS REPORT

No significant event has occurred since the end of the 2018 fiscal year.

4. BRANCHES

As of December 31, 2018, the company had no branches.

5. SUBSIDIARIES AND INVESTMENTS

In accordance with Article L. 233-13 of the French Commercial Code regarding information on the control of companies, the company reports that it has no subsidiaries.

6. EMPLOYEE SHARE OWNERSHIP

Not applicable.

Banque Fédérative du Crédit Mutuel holds a 99.99% stake in Crédit Mutuel – CIC Home Loan SFH.

The company has no employees.

III. RESULTS, FINANCIAL POSITION AND DEBT

1. STATEMENT OF FINANCIAL POSITION

a. ASSETS

ASSETS (€millions)	Note	2018 31 December	2017 31 December
Cash and central bank deposits			
Government securities and similar instruments			
Receivables due from credit institutions	2	27,523.7	22,581.3
Due to customers			
Bonds and other fixed-income securities			
Equities and other variable-income securities			
Long-term equity investments and securities			
Investments in subsidiaries and associates			
Finance leases and similar transactions			
Intangible assets			
Property, plant and equipment			
Subscribed capital not paid			
Treasury stock			
Other assets	3	1.7	1.3
Prepayments and accrued income	4	79.6	76.5
Total assets		27,605.0	22,659.1

Off-statement of financial position items		2018 31 December	2017 31 December
Commitments received			
Financing commitments			
- Commitments received from credit institutions			
Guarantee commitments			
- Commitments received from credit institutions	10	31,001.0	31 001,0
Securities commitments			
Securities sold with repurchase or reacquisition option			
Other commitments received			

b. LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES AND SHAREHOLDERS' EQUITY (€ millions)	Note	2018 31 December	2017 31 December
Central bank borrowing			
Due to credit institutions			
Due to customers			
Debt securities	5	23,540.1	21,993.0
Other liabilities	3	3,700.2	300.0
Prepayments and accrued expenses	4	79.9	76,6
Provisions			
Subordinated debt	6	60.0	60.0
Fund for General Banking Risks (FGBR)			
Shareholders' equity	7	224.7	229.5
- Capital subscribed		220.0	220.0
- Issue premiums			
- Reserves		1.6	1.5
- Revaluation reserve			
- Regulated provisions			
- Retained earnings		0.1	5,0
- Profit for the year		3.1	3.0
Total liabilities and shareholders' equity		27,605.0	22,659.1
Off-statement of financial position items		2018	2017
		31 December	31 December
Commitments given			
Financing commitments			
- Commitments given to credit institutions			
- Commitments given to customers			
Guarantee commitments			
- Commitments given on behalf of credit institutions			
- Commitments given on behalf of customers			
Securities commitments			
Securities acquired with reacquisition option			
Other commitments given			

Liabilities mainly consist of securities issued by SFH.

In addition, the "Other liabilities" item, created after Fitch Ratings downgraded BFCM's short-term credit rating to F1 on July 17, 2013, represents collateral offered by BFCM in connection with the pre-maturity test. This item totaled €3.700 billion as of December 31, 2018.

Assets correspond to the on-lending of these funds to BFCM.

The off-statement of financial position assets of €31 billion correspond to home loans offered as collateral by SFH's providers of collateral.

c. PROFIT

(€millions)	Note	2018 31 December	2017 31 December
+ Interest and similar revenue	15	503.7	517.4
+ Interest and similar expenses	15	(498.3)	(511.9)
+ Income from variable-income securities			
+ Fee and commission income			
- Fee and commission expense			
+/- Gains (losses) on trading portfolio transactions			
+/- Gains (losses) on investment portfolio and similar transactions			
+ Other banking operating income			
+ . Other banking operating expense			
= Net banking income		5.4	5.5
+ Payroll costs			
+ Other administrative expenses		(0.8)	(0.8)
+ Depreciation and amortization			
= Operating expenses		(0.8)	(0.8)
= Gross operating income		4.6	4.7
+ Net additions to/reversals from provisions for loan losses			
= Operating income		4.6	4.7
+/-Gains or losses on non-current assets			
= Income before non-recurring items		4.6	4.7
+/- Net non-recurring income (expense)			
+ Corporate income tax	16	(1.5)	(1.6)
+/- Additions to (reversals from) fund for general banking risks			
+/- Additions to (reversals from) regulated provisions			
= Net income		3.1	3.0

The company reported net income for the year of €3.1 million, compared with €3.0 million at year-end 2017.

d. NET CASH FLOW STATEMENT

(€thousands)	12.2018	12.2017
Net income	3,066	3,048
Taxes	1,529	1,553
Income before tax	4,595	4,601
+/- Net depreciation/amortization of property, plant and equipment and intangible assets	0	0
- Impairment of goodwill and other non-current assets	0	0
+/- Net charges to provisions	0	0
+/- Share of income of equity-accounted entities	0	0
+/- Net loss/gain from investment activities	0	0
+/- Expense from financing activities	0	0
+/- Other movements	11,283	3,026,202
= Total of non-monetary items included in pre-tax net income and other adjustments	11,283	3,026,202
+/- Cash flows relating to transactions with credit institutions	(4,943,842)	1,257,531
+/- Cash flows relating to customer transactions	0	0
+/- Cash flows relating to other transactions impacting financial assets or liabilities	0	0
+/- Cash flows relating to other transactions impacting non-financial assets or liabilities	3,405,048	-994,911
- Taxes paid	(1,039)	(2,929)
= Net reduction in assets and liabilities from operational activities	(1,539,833)	259,691
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	(1,523,955)	3,290,494
+/- Cash flows relating to financial assets and equity interests	0	0
+/- Cash flows relating to investment properties	0	0
+/- Cash flows relating to property, plant and equipment and intangible assets	0	0
TOTAL NET CASH FLOWS RELATING TO INVESTING ACTIVITIES	0	0
+/- Cash flows relating to transactions with shareholders	(7,810)	(990)
+/- Other net cash flows relating to financing activities	1,526,811	(3,348,820)
TOTAL NET CASH FLOWS RELATING TO FINANCING ACTIVITIES	1,519,001	(3,349,810)
IMPACT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	0	0
Net increase in cash and cash equivalents	(4,954)	(59,316)
Net cash flows from operating activities	(1,523,955)	3,290,494
Net cash flows relating to investing activities	0	0
Net cash flows relating to financing activities	1,519,001	(3,349,810)
Impact of changes in exchange rates on cash and cash equivalents	0	0
<u>Cash and cash equivalents at beginning of period</u>	<u>284,255</u>	<u>343,571</u>
Cash, central banks and postal checking accounts	0	0
Demand loans and accounts at credit institutions	284,255	341,693
<u>Cash and cash equivalents at year-end of period</u>	<u>279,301</u>	<u>343,571</u>
Cash, central banks and postal checking accounts	0	0
Demand loans and accounts at credit institutions	279,301	284,255
CHANGE IN NET CASH POSITION	(4,954)	(59,316)

e. COVER POOL

Collateral for secured loans consists of a portfolio of receivables made up entirely of mortgage-backed receivables totaling €31,001,002,157 as of December 31, 2018.

The main characteristics of the home loan portfolio recognized as of December 31, 2018, based on the capital outstanding as of November 30, 2018, were as follows:

Total capital outstanding as of 11/30/2018	€31,001,002,157
Average outstanding loan	€83,371
Number of loans	371,846
Number of borrowers	322,340

Average age of loans (months)	69
Average residual maturity (months)	165

Proportion of fixed-rate loans	93.8%
Average interest rate on fixed-rate receivables	2.32%
Average interest rate on variable-rate receivables	1.95%

Breakdown by type of security		
Type of security	Total capital outstanding	Proportion by type of security
"Crédit Logement" guarantee	€9,279,492,722	30%
First-rate mortgage or lender's priority lien	€21,721,509,435	70%
TOTAL	€31,001,002,157	100%

Breakdown by type of loan		
Type of loan	Total capital outstanding	Number of loans
Standard	€27,309,270,259	318,059
Home savings plans/accounts	€31,724,158	4,919
Interest-free loans	€0	-
Low-income housing loans	€2,431,666,129	34,370
Regulated loans	€1,228,341,611	14,498
TOTAL	€31,001,002,157	371,846

Breakdown by number of loans in arrears		
Number of monthly repayments missed	Total capital outstanding	Number of loans
0	€31,001,002,157	371,846
> 0	-	-
TOTAL	€31,001,002,157	371,846

These loans are mobilized by BFCM, which received them from the CIC's regional banks and Crédit Mutuel's local banks.

2. FINANCIAL POSITION AND PRUDENTIAL RATIOS

At the request of Crédit Mutuel – CIC Home Loan SFH, on June 19, 2014 the General Secretariat of the ACPR (SGACPR) agreed to allow the company to be exempt from the application on an individual basis of prudential requirements related to solvency ratios, the leverage ratio and major risks, as well as from application of the 75% ceiling on cash receipts for calculating liquidity coverage.

The company is subject to the LCR on an individual basis but benefits from an exemption from application of the 75% ceiling on cash receipts, granted to it by the Supervisory College of the ACPR in a letter dated August 1, 2014. Accordingly, given the company's operating model (issues of securities on-lent to BFCM with the same characteristics), this ratio is always observed.

3. DEBT

Readers are reminded that the company's borrowing capacity is limited by its bylaws: it may only take on debt in the form of housing finance bonds (*obligations de financement à l'habitat*) and subordinated debt.

In accordance with the company's corporate purpose, issues of housing finance bonds are intended to refinance personal home loans granted by banks in the Crédit Mutuel Alliance Fédérale, full ownership of which is transferred as collateral by Banque Fédérative du Crédit Mutuel. As principal and interest repayments become due, BFCM repays the corresponding amounts in respect of the loans granted to it.

Furthermore, Crédit Mutuel – CIC Home Loan SFH's borrowing capacity is dependent upon its compliance with prudential ratios laid down in applicable regulations.

Articles L. 441-6-1 and D. 441-4 of the French Commercial Code require companies to provide specific information on the due dates of amounts due to suppliers. In the case of Crédit Mutuel – CIC Home Loan SFH, these amounts are negligible.

IV. DESCRIPTION OF KEY RISKS AND UNCERTAINTIES AND RISK MANAGEMENT SYSTEM

The sole corporate purpose of Crédit Mutuel – CIC Home Loan SFH is to help to refinance Crédit Mutuel Alliance Fédérale by issuing covered bonds based on a home loan portfolio pledged as collateral on the basis of Article L. 211-36, paragraph II, and Articles L. 211-38 to L. 211-40 of the French Monetary and Financial Code.

