CFM INDOSUEZ
WEALTH MANAGEMENT

2017 Annual Report

CFM INDOSUEZ WEALTH MANAGEMENT

CRÉDIT AGRICOLE GROUP

Contents

The illustrations in the CFM Indosuez Annual Report are taken from the "Stories shape our lives" corporate video produced by Indosuez Wealth Management. The film uses unexpected, dreamlike creative techniques to modify the relative sizes of the various visual elements, thereby surprising the viewer – and in this case the reader – and enabling the images to be viewed and interpreted on several levels.

To watch the video, please go to www.cfm-indosuez.mc

Welcome

A whole bank just for you

Crédit Agricole serves **52 million customers worldwide**, with customer focus, accountability and community support, the enduring values that have been its hallmark for 120 years. Led by its **139,000 engaged employees,** the bank forges genuine partnerships with its customers.

Thanks to its **universal customer-focused banking model** – based on close cooperation between its retail banks and its specialised business lines – reaffirmed by its “A whole bank just for you” brand signature, Crédit Agricole helps its customers to achieve all their personal and business projects. It does so by offering them an extensive range of services consisting of day-to-day banking, loans, savings products, insurance, asset management, real estate, leasing and factoring, corporate and investment banking, issuer and investor services.

Crédit Agricole’s corporate social responsibility policy lies at the heart of its identity and is reflected in its products and services. This commitment is a key factor contributing to overall performance and a powerful innovation driver.

Built on strong cooperative foundations and led by its **9.7 million mutual shareholders** and **more than 30,000 directors** of its Local and Regional Banks, Crédit Agricole’s robust organisational model ensures its stability and sustainability as a European group open to the wider world.

Crédit Agricole Group strengthens its leadership year after year. It is the number one provider of financing to the French economy and the number one insurer in France. It is also the leading bancassurer in Europe, top-ranked European asset manager and the world’s largest social and sustainable green bonds arranger.

52 M	49	139,000	9.7 M	30,000+
CUSTOMERS	COUNTRIES	EMPLOYEES	MUTUAL SHAREHOLDERS	DIRECTORS OF LOCAL AND REGIONAL BANKS

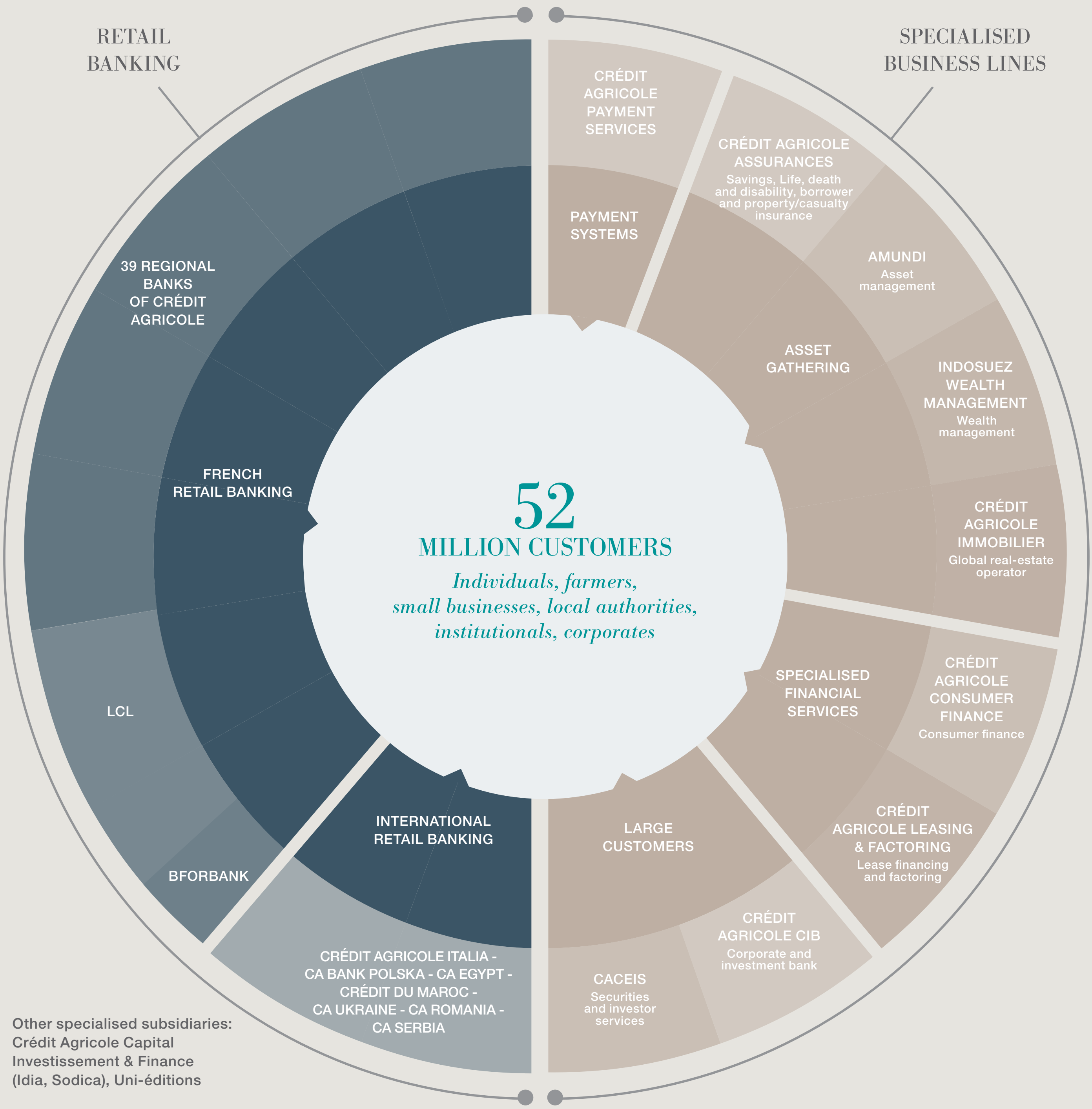
Group Organisation

9.7 million mutual shareholders underpin Crédit Agricole's cooperative organisational structure. They own the capital of the **2,447 Local Banks** in the form of mutual shares and they elect their representatives each year. **More than 30,000 directors** work in their best interests.

The Local Banks own the majority of the **39 Regional Banks'** share capital.

The Regional Banks are cooperative regional banks that offer their customers a comprehensive range of products and services. Their sounding board is the Fédération Nationale du Crédit Agricole, where the Group's strategic vision and policies are discussed.

The Regional Banks together own, via **SAS Rue La Boétie**, the majority (56.6%) of the share capital of **Crédit Agricole SA.** Working with its specialist subsidiaries, Crédit Agricole SA coordinates the various business lines' strategies in France and abroad.



Other specialised subsidiaries: Crédit Agricole Capital Investissement & Finance (Idia, Sodica), Uni-éditions

Indouez Wealth Management brings together under one global brand all of Crédit Agricole group's wealth management entities. For more than140 years we have advised entrepreneurs and families all over the world, supporting them with expert financial advice and exceptional personal service. Today, we work alongside our clients to help them build, protect, and pass on their wealth. As "Architects of Wealth" we offer state-of-the-art advice and unsurpassed service to define efficient wealth structures and best-in-class investment solutions. In so doing, we make it possible for our clients to focus on achieving their personal goals, while relying on the flawless execution of Crédit Agricole group's traditional Wealth Management and precision banking services.

Indosuez Wealth Management

Message from the General Management of Indosuez Wealth Management Group

Our continued strength and the containment of erosion rates made possible by the efforts and commitment of our teams throughout the world was extremely satisfying in 2017.

In a rapidly changing Wealth Management market, we continued to overhaul our business model and made the adjustments required by our environment. As a result, our efficiency has improved as well as the security and reliability of our operations, in line with the commitment to our "Shaping Indosuez 2020" corporate project. Some of the key projects have already led to significant progress.

With new regulations on the European horizon, including the revised Markets in Financial Instruments Directive "MiFID II", which substantially redefines the nature of the relationship with our clients, our refocusing policy has been finalised. From now onwards, only clients who are resident in countries practising the automatic exchange of information will be served. Maintaining the highest compliance standards is an ongoing goal for Indosuez Wealth Management, since these standards contribute to the quality of our services and our Bank's reputation.

In a competitive environment characterised by strong margin pressures combined with increasingly sophisticated client's needs, we have decided to rethink our value proposition. In the future, the value-added of our investment universes will increase in line with the level of assets entrusted to us, so that our clients have access to services fully personalised to their requirements.

To support the roll-out of this new offering, our wealth management and financial expertise has been brought together in a single "Markets, Investment and Structuring" business line. This fully international and cross-business structure combines the integration of the teams' expertise and know-how and leverages all of their synergies for closer and better support.

Throughout the year, its front-line ambassadors, the relationship managers, on-boarded the regulatory frameworks inherent to their activity and got to grips with the new tools available to them and offered to their clients.

2017 also marked a turning point in our digital strategy, with the construction of an ambitious roadmap and the launch of the "Indosuez Insights" mobile app, available to all and designed to share our analysis of different products and asset classes. The app's high-quality content is produced by Indosuez Wealth Management experts and customised according to the user's interests. Users may also use the app to directly question the Indosuez Wealth Management group's. Its functions and content will be continuously enhanced to meet the highest user experience standards.

