CONSOLIDATED FINANCIAL STATEMENTS

31.12.2018

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I. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

IN THOUSANDS OF EUROS	Notes	31.12.2018	31.12.2017
Cash, due from central banks		125 309	13 948
Hedging derivatives	6.1	6 618	2 656
Financial assets at fair value through profit and loss	6.2	4 963	-
Financial assets at fair value through other comprehensive income	6.3	79 152	72 653
Financial assets at amortised cost	6.4	2 164	-
Loans and receivables due from banks and credit institutions at amortised cost	6.6	439 142	386 233
Loans and receivables due from customers at amortised cost	6.6	4 922 845	3 576 043
Current tax assets	6.7	2 179	6 760
Deferred tax asset	6.7	65 660	53 633
Other assets	6.8	81 068	58 107
Non-current assets held for sale	6.9	8 006	383 840
Investment Property	6.10	9 696	-
Property, plant and equipment	6.11	23 574	3 599
Intangibles asset	6.11	6 705	3 001
Total assets		**5 777 081**	**4 560 471**

IN THOUSANDS OF EUROS	Notes	31.12.2018	31.12.2017
Due to central banks		32	-
Financial liabilities at fair value through profit and loss	6.1	4 856	-
Hedging derivatives	6.2	10 712	4 620
Debt securities issued	6.5	2 215 966	2 690 115
Due to bank and credit institutions	6.5	113 312	6 997
Due to customers	6.5	2 549 043	1 034 836
Current tax Liabilities	6.7	3 689	2 907
Deferred tax liabilities	6.7	3 377	8 532
Other liabilities	6.8	129 042	129 863
Provisions	6.12	74 008	74 180
Total liabilities		**5 104 035**	**3 952 050**
Shareholders' equity, Group share		**672 077**	**607 944**
Share capital		1 000	1 000
Consolidated reserves		559 520	154
Unrealised or deferred capital gains and losses		4 522	5 438
Net income		107 035	601 352
Non-controlling interests		**969**	**477**
Total equity		**673 046**	**608 421**
Total liabilities and equity		**5 777 081**	**4 560 471**

II. CONSOLIDATED INCOME STATEMENT

IN THOUSANDS OF EUROS	Notes	31.12.2018	31.12.2017
Interest and similar income	7.1	154 331	123 447
Interest and similar expense	7.1	(37 922)	(26 336)
Fee income	7.2	18 586	17 110
Fee expense	7.2	(6 290)	(3 394)
Net gains and losses on financial instruments at fair value through profit and loss	7.3	1 571	-
Net gains and losses on financial instruments at fair value through other comprehensive income	7.4	1 595	769
Net gains and losses from the derecognition of financial assets at amortized cost	7.5	(1 837)	(1 437)
Income from other activities	7.6	16 249	13 549
Expenses from other activities	7.6	(1 761)	(741)
Net banking income		**144 522**	**122 967**
Operating expenses	7.7	(139 446)	(100 535)
Amortisation, depreciation and impairment of tangible and intangible fixed assets	7.8	(431)	(2 741)
Gross operating income		**4 645**	**19 691**
Cost of risk	7.9	(4 786)	(11 748)
Operating income		**(141)**	**7 943**
Net income/expense from other assets	7.10	(882)	(15 416)
Bargain purchase gain	1.1	105 428	621 750
Earnings before tax		**104 407**	**614 277**
Income tax	7.11	3 120	(12 507)
Consolidated net income		**107 527**	**601 770**
Net income, Group share		107 035	601 352
Non-controlling interests		492	421

Reclassifications have been carried out to the consolidated income statement published at 31.12.2017.

These reclassifications are all in the same aggregate, “Net banking revenue”, and concern the following items:

IN THOUSANDS OF EUROS	Published 2017	Reclass	Actual 2017
Interest and similar income	116 927	6 520	123 447
Interest and similar expense	(8 216)	(18 120)	(26 336)
Fee expense	(21 514)	18 120	(3 394)
Net gains and losses on financial instruments at fair value through other comprehensive income	225	544	769
Income from other activities	20 613	(7 064)	13 549

III. STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

IN THOUSANDS OF EUROS	Notes	31.12.2018	31.12.2017
Net income		**107 527**	**601 770**
Unrealised or deferred gains and losses that will be reclassified subsequently into income		**(4 336)**	**3 538**
Revaluation of financial assets at fair value through other comprehensive income	6.3	(559)	163
Revaluation of hedging derivatives instruments of recyclables items	6.2	(6 010)	5 233
Tax related		2 233	(1 858)
Unrealised or deferred gains and losses that will not be reclassified subsequently into income		**3 420**	**1 900**
Actuarial gains and losses on defined benefit plans	6.12	4 611	2 561
Tax related		(1 191)	(662)
Total unrealised or deferred gains and losses		**(916)**	**5 438**
Net income and unrealised or deferred gains and losses		**106 611**	**607 208**
Group share		106 119	606 787
Non-controlling interests		492	421

IV. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN THOUSANDS OF EUROS	Share capital	Unrealised or deferred gains and losses	Consolidated reserves	Net income, Group share	Shareholders equity, Group share	Non-controlling interests	Total consolidated equity
Shareholders' equity at 31.12.2016	**-**	**-**	**(16)**	**-**	**(16)**	**-**	**(16)**
Increase in share capital	1 000				**1 000**		**1 000**
Effect of acquisitions and disposals on non-controlling interest					**-**	56	**56**
Sub-total of changes linked to relations with shareholders	**1 000**	**-**	**(16)**	**-**	**984**	**56**	**1 040**
Unrealised or deferred gains and losses		5 438			**5 438**		**5 438**
Net income				601 352	**601 352**	421	**601 773**
Other changes			170		**170**		**170**
Sub-total	**-**	**5 438**	**170**	**601 352**	**606 960**	**421**	**607 381**
Shareholders' equity at 31.12.2017	**1 000**	**5 438**	**154**	**601 352**	**607 944**	**477**	**608 421**
Increase in share capital					**-**		**-**
Effect of acquisitions and disposals on non-controlling interest					**-**		**-**
Sub-total of changes linked to relations with shareholders	**1 000**	**5 438**	**154**	**601 352**	**607 944**	**477**	**608 421**
Unrealised or deferred gains and losses		(916)	601 366	(601 352)	**(901)**		**(901)**
Dividend distribution			(42 000)		**(42 000)**		**(42 000)**
Net income				107 035	**107 035**	492	**107 527**
Other changes					**-**		**-**
Sub-total	**-**	**(916)**	**559 366**	**(494 317)**	**64 133**	**492**	**64 625**
Shareholders equity at 31.12.2018	**1 000**	**4 522**	**559 520**	**107 035**	**672 077**	**969**	**673 046**

V. CASH FLOW STATEMENT

IN THOUSANDS OF EUROS	31.12.2018	31.12.2017
Net income before tax	**104 407**	**614 280**
Non-monetary items included in pre-tax net income and other adjustments	**(141 579)**	**(640 203)**
Net depreciation/amortisation expense on property, plant and equipment and intengible assets	987	2 741
Net addition to provisions	(13 367)	(5 144)
Net loss/(gain) on investing activities	1 758	(116)
Net loss/(gain) on financing activities	1 761	741
Burgain purchase gain	(105 428)	(621 750)
Other changes	(27 290)	(16 675)
Net increase/decrease in cash related to operating assets and liabilities	**652 573**	**411 951**
Net increase in transactions with credit institutions	543	(674)
Net increase in transactions with customers current accounts	49 659	62 712
Net increase in transactions with customers	626 843	356 910
Net decrease in non-financial assets and liabilities	(22 366)	(3 725)
Taxes paid	(2 106)	(3 272)
Net cash inflow (outflow) related to operating activities (A)	**615 400**	**386 028**
Net cash inflow (outflow) related to acquisition and disposal of financial assets	(6 393)	(71 596)
Net cash inflow (outflow) related to tangible and intangible fixed assets	(6 705)	(2 594)
Net cash inflow (outflow) related to investment activities (B)	**(13 098)**	**(74 190)**
Cash flow from/to shareholders	(41 999)	-
Other net cash flows arising from financing activities	(399 096)	(334 604)
Net cash inflow (outflow) related to financing activities (C)	**(441 095)**	**(334 604)**
Net inflow (outflow) in cash and cash equivalents (A+B+C)	**161 207**	**(22 766)**
Cash and cash equivalents at the start of the year	**400 180**	**422 946**
Cash, due from central banks (assets)	13 948	35 346
Current accounts with banks	386 233	388 806
Demand deposits and current accounts with banks	-	(1 207)
Cash and cash equivalents at the end of the year [1]	**561 387**	**400 180**
Cash, due from central banks (assets)	125 309	13 948
Current accounts with banks	439 142	386 233
Current accounts and loans from credit institutions	(3 065)	-
Net inflow (outflow) in cash and cash equivalents	**161 207**	**(22 765)**

[1] Including the amount of cash and cash equivalents in BESV and its subsidiaries at the acquisition date of 28.12.2018: 112 thousand euro.

VI. NOTES TO THE FINANCIAL STATEMENTS

1. MAJOR EVENTS FOR THE FINANCIAL YEAR AND GROUP STRUCTURE

1.1. ACQUISITION OF THE BESV GROUP

On 28 December 2018, Promontoria MMB SAS acquired a majority holding in several entities belonging to the Banque Espírito Santo et de la Vénétie (BESV):

- 99.99% of the capital of BESV
- 22.5% of the SCI du 45 avenue Georges Mandel

The BESV holds 77.5% of the SCI du 45 avenue Georges Mandel

The BESV is a credit institution specialising in corporate advisory and financing, and in business and retail banking services. The BESV operates in a number of areas: Corporate relations, Structured funding /LBO, Professional real estate, Funding for the Audio-visual sector, Private Bank and Services to struggling businesses.

This operation, announced in June 2018 by BESV's majority shareholder, Novo Banco, is an opportunity for My Money Group to extend its range of products and to diversify its activities into commercial banking.

As My Money Group exercises control over each of these subsidiaries, they have been consolidated by the full consolidation method.

These acquisitions strengthened the group balance sheet at the acquisition date by 1 253 million euro.

This contribution is essentially made up of the following items:

- assets consisting of customer loans and credits for 1 212 million euro;
- liabilities consisting of amounts due to customers of 1 101 million euro in the form of term deposits and interest-bearing savings accounts.