1. CREDIT AND COUNTERPARTY RISK

Due to its limited corporate purpose, Crédit Mutuel – CIC Home Loan SFH's credit risk is strictly regulated. Funds may only be used as follows:

- On-lending of funds raised by issuing securities: these funds may only be lent to BFCM. This lending is itself secured by collateral in the form of home loans granted by Crédit Mutuel Alliance Fédérale, on the basis of Article L. 211-36, paragraph II, and Articles L. 211-38 to L. 211-40 of the French Monetary and Financial Code. The overall amount of lending and compliance with loan eligibility criteria are checked monthly and documented in an "Asset Cover Test" report.

- On-lending of capital is governed by the following limits:
 - Regulatory limits: Articles L. 513-7 and R. 513-6 set minimum credit quality levels for these investments.
 - Contractual limits: rating agencies have set minimum credit ratings that vary according to the term of the investments.

Duration/Minimum rating	S&P	Fitch	Moody's
< 30 days	A-1 or A	F1 and A	P-1
30 to 60 days	A-1	F1+ and/or AA-	P-1
60 days to 3 months	A-1+ or AA-	F1+ and/or AA-	P-1
< 1 year	A-1+ or AA-	F1+ and/or AA-	P-1

- Should BFCM default, the company would become the owner of the home loans offered as collateral. An analysis of this collateral by internal rating demonstrates the portfolio's high credit quality and is presented in the table below.

Rating	Outstandings (€m) ⁽¹⁾	Percentage	Aggregate percentage
A	16,900	55%	55%
B	9,334	30%	85%
C	3,432	11%	96%
D+	797	3%	98%
D-	421	1%	100%
E+	117	0%	100%
E-	-	0%	100%
E=	-	0%	100%
F	-	0%	100%
TOTAL	31,001	100%	

(1) Outstandings at 11/30/2018 shown as guarantee commitments received in SFH's financial statements at 12/31/2018

There are no non-performing or overdue loans in the portfolio offered as collateral.

The breakdown of these home loans by type of security is as follows:

Type of security	Outstandings (€m) ⁽¹⁾
Home mortgage guarantees	21,722
Guarantees provided by a credit institution	9,279
TOTAL	31,001

(1) Outstandings at 11/30/2018 shown as guarantee commitments received in SFH's financial statements at 12/31/2018

All guaranteed loans are secured by Crédit Logement.

The present LTV (ratio of the principal balance to the present value of the assets) is 63% on average.

2. INTEREST RATE, FOREIGN EXCHANGE AND MARKET RISK

Interest rate risk

Crédit Mutuel – CIC Home Loan SFH is required to operate in such a way that it is not exposed to interest rate risk.

- Funds collected by issuing securities must be lent to BFCM at the same interest rates (plus 10% of the margin, with a minimum of 2 bps and a maximum of 10 bps) and for the same term. This means that assets and liabilities are perfectly matched by term and interest rate.
- The only way the company could be exposed to interest rate risk would be if BFCM were to default. The company would then need to enforce its security and would become the owner of the home loans.

In accordance with the update to the issue program in July 2015 and with the approval of the rating agencies, this potential interest rate risk using a look-through approach is covered by a natural matching of assets and liabilities and by overcollateralization.

In fact, the vast majority (approximately 94%) of the cover pool assets are fixed-rate loans, and these assets are matched to liabilities in the same proportion by fixed-rate issues. The average interest rate of the cover pool (2.30% at 11/30/2018) and the average interest rate of bonds issued at fixed rates (2.00% at 11/30/2018) is monitored monthly. The overcollateralization rate resulting from the calculation of the Asset Cover Test negotiated with the rating agencies is always more than 74.9% (= Asset Percentage). The company is committed to maintaining this level of overcollateralization to meet the rating targets and regulatory requirements.

Moreover, a prospective analysis of potential interest rate risk using a look-through approach has been set up. It entails monitoring changes in the loans in the pool and issues within the group's asset-liability management tool. The interest-rate sensitivity of these two large volumes is highlighted. SFH can easily bear this impact given its equity and overcollateralization.

Foreign exchange risk

The program allows for the possibility that Crédit Mutuel – CIC Home Loan SFH carry out issues in foreign currencies. In such cases, the loan to BFCM is also made in the issue currency.

- To date, Crédit Mutuel – CIC Home Loan SFH has carried out the following foreign currency issues:

Nominal amount in foreign currency	Foreign currency	Equivalent amount in euros	Issue date	Maturity date
300,000,000	NOK	39,698,293	3/22/2012	3/22/2022
750,000,000	NOK	96,961,862	10/7/2011	10/7/2024

The funds raised via these issues were lent to BFCM under the same terms.

- The only way the company could be exposed to foreign exchange risk would be if BFCM were to default. The company would then need to enforce its security and would become the owner of the home loans, all of which are denominated in euros, while having to make repayments in foreign currencies. The issue program documentation requires Crédit Mutuel – CIC Home Loan SFH to enter

into specific foreign currency swaps with counterparties that must meet specific rating criteria in order to hedge this risk as soon as BFCM's rating is downgraded.

- Since a first-level rating criterion has been met, a hedging swap has been set up. BFCM has the necessary rating level and so is the counterparty to these swaps. In fact, BFCM enjoys a strong enough rating to meet the eligibility criteria provided for in the issue program documents: A (long-term) from Standard & Poor's, P-1 (short-term) and Aa3 (long-term) from Moody's and F1 (short-term) / A+ (long-term) from Fitch.

Furthermore, since no collateral has been transferred, the company does not need these swaps to hedge its risk. They have therefore been neutralized with BFCM.

Market risk

In accordance with its limited corporate purpose, Crédit Mutuel – CIC Home Loan SFH is not involved in any capital market activity other than issuing covered bonds and on-lending the funds raised in this way to BFCM under the same terms.

An adverse change in market conditions would only affect Crédit Mutuel – CIC Home Loan SFH's ability to raise funds in the bond market.

3. LIQUIDITY RISK

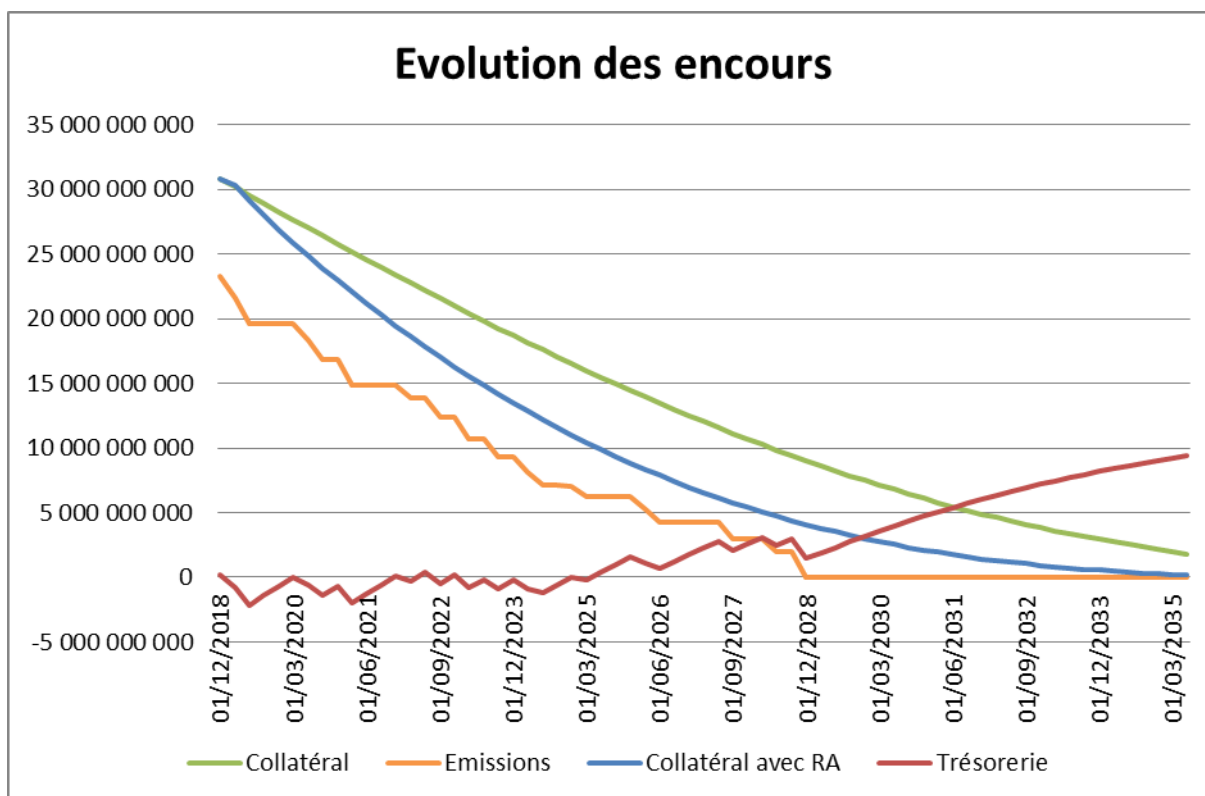
Crédit Mutuel – CIC Home Loan SFH operates in such a way that it is not exposed to liquidity risk. Since its sources and uses of funds are perfectly matched by term, Crédit Mutuel – CIC Home Loan SFH does not engage in maturity transformation.

- The only way the company could be exposed to liquidity risk would be if BFCM were to default. The company would then need to enforce its security and would become the owner of the home loans. The issue program documentation provides for a pre-maturity test to address this risk.
- The pre-maturity test requires BFCM to set aside a cash security deposit in the 180 business days before a covered bond issue matures. This deposit must be sufficient to cover the principal repayments falling due during the period in question. Failure to meet this obligation would represent default by BFCM.
- This pre-maturity test was triggered after Fitch Ratings downgraded BFCM's short-term credit rating to F1 on July 17, 2013. As a result, collateral was put in place to cover issues due to mature within 180 business days, and the funds thus obtained were deposited in term accounts maturing in less than 30 days. The amount of this collateral was €3.700 billion at 12/31/2018.

These mechanisms are considered compliant with the requirements of Article R. 513-7 of the French Monetary and Financial Code.

- Should BFCM default, the company would become the owner of the home loans offered as collateral.

The chart below shows the portfolio's amortization profile compared with the amortization of the issues and the resulting cash balance.



This simulation shows some occasional slight cash shortfalls, mainly in the second quarter of 2019 and the first quarter of 2021. However, this cash balance does not take account of early repayments, which would cover these theoretical shortfalls.