With this in mind, CA-PBS, a division of our Swiss entity, has created a Digital Factory to meet our digital transformation objectives. This Lausanne-based hub brings together experts from CA-PBS and its clients to jointly design and produce innovative projects using an "agile" method in line with the latest industry technologies. Other digital projects initiated this year will go ahead in 2018.

The transformation in which we are engaged, particularly in terms of solutions and applications, is designed to consolidate our fundamentals and competitive positioning and satisfy a growing number of clients across the globe.

Announced in July and completed in December 2017, the acquisition of CIC's Private Banking activities in Asia brings the bank's total assets under management in the region to around €12 billion, with a workforce that has increased from 250 to over 400.

This combination enables CIC's clients to benefit from Indosuez Wealth Management's multibooking capabilities in Hong Kong and globally, as well as its Discretionary Portfolio Management, Advisory, Private Equity, Wealth Structuring and Corporate Finance expertise, in addition to the products and services they already enjoyed.

The acquisition of Banca Leonardo in Italy, Crédit Agricole's second biggest domestic market, announced at the beginning of November, is expected to be completed in the first half of 2018 and will increase Indosuez Wealth Management Italy's assets under management by around €6 billion.

These two deals are in addition to the acquisition of HSBC's customer base in Monaco via a client-referral agreement signed in late 2016, which brought nearly €3 billion in assets under management into CFM Indosuez in 2017.

Over the past year, during the various stages of our corporate project launched in late 2016, we have benefitted from the strong support of our shareholder, Crédit Agricole group.

The tangible results of the past few months have further united Indosuez Wealth Management's people around our shared ambitions.

We head into 2018 with the best possible prospects for pursuing our efforts, improving our development model and delivering our clients industry-leading international Wealth Management services.

Paul de Leusse *Jean-Yves Hocher*

A network of long-established offices in 14 countries

EUROPE

Antwerp
Bilbao
Bordeaux
Brussels
Geneva
Lille
Lugano
Luxembourg
Lyon
Madrid
Marseille
Milan
Monaco
Nantes
Paris
San Sebastián
Toulouse
Valencia
Zurich

AMERICAS

Miami
Montevideo
Rio de Janeiro
São Paulo

MIDDLE EAST

Abu Dhabi
Beirut
Dubai

ASIA PACIFIC

Hong Kong
Singapore
Noumea

Our key figures*

Assets under management in €M

2015	2016	2017
€109,600 M	€110,008 M	**€118,329 M**

2017 was characterised by the onboarding of assets from acquisitions – the listing agreement with HSBC in Monaco (€2.7bn) and the acquisition of CIC's private banking operations in Asia (€3.4bn) – and the conclusion our efforts to refocus on our strategic customer base.
Beyond these two particular transactions, deposit inflows remained buoyant, easily overcoming the impacts of the refocusing policy.
The market and forex effects offset each other and have not impacted total assets under management since 2016. Against this backdrop, assets under management rose by more than 7% in 2017 to €118.3 bn.

NBI in €M

2015	2016	2017
€768.9 M	€729.7 M	**€765.3 M**

Net Banking Income (NBI) rose sharply in 2017 by €35m (+5%), while the foreign exchange effect was negative owing to the falling value of the dollar and the Swiss franc against the euro. At constant exchange rates, NBI rose €43m over the period. After a "wait and see" period, investors returned to the financial markets and increased their investments in value-added assets.

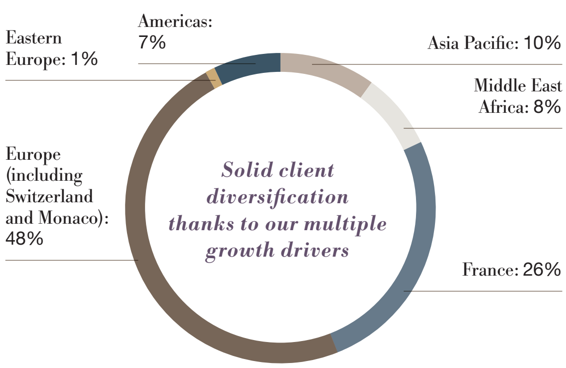
GOI in €M

2015	2016*	2017
€163.4 M	€136 M	**€128.8 M**

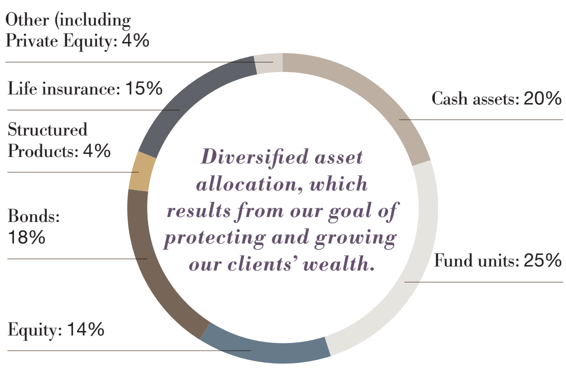
In 2016, Gross Operating Income (GOI) was boosted by a €26m reversal of a special provision pursuant to IAS 19 relating to Employee Benefits.
As such, in 2017, GOI fell 5% relative to last year's figure, which had been restated to reflect this provision reversal owing to a policy of refocusing on our clients residing in countries where automatic exchange of information is practised, and non-recurring costs associated with mergers.

2016*: Restated GOI reflecting a reversal of a special provision

Geographic vision by country of residence



Asset allocation



3,110
employees representing an array of expertise

29
locations

14
countries worldwide

* as of 31.12.2017

Shaping Indosuez 2020

Four drivers of transformation to strengthen leadership and profitability at Indosuez Wealth Management

Launched in late 2016, the "Shaping Indosuez 2020" corporate plan has already turned in its first deliverables. Selection of key progress achieved in 2017.

1/ Accelerate growth

Our challenges

Boosting organic growth and the return on assets with real projects that will be implemented and deliver measurable results in the coming quarters.

Developing synergies between the Major Clients division and Crédit Agricole CIB and CACEIS as well across the group as a whole, by affirming its role as a centre of excellence for wealth management clients, as it already does with the regional banks in France.

Enhancing Indosuez's international positioning in key locations where we lack critical mass and among our target clients. This will involve the acquisition of Wealth Management specialists or client portfolios.

Some of our achievements...

Rethinking our value proposition: our investment solutions are now scalable based on the financial sophistication of our clients and their ability to invest combined with special pricing.

Launching a Personal Banking solution in Luxembourg and Switzerland alongside the existing offer in France: its objective is to provide a solution that aligns with client aspirations by calling dedicated professionals to action.

Acquiring HSBC's private banking business in Monaco in late 2016, through a listing agreement directing the customer portfolio to CFM Indosuez Wealth Management (an additional €2.7bn in Assets under Management).

Acquiring CIC's private banking operations in Asia (an additional €3.4bn in Assets under Management).

Signing an agreement to acquire Banca Leonardo in Italy (an additional €6bn in Assets under Management).

2/ Succeed in our digital transformation

Our challenges

Improving the customer experience by allowing customers to access Indosuez and Wealth Manager expertise anytime, anywhere, by providing them with online analytical and decision-making support tools.

Optimise internal processing systems to improve our responsiveness and reduce operating costs.

Some of our achievements...

Launching the Indosuez Insights app, a digital communication vehicle for our research, perspectives and expertise on the markets and the different asset classes that can also serve as a discussion medium.

Developing a project for a centralised, structured and uniform CRM system. In 2018, information about our customers will be centralised so that it can be shared with all our stakeholders involved in providing support.

Upgrading the tools available to our customer teams designed to further increase efficiency and responsiveness.

Creating the Digital Factory, a genuine idea incubator, hosted at Crédit Agricole Private Banking Services (CA-PBS) in Lausanne, a division of our Swiss office dedicated to Back Office and IT outsourcing activities in Switzerland and around the world. It brings together experts capable of designing and implementing innovative projects using the latest technologies.

3/ Simplify our organisation and enhance efficiency

Our challenges

Demonstrating our capacity to make our investing activities and our business model cost-effective.

Proving our ability to combine Wealth Management, efficiency and productivity.

Overhauling our organisations to make them more efficient for customers and more flexible for Indosuez employees by increasing their powers and responsibilities and developing their skills.

Some of our achievements...

Strengthening the centralised management of our teams, especially our support functions: generating economies of scale, pooling knowledge, etc.

The ability to incorporate regulatory restrictions under MiFID II in the EMU with no negative impact on sales or service quality.

Merging the Market and Investment Solutions and Structuring Wealth teams under a single global identity, Markets, Investment and Structuring (MIS), in order to coordinate expertise and knowledge as efficiently as possible within a global and cross-functional business line. This facilitates the maximisation of all their synergies with a view to improving the quality and depth of our services.

Creating a centralised team dedicated to combating fraud and ensuring financial security.

4/ Unite our teams with a common goal

Our challenges

Capitalising on our solid presence within Crédit Agricole group, our strong global brand – Indosuez Wealth Management – a worldwide network and an international range of products and services, and our relationship-focused culture.