This operation gave rise to an acquisition income of 105.4 million euro, which has been directly accounted for in profit or loss under "Acquisition income". The internal analyses conducted in accordance with requirements of the IFRS 3, in particular by reassessing all the identifiable assets acquired and liabilities assumed, have led us to conclude that this acquisition meets the definition of a "bargain purchase".

The gain on this acquisition mainly results from the special conditions of the transaction, with a vendor that wished to sell the BESV Group fast after a sales process that had already been rather lengthy.

This is because, after several unsuccessful negotiations with other potential buyers, Promontoria MMB was the sole purchaser proposing to buy the BESV Group in its entirety and making an offer that was acceptable to the vendors.

Income on ordinary activities and gains or losses on all the entities acquired after the acquisition date of 28 December 2018 and the reporting date of 31 December 2018 were not considered to be significant in the consolidated profit and loss account at 31 December 2018.

1.2. PUMA PROJECT

In application of My Money Bank's strategic approach, and in particular the re-positioning on high-profitability activities that has been taking place for several years, the Company has sold its mainland auto activity to Financo, part of the Crédit Mutuel Arkéa group, one of the biggest consumer credit players in the French market. A sale of going concern and receivables agreement was accordingly signed between My Money Bank and Financo on 25 January 2018, and the sale was finalised on 1 June 2018.

1.3. Reorganisation – Swing project

In order to simplify the Company's organisation and to adapt its services better to the new customer expectations, it was decided to combine the teams and bring them together to improve agility, expedite operations and adjust general overheads to the size of the Company. This strategy focuses on three areas of change:

- Reorganising the teams from Paris-la-Défense at the centre of operational excellence in Nantes;
- Structuring the IT department into three service divisions;
- Optimising operational services in order to benefit fully from the digital transformation and increased productivity.

1.4. Creation of a My Money Bank subsidiary with building society status (société de crédit foncier)

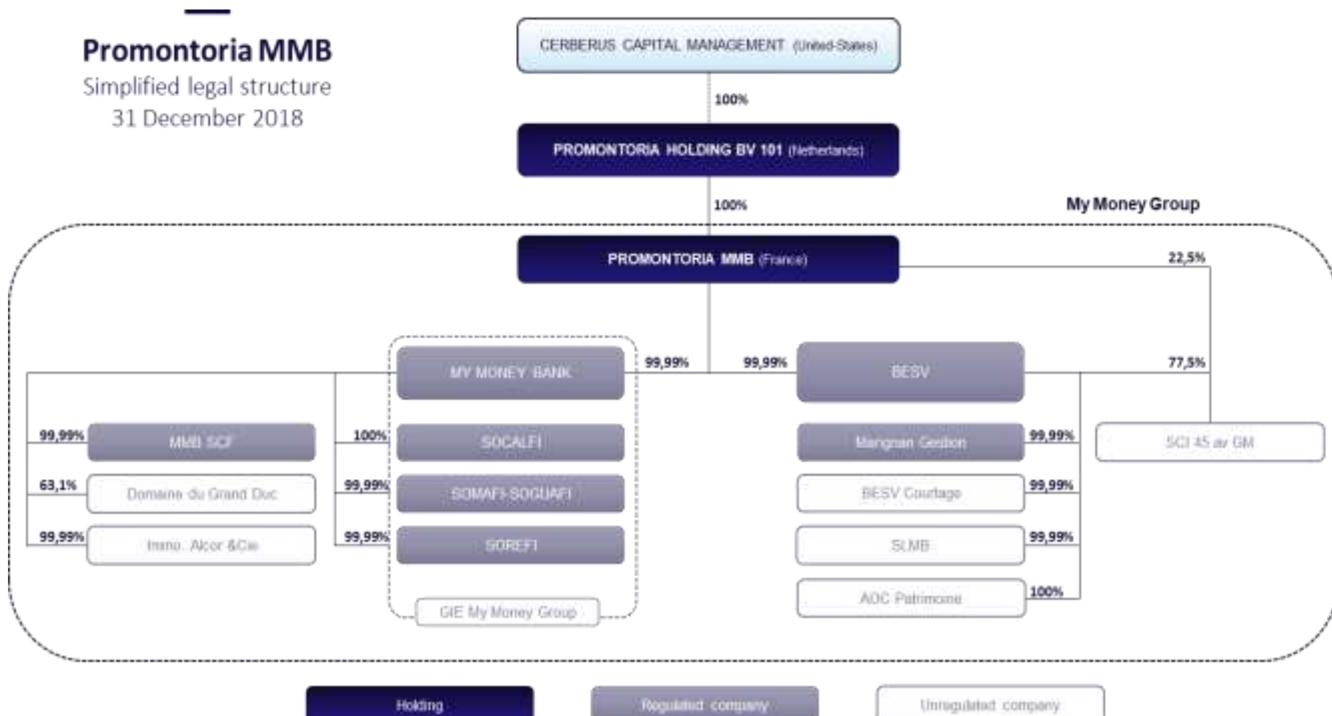
In order to consolidate its independence in matters of refinancing, expanding its finance sources and diversifying the investor base, My Money Bank has created a subsidiary with building society status. The primary objective of this subsidiary is to refinance the consolidation of mortgages, My Money Bank's main activity. Subsequently, it might be possible to refinance other portfolios of eligible assets that My Money Bank might acquire.

The company MMB SCF thus founded launched its first issue of mortgage bonds in the last quarter of 2018 in the amount of 500 million euro.

1.5. My Money Group organisation chart

In 2018 the Promontoria MMB Group affirmed its independence and identity under the new name My Money Group.

My Money Group has the status of a financial holding company, with directly and indirectly held companies represented in the simplified organisation chart at 31 December 2018 below.



The consolidation perimeter also includes 7 securitisation vehicles (cf Note 4).

2. ACCOUNTING STANDARDS APPLIED

2.1. ACCOUNTING STANDARD APPLICABLE

In application of the European Regulation 1606/2002 of 19 July 2002 on the application of international accounting standards, the Promontoria MMB Group has established its consolidated accounts as at 31 December 2018 in accordance with International Financial Reporting Standards (IFRS) as endorsed in the European Union and applicable at this date[2].

This body of standards includes the IFRSs themselves, the International Accounting Standards (IAS), and their interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The mandatory application of standards coming into effect on 1 January 2018 had no significant impact on the group’s financial statements at 31 December 2018.

The Consolidated financials were approved by the board of directors on April 17th, 2019 and will be submitted for shareholder approval on the general assembly scheduled for the 29th of May 2019.

PRESENTATION OF FINANCIAL STATEMENTS

The consolidated accounts are published in euro. The amounts presented in the financial statements are expressed in thousand euro, except where stated otherwise.

2.2. MAIN NEW STANDARDS THAT HAVE BEEN PUBLISHED BUT NOT YET EFFECTIVE

The IASB has published a number of standards, interpretations and amendments that had not all been endorsed by the European Union at 31 December 2018. They will come into force for financial years current at 1 January 2019 at the earliest, or when adopted by the European Union. Therefore, they are not applied by the Group at 31 December 2018.

Accounting standards	Themes	Decision date	Start date
IFRS 9 amendments	Early repayment clause	26 March 2018	1 January 2019
IFRS 16	Operating lease contract	9 November 2017	1 January 2019
IFRS 17	Insurance contract	Not adopted	1 January 2021
IFRS 28 amendments	Long-term Interests in Associates and Joint Ventures	Not adopted	1 January 2019
IFRS 19 amendments	Plan Amendment, Curtailment or Settlement	Not adopted	1 January 2019
IFRS 3 amendments	Definition of a Business	Not adopted	1 January 2020
IAS 1 and IAS 8 amendments	Definition of Material	Not adopted	1 January 2020
IFRIC 23	Uncertainty over Income Tax Treatments	24 October 2018	1 January 2019

[2] The complete body of standards endorsed within the European Union can be consulted on the European Commission website at http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_fr.htm.

The main standards which the Group expects to apply in the future as are follows:

IFRS 16 *Leases*, to be applied with retrospective effect at 1 January 2019, will replace IAS 17 *Leases* and the associated interpretations. It introduces a new definition of leases and amends the accounting treatment of these contracts in the financial statements of lessees. The new standard will have very limited impact on lessors as compared with the existing provisions of IAS 17.

For lessees, IFRS 16 introduces a single accounting model for all leases based on the recognition of an (intangible) right of use, representing the lessor's right to make use of the asset during the lease period in consideration of a lease liability representing the discounted lease payments.

The right-of-use asset is depreciated on a straight-line basis and the financial liability is amortised actuarially over the lifetime of the lease. The amortisation expense of the asset and the interest expenses on the debt will be presented separately in profit or loss.

For the application of IRFS 16, the group has opted to apply the modified retrospective method offered by the standard.

IFRS 16 also offers a number of simplifying options. Lessees can choose not to apply the provisions of the new standard to leases with a term of less than one year (including renewal options), nor to contracts on low unit-value goods (less than or equal to USD 5 000). The Group has opted to make use of this practical expedient offered by the standard.

Most of the contracts identified by the Group are commercial "3/6/9" leases, leasing contracts on company vehicles and equipment leases. The identification and analysis of the Group's leases has resulted in the exclusion of IT licences and equipment maintenance contracts from the application scope of the standard.

At 31 December 2018, the Group had completed the identification and analysis of all the leases affected by the application of the standard. The remainder of the works for completion include determining the incremental borrowing rate that will be applied to the portfolios of similar contracts constituted by the group, based on several methods that the Group is curently studying.

The Group has already determined the period over which it will amortise the right of use which will be accounted for as an asset on recognition of the leases concerned, in accordance with the following lease categories:

- Commercial leases: 9 years (in compliance with the ANC position of February 2018 on "3/6/9" leases);
- Vehicles: 4 years, corresponding to the average contractual duration of assets of this type;
- Equipment: 5 years, also corresponding to the average contractual duration of this category of assets.

The expected impact of IRFS 16 will mainly be reflected in an increase in balance sheet assets due to the recognition of a right of use for the leases, matched in liabilities by a lease liability calculated using the effective interest rate method (the Group's discount rate corresponding to the incremental borrowing rate based on the residual term of the lease at this date).

The right of use will be the subject of straight-line amortisation in the consolidated income statement based on the periods described above.