- The company is subject to the LCR on an individual basis but benefits from an exemption from application of the 75% ceiling on cash receipts, granted to it by the Supervisory College of the ACPR in a letter dated August 1, 2014. Accordingly, given the company's operating model (issues of securities on-lent to BFCM with the same characteristics), this ratio is always observed.

4. OPERATIONAL RISK

In line with its bylaws, Crédit Mutuel – CIC Home Loan SFH has no resources of its own. All tasks are subcontracted to BFCM, CIC and CFdeCM under various agreements. Internal control of outsourced activities is organized in accordance with the process defined by Group Compliance.

The company's operational risk policy is in line with the global policy implemented by Crédit Mutuel Alliance Fédérale, particularly in terms of the Emergency and Business Continuity Plan.

5. LEGAL RISK

Legal risk has been analyzed in detail by rating agencies, which have assigned their top rating (AAA) to Crédit Mutuel – CIC Home Loan SFH's program.

To help it achieve its corporate purpose, Crédit Mutuel – CIC Home Loan SFH is advised by external legal advisers, including, in particular, law firms.

More generally, under the above-mentioned agreements, Crédit Mutuel – CIC Home Loan SFH receives assistance from Crédit Mutuel Alliance Fédérale for all its activities.

V. RESEARCH AND DEVELOPMENT ACTIVITIES

In light of Article L. 232-1 of the French Commercial Code, readers are informed that the company has not engaged in any research and development activity during the year under review.

VI. EMPLOYMENT AND ENVIRONMENTAL IMPACTS AND COMMITMENTS TO SUSTAINABLE DEVELOPMENT – STATEMENT OF NON-FINANCIAL PERFORMANCE

Article 225 of the Grenelle II Act of July 12, 2010 and its implementing decree of April 24, 2012 extend the requirements, particularly for companies that issue securities on a regulated market, to publish information in their management report on the "employment and environmental impacts of their business and on their social commitments to sustainable development".

However, Crédit Mutuel - CIC Home Loan SFH has no employees. It is therefore unable to provide any employment information. Moreover, since the company has no buildings of its own, it has no direct environmental footprint. The environmental and social impact of its activities are covered by the policies defined by Crédit Mutuel Alliance Fédérale and presented in the management report of Caisse Fédérale de Crédit Mutuel, which is the parent company as defined in Article L. 233-3 of the French Commercial Code.

VII. INFORMATION ON PAYMENT TERMS OF CUSTOMERS AND SUPPLIERS

Articles L441-6-1 and D441-4 of the French Commercial Code require companies whose accounts are certified by a statutory auditor to provide specific information on supplier and customer payment periods.

We deem that the scope of the information provided on payment periods, as referred to in Article D. 441-4 of the French Commercial Code, does not include banking operations and related operations.

=> Invoices received and issued not paid at the closing date of the year which are overdue

The sums in question are zero for Crédit Mutuel – CIC Home Loan SFH.

=> Invoices received and issued for which payment was late during the year (Article D. 441-4 § II)

There were no significant transactions for which payment was late in 2018.

VIII. TABLE SHOWING DIVIDENDS PAID OVER THE PAST THREE YEARS

Year	2015	2016	2017
Amount in €	0.03	0.045	0.355
Dividend eligible for the tax allowance provided for in Article 158 of the French Tax Code	Yes	Yes	Yes

APPENDICES

- 1. REPORT ON INTERNAL CONTROL**
- 2. TABLE OF RESULTS FOR THE LAST 5 FISCAL YEARS**
- 3. FINANCIAL STATEMENTS**

Report on internal control

Credit institutions, financing companies and investment firms

(Report prepared pursuant to Articles 258 to 266 of the order of November 3, 2014 on internal control of banking sector, payment services and investment services companies subject to ACPR supervision)

Fiscal year 2018

March 2019

This report, pursuant to Articles 258 to 266 of the order of November 3, 2014 on internal control of banking sector, payment services and investment services companies subject to ACPR supervision, was presented to the Board of Directors on March 18, 2019.

1. General presentation of activities carried out

Crédit Mutuel – CIC Home Loan SFH was licensed by the French Credit Institutions and Investment Firms Committee (CECEI) at its meeting on May 31, 2007. At its meeting on March 28, 2011, the French Prudential Supervision and Resolution Authority (ACPR) authorized the company to opt for the status of "home loan financing company" (*Société de Financement de l'Habitat* - SFH).

The sole corporate purpose of Crédit Mutuel – CIC Home Loan SFH is to help to refinance Crédit Mutuel Alliance Fédérale by issuing covered bonds based on a home loan portfolio pledged as collateral on the basis of Article L. 211-36, paragraph II, and Articles L. 211-38 to L. 211-40 of the French Monetary and Financial Code.

The company has an international EMTN program and a US144A program enabling it to reach a wide range of international investors.

The company's activities in 2018 were fully in line with this corporate purpose, without the development of new activities, and consisted of the following operations:

- 4 issues, including two captive issues by BFCM, for a total of €4 billion:

Nominal amount in foreign currency	Foreign currency	Equivalent nominal amount in euros	Issue date	Maturity date
1,000,000,00	EUR	1,000,000,00	2/2/2018	2/2/2026
1,000,000,00	EUR	1,000,000,00	4/30/2018	4/30/2028
1,000,000,00	EUR	1,000,000,00	10/26/2018	10/26/2028
1,000,000,00	EUR	1,000,000,00	10/26/2018	10/26/2028

- on-lending of funds raised through these issues to BFCM.

In addition, the company's capital is deposited with BFCM.

2. Overview of the internal control system

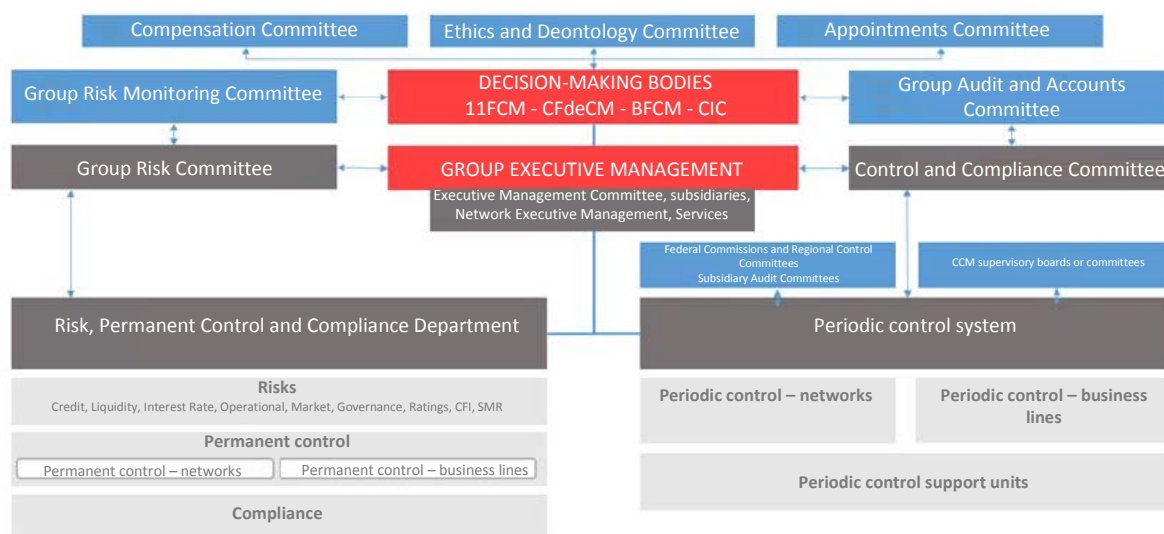
2.1. Organization at the Crédit Mutuel Alliance Fédérale level

The internal control system, along with the risk management organization, constitutes a coherent set of procedures tailored to the needs and organization of Crédit Mutuel Alliance Fédérale.

It meets the requirements of banking and financial regulations and adheres to the operating principles that Crédit Mutuel Alliance Fédérale has established through its governing bodies, in the spirit of cooperation that has always guided its strategy.

The creation in late 2017 of a Risk, Permanent Control and Compliance Department, without changing the internal organization of these three functions, aimed to strengthen collaboration among the teams, facilitate resource pooling and support the dissemination of the risk management, control and compliance culture throughout the group. These measures were adopted by the Board of Directors of Caisse Fédérale de Crédit Mutuel on November 17, 2017 and implemented in 2018.

Crédit Mutuel Alliance Fédérale's risk control and management system:



In accordance with the order of November 3, 2014, the system consists of three functions:

- periodic control,
- permanent control,
- compliance.

The last two functions, which are part of a common Risk, Permanent Control and Compliance Department (see above), are subject to control by the first function.