Strengthening commitment, expertise, entrepreneurial spirit and excellence of the men and women who make our company.

Some of our achievements...

An Engagement@Indosuez action plan inspired by the results of a comprehensive survey of all employees in order to meet their expectations and to strengthen their cohesion.

Dedicated training programmes, such as the Global Training Programme designed to support business transformation.

Enhanced communication: sharing information and corporate strategy with everyone by increasing the use of digital tools.

The worldwide launch of a corporate video to strengthen our image and reputation.

2017 Macroeconomic analysis and 2018 financial market outlook

2017: Political uncertainty upstaged by economic growth

PAUL **WETTERWALD**
Chief Economist
Indosuez Wealth Management

Strong growth achieved in 2017

While 2016 was a year of political surprises, most notably the Brexit referendum and the election of Donald Trump, the headlines in 2017 were dominated by economic stories. Already in late 2016, global economic growth had returned to historical levels (roughly in line with its 30-year average), setting the stage for a remarkable acceleration in 2017. The impressive performance in 2017 was partly fuelled by the ongoing economic recoveries in Russia and Brazil and by China's continuing contribution to global growth (approximately one-third of the total). It was also aided by robust economic activity in the United States and the Economic and Monetary Union; in these two regions, observed growth most probably exceeded potential growth by a wide margin. What conclusions can be drawn from these developments?
First, setting aside the United Kingdom, economic factors played a predominant role, overshadowing the political uncertainties that emerged from the events of 2016. As a result, neither policy moves by politicians nor even the elections in France and Germany could stall the economic momentum. Indeed, current leaders were far more likely to benefit from the positive economic environment.

Less accommodative monetary policies in 2017

The second conclusion regards monetary policy with strong growth expected to carry over into the first half of 2018, central banks will be able to gradually proceed with normalisation. Monetary policy will become more restrictive in the United States as the Fed unwinds its balance sheet and plans further interest rate hikes. In the Eurozone, the European Central Bank will adopt a less accommodative stance, acting to limit the expansion of its balance sheet while keeping interest rates steady. The Fed Funds Rate (USD) could reach 2.25% by the end of 2018 while the ECB's refinancing rate (EUR) should remain unchanged at zero percent.

Slight uptick in inflation

The concept of the "impossible trinity" can be seen at play in Asian monetary policy. According to this economic theory, it is impossible for a country to simultaneously have an independent monetary policy, free capital movement and a fixed foreign exchange rate. Given their exchange regimes, Hong Kong, Singapore and Vietnam are likely to follow the example of the United States and tighten their monetary policies. Meanwhile, monetary accommodation in China will be limited by the authorities' efforts to spur debt reduction.
In Japan, the 2% inflation target has been put on hold so priority can be given to managing the yield curve with the aim of maintaining 10-year yields slightly above zero.
According to recent figures, inflation is now stable and positive. It is difficult to pinpoint all the factors that led to these developments. Fed Chair Janet Yellen herself recently described the inflation situation in the United States as "a mystery".
This time, energy prices—a usual suspect—don't seem to be the explanation. In December 2017, oil prices were up 12% (in USD) year-on-year, while in 2016 the increase had been much more dramatic. Converted into euros, the result at end-December 2017 was negative, compared to an increase of just over 50% at end-2016. For 2018, taking into account our assumptions concerning oil prices (WTI crude oil within a price range of USD 60–65), the Consumer Price Index should edge up only slightly.

Unemployment down

The improvement on the labour market undoubtedly helped sustain demand while also boosting wages. In the Eurozone, unemployment amounted to 8.7% in November, its lowest since January 2009. Unemployment among people aged under 25 was 18.2%, which is below its long-term average (19.4% since April 1998). In the United States, unemployment in December 2017 was 4.1%, the best result since December 2000. Indeed, the growth in wages has not been proportional to the decline in unemployment. Nonetheless, scepticism is warranted when confronting theories about the replacement of older workers by the younger generation. Younger workers may indeed be less costly, but their wages have seen sharper growth.

In 2016, the benefits of free trade were called into question while global growth slowed. But since October of last year, global growth has seen a remarkable rebound, with the volume of world trade rising 4.4% year-on-year.

Positive trends for the financial markets

2017 will go down as a strong year for the equity markets. Global equity indexes (MSCI AC World USD NR) rose 24.6%, driven especially by the emerging markets and the technology sector. However, investors using the euro as their reference currency had to settle for weaker returns (+9.3%) due to the rise in the euro's value. Equities should continue to benefit from a favourable environment in the coming months. The combination of a synchronised global growth environment and relatively low perceived risk should benefit markets at least halfway into 2018. Despite high valuations, equity indices should continue to be boosted by solid earnings growth prospects. In our view, earnings growth will approach 10%, driven by several factors including continued strong revenue growth, improved margins thanks to still-significant operating leverage, a recovery in investment and increased debt financing in Europe and Japan. Shareholder returns in the form of dividends and share buybacks are also likely to play an important role.

One of last year's big surprises was just how much the euro strengthened. Only a few currencies in Eastern Europe managed to outpace the appreciation of the single currency. Both the US dollar (-12.4% vs. the euro) and the Swiss franc (-8.4%) lost ground, as did the Chinese yuan (-6.2%) and the Brazilian real (-14%). Meanwhile, the British pound managed to limit its slide to -4.1%. In this context, the management of foreign exchange risk proved essential in 2017. It should remain this way in 2018.

It took some time for the US bond market to be convinced that the Federal Reserve would proceed with interest rate hikes. Ten-year government bonds ended the year at almost the same yield as end-2016 (2.4%), although this figure masks a 50 bp rise since the end of the summer. The German Bund saw erratic movement, but in this case too, renewed economic growth could not be accompanied by near-zero returns. Ultimately, yields on German 10-year governments bond more than doubled, ending the year above 0.4%. The rising yields on risk-free bonds did not prevent bond investors from achieving positive performance in 2017, thanks to a strong showing by the credit markets. The same should hold true in 2018, although to a lesser extent. In the United States, the investment grade (IG) segment should benefit from the ongoing improvement in corporate fundamentals. In Europe, by contrast, IG credit spreads no longer provide enough of a buffer against rate hikes.

Against this backdrop, it will be difficult for the financial markets to match their 2017 performance in 2018. However, this does not mean that positive performance won't be achieved. Most countries will see economic growth and shareholders and bondholders alike should benefit.

"One of last year's big surprises was just how much the euro strengthened. Only a few currencies in Eastern Europe managed to outpace the appreciation of the single currency. Both the US dollar (-12.4% vs. the euro) and the Swiss franc (-8.4%) lost ground, as did the Chinese yuan (-6.2%) and the Brazilian real (-14%). Meanwhile, the British pound managed to limit its slide to -4.1%."

The environment in Monaco

"The "Compliant" rating assigned to Monaco by the OECD further acknowledges Monaco's commitment to applying international fiscal transparency rules."

MARIE-ODILE **JORIS**
General Secretary

There are many reasons to discover and move to Monaco. With its dynamic economy, vibrant cultural heritage and quality of life, the Principality of Monaco has always had a strong appeal around the world. The solidity of Monaco's economy and the wide range of business activities and successful companies that make up the Principality's economic fabric further the international reach and boost growth in this major centre of employment.

EXTREMELY POSITIVE WEALTH CREATION

Monaco's GDP in 2016 (the most recent figures available) totalled €5.85 billion, up from €5.64 billion in 2015. Its growth rate stood at +3.2% in volume terms (adjusted for inflation). This growth was due to the strong performance by two sectors of activity - Construction and Other Service Activities. The Principality's three most important sectors in terms of GDP are Financial Activities and Insurance, Scientific and Technical Activities, and Administrative and Construction Support Services. These three sectors account for nearly half of the total wealth produced (45.3%) in Monaco.

The revenues of Monegasque companies confirmed these positive trends in 2017, with a further increase of 4% in relation to 2016 (excluding Financial Activities and Insurance), largely driven by growth in the Construction sector (+35%).

Employment increased sharply in 2017 (+4%, with 2,103 new jobs), in both the private and the public sectors. Employee remuneration accounts for nearly half of Monaco's GDP (47.4% in 2016).

Trends on the financial markets (fall in the dollar against the euro and decline in bond prices) had a negative impact on the amount of banks' assets (-1.1%). However, net inflows were positive by around €600 million in the last quarter of 2017. The banking sector continued to consolidate, with 31 credit institutions at 31 December 2017, while the number of asset management companies increased (60 at 31 December 2017).

After a record year in 2016, the number of real estate sales (existing properties) declined (406 sales compared with 520 in 2016), while sales of new properties were boosted by the marketing of the Stella building, which is under construction and contains only one bedroom apartments. Total revenues were down by 23% (€2 billion in 2017, compared with €2.7 billion in 2016).

The Principality's economy is part of an arch that stretches along the Mediterranean coast from the Italian Riviera to the Côte d'Azur in France. Over 43,500 people come to work in Monaco every day, in an exchange that is profitable for each of the countries. Employees from 139 nationalities and all continents bring their experience and expertise to Monaco's economy.