Estimations of the impact of IFRS 16 on the Group's financial statements are currently being finalised pending the determination of the Group's incremental borrowing rate. These impacts are unlikely to be significant for the accounts of My Money Group.

Deferred tax will be recognised on the basis of the net taxable and deductible temporary differences. On the date of initial recognition of the right of use asset and the lease debt, no deferred tax will be recognised if the value of the asset is equal to that of the liability. Net temporary differences resulting from subsequent remeasurements of the right of use and the lease debt will entail the recognition of deferred tax.

3. PRINCIPLES FOR DRAFTING THE CONSOLIDATED FINANCIAL STATEMENTS

3.1. DÉTERMINING THE CONSOLIDATION PERIMETER

The consolidation of the Group's financial statements includes the accounts of My Money Group and of all the entities the consolidation of which has a significant impact on the consolidated accounts of the Group and that are controlled by the consolidating entity.

The scope of the entities consolidated by My Money Group is set out in Note 4.1.

3.2. CONSOLIDATION METHODS

Under IFRS 10, control of an entity is assessed using three cumulative criteria:

- power over the investee, i.e. the effective rights that give it the current ability to direct the activities that significantly affect the entity's returns (e.g. though voting or other rights);
- exposure, or rights, to variable returns from its involvement with the investee, such as dividends, changes in the fair value of an investment, or tax benefits;
- the ability to use its power over the investee to affect the amount of the investor's returns.

For entities governed by voting rights, the Group generally controls an entity if it directly or indirectly holds the majority of the voting rights and if there exist no other agreements that change the power of these voting rights.

The scope of the voting rights taken into consideration for assessing the nature of the control exercised by the group include the existence and impact of substantive potential voting rights, such as those that may be exercised to take decisions on the relevant activities during the next General Meeting.

The Group exercises joint control in a joint arrangement when the decisions regarding the entity's relevant activities contractually require the unanimous consent of the partners.

Significant influence is defined as the power to participate in the financial and operating policy decisions of an investee, but not to control them. It may result from representation on the board of directors or supervisory bodies, participation in strategic decisions, the existence of material transactions between the entity and the investee, the interchange of managerial personnel, or technical dependence.

Consolidation methods are applied depending on the nature of the control exercised by My Money Group on its subsidiaries.

All the subsidiaries are regarded as controlled by My Money Group and are consolidated through full integration. This consolidation method consists of replacing the carrying value of the holding with the items of the investee's assets and liabilities in the parent company's accounts. The proportion of non-controlling interests is presented separately in the statement of financial position, in profit or loss, in the statement of gains and losses recognised directly in equity and in the statement of changes in equity of the Group in order to express the rights of minority shareholders in the equity and the result of the subsidiary.

3.3. CONSOLIDATION RULES

a. RETREATMENTS AND ELIMINATIONS

Before consolidation, the statutory accounts of the consolidated companies undergo specific retreatment to bring them into line with the accounting principles applied by the Group.

Balances and reciprocal revenues and charges resulting from internal operations are eliminated, including dividends and the gains and losses due to intra-group disposals.

b. Business combinations

Business combinations have been accounted for by applying the acquisition method in accordance with IFRS 3 (Revised) for business combinations carried out after 1 January 2010.

Under this method, the identifiable assets acquired and the liabilities assumed from the acquiree are accounted for at their fair value on the measurement date.

The acquisition cost is equal, at the acquisition date, to the sum of the fair values of the assets given, the liabilities incurred and the equity instruments issued in exchange for the control of the acquiree. Any price adjustments are included in the acquisition cost at their estimated fair value at the acquisition date and remeasured at each reporting date. Subsequent adjustments are recorded in profit or loss.

Costs directly attributable to the combination operation constitute a separate transaction and are recorded in profit or loss.

Goodwill corresponds to the difference between the consideration paid and the purchaser's share of the fair value of the identifiable assets and liabilities at the acquisition date. If positive, this difference is recorded in assets by the acquirer under “Goodwill”. If negative, it is accounted for immediately in profit or loss under “Gains on acquisition”.

On the date that control is obtained, non-controlling interests can be measured for each combination, at the Group’s discretion:

- Either on the basis of their share in the fair value of the identifiable net assets of the acquiree at the acquisition date, without accounting for goodwill for non-controlling interests (the “partial goodwill” method);
- Or at their fair value. In this case, a fraction of the goodwill will then be attributed to them (the “full goodwill” method).

The purchase price allocation (or PPA) of BESV and its subsidiaries was determined on 31.12.2018, generating a gain on acquisition in the Group’s accounts.

However, the Group has a period of 12 months after the acquisition date in which to finalise the recognition of a given business combination.

4. Consolidation scope

4.1. Consolidation scope at 31 December 2018

Entity	Country	Method of consolidation	% of interest
Promontoria MMB SAS	Metropolitan France	Parent	
My Money Bank SA	Metropolitan France	Full consolidation	100%
SOREFI SA	Reunion	Full consolidation	100%
SOMAFI-SOGUAFI SA	Caribbean	Full consolidation	100%
SOCALFI SAS	New Caledonia	Full consolidation	100%
Domaine du Grand-Duc	Metropolitan France	Full consolidation	63%
Immobilière Alcor et Cie SNC	Metropolitan France	Full consolidation	100%
MMB SCF	Metropolitan France	Full consolidation	100%
BESV	Metropolitan France	Full consolidation	100%
Marignan gestion	Metropolitan France	Full consolidation	100%
BESV Courtage	Metropolitan France	Full consolidation	100%
SLMB	Metropolitan France	Full consolidation	100%
AOC Patrimoine	Metropolitan France	Full consolidation	100%
SCI 45. Av GM	Metropolitan France	Full consolidation	100%

Entity	Country	Method of consolidation
SapphireOne Mortgages FCT 2016-1	Metropolitan France	Full consolidation
SapphireOne Mortgages FCT 2016-2	Metropolitan France	Full consolidation
SapphireOne Mortgages FCT 2016-3	Metropolitan France	Full consolidation
DiamondOne FCT	Metropolitan France	Full consolidation
FCT EmeraldOne	Metropolitan France	Full consolidation
FCT EmeraldOne	Reunion	Full consolidation
FCT EmeraldOne	Caribbean	Full consolidation
FCT SAPPHIREONE AUTO 2017-1	Reunion	Full consolidation
FCT SAPPHIREONE AUTO 2017-1	Caribbean	Full consolidation
FCT TopazOne	Reunion	Full consolidation
FCT TopazOne	Caribbean	Full consolidation

The consolidation perimeter of My Money Group includes an economic interest group (GIE Money Outre-Mer), the participants of which are My Money Bank SA, Sorefi, Somafi-Sogafi, and Socalfi.

5. Accounting principles and measurement méthods

5.1. Financial assets

In accordance with IFRS 9, financial assets will be classified in three categories on initial recognition, on the basis of the characteristics of their contractual cash flows and of the business model in which these financial instruments are held: amortised cost, fair value through profit or loss, or fair value through equity (recyclable or not recyclable).

Determination of the characteristics of contractual cash flows: the SPPI criterion

Contractual cash flows must be analysed to determine whether or not they constitute a financial asset comparable to a basic lending arrangement. A financial asset will respect this condition if its contractual cash flows represent only the repayment of the principal and interest on the principal amounts outstanding (the SPPI criterion, or Solely Payment of Principal and Interest).

In a basic lending contract, interest payments essentially represent consideration for the time value of money and the credit (or counterparty) risk associated with the principal, and other components generally admitted as forming part of this type of contract: liquidity risk, administration expenses, trading margin.

Any cash flows which do not solely reflect these provisions (for example, by introducing exposure to risks or a volatility of flows unrelated to a basic lending operation, such as indexation to a share price or a market index, or the introduction of a leverage effect), or which would distort the way in which they should be measured (for example, inconsistency between the yield obtained and the associated time value of money) make it impossible to conclude that the contract passes the SPPI test.

The financial assets of the Group therefore respect the SPPI criteria.

The Business Model

The business model refers to the way in which an entity manages a portfolio of assets in order to collect cash flows. It reflects the way in which a group of financial assets is managed as a whole to achieve a given economic objective and is therefore not determined contract by contract but at a higher level of aggregation.

The economic model applied must be assessed by exercising judgment and taking account of the historical information available which helps to understand how cash flows have been generated in the past, as well as any other relevant information such as:

- how the performance of the financial assets is evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model and, in particular, the way in which those risks are managed;
- how managers in charge of assets held within a given business model are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- the frequency, volume and reasons for sales in a portfolio held within a given business model and expectations about future sales activity.

IFRS 9 defines three business models:

- "*hold to collect*", where the objective is to hold the contractual assets until maturity in order to collect the contractual cash flows. Despite the stated aim of holding the assets, the standard provides for some exceptions that are not inconsistent with this business model, where sales occur under the following circumstances:
  - sales due to an increase in the assets' credit risk;
  - sales taking place shortly before the maturity of the financial assets, for an amount approximating to the residual contractual cash flows;
  - sales for other reasons (such as sales made to manage credit concentration risk) if they are infrequent, or insignificant in value;
- "*hold to collect and sell*", a mixed business model in which the objective is achieved both by collecting contractual cash flows and by selling financial assets.
- "*other business models*", corresponding to neither of the two preceding models. These models include trading activities in which cash flows are realised through sales. The collection of contractual cash flows is incidental to achieving the business model's objective.

The analyses conducted in My Money Group have grouped the financial assets into portfolios segmented by two criteria: the product type and the geographical area (distinguishing between continental France and the overseas entities). The portfolios held by BESV have also been subject to analysis and segmentation based on the products marketed. Business models have been assigned in accordance with the standard to each type of portfolio presented below:

DC portfolio	DOM portfolio	Trailing portfolio	BESV portfolio
- DC Secured [3]	- Auto	- Auto	- Commercial Mortgage
- DC Unsecured [4]	- Personal loan	- Personal loan	- Commercial Banking
	- Revolving Credit	- Revolving Credit	- Structured Finance
	- Dealer	- Dealer	- Private Banking

A study of the business model criteria has led the Group to conclude that all the portfolios presented are held in accordance with the "hold to collect" business model.

As a result, all the portfolios presented above meet the SPPI test criteria and are held in accordance with the "hold to collect" business model. In consequence, they are measured at amortised cost.