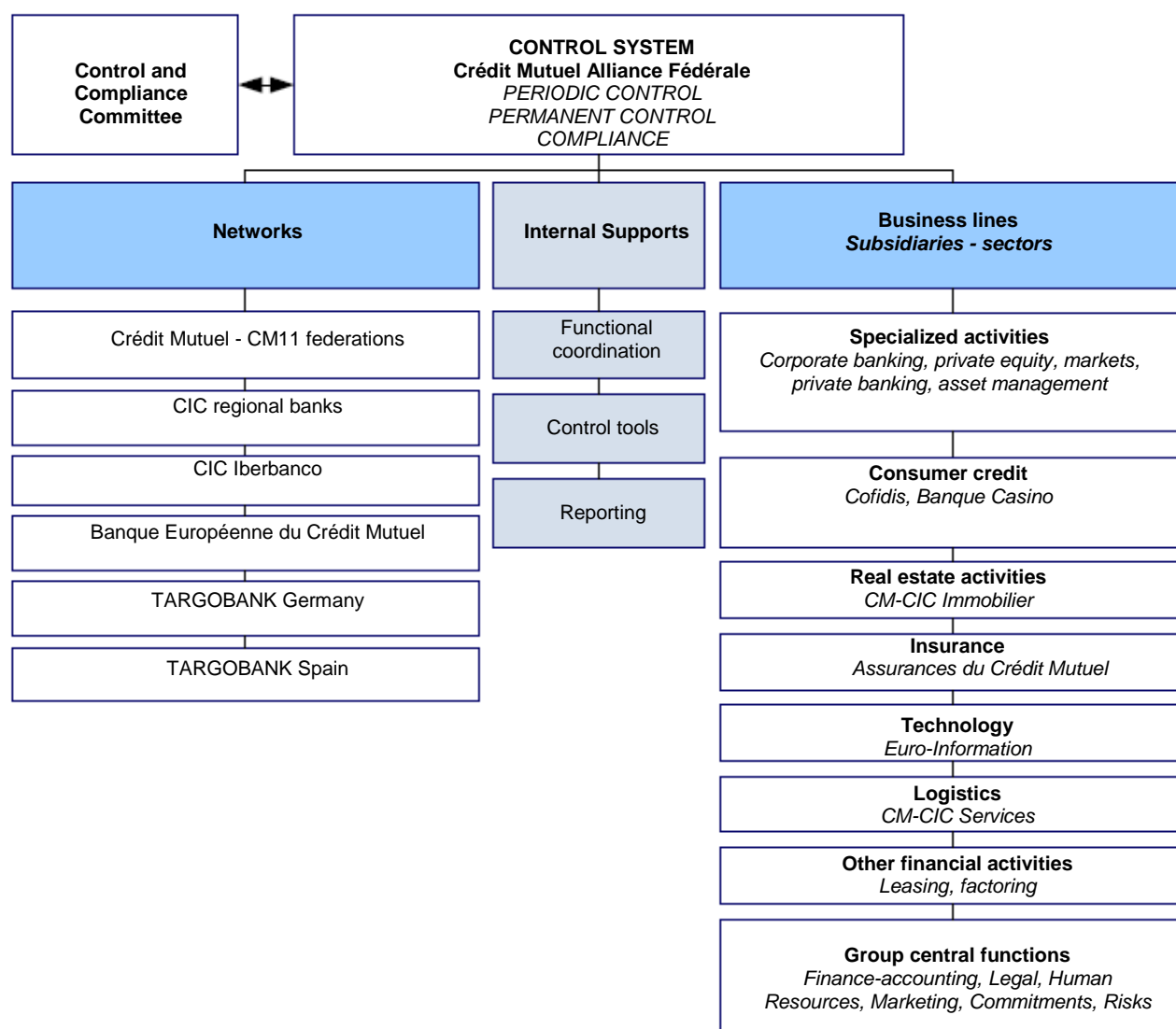
The organization and responsibilities of the Crédit Mutuel Alliance Fédérale's Periodic Control function are in line with General Confederal Decision No. 1/2017 on the internal audit system at the Crédit Mutuel Group.

The organization and duties of Crédit Mutuel Alliance Fédérale's compliance function are part of a broader system coordinated by CNCM pursuant to General Decision No. 2-2017 on the compliance system within the Crédit Mutuel group.

Periodic control and permanent control are divided into a network function and a business line function; a Control and Compliance Committee, chaired by a responsible officer, ensures the cohesiveness of the system as a whole. This Committee reports to the Group Audit and Financial Statements Committee, which represents the group's supervisory bodies.

To perform their functions, the heads of the control departments have permanent and unrestricted access to individuals, premises, equipment, software and information of any kind throughout the group. They may delegate any or all of their rights to their employees as needed for specific assignments.

Outline of the internal control system:



2.2. Crédit Mutuel – CIC Home Loan SFH’s internal control system

Crédit Mutuel – CIC Home Loan SFH’s internal control system is in line with that of Crédit Mutuel Alliance Fédérale.

The company has implemented a permanent control and compliance system, with the group’s assistance, that reflects its limited corporate purpose and lack of own resources.

The units responsible for executing transactions are segregated from those responsible for transaction validation and settlement and for risk monitoring.

First-level controls are performed by all employees acting on the company’s behalf as part of the management of accounting, administrative, regulatory and data processing transactions. Some of these controls are pre-integrated into the IT processes (e.g., access rights, limit checks and permission levels).

The control system implemented on behalf of the company is also based on the following principles:

- *first-level control*: this is performed by all the operational teams involved in Crédit Mutuel - CIC Home Loan SFH's operation, particularly the Collateral Management and Monitoring and Front Office functions, on the one hand, and the Back Office and Middle Office functions, on the other. Issues related to the company's management are the responsibility of the Group Treasury teams and those related to processing transactions and risk control are handled by the CM-CIC Marchés teams under the responsibility of the head of post-market activities.
- *second-level control*: a capital markets activities team, which acts exclusively as an auditor, is responsible for monitoring risk and the controls performed. This team reports to the Business Line Permanent Control department;
- *compliance controls*: these are also performed by the CM-CIC Marchés teams and by the Group Compliance department, particularly for regulatory watch and ethics matters.
- *periodic control*: this is performed by Group Audit, which works with a specialized team of inspectors. The Network Periodic Control function is also involved, particularly as regards home loans offered to the company as collateral.

In addition, given the company's status of "home loan financing company" (Société de Financement de l'Habitat – SFH), a special auditor is responsible for verifying compliance with all the obligations it assumes under this scheme with respect to its legal mandate.

3. Governance

The company's Executive Management regularly informs Crédit Mutuel - CIC Home Loan SFH's Board of Directors about the organization, activity and results of internal control.

In particular, any operational risk incident considered significant, as provided by the applicable regulations (see Articles 98 and 245 of the order of November 3, 2014), is reported based on the specific terms and procedures of Crédit Mutuel Alliance Fédérale.

In 2018, no significant incidents were identified.

Crédit Mutuel - CIC Home Loan SFH has no resources of its own. It depends fully on the group's entities for all of its operations. This organization is reflected in several agreements, the most important of which are:

- an "outsourcing and resource provision agreement" signed on July 6, 2007 and amended on June 10, 2011 between Crédit Mutuel – CIC Home Loan SFH and BFCM, CIC and CFdeCM, which covers legal and fiscal secretarial services and all tasks enabling compliance with contractual, legal and regulatory obligations;
- an "administrative agreement" signed on July 6, 2007 and amended on July 24, 2015 between Crédit Mutuel – CIC Home Loan SFH and BFCM, which covers the tasks required to achieve the company's corporate purpose and, more specifically, to fulfill the duties of issuer calculation agent, comply with the issue program clauses and manage collateral and cash.

4. Results of periodic controls carried out during the past fiscal year

The final report on the "receivable securitization" audit conducted by the Network Periodic Control function was circulated in January 2018.

The main objective of this audit was to assess the receivables securitization process throughout Crédit Mutuel Alliance Fédérale. It included an analysis of the receivables transferred by the networks to all the refinancing vehicles and the quality of the data in the information system. In general, the findings of these verifications are rather favorable, although some weaknesses were highlighted and 17 recommendations were made.

The follow-up to the audit conducted at year-end found an average recommendation implementation rate of 88%; however, it should be noted that the deadline for implementing two recommendations had not yet expired as of December 31, 2018.

5. Identification of transactions with key executives, members of the supervisory body and principal shareholders

Not applicable in terms of commitments likely to be deducted from equity.

6. Internal capital adequacy assessment process

- Due to the nature of its corporate purpose, Crédit Mutuel – CIC Home Loan SFH's use of funds is strictly regulated. It consists, with the exception of the on-lending of capital, exclusively of collateralized loans granted to BFCM.
- The collateral portfolio currently stands at €31 billion and equity totals €280 million.
- At the request of Crédit Mutuel – CIC Home Loan SFH, on June 19, 2014 the General Secretariat of the ACPR (SGACPR) agreed to allow the company to be exempt from the application on an individual basis of prudential requirements related to solvency ratios, the leverage ratio and major risks, as well as from application of the 75% ceiling on cash receipts for calculating liquidity coverage.

7. Compliance risk

See a discussion of this risk in Crédit Mutuel Alliance Fédérale's consolidated report.

8. Credit and counterparty risk

Due to its limited corporate purpose, Crédit Mutuel – CIC Home Loan SFH's credit risk is strictly regulated.

Funds may only be used as follows:

- On-lending of funds raised by issuing securities: these funds may only be lent to BFCM. This lending is itself secured by collateral in the form of home loans granted by Crédit Mutuel Alliance Fédérale, on the basis of Article L. 211-36, paragraph II, and Articles L. 211-38 to L. 211-40 of the French Monetary and Financial Code. The overall amount of lending and compliance with loan eligibility criteria are checked monthly and documented in an "Asset Cover Test" report.
- On-lending of capital is governed by the following limits:
 - Regulatory limits: Articles L. 513-7 and R. 513-6 set minimum credit quality levels for these investments.
 - Contractual limits: rating agencies have set minimum credit ratings that vary according to the term of the investments.

Duration/Minimum rating	S&P	Fitch	Moody's
< 30 days	A-1 or A	F1 and A	P-1
30 to 60 days	A-1	F1+ and/or AA-	P-1
60 days to 3 months	A-1+ or AA-	F1+ and/or AA-	P-1
< 1 year	A-1+ or AA-	F1+ and/or AA-	P-1

- Should BFCM default, the company would become the owner of the home loans offered as collateral.
An analysis of this collateral by internal rating demonstrates the portfolio's high credit quality and is presented in the table below.

Rating	Outstandings (€m) ⁽¹⁾	Percentage	Aggregate percentage
A	16,900	55%	55%
B	9,334	30%	85%
C	3,432	11%	96%
D+	797	3%	98%
D-	421	1%	100%
E+	117	0%	100%
E-	-	0%	100%
E=	-	0%	100%
F	-	0%	100%
TOTAL	31,001	100%	

⁽¹⁾Outstandings at 11/30/2018 shown as guarantee commitments received in SFH's financial statements at 12/31/2018

There are no non-performing or overdue loans in the portfolio offered as collateral.

The breakdown of these home loans by type of security is as follows:

Type of security	Outstandings (€m) ⁽¹⁾
Home mortgage guarantees	21,722
Guarantees provided by a credit institution	9,279
TOTAL	31,001

⁽¹⁾Outstandings at 11/30/2018 shown as guarantee commitments received in SFH's financial statements at 12/31/2018

All guaranteed loans are secured by Crédit Logement.

The present LTV (ratio of the principal balance to the present value of the assets) is 63% on average.

9. Operational risk

In line with its bylaws, Crédit Mutuel – CIC Home Loan SFH has no resources of its own. All tasks are subcontracted to BFCM, CIC and CFdeCM under various agreements. Internal control of outsourced activities is organized in accordance with the process defined by Group Compliance.

The company's operational risk policy is in line with the global policy implemented by Crédit Mutuel Alliance Fédérale, particularly in terms of the Emergency and Business Continuity Plan.

Legal risk has been analyzed in detail by rating agencies, which have assigned their top rating (AAA) to Crédit Mutuel – CIC Home Loan SFH's program.

To help it achieve its corporate purpose, Crédit Mutuel – CIC Home Loan SFH is advised by external legal advisers, including in particular law firms.