A DYNAMIC CONSTRUCTION SECTOR

Over 30 major construction projects are planned over the next ten years, contributing to nearly 30% of the state's annual budget. These major urban developments are providing additional space for the tertiary and industrial sectors, which are essential to Monaco's economic growth. The projects include the Anse du Portier offshore extension, which will impact life in Monaco for nearly ten years, extending the Principality's territory by 6 hectares into the sea between the Grimaldi Forum and the Fairmont Monte Carlo hotel, by 2025. The majority of facilities at the new hospital should be delivered in 2023, and work will be completed in late 2027 or 2028. On the western edge of Monaco, the Ilot Pasteur building, due for completion in 2020, will be home to a middle school for 1,500 pupils, the new Léo Ferré concert hall, the city media library, 9,000 m^2 of office space and 900 parking spaces.

The Principality is contributing to studies on how to improve traffic and train services. Other major construction plans and complex housing programmes confirm that the Principality is continuing to invest to achieve a balance between urban and economic development and protecting the environment and quality of life in Monaco.

SUSTAINABLE DEVELOPMENT AT THE HEART OF THE ECONOMY

Under the leadership of H.S.H. the Sovereign Prince, the Prince's Government has set out sustainable development policies in line with the Principality's commitments, in particular the Kyoto protocol and more recently the Paris Agreement. These policies involve initiatives in Monaco and cooperation agreements in developing countries covering the preservation of plant and marine biodiversity, the management of resources and energy policies that protect the climate.

In 2015, the Principality of Monaco adopted the United Nations' 17 Sustainable Development Goals (SDGs) which set objectives to eliminate poverty, protect the planet and ensure prosperity for all by 2030.

Monaco is also an historic member of the Washington Convention, also known as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), which introduced a permit system.

While the Prince's Government is particularly active on sustainable development issues, its initiatives are furthered by the work done by charities and private individuals in the Monegasque community. Private initiatives, fairs, events and partnerships form a strong movement for sustainable development, driven by organisations and entities such as the Prince Albert II of Monaco Foundation.

SECURITY AND TRANSPARENCY ENHANCE MONACO'S ATTRACTIVENESS

The excellent facilities and 400 cultural and sporting events held throughout the year make the Principality of Monaco a preferred destination for business and tourism. The hotel sector's results improved slightly on 2016, when the second half of the year was impacted by the terrible events in Nice on 14 July. The occupancy rate stood at 67.3% as of the end of December 2017. Tourism was stronger in the second half of the year, in particular in November and December. The Principality of Monaco remains attractive owing to its high level of security, which is very important to the Principality's authorities.

Monaco is a signatory of the Multilateral Competent Authority Agreement for the automatic exchange of financial information in tax matters, which complements the Convention signed in October 2014 and will take effect at the same time. This is part of an ongoing process of transparency and is a further example of the Principality's policy of combating international tax evasion and tax fraud as part of the undertaking to reach agreements observing the international standards set by the European Union and the OECD's Global Forum for the exchange of information.

At the same time, the Principality is enhancing its economic attractiveness. This involves developing digital solutions, modernising its administration, enhancing financial transparency, improving infrastructure and negotiating a fair Association Agreement with the European Union, which will be decisive.

Annual Report

CFM Indosuez Wealth Management, the reference bank in Monaco

As the number-one bank employer in Monaco, CFM Indosuez Wealth Management is the only bank on the market that can offer financial solutions to private investors, businesses, institutions, and professionals.

Created in 1922 by some of Monaco's leading families, some of whom are still stakeholders, CFM Indosuez Wealth Management is a 70%-owned subsidiary of Crédit Agricole Group. This backing by one of the world's top banking groups, paired with our deep roots in Monaco, is an essential guarantee of strength and sustainability for our customers, shareholders, employees, and partners.

Within the group, our Company is fully integrated in the Wealth Management Business, Indosuez Wealth Management. Our 3,110 experts in Wealth Management, 382 of whom are at CFM Indosuez Wealth Management in Monaco, create customised solutions for our customers in a country where we operate or by multibooking. Together, they have a single calling: to help families and entrepreneurs create, cultivate, protect, and pass on their wealth.

Message from General Management

GILLES **MARTINENGO**
Chief Executive Officer

JEAN-MARIE **SANDER**
Chairman

In 2017, CFM Indosuez Wealth Management further confirmed its position as the leading bank in Monaco. Despite intense competition from 31 banks and 60 asset management companies in Monaco, who share a country covering 2 km², our bank reinforced its image as the Principality's biggest bank - a solid, reliable, stable and successful bank serving its clients and partners. This success reflects the constant dedication of our employees, who have made our bank prosperous for many years, as well as the loyal support of our shareholders and the Monegasque authorities, whom we would like to thank for their trust and the interest they show in our development.

Thanks to the referral agreement we signed with HSBC and the expertise of our sales teams, who continued to refocus inflows on strategic targets, the total assets entrusted to us increased by nearly 22% over one year, reinforcing CFM Indosuez Wealth Management's leadership in Monaco in terms of assets under management.

Net banking income rose by +2.8% in relation to 2016. Good management meant we kept like-for-like expenses under control. Extraordinary items caused net income to fall to €29.1 million.

2017 saw the transformation of CFM Indosuez Wealth Management to align with developments in our core business, wealth management. This intentional transformation, announced by the group and adopted by our bank in Monaco, was fully adapted to the Monegasque environment. It involves several strategic developments:

- **Refocusing activities on countries that have signed an automatic exchange agreement:** the implementation of this decision, which was made in 2016, was finalised in early 2017. The impact of this policy on assets under management was offset by the strong performance of our sales teams.

"CFM Indosuez's success reflects the constant dedication of our employees, who have made our bank prosperous for many years, and the loyal support of our shareholders and the Monegasque authorities."

- **Shaping Indosuez 2020:** our group's business plan, which was launched in 2016, impacted our activity in 2017 with the transformation of our range of products and services. The roll-out of the plan in Monaco began in 2018. In accordance with the new regulatory standards, Shaping Indosuez 2020 also includes strict requirements in terms of transparency, compliance and the quality of advice provided to our clients and partners. Our business plan also provides for our digital transformation so we can further enhance our service quality.

- **Signing of a referral agreement with HSBC Private Bank (Monaco):** this agreement increased the bank's assets and substantially enlarged its client base. The new teams were successfully integrated. The financial cost of the agreement was recorded in the 2017 financial statements and it offers very strong potential for the years to come.

These transformations should allow CFM Indosuez to maintain its position as Monaco's leading bank, because they actively adapt our activities to the far-reaching changes impacting our core business - wealth management - and our commercial banking activities for companies in the Principality. In 2017, CFM Indosuez Wealth Management remained Monaco's biggest employer in banking and the bank with the largest network, thanks to its seven branches across the Principality. One of the world's leading finance magazines - Global Finance - named CFM Indosuez Wealth Management Best Bank in Monaco in 2017, acknowledging the quality of its employees' expertise, its capacity for innovation and its constant search for excellence in client services. 2018 also began well, as Global Finance once again named us Best Bank in Monaco, for the second year running.

As a member of Indosuez Wealth Management group, and with the support of Crédit Agricole group, we are fully confident in CFM Indosuez Wealth Management's ability to rise to the challenges it will face in 2018 and the years to come, for the benefit of our clients, our employees, our partners and our shareholders.

Gilles Martinengo

Jean-Marie Sander

Management Bodies

EXECUTIVE COMMITTEE

BOARD OF DIRECTORS

Honorary Chairmen

Yves BARSALOU
Georges MAZAUD

Chairman
Jean-Marie SANDER

Chief Executive Officer
Gilles MARTINENGO

Senior Managers

Yves BARSALOU
Michel CRESP
Jean DELAMALLE
Olivier DESJARDINS
Hervé HUSSON
Paul de LEUSSE
Andrée SAMAT
Jean-Marie SANDER
François VEVERKA

EXECUTIVE COMMITTEE

Front row, from left to right

Marie-Odile JORIS
Corporate Secretary

Gilles MARTINENGO
Chief Executive Officer

Stéphane HERPE
Head of Markets, Marketing and Development department

Grégoire FAURE
Head of Global Wealth Management

Second row, from left to right

Vincent THOMAS
Head of Finance, IT, Operations and Organisation department

Yves BRACCALENTI
Head of Development

Ariel BARUGEL
Head of Human Ressources

Business activity

"The agreement with HSBC boosts our sales force and has been a real success: we would like to thank the clients who placed their trust in us."

GRÉGOIRE **FAURE**
Head of Client Relations

2017 marked an important step forward in the implementation of our business development strategy.
The ever growing complexity of our clients' financial and wealth management issues meant we needed to transform our offering so we can continue to offer the best in international wealth management. At the same time, the regulatory requirements applicable to our activity have obliged us to upgrade our working methods and further enhance our already exacting standards in terms of compliance, fiscal transparency and risk management.

In this environment, under the strategy chosen by our Bank and the entire Indosuez Wealth Management group and set out in the Shaping Indosuez 2020 business plan, we made considerable progress in terms of our sales activity in 2017:

- Digital transformation of the client experience: in 2017, the first stage in this project made new analysis tools available to our clients via the Indosuez Insights application;

- Finalisation of the sale of non-strategic activities, which was fully offset by strong sales momentum and the constant commitment of our teams, who rose to this complex challenge in an environment of intense competition on the Monegasque market;

- Acceleration of business development with the integration of new teams under the client-referral agreement with HSBC Private Bank (Monaco); this acquisition strengthened our sales force and has been a real success among clients: we would like to thank the clients who placed their trust in us.