[3] Consolidation of mortgages

[4] Consolidation of consumer loans

a. Financial assets at fair value in profit or loss

Financial assets at fair value through profit or loss include assets which satisfy one of the following conditions:

- The financial asset is mandatorily measured at fair value from initial recognition because:
  - Either its contractual cash flows cannot be regarded as constituting a simple loan basic (failure to respect the SPPI criterion);
  - Or its cash flows meet the SPPI criterion but the financial asset is managed under an "Other" business model.
- The financial asset is irrevocably measured at initial recognition using the fair value option in IFRS 9, provided that the financial instruments optionally classified in this category are in one of the three following situations:
  - the designation is used to eliminate or substantially reduce an inconsistency in the accounting treatment of an associated asset or liability ("accounting mismatch");
  - the instrument is part of a group of financial assets or liabilities whose management and performance are measured at fair value;
  - the instrument is a hybrid contract containing an embedded derivative and a host contract that does not qualify as a financial asset under IRFS 9.

The market value of these assets is reviewed at each reporting date following the approach described in Note 5.1.8 *Fair value of financial instruments*. The fair value variations resulting from these remeasurements, the dividends on variable-yield securities and gains or losses on disposals are accounted for in profit or loss on the line "Gains or losses on financial instruments at fair value in profit or loss" on the consolidated income statement.

Income on fixed-yield securities are presented separately on the line "Interest and similar income" of the consolidated income statement.

b. Financial assets measured at fair value through other comprehensive income (recyclable or not recyclable)

Financial assets at fair value through other comprehensive income recyclable

This category applies to debt instruments (e.g. bonds) satisfying the following two conditions:

- the financial asset is held in a business model in which the objective is achieved both by collecting contractual cash flows and by selling financial assets ("hold to collect and sell");
- the contractual cash flows correspond solely to payments of principal and interest (the SPPI criterion).

Changes in the fair value of financial assets measured at fair value through recyclable equity are accounted for directly in equity in the entry "Gains and losses directly recognised in equity", except in the case of variations attributable to credit risk changes on these instruments and the associated allowances for expected credit losses. In this instance, the proportion of the changes in fair value attributable to allocations or reversals of provision for impairment are recognised directly in profit or loss, under "Cost of risk". Methods of impairment are specified in Note 5.1.4 below.

Income accrued or received is recognised in profit or loss on the basis of the interest rate under "Interest and similar income".

When these instruments are derecognised, the cumulative changes in value previously recognised in equity are recycled in profit or loss accounts under "Net gains or losses on financial instruments at fair value through equity".

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME NOT RECYCLABLE

Investments in equity instruments (shares and similar securities) are measured by default at fair value in profit or loss, unless the Group makes an irrevocable election to designate them at fair value through non-recyclable equity (provided that these instruments are not held for sale and classified as such in financial assets at fair value in profit or loss) without the subsequent option to reclassify the gains and losses in profit or loss, including those resulting from disposals. By way of exception, only dividend income is recorded in profit or loss.

This option has not been used in the accounts of My Money Group at 31 December 2018.

c. FINANCIAL ASSETS MEASURED AT AMORTISED COST

A financial asset must be measured at amortised cost if the following two conditions are fulfilled:

- the financial asset is held in a business model in which the objective is to hold financial assets in order to collect their contractual cash flows ("hold to collect");
- the contractual cash flows correspond solely to payments of principal and interest (the SPPI criterion).

These assets are measured after their date of initial recognition at amortised cost using the Effective Interest Rate (EIR) method. They are subject to a loss allowance for impairment on the grounds of credit risk as from their initial recognition, following the principles set out in Notes 5.1.4.

Amortised cost is defined as the value attributed to a financial asset or a financial liability on initial recognition, decreased by principal repayments, increased or decreased by the cumulative amortisation, calculated using the EIR method, of any difference between this initial value and value at maturity, and, in the case of a financial asset, adjusted for credit risk impairment.

Interest income, calculated using an effective interest rate, will be accounted for in profit or loss under "Interest and similar income". It will be calculated on the basis of the gross carrying value of the assets, except in the special cases of impaired assets for which the interest is calculated on the net carrying value (i.e. after credit risk impairment).

Financial assets at amortised cost are registered on the balance sheet under the headings "Securities at amortised cost", "Loans and receivables to credit institutions and similar at amortised cost" and "Loans and receivables to customers at amortised cost" depending on the asset's economic nature and counterparty type.

d. IMPAIRMENT AND RESTRUCTURING OF FINANCIAL ASSETS

IFRS 9 introduces a single credit risk impairment model, now based on expected credit losses rather than incurred losses. These impairment methods apply to all financial assets measured at amortised cost or fair value through recyclable equity, lease receivables, loan commitments and financial guarantee contracts.

This mechanism requires recognition of a loss allowance for impairment as from the initial recognition of the exposures concerned. This initial loss allowance corresponds to the expected credit losses (ECL) given default over the next 12 months (stage 1). If the credit risk increases significantly after initial recognition, the expected credit losses will be measured over the residual lifetime of the instrument (stage 2). Finally, if the credit quality deteriorates to the point where the recoverability of the receivable is threatened, the lifetime expected losses must be provisioned (stage 3), taking into consideration in the calculation of the increase in the risk by comparison with the loss allowances estimated in stage 2 (including the use of 100% probability of default).

Expected credit losses are therefore recognised progressively, reflecting the increase in the risk of the instrument. The main characteristics of the different stages of provisioning can be summarised as follows:

- **Stage 1:**
  - All the contracts concerned are initially accounted for in this category
  - The amount of credit risk impairment is calculated on 12-month expected credit losses
  - Interest revenue is recognised in profit or loss using an effective interest rate applied to the gross carrying value of the asset before impairment.
- **Stage 2:**
  - In the event of significant deterioration since initial recognition, the financial asset is transferred to this category from stage 1;
  - The amount of credit risk impairment is then calculated on the remaining lifetime expected loss (losses expected at maturity)
  - Interest revenue is recognised in profit or loss using an effective interest rate applied to the gross carrying value of the asset before impairment.
  - the significant increase in credit risk is based on an assessment of the change in the risk of default over the lifetime of the instrument, rather than a change in the amount of the expected credit losses.

The Group assesses the significant increase in credit risk mainly in terms of the payments past due criterion, where payments more than 30 days past due automatically move to stage 2 of provisioning.

A significant increase in credit risk can be determined individually (instrument by instrument) or collectively, on the basis of portfolios of similar financial assets.

- **Stage 3:**
  - Financial assets that have suffered a default event will be downgraded to this category
  - The amount of credit risk impairment continues to be calculated on the remaining lifetime expected loss (losses expected at maturity), but the calculation method will take account of an addition increase in credit risk;
  - Interest revenue is recognised in profit or loss using an effective interest rate applied to the net carrying value of the asset (after impairment).

A financial instrument is considered as impaired when one or more events occur with a detrimental effect on its future estimated cash flows. Indications of impairment include any credit event corresponding to one of the following situations:

- probable or certain risk of non-collection: more than three months past due for equipment loans and leases, and six months past due for property loans and leases;
- confirmed counterparty risk: deterioration of financial situation, warning procedure;
- existence of litigation proceedings with the counterparty.

For a given counterparty, classification of financial assets as impaired, or stage 3 of provisioning, leads to an identical classification for all that counterparty's financial instruments.

Expected credit losses correspond to the present value of the difference between the contractual cash flows and those that the group expects to receive, which are calculated on the basis of estimations relying on the probability of realistically achievable scenarios, under circumstances existing at the reporting date, and the macro-economic forecasts available (without having to incur unreasonable costs or efforts to obtain them). These credit losses are calculated on the maximum contractual period (including options for extension) during which the group is exposed to the credit risk.

The calculation of expected losses relies on three main parameters: probability of default (« PD »), loss given default (« LGD ») and exposure at default (« EAD »), taking account of amortisation profiles. Expected losses are calculated using the formula PD x LGD x EAD. These parameters are the subject of estimations based on

internal models. In compliance with IFRS 9, forward-looking information, based a model including the probability of various scenarios, is taken into account in the Group's estimations.

Several exceptions and simplifications are provided by the standard in the part relating to impairment:

- According to the standard, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. This presumption has not been used by the Group for the 2017 financial year;
- The standard also states that it can be considered that the credit risk of a financial instruments has not increased significantly since initial recognition if the risk is low at the reporting date (for example, a financial instrument that has been given a very good rating such as "investment grade" by an external ratings agency). This measure has not been applied at this stage by the Promontoria MMB Group.
- Simplified approaches have been provided for commercial loans and loans on leases. Under certain conditions, these approaches allow entities to dispense with monitoring credit quality over time in order to recognise impairment over the residual lifetime of the receivable.

Further, the standard provides special measures for Purchased or Originated Credit Impaired financial assets « POCI », which are financial assets acquired or created and already credit-risk impaired at initial recognition.

These financial assets are an exception in terms of impairment, insofar as the expected credit losses at maturity are directly reflected in the estimated cash flows for the calculation of the effective interest rate of the instrument at initial recognition. Changes in expected credit losses at maturity are then accounted for under the heading "Cost of risk". Subsequent impairment is calculated by remeasuring the recoverable flows using the revised effective interest rate. If the revised estimate of flows is higher than the recoverable flows, a gain may be recognised in profit or loss.

Payments to reserves for expected credit losses are accounted for in profit or loss under the heading "Cost of risk" against a provision account on the balance sheet reducing the amount of the financial instrument in question.

Allowances may be subject to reversals accounted for in profit or loss under the same heading, where the probability of counterparty default falls to a level such than the instrument can be transferred to a higher provisioning category.

The methods applied to the impairment of financial assets and the quantitative impacts within My Money Group are presented below.

COLLECTIVE IMPAIRMENTS ON LOANS

Financial instruments that are not individually impaired undergo a risk analysis by portfolios representing the same level of risk. Given the structure of the Group's products, information that would capture the variations in credit risk before payments are past due are not available at contract level. Collective provisions are therefore calculated on portfolios the uniformity of which has been identified in terms of:

- product type (consolidation loans, consumer loans, car loans, loans to private individuals and equipment financing for enterprises).
- the geographic area to which the instruments belong (continental or overseas territories);
- the background of the financial instruments, depending on whether or not they have been subject to modifications not resulting in derecognition.