More generally, under the above-mentioned agreements, Crédit Mutuel – CIC Home Loan SFH receives assistance from Crédit Mutuel Alliance Fédérale for all its activities.

10. Interest rate risk

Crédit Mutuel – CIC Home Loan SFH is required to operate in such a way that it is not exposed to interest rate risk.

- Funds collected by issuing securities must be lent to BFCM at the same interest rates (plus 10% of the margin, with a minimum of 2 bps and a maximum of 10 bps) and for the same term. This means that assets and liabilities are perfectly matched by term and interest rate.
- The only way the company could be exposed to interest rate risk would be if BFCM were to default. The company would then need to enforce its security and would become the owner of the home loans.

In accordance with the update to the issue program in July 2015 and with the approval of the rating agencies, this potential interest rate risk using a look-through approach is covered by a natural matching of assets and liabilities and by overcollateralization.

In fact, the vast majority (approximately 94%) of the cover pool assets are fixed-rate loans, and these assets are matched to liabilities in the same proportion by fixed-rate issues. The average interest rate of the cover pool (2.30% at 11/30/2018) and the average interest rate of bonds issued at fixed rates (2.00% at 11/30/2018) is monitored monthly. The overcollateralization rate resulting from the calculation of the Asset Cover Test negotiated with the rating agencies is always more than 74.9% (= Asset Percentage). The company is committed to maintaining this level of overcollateralization to meet the rating targets and regulatory requirements.

In addition, an ex-ante analysis of the potential interest-rate risk using a look-through approach was carried out. It entails monitoring changes in the loans in the pool and issues within the group's asset-liability management tool. The interest-rate sensitivity (plus or minus 100 bp) of these two large volumes is highlighted. SFH can easily bear this impact given its equity and overcollateralization.

11. Foreign exchange risk

The program allows for the possibility that Crédit Mutuel – CIC Home Loan SFH carry out issues in foreign currencies. In such cases, the loan to BFCM is also made in the issue currency.

- To date, Crédit Mutuel – CIC Home Loan SFH has carried out the following foreign currency issues:

Nominal amount in foreign currency	Foreign currency	Equivalent nominal amount in euros	Issue date	Maturity date
300,000,000	NOK	39,698,293	3/22/2012	3/22/2022
750,000,000	NOK	96,961,862	10/7/2011	10/7/2024

The funds raised via these issues were lent to BFCM under the same terms.

- The only way the company could be exposed to foreign exchange risk would be if BFCM were to default. The company would then need to enforce its security and would become the owner of the home loans, all of which are denominated in euros, while having to make repayments in foreign currencies. The issue program documentation requires Crédit Mutuel – CIC Home Loan SFH to enter into specific foreign currency swaps with counterparties that must meet specific rating criteria in order to hedge this risk as soon as BFCM's rating is downgraded.
- Since a first-level rating criterion has been met, a hedging swap has been set up. BFCM has the necessary rating level and so is the counterparty to these swaps. In fact, BFCM enjoys a strong enough rating to meet the eligibility criteria provided for in the issue program documents: A (long-term) from Standard & Poor's, P-1 (short-term) and Aa3 (long-term) from Moody's and F1 (short-term) / A+ (long-term) from Fitch. Furthermore, since no collateral has been transferred, the company does not need these swaps to hedge its risk. They have therefore been neutralized with BFCM.

12. Liquidity risk

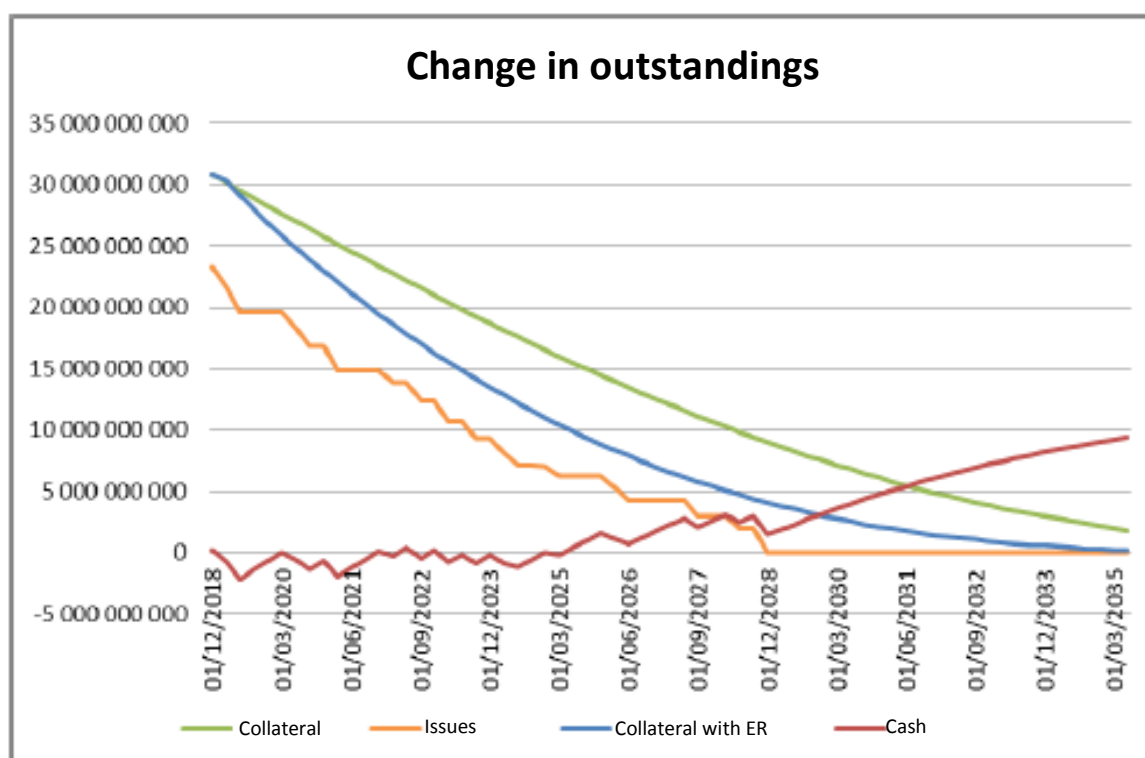
Crédit Mutuel – CIC Home Loan SFH operates in such a way that it is not exposed to liquidity risk. Since its sources and uses of funds are perfectly matched by term, Crédit Mutuel – CIC Home Loan SFH does not engage in maturity transformation.

- The only way the company could be exposed to liquidity risk would be if BFCM were to default. As indicated above, the company would then need to enforce its security and would become the owner of the home loans. The issue program documentation provides for a pre-maturity test to address this risk.
- The pre-maturity test requires BFCM to set aside a cash security deposit in the 180 business days before a covered bond issue matures. This deposit must be sufficient to cover the principal repayments falling due during the period in question. Failure to meet this obligation would represent default by BFCM.

- This pre-maturity test was triggered after Fitch Ratings downgraded BFCM's short-term credit rating to F1 on July 17, 2013. As a result, collateral was put in place to cover issues due to mature within 180 business days, and the funds thus obtained were deposited in term accounts maturing in less than 30 days. The amount of this collateral was €3.700 billion at 12/31/2018.

These mechanisms are considered compliant with the requirements of Article R. 513-7 of the French Monetary and Financial Code.

- Should BFCM default, the company would become the owner of the home loans offered as collateral.
The chart below shows the portfolio's amortization profile compared with the amortization of the issues and the resulting cash balance.



This simulation shows some occasional slight cash shortfalls, mainly in the second quarter of 2019 and the first quarter of 2021. However, this cash balance does not take account of early repayments, which would cover these theoretical shortfalls.

- The company is subject to the LCR on an individual basis but benefits from an exemption from application of the 75% ceiling on cash receipts, granted to it by the Supervisory College of the ACPR in a letter dated August 1, 2014. Accordingly, given the company's operating model (issues of securities on-lent to BFCM with the same characteristics), this ratio is always observed.

Five-year financial summary (in €)

Nature of the information	2014	2015	2016	2017	2018
1. Financial position at the end of the fiscal year					
Share capital	220,000,000	220,000,000	220,000,000	220,000,000	22,000,000
Total number of shares issued	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
"A" shares or common shares	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
2. Total income from operations					
Banking income	3,214,124,993	1,634,392,074	598,229,243	517,398,483	503,697,609
Earnings before tax, profit-sharing, depreciation, amortization and provisions and non-recurring items	2,281,173	1,612,944	5,507,826	4,601,662	4,595,090
Corporate income tax	850,727	999,273	1,886,273	1,553,602	1,529,443
Profit-sharing					
Profit	1,431,003	613,670	3,621,553	3,048,060	3,065,647
Profit distributed	660,000	660,000	990,000	7,810,000	2,970,000
3. Earnings per share					
Profit after tax and employee profit-sharing but before depreciation, amortization and provisions	0.07	0.03	0.16	0.14	0.14
Net profit	0.07	0.03	0.16	0.14	0.14
Dividend per "A" share	0.03	0.03	0.045	0.355	0.135
4. Personnel					
Number of employees (average FTE)	-	-	-	-	-
Payroll expense	-	-	-	-	-
Employee benefits (social security, benefit plans, etc.)	-	-	-	-	-

CREDIT MUTUEL-CIC HOME LOAN SFH

Statutory financial statements as of December 31, 2018

- Statement of financial position
- Income statement
- Notes

STATUTORY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

ASSETS (€millions)	Note	2018 December 31
Cash and central bank deposits		
Government securities and similar instruments		
Receivables due from credit institutions	2	27,523,741
Due to customers		
Bonds and other fixed-income securities		
Equities and other variable-income securities		
Long-term equity investments and securities		
Investments in subsidiaries and associates		
Finance leases and similar transactions		
Intangible assets		
Property, plant and equipment		
Subscribed capital not paid		
Treasury stock		
Other assets	3	1,753
Prepayments and accrued income	4	79,458
Total assets		27 604 952

Off-statement of financial position items		2018 December 31
Commitments received		
Financing commitments		
Commitments received from credit institutions		
Guarantee commitments		
Commitments received from credit institutions	10	31,001,002
Securities commitments		
Securities sold with repurchase or reacquisition option		
Other commitments received		