The transformation of our business model will continue in 2018. All the conditions are in place for CFM Indosuez Wealth Management to consolidate and build on its position as the Principality's leading bank.
The attractiveness of our Bank derives from the extent of its offering and its ability to support private investors in its core business, wealth management, as well as companies, institutional clients and professionals. Throughout our long history, the men and women who make up our teams have built upon the close relationship of trust that binds our Bank and its clients. The ongoing adjustments to our activity will continue in pursuit of excellence and innovation in serving our clients.

Investment solutions

"Our trading floor is the biggest in Monaco and the Côte d'Azur region, with 55 experts dedicated to investment solutions and added value services."

STÉPHANE **HERPE**
Head of Markets, Marketing and Development

CFM Indosuez Wealth Management has the widest range of services and investment solutions in Monaco.
Our clients particularly appreciated the local presence and expertise of our market specialists based in Monaco in 2017. Our trading floor is the biggest in Monaco and the Côte d'Azur region, with 55 experts dedicated to investment solutions and added value services. It is a benchmark for investors who wish to access our market-based offers. Our objective is to offer our clients fast, secure, innovative solutions that meet their expectations. In 2017, we set up a new advisory mandate specialised in hedge funds, which allows us to offer clients a solution that combines a prudent approach to the opportunities available from alternative investments with a diversification and decorrelation strategy.
Overall, 2017 was a good year for risky assets and equities in particular (the US markets rose by more than 20% and European markets by around 10%). All asset classes enjoyed a positive performance in 2017 (emerging equities, investment grade debt, high yield debt, real estate).
This is reflected in the annual performance of our portfolios in euros, which, depending on their risk profile, ranged between 2.13% (conservative) and 15.38% (100% equity) in 2017.
Portfolios in US dollars achieved returns of between 5.51% (conservative) and 19.49% (100% equity).

In 2018, we will continue to innovate and extend our offer, in particular with specialised insurance funds in life insurance and two new discretionary mandates specialised in hedge funds and private equity.
We will also launch an investment advisory service adapted to the size of our clients' portfolios and their requirements in terms of investment vehicles. Accordingly, CFM Indosuez Wealth Management has developed three flexible approaches - Discover, Explore and Design - which are suited to all our clients' needs, whether they want to take their first steps in wealth management, receive support on all types of asset or benefit from the proactive services of an expert providing bespoke portfolio management services.
More than ever in 2018, the development of our expertise and innovation to serve our customers, combined with our local presence in Monaco, will be key to our success.

Key Figures

Shareholders' Equity excl. FGBR (in millions of euros)

2015	2016	2017
€315 M	€327 M	€324 M

Gross operating profit (in millions of euros)

2015	2016	2017
€47 M	€41 M	€31 M

Total assets (in millions of euros)

2015	2016	2017
€4 332 M	€4 569 M	€5 585 M

Net profit (in millions of euros)

2015	2016	2017
€47 M	€45 M	€28 M

Net banking income (in millions of euros)

2015	2016	2017
€122 M	€119 M	€123 M

The Bank's activities and results

CFM Indosuez Wealth signed a referral agreement with HSBC Private Bank (Monaco) in September 2016, under which HSBC refers its clients to CFM Indosuez Wealth.

After receiving clients' approval and once CFM Indosuez Wealth had accepted each client relationship, asset transfers were completed in four successive stages, in March, May, June and September 2017.

This integration significantly increased CFM Indosuez Wealth's assets under management in both cash and securities, with a strong presence among Monegasque residents.

CFM Indosuez Wealth's total assets at 31 December 2017 were up +21.7% compared with the end of 2016.

This referral agreement and strong organic growth largely offset the impact of refocusing the Bank's activities.

Cash assets under management rose by 30%, mostly due to the integration of referred clients. The increase mainly covered demand deposits in euros (+28%) and term deposits in US dollars (+48%).

Securities assets at 31 December 2017 were up by +25.4% over one year. This sharp rise was also due to the referral agreement, and it covered all categories of assets, with fixed income products recording the strongest growth.

Outstanding life insurance assets declined by -12.9%, due to the lower returns on these products.

Outstanding loans increased by 29%, mainly as a result of the integration of referred clients.

Annual financial statements

The balance sheet total amounted to €5,585 million at 31 December 2017, an increase of €1,017 million (+22%) compared with 31 December 2016.

On the assets side, loans to clients totalled €3,144 million, a sharp increase in 2017 (+29%) that was largely due to the success of the client referral agreement between CFM Indosuez Wealth and HSBC Private Bank (Monaco).

The Bank's investment portfolio, made up of liquid securities, contracted slightly to €1.2 billion at the end of 2017 (-9%). It primarily comprises bonds.

This level of securities under management allows the bank to comply with the Liquidity Coverage Ratio requirement as well as in the main currencies, the euro and the dollar.

The item "loans and advances to credit institutions" came to €1,049 million, compared to €613 million in 2016, mainly representing transactions with Crédit Agricole group members.

On the liabilities side, equity stood at €324 million, excluding general banking risk reserves totalling €4.5 million.

Changes in equity between December 2016 and 2017 (-€3 million) were due to two factors.
The decision by the ordinary general meeting approving the financial statements for 2016 to retain €13 million in total earnings for 2016 was offset by the decline in income for the 2017 financial year of -€16 million.

Net banking income amounted to €122.7 million, up by 2.7% in relation to 2016.

Operating expenses increased by +18% in relation to the previous year due to costs arising from the referral agreement with HSBC Private Bank (Monaco) and the recognition of head office expenses. Restated for these items, operating expenses fell in relation to 2016 (-4%).

In light of the above, taking into account negative cost of risk of €5.4 million and positive extraordinary items amounting to €2.6 million, net profit came to €28.3 million, down by 37% compared to 2016.

Allocation of income

Profit for 2017	**€28,295,042.07**
Retained earnings from the previous year	**€177,520,214.65**
Theoretical total for distribution	**€205,815,256.72**
Dividends payable to shareholders	**€25,464,120.00**
Retained earnings	**€180,351,136.72**

On this basis, each share will receive a total dividend of €44.44, down 19% in relation to the dividend paid for 2016 (€55 per share). This dividend will be paid out on 8 June 2018.

Financial statements

CFM Indosuez Wealth Management

1. Balance sheet at 31 December 2017

Assets

(in € '000s)	NOTES	31/12/2017	31/12/2016
Inter-bank and similar transactions		**1,111,906**	**658,041**
Cash and amounts due from Central Banks		62,570	45,404
Receivables from Credit Institutions	3	1,049,336	612,637
Transactions with Customers	**4**	**3,144,256**	**2,433,666**
Securities transactions		**1,220,324**	**1,345,033**
Bonds and other fixed-income securities	5	1,219,417	1,335,237
Equities and other variable-income securities	6	907	9,796
Fixed assets		**51,105**	**31,952**
Equity investments and other long-term securities	7	514	796
Investments in related companies	8	297	297
Intangible assets	9	38,210	17,951
Tangible assets	9	12,084	12,908
Accrual accounts and miscellaneous assets		**57,843**	**99,824**
Other assets	13	24,942	32,050
Accrual accounts	13	32,901	67,774
TOTAL ASSETS		**5,585,434**	**4,568,516**

Liabilities

(in € '000s)	NOTES	31/12/2017	31/12/2016
Bank transactions and similar		**76,897**	**237,639**
Payables to Credit Institutions	10	76,897	237,639
Customer payables	**11**	**5,096,287**	**3,919,393**
Accrual accounts and miscellaneous liabilities		**74,740**	**74,874**
Other liabilities	14	22,138	28,948
Accrual accounts	14	52,602	45,926
Provisions	**15**	**9,223**	**5,104**
Funds for general banking risks	**16**	**4,471**	**4,471**
Shareholders' equity excluding FGBR	**17**	**323,815**	**327,035**
Subscribed share capital		34,953	34,953
Issue Premiums		311	311
Reserves		82,736	82,736
Retained earnings		177,520	164,031
Result pending approval		0	0
Net income for the year		28,295	45,004
TOTAL LIABILITIES		**5,585,434**	**4,568,516**

Off-balance-sheet items

(in € '000s)	NOTES	31/12/2017	31/12/2016
Commitments given			
Financing commitments	20	685,670	617,748
Guarantee commitments	20	210,863	226,352
Commitments relating to securities			
Commitments received			
Financing commitments			
Guarantee commitments	20	2,076,616	1,837,991
Commitments relating to securities			

2. Income statement for 2017

(in € '000s)	NOTES	31/12/2017	31/12/2016
Net interest and similar income		**41,763**	**44,654**
Interest and similar income	21	53,207	51,415
Interest and similar expense	21	-11,444	-6,761
Income from variable-income securities	**22**	**67**	**484**
Net commissions		**61,664**	**59,707**
Commission income	23	65,476	64,027
Commission expense	23	-3,812	-4,320
Net income from financial transactions		**23,188**	**18,664**
Gains or losses on trading portfolio transactions	24	14,405	16,433
Gains or losses on investment and similar portfolio transactions	25	8,783	2,231
Other net banking operating income		**-3,973**	**-4,129**
Other banking operating income	26	1,962	2,530
Other banking operating expense	26	-5,935	-6,659
NET BANKING INCOME		**122,709**	**119,380**
General operating expenses	27	-88,827	-75,569
Amortisation and depreciation and impairment of intangible and tangible assets	9	-2,794	-2,822
GROSS OPERATING INCOME		**31,088**	**40,989**
Cost of risk	28	-5,380	540
OPERATING INCOME		**25,708**	**41,529**
Net income from fixed assets	29	2,587	3,475
CURRENT INCOME BEFORE TAX		**28,295**	**45,004**
Non-recurring income		0	0
NET INCOME FOR THE FINANCIAL YEAR		**28,295**	**45,004**

3. Notes to the financial statements

Note 1

Accounting principles and policies applied

1.1. Introduction

CFM Indosuez Wealth's financial statements are prepared in compliance with the regulations that apply to credit institutions in the Principality of Monaco, within the framework of the agreements between France and Monaco.