This segmentation of the Group's financial assets into homogenous portfolios relies on the Group's internal ratings system based on historical data, adjusted if necessary to reflect circumstances at the reporting date.

The methods of recognition and measurement of expected credit losses, and the description of the models and main assumptions used, are clarified in Note 10, *Risk management*.

Modified financial assets

A modified financial asset is an asset whose initial contractual flows have been renegotiated or otherwise modified, but without leading to derecognition in accordance with IRFS 9 (see Note 5.1.9 *Derecognition of financial assets or liabilities*). For this asset category, the gross carrying amount of the financial asset must be recalculated as the present value of the renegotiated or modified contractual cash flow at the original interest rate. The profit or loss resulting from this modification is recognised in profit and loss.

For the purposes of credit risk provisioning, it is also necessary to assess whether the modification has brought about a significant increase in credit risk by comparing the probability of default at the reporting date, according to the amended contractual data, with the probability of default at the date of initial recognition, in accordance with the initial unaltered contractual arrangements.

e. Recognition date of financial assets

Securities acquired or sold are respectively recognised and derecognised on the settlement date, whatever the accounting category to which they belong.

Derivative financial instruments are recognised on the negotiation date. Changes in fair value between the negotiation date and the settlement date are accounted for in profit or loss or in equity, depending on their accounting classification. Loans and receivables at amortised cost are registered on the balance sheet at the disbursement date.

f. Debts

Debts which are not classified in financial liabilities at fair value are initially recorded at their fair value, corresponding to the acquisition price at this date or at their issue date, net of any directly attributable transaction costs.

At the reporting date, they are measured at amortised cost using the effective interest rate method and recognised on the balance sheet under the headings “Amounts owed to credit institutions”, “Customer deposits” and “Debts represented by a security”.

Amounts owed to credit institutions and customer deposits are broken down by initial duration or nature: on demand (demand deposits, current accounts) or term loans.

Financial instruments issued are classified as debt instruments if the issuer has a contractual obligation to deliver liquidities or another financial asset to another entity or to exchange the instruments under potentially unfavorable conditions.

Debts represented by a security consist mainly of issues of shares in the securitisation mutual funds consolidated within My Money Group.

g. Derivative financial instruments and hedge accounting

Under IFRS 9, a derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in an interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or index, or another specified variable described as ‘underlying’.
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to behave similarly in response to changes in market factors; and
- it is settled at a future date.

In accordance with IFRS 9, derivatives are measured and recognised in the statement of financial position at fair value. These instruments are remeasured at their fair value at each reporting date. Changes resulting from this remeasurement will be accounted for differently depending on whether the derivative is held for trading or is part of a hedging relationship.

In the case of a derivative held for trading, changes in fair value are recognised in profit or loss under the heading "Net gains or losses on financial instruments at fair value through profit or loss" and interest accrued or due will be accounted for separately in profit or loss under "Interest and similar income" or "Interest and similar expenses". The derivatives held for trading by the Group are presented in note 6.1 below.

HEDGE ACCOUNTING

The Group applies the provisions of IFRS 9 to its all hedging relationships, with the exception of fair value hedges of the rate risk of a portfolio of financial assets or liabilities, to which the Group applies the provisions of IAS 39 as endorsed by the European Union.

A derivative can qualify as a hedging instrument if it meets a number of criteria set out in IFRS 9. The hedging relationship will be documented at inception, indicating the hedging strategy pursued, the designation of the hedged risk and the hedged item, the hedging instrument, and the method of measuring hedge effectiveness. Effectiveness depends on three criteria reflecting the risk management objectives:

- there is an economic relationship between the hedged item and the hedging instrument (inverse correlation);
- the changes in the value of the derivative are mainly due to credit risk changes (except in the special case where changes in the underlying factor and the credit risk are both reduced);
- the hedge ratio, i.e. the relationship between the quantity of the hedged items and the quantity of the hedging instruments, corresponds to the ratio used by the Group in its operational risk management.

These qualitative criteria are accompanied by a quantitative estimate of the effectiveness of the hedging relationship in order to determine any ineffectiveness and the resulting appropriate accounting treatment.

The effectiveness of a hedging relationship is determined prospectively, at inception, and then at every reporting date and during the financial year if a significant event affects the balance of the hedging relationship.

The criteria to be observed for the fair value hedging of the rate risk on a portfolio of financial assets or liabilities are those of IAS 39 and differ from IRFS 9 at certain points, in particular in terms of the methods of measuring effectiveness. Hedge effectiveness must be tested both retrospectively and prospectively.

In the case of retrospective effectiveness, the objective is to ensure that the relationship between the fair value of the hedging instrument and the hedged item respects a ratio between 80% and 125%. If either threshold is exceeded, the hedge would no longer be effective under IAS 39.

The prospective test consists of ensuring, based on the characteristics of the hedging instrument and the hedged item, that changes in fair value are offset sufficiently to maintain the effectiveness of the hedging relationship over the remainder of its residual life at the measurement date.

These instruments will be classified on the statement of financial position under the heading "Derivative hedging instruments". IFRS 9 recognises three types of hedging relationships, depending on the objective and the risk:

- **Fair value hedge:** hedging the risk of change in the value of an existing asset or liability, or of a firm commitment;
- **Cash flow hedge:** the aim is to hedge against exposure to variability in future cash flows for a highly probable forecast transaction or an existing operation with variable flows;

- **Hedge of net investments in foreign operations:** this type of hedge is used for the foreign exchange risk of a net investment (equity investments, long-term loans, unremitted income) in a consolidated entity abroad.

As part of Promontoria MMB Group strategy, the Company aims to hedge:

- the risk of variability of interest rates on the shares issued by the consolidated securitisation mutual funds in the Group (rates based on Euribor). The assets underlying these funds are portfolios of consolidated loans, car finance and mortgages. Consequently, all the hedging relationship existing within the Group qualify as cash flow hedges.
- changes in the value of its fixed-rate financial assets and liabilities measured at amortised cost. In order to hedge this risk, the Group has used the option provided by IFRS 9 to continue to apply the provisions of IAS 39 on macro fair value hedges of a credit or borrowing portfolio. The relevant provisions of IAS 39 applied by the Group are those that were endorsed by the European Union, and hence include the "carve-out" option intended to facilitate the eligibility of items such as demand deposits for macro hedges, and to relax certain IAS 39 provisions on effectiveness testing.

Cash flow hedge

Under IFRS 9, in a cash flow hedge, the effective portion of the change in fair value of the derivative financial instrument is recognised in shareholders' equity on a separate line under the heading "Gains and losses recognised directly through equity", while the ineffective portion is accounted for in profit or loss under "Net gains or losses on financial instruments at fair value through profit or loss".

The amounts recorded in equity over the lifetime of the hedge are gradually transferred to profit or loss under the heading "Interest and similar income" or "Interest and similar expenses" as the performance of the hedged instrument affects the profit or loss (symmetrical recycling of the impact of the hedged item in profit or loss).

The hedged instruments themselves continue to be accounted for in accordance with the rules for their accounting category and receive no special treatment in respect of the hedging relationship to which they belong.

When the hedging relationship no longer satisfies the criteria for effectiveness while its objectives remain unchanged, the hedge ratio must be adjusted, for example by derecognising a portion of the hedging instruments, in order to correct the structural changes in the hedge ratio. IFRS 9 refers to this practice as 'rebalancing' the hedging relationship. Rebalancing will not interrupt the original hedging relationship, but the Group will identify and recognise hedge ineffectiveness before any adjustment of the hedge ratio.

When all or part of a hedging relationship no longer meets the criteria for hedge accounting, or if the risk management objectives of the Group change, the hedging relationship will cease. In this instance, the cumulative amounts recorded in equity for the remeasurement of the hedging derivative are transferred over the life of the hedge to profit or loss under the headings "Interest and similar income" or "Interest and similar expenses" if the hedged cash flows are still likely to be generated (even if they are no longer regarded as highly probable), or accounted for immediately in profit or loss if the hedged cash flows are no longer likely to occur (for example, if the hedged item is no longer held).

The Group determines the amount of exposure to which to apply hedge accounting by estimating the potential impact of an interest rate change on the cash flows attributable to the issues of variable-rate debt securities (Euribor) in the consolidated securitisation funds. This estimate is carried out using techniques such as cash flow sensitivity analyses.

The use of derivatives with external counterparties involves the exposure of the group to a credit risk in respect of these counterparties which is not offset by the hedged items. This credit risk exposure is considered as negligible by the Group, as long as the derivatives are contracted with first-rank international banking institutions and are accompanied by standard guarantee contracts of the Collateral Standard Agreement type (CSA).

The main sources of ineffectiveness identified by the Group in its cash hedging relationships concern the impacts of the counterparty and Group credit risk on the fair value of the hedging swaps that are not reflected in the fair value of the hedged item attributable to an interest rate change, but which are hedged in accordance with the principles set out above. The systematic adjustment of the nominal value of swaps to match that of the hedged items through BGS swaps makes it possible to hedge the other potentially significant sources of ineffectiveness, such as maturity mismatches between swaps and securities due to events such as early repayments.

For the purposes of its cash flow hedging relationships, My Money Group has introduced prospective effectiveness tests based on the simulation of future underlying indices (variable rates) of the hedged items, based on historical volatility. The simulations are based on several amortisation profiles to take account of the risk of modification of the nominal value of the hedging swap and of the hedged items that could arise from events such as default, early repayment or extensions.

The hedge ratio is then calculated on the basis of the ratio between the cash flows paid and those received in each simulation trajectory and will be considered as effective when this ratio falls within a given interval. Effectiveness is proven when the simulations for each amortisation profile analysed demonstrate the effectiveness of the hedge when it is equal to 100% or slightly less.

Fair value hedge

In the case of fair value hedging relationships, hedging instruments are measured at fair value, changes in fair value being accounted for in the income statement under “Net gains or losses on financial instruments at fair value through profit or loss”. Hedged items are re-measured on the balance sheet at their fair value. The counterpart of these fair value re-measurements on the balance sheet is recorded in profit or loss along with the fair value changes of the hedging instruments.

In the case of a fully effective hedge, the flows recognised in profit or loss for the hedging instrument and the hedged item offset each other exactly, while if it is ineffective, only this last will appear separately in profit or loss to express the difference.