CREDIT MUTUEL - CIC HOME LOAN SFH

STATEMENT OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY (€millions)	Note	2018 December 31
Deposits by central banks		
Due to credit institutions		
Due to customers		
Debt securities	5	23,540,102
Other liabilities	3	3,700,165
Prepayments and accrued income	4	79,858
Provisions		
Subordinated debt	6	60,048
Fund for general banking risks		
Shareholders' equity	7	
- Subscribed capital		220,000
- Issue premiums		
- Reserves		1,612
- Revaluation reserve		
- Regulated provisions		
- Retained earnings		101
- Profit for the year		3,066
Total liabilities and shareholders' equity		27,604,952

Off-statement of financial position items

2018
December 31

Commitments given

Financing commitments

Commitments given to credit institutions

Commitments given to customers

Guarantee commitments

Commitments given on behalf of credit institutions

Commitments given on behalf of customers

Securities commitments

Securities acquired with reacquisition option

Other commitments given

CREDIT MUTUEL - CIC HOME LOAN SFH

INCOME STATEMENT

(€millions)	Note	2018 December 31
+ Interest and similar income	15	503,697
+ Interest and similar expense	15	(498,337)
+ Income from variable-income securities		
+ Fee and commission income		
+ Fee and commission expense		
+/- Gains (losses) on trading portfolio transactions		15
+/- Gains (losses) on investment portfolio and similar transactions		
+ Other banking operating income		
+ Other banking operating expense		
= Net banking income		5,375
+ Payroll costs		
+ Other administrative expenses		(780)
+ Depreciation and amortization		
= Operating expenses		(780)
= Gross operating income		4,595
+ Net additions to/reversals from provisions for loan losses		
= Operating income		4,595
+/- Gains (losses) on non-current assets		4,595
= Income before non-recurring items		
+/- Non-recurring items		
+ Corporate income tax	16	(1,529)
+/- Additions to (reversals from) fund for general banking risks		
+/- Additions to (reversals from) regulated provisions		
= Net income		3,066

INFORMATION ON STATEMENT OF FINANCIAL POSITION, OFF-STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT ITEMS

The notes to the financial statements are presented in millions of euros.

Significant events during the year

In 2018, Crédit Mutuel-CIC Home Loan SFH issued €4.0 billion in EMTNs.

Taking into account issues that had reached maturity, total issues on the statement of financial position were €23.3 billion as of December 31, 2018.

Banque Fédérative du Crédit Mutuel holds a 99.99% stake in Crédit Mutuel-CIC Home Loan SFH.

NOTE 1: Accounting principles, valuation and presentation methods

The statutory financial statements are prepared in accordance with French national accounting standards authority (*autorité des normes comptables* – ANC) regulation 2014-07 related to the financial statements of banking sector firms and included in the compendium of French accounting standards for the banking sector.

Loans

Loans are recorded on the statement of financial position at their nominal value.

Foreign currency-denominated assets and liabilities

Assets and liabilities denominated in a currency other than the local currency are translated at the official year-end exchange rate. Unrealized foreign exchange gains or losses resulting from these translations are recognized on the income statement with the exchange gains or losses realized or incurred on transactions carried out during the year.

Interest and commissions

Interest is recognized on the income statement on a pro rata temporis basis. Commissions are recorded using the cash receipt criterion, with the exception of commissions relating to financial transactions, which are recorded at the close of the issue or when invoiced.

NOTE 2 - Receivables due from credit institutions

	31 December 2018		31 December 2017	
	Demand deposits	Term deposits	Demand deposits	Term deposits
Current accounts	279.3		284.2	
Loans secured by notes and securities (*)		26,955.5		22,011.7
Repo / securities purchased under resale agreements				
Accrued income		288.9		285.4
Non-performing loans receivables				
Impairment				
Total	279.3	27,244.4	284.2	22,297.1
Total receivables due from credit institutions		27,523.7		22,581.3
of which participating loans				
of which subordinated loans				

(*) BFCM is the only counterparty to the loans granted.

NOTE 3 - Other assets and liabilities

	31 December 2018		31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Premiums on options				
Guarantee deposits	1.2	3,700.0	1.0	300.0
Securities settlement accounts				
Debt representing securities borrowed				
Deferred taxes				
Other receivables and payables	0.5	0.2	0.3	
Accrued income and interest				
Impairment				
Total	1.7	3,700.2	1.3	300.0

NOTE 4 - Accruals

	31 December 2018		31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Collection accounts				
Currency and off-statement of financial position adjustment accounts	5.3	5.3	5.4	5.4
Other accruals	74.3	74.6	71.1	71.2
Total	79.6	79.9	76.5	76.6

Accrual accounts - liabilities mainly concern EMTN issue premiums.

Accrual accounts - assets reflect accruals - liabilities at the loan level.

INFORMATION ON STATEMENT OF FINANCIAL POSITION, OFF-STATEMENT OF FINANCIAL POSITION ITEMS

NOTE 5 - Debt securities

	31 December 2018	31 December 2017
Certificates of deposit		
Interbank instruments and negotiable debt securities		
Bonds	23,255.5	21,711.7
Other debt securities		
Accrued interest	284.6	281.3
Total	23,540.1	21,993.0

Borrowings are in EUR and NOK

NOTE 6 - Subordinated debt

	31 December 2017	Issues	Repayments	Other changes	31 December 2018
Subordinated debt					
Non-voting loan stock					
Perpetual subordinated notes	60.0				60.0
Accrued interest	0.0				0.0
Total	60.0				60.0

Main subordinated debt issues:

	OUTSTANDINGS	INTEREST RATE	MATURITY
PERPETUAL SUBORDINATED LOAN STOCK 2007	60.0	3-month Euribor +0.66%	**
TOTAL	60.0		

This is an "indefinite term" subordinated loan, in euros, with the possibility of early repayment (without payment conditions) at each interest payment date, subject to ACPR approval.

NOTE 7 - Shareholders' equity and fund for general banking risks (FRBG)

	Share capital	Premiums	Reserves	Retained earnings	Profit for the year	Total	FRBG
Balance as of 1.1.2017	220.0		1.3	2.6	3.6	227.5	
Profit for the year					3.0	3.0	
Appropriation of earnings from previous year			0.2	3.4	(3.6)	0.1	
Distribution of dividends				(0.9)		(0.9)	
Capital increase							
Impact of revaluations							
Other changes							
Impact of the merger							
Balance as of 31.12.2017	220.0		1.5	5.1	3.0	229.5	
Balance as of 1.1.2018	220.0		1.5	5.1	3.0	229.5	
Profit for the year					3.1	3.1	
Appropriation of earnings from previous year			0.1	2.8	(3.0)	0.1	
Distribution of dividends				(7.8)		(7.8)	
Capital increase							
Impact of revaluations							
Other changes							
Impact of the merger							
Balance as of 31.12.2018	220.0		1.6	0.1	3.1	224.8	

As of December 31, 2018, the share capital comprised 22,000,000 shares with a par value of €10.

BFCM held 99.99% of the capital of Crédit Mutuel-CIC Home Loan SFH as of December 31, 2018.

As such, it is fully consolidated in the consolidated financial statements of Crédit Mutuel Alliance Fédérale and at the Crédit Mutuel national consolidation level.

The shareholders' meeting will be asked to allocate €3,166,864.62, of which €3,065,646.56 from profit for 2018 and €101,218.06 from retained earnings, as follows:

Allocation to the legal reserve:	€153,282.33
Dividends	€2,970,000.00
Retained earnings	€43,582.29
	€3,166,864.62

INFORMATION ON STATEMENT OF FINANCIAL POSITION, OFF-STATEMENT OF FINANCIAL POSITION ITEMS

NOTE 8 – Analysis of certain assets/liabilities by residual maturity

	< 3 months and demand	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Perpetual	Accrued interest	Total as of 31 December 2018
ASSETS							
Receivables due from credit institutions	5,679.3	2,000.0	10,230.1	9,325.4		288.9	27,523.7
Receivables due from customers							
Bonds and other fixed-income securities							
LIABILITIES							
Due to credit institutions							
Due to customers							
Debt securities							
- Certificates of deposit							
- Interbank instruments and negotiable debt securities							
- Bonds	1,700.0	2,000.0	10,230.2	9,325.4		284.5	23,540.1
- Other							
Subordinated debt					60.0	0.0	60.0

NOTE 9 – Euro-equivalent of foreign currency-denominated assets and liabilities

The euro equivalent of foreign currency-denominated assets and liabilities was -€110.5 million and €110.5 million respectively as of December 31, 2018.

NOTE 10 - Guarantee commitments

The loans granted by Crédit Mutuel-CIC Home Loan SFH to BFCM are guaranteed by eligible home loans granted by Crédit Mutuel Alliance Fédérale's branch network, in accordance with Article 431-7 of the French Monetary and Financial Code.

As of December 31, 2018, the amount of this guarantee was €31.001 billion versus €31.001 billion at December 31, 2017.

NOTE 11 - Commitments on forward financial instruments

Transactions on forward financial instruments (based on the concept of micro/macro hedging transactions and open-position/specialized management transactions relating to firm and conditional transactions).

	12.31.2018			12.31.2017		
	Hedging	Management transactions	Total	Hedging	Management transactions	Total
Firm transactions						
<i>Over-the-counter markets</i>						
Forward rate agreements						
Interest rate swaps	4,000.0		4,000.0		4,310.0	4,310.0
Financial swaps						
Other transactions						
Swaps – other						
Conditional transactions						
<i>Over-the-counter markets</i>						
Interest rate cap and floor contracts						
Purchased						
Sold						
Interest rate, foreign currency, equity and other options						
Purchased						
Sold						
Total					4,310.0	4,310.0

Analysis of over-the-counter interest rate contracts by type of portfolio

	12.31.2018				
	Separate open position	Micro hedging	Overall interest rate risk	Specialized management	Total
Firm transactions					
Purchases					
Sales					
Swaps					
		4,000.0			4,000.0
Conditional transactions					
Purchases					
Sales					
12.31.2017					
Firm transactions					
Purchases					
Sales					
Swaps					
		4,310.0			4,310.0
Conditional transactions					
Purchases					
Sales					

**INFORMATION ON STATEMENT OF FINANCIAL POSITION, OFF-STATEMENT OF
FINANCIAL POSITION ITEMS**

NOTE 12 – Analysis of forward financial instruments by residual maturity

12.31.2018	< 1 year	> 1 year < 5 years	> 5 years	Total
Interest rate instruments				
<i>Over-the-counter markets</i>				
Purchases				
Sales				
Interest rate swaps	4,000.0			4,000.0
Total				4,000.0

NOTE 13 - Forward financial instruments - Counterparty risk

The counterparty risk associated with forward financial instruments is estimated according to the methodology used to calculate prudential ratios.