1.2. Accounting principles and policies

Translation of assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the market exchange rates at the balance sheet date.
The income and expenses resulting from these translations, together with the translation differences generated on transactions during the financial year are recognised in the income statement.

Forex-exchange transactions

▪ Spot and forward foreign-exchange contracts Spot foreign-exchange contracts are valued at the spot market rate for the currency in question at each balance sheet date.
Forward currency transactions are back-to-back transactions, and the rate used is the spot rate for the currency in question.

▪ Currency options
Currency options are back-to-back transactions entered into on the over-the-counter market.

Forward interest-rate financial instruments

▪ These are primarily back-to-back contracts that form part of the asset and liability management process. The expenses and income relating to these transactions are entered on the income statement on a pro rata basis.

▪ Interest-rate options
Interest-rate options are back-to-back transactions entered into on the over-the-counter market.

Securities

▪ Trading securities
Trading securities are securities purchased on an organised market that is sufficiently liquid, with a view to reselling them within a maximum timeframe of six months from the outset.
Trading securities are valued at their market value. The capital gains or losses generated are recorded under income or expense for the financial year.

▪ Investment securities
Investment securities are financial investments purchased in order to provide a financial return.

A provision is recorded where their market value is lower than their book value

▪ Equity investments
The recording of impairment provisions on equity investments is assessed on an individual basis, taking account of their value-in-use and of the economic and financial appraisal of each company concerned.

Fixed assets

Tangible assets are entered at their historical cost and in accordance with the component method; repairs, maintenance and small items are posted as a debit in the year's expenses account.
Intangible assets include the business assets purchased, software, and lease rights, and are shown on the balance sheet at their historical cost.
The business assets purchased and lease rights are not amortised, and are subject to an impairment test.
The depreciation and amortisation charges for other fixed assets are calculated on a straight-line basis.

The depreciation and amortisation calculation periods selected are as follows:

Component	
Buildings	50 years
Fixtures & fittings	6 to 10 years
Furniture & equipment	5 to 10 years
Transportation equipment	5 years
IT equipment	3 years
Software and other intangible assets	1 to 3 years

Provisions for customer-related risk

Provisions for customer-related risk are recorded in accordance with the risk of loss as soon as those risks are known; these provisions are deducted from the asset, where they relate to impaired receivables. They are recorded under liabilities in other cases.

Retirement benefits

The retirement benefits payable in connection with the various mandatory pension schemes to which employers and employees contribute are managed by specialised external organisations. The contributions payable for the financial year are recognised under the income for the period.
The Bank raised the provision for retirement benefits to €2.513 million in 2016.

Other employee commitments

The bonuses for long-service awards paid to employees are included in personnel expenses.
The provision corresponding to the entitlements earned by staff in connection with these bonuses amounted to €1,098,000 at the end of the financial year.

Note 2

Equivalent value of assets and liabilities in foreign currencies

(in € '000s)	31.12.2017	31.12.2016
Total assets in foreign currencies	2,106,235	1,588,940
Total liabilities in foreign currencies	2,104,105	1,587,537

Note 3

Receivables against credit institutions

(in € '000s)	31.12.2017	31.12.2016
Accounts and loans		
demand	76,858	70,801
overnight	0	0
term	971,689	541,703
related receivables	789	133
Total credit institution accounts	**1,049,336**	**612,637**
Provisions		0
Net credit institution accounts	**1,049,336**	**612,637**

Note 4

Customer receivables

(in € '000s)	31.12.2017	31.12.2016
Principal receivable amounts	3,150,945	2,439,155
Related receivables	2,550	2,028
Total customer receivables	**3,153,495**	**2,441,183**
Provisions	-9,239	-7,517
Net book value	**3,144,256**	**2,433,666**

Note 5

Bonds and other fixed-income securities

(in € '000s)	31.12.2017	31.12.2016
Negotiable debt securities	1,205,555	1,324,750
Related receivables	14,949	11,841
Sub-total	**1,220,504**	**1,336,591**
Provisions	-1,087	-1,354
Net book value	**1,219,417**	**1,335,237**

Note 6

Equities and other variable-income securities

(in € '000s)	31.12.2017	31.12.2016
Investment securities and shares	5	5
Accumulation UCITS	918	9,809
Sub-total	**923**	**9,815**
Provisions	-16	-19
Net book value	**907**	**9,796**

Note 7

Equity investments and other securities held on a long-term basis

(in € '000s)	31.12.2017	31.12.2016
Investments in credit institutions	29	29
Accumulation UCITS	514	770
Sub-total	**543**	**799**
Provisions	-29	-3
Net book value	**514**	**796**

Note 8

Investments in related companies

(in € '000s)	31.12.2017	31.12.2016
Investments in credit institutions		
Accumulation UCITS	297	297
Sub-total	**297**	**297**
Provisions		
Net book value	**297**	**297**

The Bank owns almost 100% of the share capital of CFM Indosuez Gestion, a Monaco Limited Company with share capital of €150,000. Furthermore, the Bank owns 100% of the share capital of CFM Indosuez Conseil en Investissement, a French single-manager simplified joint stock company with share capital of €150,000

Note 9

Fixed assets

(in € '000s)	Intangible items	Tangible items
Gross value at 1 January 2017	33,805	49,036
Net change during the financial year	20,493	1,736
Gross value at 31 December 2017	**54,298**	**50,772**
Aggregate depreciation at the financial year-end	16,088	38,688
Net value 31 December 2017	**38,210***	**12,084**
Depreciation charge for the 2017 financial year	235	2,560

The business assets purchased have not been depreciated, although they are subject to impairment tests. No impairment was recorded at the end of 2016. Start-up costs were fully amortised at the financial year-end.
* This includes the acquisition of part of the business assets of HSBC Private Bank (Monaco) (€20,563,000).

Note 10

Payables to credit institutions

(in € '000s)	31.12.2017	31.12.2016
Ordinary accounts payable	35,071	33,988
Term accounts	41,825	203,652
Related liabilities	1	-1
Total payable to credit institutions	**76,897**	**237,639**

Note 11

Customer payables

(in € '000s)	31.12.2017	31.12.2016
Special scheme savings accounts	134,927	168,926
Demand accounts	3,917,205	3,107,000
Term accounts	1,025,482	633,864
Other accounts	17,062	8,066
Related liabilities	1,611	1,537
Net balance sheet value	**5,096,287**	**3,919,393**

Note 12

Receivables and related liabilities

(in € '000s)	31.12.2017	31.12.2016
Interest accrued, not yet received (assets)		
Receivables against credit institutions	789	133
Customer receivables	2,550	2,028
Bonds and other fixed-income securities	14,949	11,841
Total interest included under assets	**18,288**	**14,002**
Interest accrued, not yet paid (liabilities)		
Payable to credit institutions	1	-1
Customer payables	1,611	1,537
Total interest included under liabilities	**1,612**	**1,536**

Note 13

Other assets and accrual accounts

(in € '000s)	31.12.2017	31.12.2016
Other assets		
Miscellaneous receivables	206	255
Options purchased	3,493	14,557
Securities settlement accounts	11,907	13,257
Guarantee deposits	9,228	3,869
Other	108	111
Net balance sheet value	**24,942**	**32,050**
Accrual accounts		
Payment accounts	210	124
Foreign currency adjustments	5,853	38,843
Income receivable	21,024	21,109
Prepaid expenses	4,714	1,570
Other	1,100	6,127
Net balance sheet value	**32,901**	**67,774**
TOTAL	**57,843**	**99,824**

Note 14

Other liabilities and accrual accounts

(in € '000s)	31.12.2017	31.12.2016
Other liabilities		
Guarantee deposits	13,389	8,017
Options sold	3,493	14,557
Miscellaneous payables	5,253	6,369
Securities settlement accounts	3	5
Other	0	0
Net balance sheet value	**22,138**	**28,948**
Accrual accounts		
Currency adjustments	0	0
Prepaid income	0	0
Expenses payable	49,438	38,237
Other accrual accounts	3,164	7,689
Net balance sheet value	**52,602**	**45,926**
TOTAL	**74,740**	**74,874**

Note 15

Provisions

(in € '000s)	Balance at 31.12.2016	Additions	Reversals	Translation differences	Other	Balance at 31.12.2017
Provision deducted from assets						
Customer receivables	7,517	1,861	101	-38		9,239
Investment securities	1,373	1,103	1,373			1,103
Financial investments	3	26				29
TOTAL	**8,893**	**2,990**	**1,474**	**-38**	**0**	**10,371**
Provisions classified under balance sheet liabilities						
Customer-related risks	367	3,700				4,067
Employee commitments	4,328	1,142	723			4,747
Other allocated provisions	409					409
TOTAL	**5,104**	**4,842**	**723**	**0**	**0**	**9,223**

Note 16

Fund for general banking risks

(in € '000s)	31.12.2017	31.12.2016
Fund for general banking risks	4,471	4,471
Balance sheet value	**4,471**	**4,471**

This amount covers the Bank's general risks on an interchangeable basis. The fund for general banking risks is considered as shareholders' equity under the terms of current banking regulations.