In the event that a hedging relationship is discontinued, the hedging derivative is reclassified in the portfolio of derivatives held for trading and remeasured as appropriate for that category. The balance sheet revaluation amounts for portfolios of assets or liabilities that were initially hedged on a macro basis are amortised linearly over the residual life of the original hedging relationship. In the event of removal of the hedged item, for example due to prepayments, these sums are then immediately reclassified in profit or loss.

The hedging instruments used by My Money Group in its hedging relationships for portfolios of fixed-rate loans are exclusively vanilla interest rate swaps. These swaps involve borrowing at fixed rates to hedge against adverse rate movements on its fixed-rate loans. Lender swaps are at fixed rates to hedge against adverse rate movements on its fixed-rate liabilities.

The effectiveness tests established by My Money Group rely on the segmentation of hedged portfolios into maturity bands to which are assigned hedging swaps of the same maturity. A test is conducted at each reporting date in order to check, for each maturity band and each swap generation, that there is still a surplus of loans or liabilities for hedging to prevent any over-hedging that would generate effectiveness.

For prospective testing, the forecast outstanding amount is the contractual payment schedule adjusted for an attrition rate. This rate corresponds to the average observed prepayment rate, increased by the rate of impairment and the renegotiation rate. The aim is to ensure no potential over-hedging over the residual term of the hedging relationship, following the principles described above and applied to the forecast figures for the hedging swaps and the hedged items.

h. DÉTERMINING FAIR VALUE OF FINANACIAL INSTRUMENTS

IFRS 13 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. At initial recognition of a financial asset or liability, its fair value is assumed to be the transaction price.

During subsequent measurements, the standard recommends giving priority to quoted prices in active markets to determine the fair value of a financial asset or liability, or, if these data are not available, to valuation techniques based on observable market inputs.

An active market is defined as one in which transactions take place for the asset or liabilities with sufficient frequency and trading volume to provide continuous price information. In application of this definition, a market will be considered as active if the prices are easily and regularly available from a stock market, broker, trader, negotiator or regulatory agency, and if these prices represent actual and regular transactions on the market under normal competitive conditions.

In the absence of an active market, the most commonly used valuation techniques include reference to recent transactions in a normal market context, the fair values of similar instruments, discounted cash flow models and option pricing models, or the use of internal models in the case of valuations based on meaningful unobservable inputs of the value of the instruments concerned.

For the needs of financial reporting, IFRS 13 introduces a three-level fair value hierarchy, based on the decreasing order of observability of the values and parameters used for valuation. Some instruments can use inputs available at several levels, in which case the fair value measurement is categorised at the lowest level input that is significant to the entire measurement, based on the application of judgment. The Group’s financial instruments are presented in the Note 5.1.7 in accordance with the levels defined by IFRS 13:

- **Level 1:** fair value is determined using quoted prices in an active market that are immediately accessible and directly usable.
- **Level 2:** the instruments are measured using valuation techniques whose significant inputs are observable on the markets, directly (prices) or indirectly (derived from prices).
- **Level 3:** this level includes the instruments valued on the basis of significant parameters that are not observable on the markets, for example in the absence of liquidity of the instrument or risks inherent in measurement model or in the inputs used. Unobservable inputs shall be the subject of internal assumptions reflecting the assumptions that market participants would use when pricing the asset or liability. Developing these assumptions calls for judgment.

For financial instruments presented at level 3 of the fair value hierarchy, there may be a difference between the transaction price and the market value. Where it results in a gain for the group, this margin (“day one profit”) is deferred and spread in profit or loss over the anticipated period during which valuation inputs will not be observable. When originally unobservable inputs become observable, the unrecognised portion of the margin is then recognised in profit or loss.

A day one loss is immediately recognised in profit or loss in in its entirety.

The majority of financial instruments held by the Group are considered as belonging in level 2. These loans are measured by a discounted cash flow technique based on significant indirectly observable inputs (including discount rates based on Euribor).

The Group also hold swaps qualifying as hedging instruments and considered as belonging in level 3. These are BGS interest rate swaps (Balance Guaranteed Swaps) whose nominal value adjusts continuously to the nominal value of the hedged item. In light of these characteristics, My Money Group must apply measurement assumptions that take account of early repayments or extensions of the hedged loans, or of any other parameters that might influence the maturity or the amortisation profile of these instruments. These estimations are conducted

using the associated rate curve scenarios and by allocating probabilities of the occurrence of these events to these different scenarios.

Swaps have been valued by reference to comparable vanilla instruments whose data are observables via Bloomberg (breakdown of swaps into fixed or variable-rate bonds coupled with floor/cap type options), adjusted by the best probabilistic estimate of the events described above, the upper and lower limits of this adjustment corresponding respectively to minimum or maximum prepayment scenarios.

i. Dérecognition of financial assets or liabilities

According to IFRS 9, financial assets are derecognised when the contractual rights to the cash flows on the asset expire, or these rights and substantially all of the risks and rewards of ownership of the asset are transferred.

Where the group has neither transferred nor retained substantially all of the risks and rewards associated with the asset, the transfer of control of the asset is analysed. If control is lost, the asset is derecognised. If control is retained, the asset continues to be accounted for on the balance sheet to the extent of the continuing involvement (for example, in the form of a guarantee or a written and/or purchased option on the transferred asset). A liability representing the obligations resulting from the transfer is also recognised.

A financial liability is derecognised if the contractual obligation is discharged or cancelled or expires.

j. Offsetting financial assets and financial liabilities

Pursuant to IAS 32, a financial asset and a financial liability shall be set off, and the net amount presented in the statement of financial position when, and only when, the entity: has a legally enforceable right to set off the recognised amounts and if it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The derivatives concluded by the Group with one and the same banking counterparty, and which are subject to a framework agreement respecting these two criteria, are set off in the balance sheet.

5.2. Lease operations

An operating lease is a contract by which the lessor transfers to the lessee, for a determined period, the right of use of the asset in exchange for a payment or series of payments. Depending on the situation, the Group's entities may be the lessor or the lessee.

These contracts will be analysed either as finance lease contracts or as operating leases, in accordance with the definitions in IAS 17.

a. The Group entity is the lessor

Leases are considered as finance leases when they have the effect of transferring almost all the risks and rewards incidental to the ownership of an asset to the lessee. By default, contracts will be analysed as operating leases.

The classification of leases as finance leases or operating leases depends on the economic substance of the contract rather than its legal form. To this end, the standard provides five indicators with which to analyse whether the transfer of substantially all of the risks and rewards has taken place:

- the lease transfers ownership of the asset to the lessee at the end of the lease period;
- the lease gives the lessee an option to purchase the lease asset at a price which is sufficiently below its fair value on the date the option can be exercised for it to be reasonably certain at inception that the option will be exercised;
- the lease term is for the major part of the economic life of the underlying asset, even if there is no transfer of ownership;

- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

IAS 17 offers three further indicators that could also lead to a lease being classified as a finance lease:

- if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual value accrue to the lessee; and
- the lessee has the ability to continue the lease for a second period at a rent that is substantially lower than market rent.

Finance leases are analysed in substance as finance granted by to the lessee for the purchase of an asset. The present value of the lease payments due, increased where applicable by the residual value, is accounted for as a receivable on the balance sheet under the heading "loans and advances to customers".

The income corresponding to the portion of interest in the rents are recognised in profit or loss in "Interest and similar income".

Rents received are spread across the term of the finance lease, allocating them to the amortisation of the capital and to interest such that the net income represents a constant rate of return on the residual asset. The interest rate used is the rate implicit in the lease, i.e. the discount rate that, at the inception of the lease, causes:

- the present value of the minimum lease payments to be received by the lessor and the unguaranteed residual value to be equal to
- the fair value of the leased asset and any initial direct costs of the lessor.

Allowances made for these loans follow the same rules as those described in Note 5.1.4 *Impairment and restructuring of financial assets*.

At 31 December 2018, all the leases in which the Group is the lessor meet the definition of finance leases.

b. The Group entity is the lessee

Leases in which the entities in the group are the lessee are all classified as operating leases.

In this configuration, the good is not recognised in assets by the Group. Payments on operating leases are accounted for on a straight-line basis over the term of the lease under the heading "expenses from other activities".

5.3. Tangible and intangible fixed assets (excluding goodwill) and investment property

The fixed assets on the Group's balance sheet consist of tangible and intangible operating assets, i.e. used for administrative purposes, as well as investment property. Investment property consists of property held for rental income or capital gains, rather than for normal operating purposes.

At their acquisition date, fixed assets are recognised at the transaction price plus costs directly attributable to the acquisition (transfer rights, fees) and any necessary costs to bring them into working condition for use.

After initial recognition, fixed assets are valued at cost less accumulated depreciation and any loss of value. The amortisable value of a fixed asset corresponds to the cost less its residual value in the case of tangible fixed assets where this is significant.

Assets are amortised on a straight-line or reducing balance basis when the regulation so permits over the asset's expected useful life to the Group. Buildings are amortised over 40 years, equipment over three to five years, furniture and other categories over between five and ten years. Software is amortised over one year for common software packages and up to five years for complex software that has undergone significant customisation.

In terms of investment property, the Group has not yet determined what model will be applied to the subsequent recognition of these assets. All the investment property is held by the company SLMB, and was accounted for in assets when BESV was acquired at 28 December 2018. Given that these items were recognised at fair value at a date close to the reporting date, and that there was no significant change in value between that date and the 2018 reporting date, the Group believes that the choice of an accounting policy for the purposes of 2018 financial reporting would lead to no changes or significant impact on their presentation in the Group financial statements. The choice of whether to account for them subsequently at cost or fair value will be made during 2019, once the impact studies in terms of operational monitoring and presentation methods have been completed.

Amortisable fixed assets are subject to impairment tests when, at the reporting date, evidence of a decline in value is identified. Non-amortisable fixed assets are subject to impairment tests when, at the reporting date, evidence of a decline in value is identified, and at least once a year.

If there is evidence of impairment, the new recoverable amount is compared with the net carrying value of the asset. In the case of loss of value, an impairment loss is recorded in profit or loss. This also modifies the future depreciable base. The impairment is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment.

Allowances for amortisation costs and impairments are accounted for under the heading "Allowances for amortisation costs and impairments of intangible and tangible assets".