Credit risks on forward financial instruments	12.31.2018	12.31.2017
GROSS EXPOSURE		
Credit institution risk	16.4	36.5
Company risk		
TOTAL	16.4	36.5

Fair value of forward financial instruments	12.31.2018		12.31.2017	
	Assets	Liabilities	Assets	Liabilities
Fair value of forward financial instruments	25.4	25.4	36.6	36.6

NOTE 14 - Other off-statement of financial position commitments

	12.31.2018	12.31.2017
Foreign currency transactions		
- Foreign currencies receivable		
- Foreign currencies payable		
Commitments on forward financial instruments		
Transactions carried out on organized and similar markets		
- Forward foreign exchange transactions		
. Hedging		
. Other transactions		
- Currency swaps		
. Separate open position		
. Micro-hedging	242.2	243.4
. Overall interest rate risk		
. Specialized management		

NOTE 15 - Interest income and expense

	31 December 2018		31 December 2017	
	Income	Expense	Income	Expense
Credit institutions	498.5	31.0	508.4	47.4
Customers				
Finance leases and operating leases				
Bonds and other fixed-income securities		467.3		464.5
Other	5.2		9.0	
Total	503.7	498.3	517.4	511.9
of which subordinated debt expenses				

NOTE 16 - Corporate income tax

	31 December 2018	31 December 2017
Current income tax - Amount for the period	1.5	1.6
Current income tax - Prior-period adjustments		
Current income tax - Effect of tax consolidation		
Total	1.5	1.6
On ongoing operations	1.5	1.6
On non-recurring items		
Total	1.5	1.6

INFORMATION ON STATEMENT OF FINANCIAL POSITION, OFF-STATEMENT OF FINANCIAL POSITION ITEMS

Effective January 1, 2016, Caisse Fédérale de Crédit Mutuel opted for "mutual tax consolidation" in accordance with Article 223 A, paragraph 5, of the French General Tax Code.

This tax consolidation scheme allows companies to pay corporate income tax on the total income obtained by taking the algebraic sum of the positive and negative results of the group's entities. In 2018, CFdCM's tax group consisted of:

- CFdCM itself, the head of the tax group,
- 1,358 Crédit Mutuel local mutual banks and 10 Crédit Mutuel regional mutual banks that belong to the member Federations of Crédit Mutuel Alliance Fédérale, which are required to be members of this tax group,
- Banque Fédérative du Crédit Mutuel and 24 of its subsidiaries that opted to be part of the tax group.

By agreement, each member of the tax group must pay CFdCM, as a share of the payment of the group's corporate income tax and regardless of the actual amount of said tax, a sum equal to the tax that it would have paid on its income if the member were taxed separately, minus therefore all the tax deduction rights that members would have had if they were not consolidated.

The corporate income tax due for the year and additional contributions are determined in accordance with applicable tax regulations. Tax credits related to income from securities are not recognized, but are deducted directly from the tax expense.

"Corporate income tax" includes:

- The amount of corporate income tax and the additional contribution calculated as if the company were taxed separately,
- Any adjustments (back taxes or tax relief) relating to prior years,
- The tax expense or income related to tax credits on interest-free and similar loans.

Difference between the tax recognized and the tax that the member is jointly and severally responsible for paying: NONE.

Difference between the tax recognized and the tax that the member would have borne if it were not consolidated: NONE.

Loss carryforwards:

- The CFdCM tax consolidation group has no tax loss carryforwards.
- Some members of the group (including CFdCM) have tax loss carryforwards that predate their membership in the tax group.

NOTE 17 - Statutory auditors' fees in 2018

(€ thousands)	PricewaterhouseCoopers Audit	ERNST & YOUNG et Autres
Certification of the individual financial statements and limited review	15	15
Services other than certification of the financial statements	12	12

(1) These services cover the services other than certification of the financial statements provided at the entity's request, which included comfort letters related to Crédit Mutuel-CIC Home Loan SFH's market transactions.

NOTE 18 - Subsequent events

No events that would materially affect the financial statements occurred between December 31, 2018 and the date of publication of the financial statements.

**INFORMATION ON STATEMENT OF FINANCIAL POSITION, OFF-STATEMENT
OF FINANCIAL POSITION ITEMS**

STATEMENT OF NET CASH FLOWS

(€ thousands)	12.2018	12.2017
Net income	3,066	3,048
Taxes	1,529	1,553
Pre-tax income	4,595	4,601
+/- Net depreciation/amortization of property, plant and equipment and intangible assets		
- Impairment of goodwill and other non-current assets		
+/- Net charges to provisions		
+/- Share of income of equity-accounted entities		
+/- Net loss/gain from investment activities		
+/- Expense from financing activities		
+/- Other movements	11,283	3,026,202
= Total of non-monetary items included in pre-tax net income and other adjustments	11,283	3,026,202
+/- Cash flows from transactions with credit institutions	(4,943,842)	1,257,531
+/- Cash flows from customer transactions		
+/- Cash flows from other transactions impacting financial assets or liabilities		
+/- Cash flows from other transactions impacting non-financial assets or liabilities	3,405,048	(994,911)
- Taxes paid	(1,039)	(2,929)
= Net reduction in assets and liabilities from operational activities	(1,539,833)	259,691
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	(1,523,955)	3,290,494
+/- Cash flows from financial assets and equity interests		
+/- Cash flows from investment properties		
+/- Cash flows from property, plant and equipment and intangible assets		
TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES		
+/- Cash flows from transactions with shareholders	(7,810)	(990)
+/- Other net cash flows from financing activities	1,526,811	(3,348,820)
TOTAL CASH FLOW FROM FINANCING ACTIVITIES	1,519,001	(3,349,810)
IMPACT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS		
Net increase in cash and cash equivalents	(4,954)	(59,316)
Net cash flows from operating activities	(1,523,955)	3,290,494
Net cash flows from investing activities		
Net cash flows from financing activities	1,519,001	(3,349,810)
Impact of exchange rate fluctuations on cash and cash equivalents		
Cash and cash equivalents at the start of the period	284,255	343,571
Cash and balances with central banks and post office banks		
Accounts and sight loans/borrowings from credit institutions	284,255	341,693
Cash and cash equivalents at year-end	279,301	343,571
Cash and balances with central banks and post office banks		
Accounts and sight loans/borrowings from credit institutions	279,301	284,255
CHANGE IN NET CASH POSITION	(4,954)	(59,316)

BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

I) List of all offices and positions held by the corporate officers

As of December 31, 2018, the Board of Directors of Crédit Mutuel - CIC Home Loan SFH (the "company") is composed of the following members:

- Alexandre Saada, Chairman
- Christian Ander, director
- Luc Chambaud, director
- Eric Platiau, director
- BFCM, represented by Annie Gain, director

The following persons comprise the company's effective management:

- Christian Ander
- Denis Reinsbach

In accordance with Article L225-37-4 of the French Commercial Code, the list of offices and functions held by each corporate officer during the year is provided in the appendix hereto.

II) Compensation of corporate officers

The corporate officers of Crédit Mutuel – CIC Home Loan SFH do not receive directors' fees or compensation of any kind for their participation in the Board of Directors' meetings of Crédit Mutuel – CIC Home Loan SFH.

The members of the Board of Directors are compensated pursuant to their employment contract and not for holding their corporate office.

III) Regulated agreements

We inform you that no agreement that comes within the scope of Article L. 225-38 of the French Commercial Code was entered into during the past year.

IV) Table of delegations of authority (capital increase)

None.

V) Organization and operation of the Board of Directors

The operating rules and powers of the Board of Directors (particularly in terms of issues) are set by Articles 13 to 17 of the bylaws.

Crédit Mutuel – CIC Home Loan SFH complies with current corporate governance regulations. It does not adhere to the AFEP-MEDEF code on this same subject, a number of whose recommendations are not suited to it given that 100% of its shares are held by Banque Fédérative du Crédit Mutuel (+ share loans).

The Board of Directors sets the company's business strategy and oversees its implementation. Subject to the powers expressly granted to shareholders' meetings and within the limit of the corporate purpose, it considers all issues relating to the company's operation and makes decisions on matters affecting it.

There are no internal rules formally stipulating how the Board of Directors should operate; it is subject to the statutory legal provisions.

Individually, directors have a duty of discretion and confidentiality on all matters related to the company's purpose.

Pursuant to Article L. 225-51-1 of the French Commercial Code, the Board has opted for a dual executive management structure.

The Board is chaired by Alexandre Saada, who organizes and directs the Board of Directors' work and ensures that directors are able to perform their duties.

When determining the composition of the Board of Directors, several principles are applied.

- 1. Incompatibilities and prohibitions:** at the time of his/her appointment, each director signs a statement certifying that he/she is not subject to the banking prohibitions set out in Article L. 500-1 of the French Monetary and Financial Code.
- 2. Age limit:** The composition of the Board takes into account a provision of the bylaws which stipulates that not more than one-third of the directors may be over the age of 75.
- 3. Combination with an employment contract:** no director has an employment contract with the company and its controlled subsidiaries (except for directors representing employees, to whom the rules regarding concurrent directorships and employment contracts do not apply).
- 4. Application of the principle of balanced representation of men and women on the Board of Directors:** the Copé-Zimmermann Law 2011-103 of January 27, 2011, amended in 2014 and in force as of January 1, 2017, does not apply to Crédit Mutuel – CIC Home Loan SFH, which does not meet the thresholds for mandatory balanced representation of men and women on Boards of Directors. In 2018, the company replaced Marc Bauer, permanent representative of BFCM, with Annie Gain.
- 5. Director competence and training:** Crédit Mutuel - CIC Home Loan SFH places a great deal of importance on the competence of its directors. A specific training module for directors was introduced at the initiative of the interfederal elected member training commission aimed at reinforcing the knowledge and skills of Crédit Mutuel – CIC Home Loan SFH's directors in light of the regulatory competencies required since the transposition of the CRD IV directive in France. Specific skill-building training modules are also offered to members of the regulatory committees to help them complete the work of these committees.

6. Composition of the Board of Directors and independent directors: The Board of Directors of Crédit Mutuel-CIC Home Loan SFH consists of five members, including one independent director, appointed by the shareholders' meeting for six years, pursuant to Article 13 of the bylaws. There are no directors' fees or stock options.

VI- Shareholder participation in general shareholders' meetings

The operating rules and powers of the general shareholders' meetings are set out in Article 24 et seq. of the bylaws.

The rules for amending the bylaws are set out in the same articles.