Note 17

Change in shareholders' equity (before appropriation of earnings and excluding FGBR)

(in € '000s)	Share Capital	Premiums & reserves	Revaluation differences	Retained earnings	Regulated provisions	Net income	Total
Balance at 31.12.2015	**34,953**	**83,047**	**0**	**149,897**	**0**	**47,110**	**315,007**
Increase or decrease							0
Dividends paid in 2016						-32,976	-32,976
Appropriation of the 2015 earnings				14,134		-14,134	0
Net income for the 2016 financial year						45,004	45,004
Balance at 31.12.2016	**34,953**	**83,047**	**0**	**164,031**	**0**	**45,004**	**327,035**
Increase or decrease							0
Interim dividends paid in 2017						-31,515	-31,515
Appropriation of the 2016 earnings				13,489		-13,489	0
Net income for the 2017 financial year						28,295	28,295
Balance at 31.12.2017	**34,953**	**83,047**	**0**	**177,520**	**0**	**28,295**	**323,815**

Note 18

Breakdown of receivables and payables according to their residual maturity

(in € '000s)	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total
Excluding receivables & related liabilities					
Receivables against credit institutions		80,047			**1,048,547**
Customer receivables	3,138,484	12,460			**3,150,944**
Receivables represented by a security	381,694	400,068	423,737	56	**1,205,555**
Payable to credit institutions	76,896				**76,896**
Customer payables	4,917,730	176,945			**5,094,675**

Note 19

Commitments on forward financial instruments:

(in € '000s)	31.12.2017			
	≤ 1 year	1 to 5 years	> 5 years	Total
Forward transactions				
Interest-rate swaps:	**1,592,863**	**1,243,184**	**320,179**	**3,156,227**
Global interest-rate management	264,537	531,050	300,009	1,095,595
Other hedging transactions	1,231,717	712,135	20,170	1,964,022
Trading swaps	96,610	0		96,610
Forward currency transactions:	**2,468,977**	**141,050**	**0**	**2,610,027**
Euros receivable against foreign currencies payable	724,845	70,385		795,230
Foreign currencies receivable against euros payable	1,744,132	70,665		1,814,797
Option transactions				
Options purchased	750,864	21,582		772,446
Options sold	750,864	21,582		772,446

The amounts shown correspond to total lending and borrowing positions (rate swaps and rate swap options), or to total contract purchases and sales (other contracts).

Note 20

Off-balance-sheet items

(in € '000s)	31.12.2017	31.12.2016
Commitments given	**896,533**	**844,100**
- Financing commitments:	**685,670**	**617,748**
To clients	685,670	617,748
- Guarantee commitments:	**210,863**	**226,352**
To credit institutions	17,320	15,202
To clients	193,543	211,150
Commitments received	**2,076,616**	**1,837,991**
- Guarantee commitments:	**2,076,616**	**1,837,991**
From credit institutions	8,636	33,184
From clients	2,067,980	1,804,807

Note 21

Net interest and similar income from transactions

(in € '000s)	31.12.2017	31.12.2016
With credit institutions	18,194	19,596
With clients	32,529	31,258
On securities	2,484	561
Interest and similar income	**53,207**	**51,415**
With credit institutions	-1,588	-1,761
With clients	-9,856	-5,000
On securities	0	0
Interest and similar expense	**-11,444**	**-6,761**
Net interest and similar income	**41,763**	**44,654**

Note 22

Income from variable-income securities

(in € '000s)	31.12.2017	31.12.2016
Equity investments and other securities held on a long-term basis	0	26
Investments and in affiliates	67	458
Total	**67**	**484**

Note 23

Commissions

(in € '000s)	31.12.2017			31.12.2016		
	Income	Expenses	Net	Income	Expenses	Net
On transactions with credit institutions	0	-66	-66	0	-147	-147
On transactions with clients	5,718	-1,338	4,380	6,139	-1,364	4,775
On securities transactions	49,162	-2,408	46,754	47,001	-2,809	44,192
Other commissions	10,596	0	10,596	10,887	0	10,887
Net commissions	**65,476**	**-3,812**	**61,664**	**64,027**	**-4,320**	**59,707**

Note 24

Gains or losses on trading portfolio transactions

(in € '000s)	31.12.2017	31.12.2016
On transaction securities	3,612	4,724
On foreign currency transactions and similar financial instruments	10,793	11,709
Balance of the trading portfolio transactions	**14,405**	**16,433**

Note 25

Gains or losses on investment portfolio transactions

(in € '000s)	31.12.2017	31.12.2016
Investment securities		
Net gains	8,627	2,806
Net changes in provisions	156	-575
Net value	**8,783**	**2,231**

Note 26

Other banking operating income and expenses

(in € '000s)	31.12.2017	31.12.2016
Income		
Share in joint ventures	0	0
Re-invoiced and reclassified expenses	31	37
Miscellaneous banking operating income	1,861	2,424
Other income	70	69
Total Income	**1,962**	**2,530**
Expenses		
Share in joint ventures	-961	-1,008
Miscellaneous banking operating expenses	-4,974	-5,651
Total expenses	**-5,935**	**-6,659**
Net Total	**-3,973**	**-4,129**

Note 27

General operating expenses

(in € '000s)	31.12.2017	31.12.2016
Personnel expenses		
Wages and benefits	38,461	33,171
Profit-sharing	627	1,007
Payroll expenses	13,391	11,840
Total personnel expenses	**52,479**	**46,018**
Administrative expenses	**36,348**	**29,551**
Of which Statutory Auditors' fees	156	160
Of which head office expenses *	2,895	0
Total General Operating Expenses	**88,827**	**75,569**

* From 2017, CA Indosuez Wealth (Group) will invoice head office expenses on an annual basis.

Note 28

Cost of risk

(in € '000s)	31.12.2017	31.12.2016
Reversal of provisions for contingencies and charges	0	792
Recovery of amortised receivables	59	2,280
Miscellaneous income	0	283
Total income	**59**	**3,355**
Provisions for impaired receivables and other assets	-1,711	-807
Losses on unrecoverable receivables covered by a provision	-19	-1,629
Allocations to provisions for contingencies and charges	-3,700	-379
Miscellaneous expenses	-9	0
Total expenses	**-5,439**	**-2,815**
Total	**-5,380**	**540**

Note 29

Gains and losses on fixed assets

(in € '000s)	31.12.2017	31.12.2016
Gains on the disposal of intangible and tangible assets	2,587	3,475
Losses on the disposal of intangible and tangible assets		
Gains on the disposal of financial investments		
Additions and reversals of provisions for impairment of financial investments		
Total	**2,587**	**3,475**

Note 30

Average headcount

	31.12.2017	31.12.2016
Staff category		
Executives	307	286
Supervisors	75	83
Employees		
Total	**382**	**369**

Note 31

Encumbered assets

CFM Indosuez Wealth monitors and manages the level of its mobilised assets. In total, the ratio of encumbered assets was 0% at 31 December 2017. We did not identify any source of asset mobilisation meeting the criteria set by the decree of 19 December 2014.

ASSETS

(in € millions) 31.12.2017	Book value of encumbered assets	Fair value of encumbered assets	Book value of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	**0.0**	**0.0**	**5,585.4**	**5,618.8**
Capital instruments	0.0	0.0	0,0	0,0
Debt securities	0.0	0.0	3,144.3	3,147.3
Loans and receivables other than demand loans	0.0	0.0	1,220.3	1,223.5
Other assets	0.0	0.0	1,220.9	1,248.0

GUARANTEES RECEIVED

(in € millions) 31.12.2017	Fair value of the encumbered guarantee received or the encumbered own debt securities issued	Fair value of the guarantee received or the own debt securities issued available to be encumbered
Collateral received from the reporting institution	0.0	0.0

Company financial results

(€ '000s. except for per-share amounts)	31.12.2010	31.12.2011
Year-end financial position		
Share capital	34,953	34,953
Number of shares outstanding	573,000	573,000
Reserves	83,047	83,047
Overall income from transactions performed		
Net banking income	99,163	104,582
Current income	40,203	38,672
Net income for the financial year	40,203	38,672
Amount of income distributed	26,129	26,129
Income from transactions per share		
Current income	70.16	67.49
Net income for the financial year	70.16	67.49
Dividend paid per share	45.60	45.60
Number of employees		
Staff	407	379
Payroll	30,311	30,394
Amount paid in connection with employee benefits	10,498	10,652
(Social Security and social activities, etc.)		