Gains and losses on the sale of fixed operating assets are recognised in profit or loss under "Net gains or losses on other assets".

5.4. Non-current assets intended for sale and discontinued activities

When the Group decides to sell non-current assets, and when it is highly probably that the sale will occur within twelve months, these assets are presented separately on the balance sheet under the heading "Non-current assets held for sale". Liabilities related to them are also presented separately under "Debts related to non-current assets held for sale".

For the sale to be highly probable, the Group must be committed to a plan to sell the asset or disposal group and have launched an active program to locate a buyer. The asset (or disposal group) must be marketed for sale at a price that is reasonable in relation to its current fair value.

Once they are classified in this category, non-current assets and groups of assets and liabilities are valued at the lower of their carrying value and their fair value less costs to sell.

These assets are no longer amortised after their reclassification. An impairment loss is recorded in profit or loss in the event that an asset or group of assets and liabilities is found to have lost value. Impairment losses recognised on this basis are reversible until the disposal date.

5.5. Provisions

The provisions recorded under liabilities on the Group's statement of financial position, other than those concerning financial instruments and employee commitments, mainly relate to provisions for disputes, fines, penalties and tax risks.

A provision is constituted when it is probable that an outflow of economic resources will be necessary to extinguish an obligation arising from a past event and where the amount of the obligation cannot be reliably estimated. The estimated amount of the obligation is discounted to present value to determine the size of the provision, where this discounting has a significant impact.

Provisions and reversals of provisions are entered in profit or loss on the lines appropriate to the nature of the future expenditure covered.

5.6. Employee benefit

Employee benefits represent consideration of all kinds provided by the Group for the services rendered by staff or as post-employment benefits. They fall into four categories, in accordance with IAS 19R:

- **Short-term employee benefits,** such as wages and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses payable within twelve months of the end of the period. They are recognised as expenses for the financial year in which the staff members rendered the services corresponding to these benefits.
- **Employee termination benefits** are employee benefits provided in consideration of the termination of employment resulting either from the group's decision to end an employment contract before the statutory retirement age or the decision of the staff member to accept the offer of a severance benefit in exchange for the termination of employment. Employee termination benefits include severance pay or compensation due under voluntary redundancy plans.
  Provision is set aside for these benefits in the same way as the provisions estimated for defined post-employment benefit plans.
- **Post-employment benefits** are the employee benefits (other than employee termination benefits and short-term employee benefits) that are payable after the end of employment, such as pensions, lump sums on retirement and other contractual benefits paid to retired employees.

- The Group distinguishes defined contribution plans from defined benefit plans:
  - Defined contribution plans are characterised by the payment of defined contributions to a separate entity that absolves the employer of any subsequent legal or implicit obligation towards staff members. The amount of contributions paid during the financial year is recognised in expenses.
  - Defined benefit plans are characterised by a commitment on the part of the Group to an amount or level of benefits. They give rise to recognition of an allowance in liabilities in order to express this commitment.

The provisions recognised for defined benefit plans correspond to the present value of the obligations and are subject to an actuarial calculation using the projected unit credit method. These estimations use demographic and financial assumptions that are reviewed annually, such as the staff turnover rate, the wage growth of beneficiaries, the discount rate and the inflation rate.
The net liability recognised for post-employment plans is the difference between the present value of the defined benefit obligations and the fair value of the plan assets (if such exist). When the value of the plan assets exceeds the value of the commitment, an asset is recognised if it represents a future economic benefit to the group in the form of a saving in future contributions or an expected repayment of some of the amounts paid into the plan.

The annual expense recognised under staff costs for defined benefit plans includes:

- past service cost, representing the rights earned during the period by each beneficiary;
- the net interest linked to the discounting of the net defined benefit liability (or asset);
- the past service cost resulting from any plan amendments or plan curtailments, and the consequences of any plan wind-ups.

Net defined benefit liability (or asset) remeasurements are recognised directly in equity without possibility of recycling in profit or loss. They include the actuarial differences resulting from changes in actuarial assumptions, the return on plan assets and any changes in the effect of the asset ceiling.

- **Other long-term employee benefits** include all benefits other than short-term employee benefits, post-employment benefits and termination benefits, including long-service awards. These commitments are the subject of provision corresponding to their value at the reporting date. They are measured using an actuarial method identical to that used for defined benefit post-employment benefits, with the exception of the liability remeasurements which are recognised directly in profit or loss and not in equity.

Information about employees' benefits are detailed in Notes 9.

5.7. Interest income and expense

Interest income and expense are accounted for in profit or loss for all the financial instruments measured at amortised cost and fair value through recyclable equity, using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument in such a way as to obtain the gross carrying amount (or amortised cost) of the financial asset (or liability). The calculation of this rate takes account of all the contractual terms of the financial instrument (e.g. early repayment options, extension options, etc.) and includes all the commissions and costs received or paid that are by nature an integral part of the effective contract rate, and transaction costs, premiums or discounts.

In the particular case of purchased or originated credit-impaired financial assets, the effective interest rate will be also take account of the expected credit losses in estimations of future cash flows.

5.8. Commission income and expense

The Group recognises commission in profit or loss on the basis of the services performed and of the method of recognition of the financial instruments to which the service is attached:

Commissions remunerating ongoing services are spread in profit or loss over the duration of the service (commission on methods of payment).

Commissions remunerating one-off services or remunerating a major undertaking are recognised in their entirety in profit or loss when the service is performed or the undertaking conducted.

Commissions that considered to be part of the return on a financial instrument, such as commissions for the granting of loans, constitute additional interest and are included at the effective interest rate. These commissions are therefore accounted for among interest income and expenses, and not among commissions.

5.9. Cost of risk

The cost of risk includes provisions net of reversals on credit risk, net impact on POCI re-evaluation, loans and receivables written off and recoveries on bad debts written off.

5.10. Current and deferred taxes

Tax expense for the financial period includes corporation tax on entities located in France at the rate of 34.43% (and 30% for Socalfi located in New Caledonia).

Deferred taxes are recognised when there are temporary differences between the carrying value and the tax basis of assets or liabilities, save for some exceptions (for example, the taxable temporary differences generated by the initial recognition of goodwill). They are calculated using the liability method at the tax rate expected to apply in the period during which the temporary difference will reverse, on the basis of tax rates and regulations which have been or will be adopted before the reporting date. Their calculation is not discounted.

The deferred tax rate applied in France includes the tax reductions proposed in the 2017 and 2018 finance laws, which provide for a gradual reduction in corporation tax rates, falling (excluding the impact of the 3.3% social contribution) to 31% in 2019, 28% in 2020, 26.5% in 2021, and 25% in 2022 and subsequent years.

Deferred tax assets or liabilities are offset when they originate in the same tax group, concern the same tax authority and where there is a legal right of set-off.

Current and deferred taxes are recognised as tax income or expenses in profit or loss, with the exception of those relating to a transaction or an event directly accounted for in equity (such as fluctuations in the value of cash flow hedge derivatives or unrealised gains or losses on instruments classified at fair value through equity), which are also allocated to equity.

The activation of deferred tax assets arising from reportable tax deficits is based on and is in line both in timing and in amount to the prospective taxable income deriving from the Business Plan approved by the Board. The business plan has been tested for sensitivity by the Financial planning and analysis team.

5.11. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of the financial statements involves making assumptions and estimates in certain areas that may or may not prove accurate in the future. These sources of uncertainty can affect the determination of income and expenses in the profit or loss account, the measurement of balance sheet assets and liabilities, and some items of information presented in the notes. These estimates using information available at the reporting date call for the use of judgment by preparers. The final future results may differ materially from these estimates in response to changes in the Group's economic and regulatory environment and may have a significant influence on the financial statements.

The main measurements requiring the use of assumptions and estimates are the following:

- financial instruments at fair value that are not listed on the markets using internal models;
- provisions for impairment on the basis of the credit risk of assets classified at amortised cost and fair value through equity;
- the valuation of employee liabilities and associated expenses, whose calculation uses actuarial assumptions regarding discount rates, staff turnover rates and wage developments;
- provisions recorded in liabilities other than those for credit risk and employee commitments, which mainly consist of provisions for litigation, the amounts and timings of which are uncertain and which require the use of judgment in assessing their likelihood of occurrence;
- assessment of the recoverable character of deferred tax assets, based on fiscal business plans using estimates of future taxable income;
- the effectiveness of hedging relationships, requiring assumptions regarding changes in the hedged risks and estimates of their impact on the hedging relationship.

6. Notes on the balance sheet

6.1. Hedging derivatives assets and liabilities

Hedging relationships within the Group concern either cash flow hedges or fair value hedges, in accordance with the principles and conditions specified in Note 5.1.7. All the hedging relationship are intended to hedge the interest rate risk.

a. Hedging instruments

IN THOUSANDS OF EUROS	31.12.2018				31.12.2017			
	Notional amount	Carrying amount		Ineffective portion accounted in profit or loss	Notional amount	Carrying amount		Ineffective portion accounted in profit or loss
		Assets	Liabilities			Assets	Liabilities	
Fair Value Hedge								
Interest Rate Swaps	1 702 027	6 019	(8 564)	215	-	-	-	-
Cash Flow Hedge								
Interest Rate Swaps	899 013	599	(2 148)	-	4 506 341	2 656	4 620	225

The table below breaks down the notional amounts of hedging derivatives by maturity date and their average rate by maturity bands:

IN THOUSANDS OF EUROS	Less than 1 month		1 to 3 months		3 months to 1 year		1 to 5 years		More than 5 years		Total
	Notional amount	Average price/rate	Notional amount	Average price/rate	Notional amount	Average price/rate	Notional amount	Average price/rate	Notional amount	Average price/rate	
Interest Rate Swaps	17 558	0,07%	79 407	0,27%	247 201	0,22%	849 833	0,36%	1 407 042	0,58%	2 601 040
Total hedging derivatives	**17 558**	**0,07%**	**79 407**	**0,27%**	**247 201**	**0,22%**	**849 833**	**0,36%**	**1 407 042**	**0,58%**	**2 601 040**

b. Hedged items

The table below presents detailed information on the items hedged in a fair value hedging relationship. There were no fair value hedging relationships in the Group at 30 December 2017.