OFFICES HELD

BOARD OF DIRECTORS

Alexandre Saada

Chairman of the Board of Directors

Offices	Corporate name of the entity
Chairman of the Board of Directors	Crédit Mutuel – CIC Home Loan SFH
Chairman of the Board of Directors	CIC Ouest
Deputy CEO – effective manager	Banque Fédérative du Crédit Mutuel
Non-voting member	Cofidis SA
Non-voting member	Cofidis Participations
Permanent representative of BFCM on the Board of Directors	Opuntia (LUXE TV) SA

Christian Ander

Director

Offices	Corporate name of the entity and country
Chairman of the Supervisory Board	CM-CIC Caution Habitat
Chief Executive Officer and member of the Board of Directors	Crédit-Mutuel CIC Home Loan SFH
Member of the Supervisory Board	CIC Iberbanco
Permanent representative of SOFINACTION, member of the Board of Directors	CM-CIC Bail
Permanent representative of BFCM, member of the Board of Directors	Caisse de Refinancement de l'Habitat
Permanent representative of BFCM, non-voting member	CM-CIC Asset Management

Annie Gain representing BFCM

Director

Offices	Corporate name of the entity and country
Chairman	Devest 6
Vice-Chairman of the Board of Directors:	Banque du Groupe Casino
Member of the Supervisory Board	Cofidis Participations
Member of the Supervisory Board	Cofidis France
Member of the Supervisory Board	Targobank AG
Member of the Supervisory Board	Targo Deutschland GmbH
Member of the Board of Directors	Crédit Mutuel - CIC Home Loan SFH
Member of the Board of Directors	Monetico International

Luc Chambaud

Director

Offices	Corporate name of the entity and country
Chief Executive Officer	Caisse Régionale du Crédit Mutuel de Normandie
Chief Executive Officer	Fédération du Crédit Mutuel de Normandie
Member of the Supervisory Board	Euro Information Production – Groupement Informatique CM-CIC EIP (formerly GTOCM)
Permanent representative of Caisse Régionale du Crédit Mutuel Normandie Member of the Management Board	Euro – Information SAS
Permanent representative of Caisse Régionale du Crédit Mutuel Normandie Member of the Supervisory Board	Groupe des Assurances du Crédit Mutuel
Permanent representative of Caisse Régionale du Crédit Mutuel Normandie Member of the Management Board	Euro TVS
Director	Crédit Mutuel - CIC Home Loan SFH

Member of the Supervisory Board:	Centre de Conseil et de Service
Non-voting member of the Board of Directors	CIC

Eric Platiau

Director

Offices	Corporate name of the entity and country
Resources Manager	Oney Bank
Member of the Supervisory Board	Oney Bank (Poland branch)
Member of the Board of Directors	Crédit Mutuel-CIC Home Loan SFH

Denis Reinsbach

Effective manager

Offices	Corporate name of the entity and country
Effective manager Chief Administrative Officer	Crédit-Mutuel CIC Home Loan SFH

PricewaterhouseCoopers Audit

ERNST & YOUNG et Autres

Crédit Mutuel-CIC Home Loan SFH

Year ended December 31, 2018

Statutory auditors' report on the annual financial statements

PricewaterhouseCoopers Audit
63 Rue de Villiers
92524 Neuilly-sur-Seine cedex
A French simplified corporation (S.A.S.)
with capital of €2,510,460
Nanterre Trade and Companies
Register No. 672 006 483

Statutory Auditor
Member of the Versailles regional
accountants' association

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense cedex
A French simplified corporation
(S.A.S.) with variable capital
Nanterre Trade and Companies
Register No. 438 476 913

Statutory Auditor
Member of the Versailles regional
accountants' association

Crédit Mutuel-CIC Home Loan SFH

Year ended December 31, 2018

Statutory auditors' report on the annual financial statements

To the Shareholders' Meeting of Crédit Mutuel-CIC Home Loan SFH,

Opinion

In accordance with the terms of the engagement entrusted to us at your shareholders' meeting, we have audited the annual financial statements of Crédit Mutuel-CIC Home Loan SFH for the year ended December 31, 2018, as appended to this report.

In our opinion, the annual financial statements present a true and fair view of the company's assets, liabilities, financial position and results at the end of the year under review, in accordance with French accounting rules and principles.

The opinion expressed above is consistent with the content of our report to the Board of Directors performing the functions of the audit committee.

Basis for the opinion

■ Audit standards

We have conducted our audit in accordance with auditing standards applicable in France. We believe that the evidence we have gathered provides a sufficient and appropriate basis for our audit opinion.

Our responsibilities pursuant to these standards are indicated in the section of this report entitled "Responsibilities of the statutory auditors regarding the audit of the annual financial statements".

■ Independence

We have 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.

Basis for our assessments - Key points of the audit

Pursuant to Articles L. 823-9 and R. 823-7 of the French Commercial Code regarding the basis for our assessments, we must 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 annual financial statements, as well as our responses to these risks.

We have determined that there were no key points of the audit to inform you of in our report.

Specific verifications

In accordance with French generally accepted auditing standards, we have also performed the specific checks required by the statutes and regulations.

■ Information provided in the management report and in the other documents on the financial position and the annual financial statements sent to shareholders

We have no comments as to the fair presentation of the information set out in the Board of Directors' management report and the other documents sent to shareholders on the company's financial position and the annual financial statements, or its consistency with the annual financial statements, other than the point set out below.

The fair presentation and consistency with the annual financial statements of the information relating to the payment periods referred to in Article D. 441-4 The French Commercial Code prompts us to make the following observation:

As indicated in the management report, this information does not include banking transactions and related transactions, as your company considers that they do not fall within the scope of the information to be produced.

■ Information regarding corporate governance

We attest to the existence, in the corporate governance section of the Board of Directors' management report, of the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

As regards the information provided in accordance with Article L. 225-37-3 of the French Commercial Code on compensation and benefits paid to corporate officers and commitments made to them, we have checked the consistency of this information with the information provided in the financial statements or with the data used to prepare the financial statements and, where applicable, with the information received by your company from companies that control it or are controlled by it. On the basis of this work, we have the following comment: this information does not include the compensation and benefits paid by the company that controls your company to your company's corporate officers.

Information resulting from other legal and regulatory requirements

■ Appointment of the statutory auditors

We were appointed as statutory auditors of Crédit Mutuel-CIC Home Loan SFH by your shareholders' meeting on April 16, 2007.

As of December 31, 2018, our firms had performed their duties for the 12th consecutive year.

Responsibilities of management and those charged with corporate governance regarding the annual financial statements

It is the responsibility of management to prepare annual financial statements that give a true and fair view in accordance with French accounting rules and principles and to implement internal control as it deems necessary for the preparation of annual financial statements that contain no material misstatements, whether such misstatements are the result of fraud or errors.

When preparing the annual 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 Board of Directors performing the functions of the audit committee must monitor the financial information preparation process and the effectiveness of the internal control, risk management and, where applicable, internal audit systems as regards the procedures related to the preparation and processing of accounting and financial information.

The annual financial statements have been approved by the Board of Directors.

Responsibilities of the statutory auditors regarding the audit of the annual financial statements

■ Objective and audit approach

Our responsibility is to prepare a report regarding the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements, as a whole, are free from 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, he/she:

- ▶ identifies and assesses the risk that the annual financial statements contain material misstatements whether 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 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, and not to express 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 related information provided in the annual 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 annual 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 annual financial statements and determines whether they fairly present the underlying transactions and events.

■ **Report to the Board of Directors performing the functions of the audit committee**

We are submitting a report to the Board of Directors performing the functions of the audit committee which presents the scope of the audit and the work program implemented, as well as the conclusions of our audit. We are also informing it, where applicable, of the significant weaknesses of internal control that we have identified as regards the procedures related to the preparation and processing of accounting and financial information.

The information provided in the report to the Board of Directors performing the functions of the audit committee includes the risks of material misstatement which, in our opinion, are the most significant for the audit of the annual financial statements and are therefore the key points of the audit, which it is our duty to describe in this report.

We are also submitting to the Board of Directors performing the functions of the audit committee the statement referred to in Article 6 of (EU) Regulation 537-2014 confirming our independence, pursuant to the rules applicable in France as set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of ethics for statutory auditors. Where applicable, we discuss with the Board of Directors performing the functions of the audit committee the risks regarding our independence and the precautionary measures taken.

Neuilly-sur-Seine and Paris-La Défense, March 29, 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

ERNST & YOUNG et Autres

Jacques Lévi

Hassan Baaj

Crédit Mutuel-CIC Home Loan SFH

(Shareholders' meeting convened to approve the financial statements for the fiscal year ended December 31, 2018)

Statutory Auditors' Special Report on regulated agreements and commitments

PricewaterhouseCoopers Audit
63, rue de Villiers
92524 Neuilly-sur-Seine cedex
A French simplified corporation (S.A.S.) with capital of
€2,510,460
Nanterre Trade and Companies Register
No. 672 006 483

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accountants' association

Crédit Mutuel-CIC Home Loan SFH

(Shareholders' meeting convened to approve the financial statements for the fiscal year ended December 31, 2018)

Statutory Auditors' Special Report on regulated agreements and commitments

To the Shareholders' Meeting of Crédit Mutuel-CIC Home Loan SFH,

In our capacity as the company's Statutory Auditors, we hereby present our report on regulated agreements and commitments.

It is our duty, based on the information provided to us, to inform you of the basic characteristics and terms and conditions, and the basis of the benefits for the company, of the agreements and commitments of which we have been informed or of which we may have become aware during our audit, without the need to express an opinion on their appropriateness and relevance or to determine the existence of other agreements and commitments. Pursuant to Article R. 225-31 of the French Commercial Code, it is your responsibility to determine whether entering into these agreements and commitments was beneficial, with a view to approving them.

In addition, if applicable, it is our duty to provide you with the information required by Article R. 225-31 of the French Commercial Code on the performance, during the past fiscal year, of agreements and commitments already approved by a shareholders' meeting.

We have performed the work that we deemed necessary in accordance with the professional guidelines of the French National Board of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relevant to this assignment.

Agreements and commitments submitted for approval by the shareholders' meeting

We inform you that we have not been advised of any agreement or commitment authorized and entered into during the past year that must be submitted to the shareholders' meeting for approval pursuant to Article L. 225-38 of the French Commercial Code.

Agreements and commitments already approved by a shareholders' meeting

We inform you that we have not been advised of any agreement or commitment already approved by a shareholders' meeting that remained in force during the past year.

Neuilly-sur-Seine and Paris-La Défense, March 29, 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

ERNST & YOUNG et Autres

Jacques Lévi

Hassan Baaj