	31.12.2012	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
	34,953	34,953	34,953	34,953	34,953	**34,953**
	573,000	573,000	573,000	573,000	573,000	**573,000**
	83,047	83,047	83,047	83,047	83,047	**83,047**
	112,023	108,625	113,114	122,368	119,381	**122,709**
	45,362	35,177	40,310	47,110	41,530	**25,708**
	45,362	35,177	40,310	47,110	45,004	**28,295**
	29,487	24,582	28,214	32,976	31,515	**25,464**
	79.17	61.39	70.35	82.22	72.48	**44.87**
	79.17	61.39	70.35	82.22	78.54	**49.38**
	51.46	42.90	49.24	57.55	55.00	**44.44**
	372	370	361	364	369	**382**
	30,061	30,987	31,619	32,209	34,178	**39,088**
	10,131	10,835	11,105	11,313	11,840	**13,391**

General report of the Statutory Auditors

Financial year ended 31 December 2017

To the Shareholders,

In accordance with the provisions of Article 25 of the law number 408 of 20 January 1945, we hereby report to you on the general assignment entrusted to us pursuant to article 8 of said law, on an ongoing basis, by decision of the Ordinary General Meeting of 18 May 2017, for the 2017, 2018 and 2019 financial years.

The financial statements and company documents, approved by your Board of Directors, were provided to us within the legal deadlines.

- The balance sheet total amounted to €5,585,433,522
- The income statement shows a net profit of €28,295,042

Our assignment, which consists in issuing an opinion on these financial statements, was performed in accordance with professional standards, and by applying the rules relating to the audit of institutions governed by banking regulations. This assignment required us to review the transactions performed by your company during the 2017 financial year, the balance sheet at 31 December 2017, the income statement for the financial year, and the notes to the financial statements closed on that date.

These documents were drawn up in accordance with legal specifications, in the same form as in the previous financial year, and using the same methods.

We verified the items that make up the assets and liabilities and the methods used to measure those items and to differentiate between expenses and income.

Our review was performed in accordance with generally accepted accounting audit standards, which require that our work is planned and performed so as to obtain reasonable assurance that the financial statements do not contain any material misstatements.

An audit includes the examination, by testing, of evidence of the amounts, the main estimates made by management, the information contained in the financial statements, as well as an assessment of the accounting principles used and a verification of the overall presentation of these items.

We also verified the financial information contained in the report by the Board of Directors, the proposed allocation of income, and compliance with the legal and statutory provisions governing the operation of your Company.

In our opinion, the financial statements at 31 December 2017, as submitted for your approval, present a fair view of your Company's assets and liabilities at 31 December 2017 and of the net income for the financial year then ended, in accordance with legal specifications.

Monaco, 30 April 2018

Claude Tomatis
Statutory Auditor

Sandrine Arcin
Statutory Auditor

Special report of the Statutory Auditors

Financial year ended 31 December 2017

To the Shareholders,

Pursuant to Article 24 of law number 408 of 20 January 1945, we present you with our report on the transactions covered in Article 23 of the Sovereign Ordinance of 5 March 1895 that were carried out during 2017, and on the general meetings held over the same period.

Transactions covered in Article 23 of the Sovereign Ordinance of 5 March 1895

The provisions of this article apply to any company or transaction involving successive services of the same or a similar nature carried out with the company or on its behalf, in which a director of the company has a direct or indirect interest.
During the year, the following transactions were carried out:

- Agreement to outsource the cash management function to CA Indosuez (Switzerland) SA, from July 2016 (signed on 11/01/2017).
- CFM Indosuez Wealth pursued banking and market transactions with CA-CIB and other banks in the group.
- CFM Indosuez Wealth performed operations under the outsourcing agreement covering IT services (S2i) and back-office services with CA Indosuez (Switzerland) SA.
- CFM Indosuez Wealth continued to provide operational support to CFM Indosuez Gestion and the CFM Indosuez Conseil en Investissement single-partner company (SASU).
- CFM Indosuez Wealth used the services of insurance broker Ascoma JH for the management of some of its insurance policies.

We have no observations to make about these transactions.

General meetings held in 2017

During the year under review, you met

• on 18 May 2017 at the Ordinary General Meeting, to:

- approve the financial statements for the financial year ended December 31, 2016;
- appoint your Statutory Auditors for the 2017, 2018 and 2019 financial years.

• on the same date at the Extraordinary General Meeting, to note the amendment to articles 2 and 18 of the Articles of Association.

For this meeting, we verified:

• that the relevant legal and statutory provisions were observed;

• and that the approved resolutions were carried out.

We did not find any irregularities.

Monaco, 30 April 2018

Claude Tomatis
Statutory Auditor

Sandrine Arcin
Statutory Auditor

Resolutions for approval by the Ordinary General Meeting

First Resolution

The General Meeting, having heard the report of the Board of Directors, the Statutory Auditors' reports and the balance sheet and income statement for the year ended 31 December 2017, approves the financial statements for the 2017 financial year as presented to it by the Board of Directors.

It releases from their managerial obligations those Directors who fulfilled their terms of office during the year.

Second Resolution

The General Meeting approves the distribution of the earnings for 2017, amounting to €28,295,042.07, and retained earnings from the previous year of €177,520,214.65, making a total of €205,815,256.72, as proposed by the Board in its report and, consequently, decides:

To distribute the following amounts to the shareholders as

dividends	€25,464,120.00
To carry forward	€180,351,136.72

This amount will be distributed to the shareholders via the dividend payment on 8 June 2018, of €44.44 per share, 19% lower than the dividend paid out for 2016.

Third Resolution

The General Meeting authorises the Board of Directors to pay an interim dividend for the 2018 financial year on the basis of a balance sheet that has been duly certified by the Company's Statutory Auditors before the end of the financial year if the Board considers it appropriate.

Fourth Resolution

In accordance with Article 16 of the Articles of Association, the General Meeting reappoints Jean-Marie Sander as a Director for a period of three years.

Mr Sander's appointment will end at the Ordinary General Meeting called to approve the financial statements for the 2020 financial year.

Fifth Resolution

In accordance with Article 16 of the Articles of Association, the General Meeting reappoints Yves Barsalou as a Director for a period of one year.

Mr Barsalou's appointment will end at the Ordinary General Meeting called to approve the financial statements for the 2018 financial year.

Sixth Resolution

In accordance with Article 16 of the Articles of Association, the General Meeting reappoints Michel Cresp as a Director for a period of one year.

Mr Cresp's appointment will end at the Ordinary General Meeting called to approve the financial statements for the 2018 financial year.

Seventh Resolution

In accordance with Article 16 of the Articles of Association, the General Meeting reappoints Jean Delamalle as a Director for a period of three years.

Mr Delamalle's appointment will end at the Ordinary General Meeting called to approve the financial statements for the 2020 financial year.

Eighth Resolution

In accordance with Article 16 of the Articles of Association, the General Meeting reappoints Paul de Leusse as a Director for a period of three years.

Mr de Leusse's appointment will end at the Ordinary General Meeting called to approve the financial statements for the 2020 financial year.

Ninth Resolution

In accordance with Article 16 of the Articles of Association, the General Meeting reappoints Andrée Samat as a Director for a period of three years.

Ms Samat's appointment will end at the Ordinary General Meeting called to approve the financial statements for the 2020 financial year.

Tenth Resolution

In accordance with Article 16 of the Articles of Association, the General Meeting reappoints Hervé Husson as a Director for a period of three years.

Mr Husson's appointment will end at the Ordinary General Meeting called to approve the financial statements for the 2020 financial year.

Eleventh Resolution

In accordance with Article 16 of the Articles of Association, the General Meeting reappoints François Veverka as a Director for a period of three years.

Mr Veverka's appointment will end at the Ordinary General Meeting called to approve the financial statements for the 2020 financial year.

Twelfth Resolution

In accordance with Article17 of the Articles of Association, the General Meeting approves the appointment of Bastien Charpentier as a Director for a period of three years.

Mr Charpentier's appointment will end at the Ordinary General Meeting called to approve the financial statements for the 2020 financial year.

Thirteenth Resolution

The General Meeting proposes co-opting Didier Mekies, Permanent Statutory Auditor, for the term of office of his predecessor, Claude Tomatis, following the latter's resignation, namely for the 2017, 2018 and 2019 financial years.

The Statutory Auditors for the term of office will be as follows:

Permanent Statutory Auditors: Sandrine Arcin and Didier Mekies

Substitute Statutory Auditor: François Brych

The General Meeting approves the amount of the fees paid to the Statutory Auditors, as shown in the expenses for the financial year.

Fourteenth Resolution

The General Meeting, having heard the report of the Board of Directors and the Statutory Auditors' reports, takes note of the information provided to it regarding the transactions referred to in Article 23 of the Sovereign Ordinance of 5 March 1895.

It approves these transactions and renews the authorisation to the Directors provided for in Article 23 of the aforementioned Order.

Fifteenth Resolution

The Ordinary General Meeting grants all powers to Marie-Odile Joris or to the bearer of an original copy of the resolutions to perform all the formalities required by the above resolutions as soon as possible.

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