Fair Value Hedge - Interest Rate Risk	31.12.2018			
	Carrying value of hedged item		Balance sheet item including hedging instrument	Change in fair value for the calculation of the ineffective portion
IN THOUSANDS OF EUROS	Assets	Liabilities		
- Fixed rate morgage restructured loans	5 961		Loans and receivables due from customers at amortised cost	5 961
- Auto loans	553		Loans and receivables due from customers at amortised cost	553
- Fixed rate consumer restructured loans	1 106		Loans and receivables due from customers at amortised cost	1 106
- Covered Bond		(6 025)	Debt securities issued	

Ineffectiveness on the Group's fair value hedging relationships stands at 215 thousand euro at 31 December 2018 and is accounted for under "Net gains or losses on financial instruments at fair value through profit or loss" (see note 7.3)

The following information provides details on the items covered in cash flow hedges.

Cash Flow Hedge - Interest Rate Risk	31.12.2018			31.12.2017		
IN THOUSANDS OF EUROS	Change in fair value for the calculation of the ineffective portion	Cash Flow Hedge reserve on hedging instruments	Cash Flow Hedge reserve on discontinuation of the hedging relationship	Change in fair value for the calculation of the ineffective portion	Cash Flow Hedge reserve on hedging instruments	Cash Flow Hedge reserve on discontinuation of the hedging relationship
Floating rate notes	-	(4 057)	-	5 338	5 113	-
Floating rate restructured loans	-	478	-	121	121	-

c. Cash flow hedge effectiveness

Cash Flow Hedge - Interest Rate Risk IN THOUSANDS OF EUROS	31.12.2018			31.12.2017		
	Gains / Losses recognised in OCI	Ineffective portion accounted in profit or losses	Item in comprehensive income including ineffective portion of hedge	Gains / Losses recognised in OCI	Ineffective portion accounted in profit or losses	Item in comprehensive income including ineffective portion of hedge
Interest Rate Swaps	(777)	986	Net gains and losses on financial instruments at fair value through other comprehensive income	5 233	225	Net gains and losses on financial instruments at fair value through other comprehensive income

Further, amounts reclassified during the 2018 reporting period from the reserve (Cash-Flow Hedge “CFH”) in the net result as a reclassification adjustment represent a gain of 6 million euro. This reclassification adjustment was made to cover the impacts of the hedged item in profit or loss over the period.

d. Equity components related to Cash Flow Hedge

Interest rate risk - CFH IN THOUSANDS OF EUROS	2018		
	Transaction related hedged items	Time related hedged items	**Total**
CFH Reserve at 31.12.2016	-	-	-
Effective portion of the change in fair value recognised in equity	5 233	-	5 233
CFH Reserve at 31.12.2017	**5 233**	-	**5 233**
Effective portion of the change in fair value recognised in equity	(6 010)	-	(6 010)
CFH Reserve at 31.12.2018	**(777)**	-	**(777)**

6.2. Financial assets at fair value through profit and loss

All the assets and financial liabilities held by the Group in this category correspond to trading derivatives, that is, they were not concluded and documented in the course of hedging relations. The derivatives thus concluded are exclusively swaps.

Trading derivatives	31.12.2018			31.12.2017		
IN THOUSANDS OF EUROS	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Interest rate derivatives	2 601 040	1 262 027	1 339 013	-	-	-
Valuation	(4 094)	(7 966)	3 872	-	-	-

6.3. Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income, €79 million at 31 December 2018, include bonds and other fixed-income securities. The unrealised gains recognised in equity amount to €0.4 million. The amount of impairments of these financial assets is not significant with respect to the accounts of My Money Group.

6.4. Financial assets measured at amortised cost

IN THOUSANDS OF EUROS	31.12.2018	31.12.2017
Loans and receivables at amortised cost	**439 142**	**386 233**
Current accounts	439 142	386 233
Individual provisions	**-**	**-**
Loans and receivables due from banks and credit institutions	**439 142**	**386 233**
Loans and receivables at amortised cost	**4 989 952**	**3 601 717**
Consolidated debts (mortgages and personal loans)	2 658 479	2 594 620
DOM	1 073 578	980 969
Trailing (Auto & Consumer Mainland)	15 174	26 128
BESV	1 242 721	-
Individual provisions	**-**	**-**
Collective provisions	**(67 107)**	**(25 675)**
Loans and receivables due from customers	**4 922 845**	**3 576 042**
Investment securities at amortised cost	2 208	-
Individual provisions	**(45)**	**-**
Financial assets at amortised cost	**2 164**	**-**
Total financial assets at amortised cost	**5 364 150**	**3 962 275**

6.5. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

IN THOUSANDS OF EUROS	31.12.2018	31.12.2017
Debt securities	2 215 143	2 689 835
Related payables	822	280
Sub-total debt securities	**2 215 966**	**2 690 115**
Current account and related payables	3 073	-
Term loans and advances	106 053	5 000
Other financial liabilities	4 185	1 997
Sub-total due to bank and credit institutions	**113 312**	**6 997**
Current account	626 544	203 347
Term loans and advances	1 909 502	825 295
Related payables	12 997	6 195
Sub-total due to customers	**2 549 043**	**1 034 836**
Total financial liabilities at amortised costs	**4 878 320**	**3 731 948**

Debt securities are the securitization issuances of the Group. In the course of refinancing, My Money Bank regulated overseas subsidiaries have taken part in a new securitisation operation (TopazOne): securitisation of loan receivables and auto lease contracts.

In 2018 the Group also concluded a 120 million euro Revolving Credit Facility (RCF) with various banks. At 31 December 2018, there had been no drawings on this credit facility. Repurchase agreements have also been reached with two banking partners. The Group also has access to refinancing from the ECB (MRO and LTRO).

The deposits programme introduced during the 2017 reporting period has been developed, in particular via an expanded product range (deposits offered to customers that are SMEs) and the establishment of a partnership with a large German bank in order to increase the retail customer base. This programme, which aims to provide the bank with an additional finance source, allows for short-term asset refinancing (around 2 years).

At 31 December 2018, the outstanding loans stand at around 1.5 billion euro, compared with 1 billion euro at 31 December 2017.

6.6. Current and deferred tax assets and liabilities

Current and deferred taxes

IN THOUSANDS OF EUROS	31.12.2018	31.12.2017
Current taxes	2 179	6 760
Deferred taxes	65 660	53 633
Current and deferred tax assets	**67 838**	**60 393**
Current taxes	(3 689)	(2 907)
Deferred taxes	(3 377)	(8 532)
Current and deferred tax liabilities	**(7 066)**	**(11 439)**

Breakdown of deferred tax assets and liabilities by nature

IN THOUSANDS OF EUROS	31.12.2018	31.12.2017
Financial instruments at fair value through equity	9 620	7 253
Unrealised leasing reserves	(15 682)	(16 362)
Provisions for employee benefit	15 017	16 407
Provisions for credit risk	5 571	3 883
Other non-deducted provisions	(252)	3 034
Tax losses carried forward	48 009	30 885
Net deferred taxes	**62 283**	**45 101**
O/w deferred tax assets	*65 660*	*53 633*
O/w deferred tax liabilities	*(3 377)*	*(8 532)*

Deferred tax assets on unrecognised tax losses carried forward

IN THOUSANDS OF EUROS	Legal duration of the carry-forward	Forcast horizon for recovery	31.12.2018	31.12.2017
Promontoria MMB SAS	Indefinite	3 years	11 282	-
My Money Bank SA	Indefinite	5 years	30 672	24 546
Somafi-Soguafi SA	Indefinite	3 years	3 487	3 786
Sorefi SA	Indefinite	2 years	1 820	2 553
MMB SCF SA	Indefinite	1 year	8	-
BESV	Indefinite	2 years	739	-
Total unrecognised deferred tax assets			**48 009**	**30 885**

CHANGES IN DEFERRED TAXES

IN THOUSANDS OF EUROS	Changes in profit or loss	Changes in equity	Other changes	**Total**
Net deferred taxes at 31.12.2017				**45 101**
Changes in scope			10 559	**10 559**
Financial assets at amortised costs and at fair value through OCI	(6 649)	2 262		**(4 387)**
Tax rate impact on financial assets at fair value through P&L and OCI	(218)	(28)		**(246)**
Changes in unrealised leasing reserve	(288)			**(288)**
Tax rate impact on unrealised leasing reserve	968			**968**
Changes in provisions for employee benefits	(468)	(1 191)		**(1 659)**
Tax rate impact on provisions for employee benefits	-			**-**
Changes in provisions for credit risk	676			**676**
Tax rate impact on provisions for credit risk	(317)			**(317)**
Changes in other non-deducted provisions	(4 623)			**(4 623)**
Tax rate impact on other non-deducted provisions	115			**115**
Changes in tax losses carried forward (before recognition)	13 421			**13 421**
Impact of unrecognised tax losses carried forward	6 456			**6 456**
Tax rate impact on tax losses carried forward	(3 492)			**(3 492)**
Net deferred taxes at 31.12.2018	**5 581**	**1 042**	**10 559**	**62 283**

6.7. OTHER ASSETS AND LIABILITIES

ASSETS

IN THOUSANDS OF EUROS	31.12.2018	31.12.2017
Suppliers	808	330
Insurance	946	5 844
Deposits, advances	2 767	1 669
Taxes	4 266	6 071
Values received on collection	6 685	4 370
Deferred expenses	3 468	4 967
Other adjustment accounts	13 872	9 399
Other assets	17 945	12 121
Prepaid expenses	2 481	891
Accrued income	27 830	12 444
Total other assets	**81 068**	**58 107**

LIABILITIES

IN THOUSANDS OF EUROS	31.12.2018	31.12.2017
Security deposits	189	484
Suppliers	12 009	14 341
Tax and social security liabilities	24 643	27 523
Insurance	2 377	2 937
Other adjustment accounts	39 993	36 943
Other liabilities	20 222	27 947
Accrued expenses	20 755	13 489
Deferred income	8 853	6 200
Total other liabilities	**129 042**	**129 863**

6.8. NON-CURRENT ASSETS HELD FOR SALE

As of 31 December 2017, My Money Group classified two distinct asset portfolios into this category:

- a portfolio of revolving credits with a net carrying value of €8.5 million
- a portfolio of car loans with a net carrying value of €375.3 million

Several potential purchasers have been identified for the revolving credit portfolio. These are collection agencies with which the Group has a long-term commercial relationship and to which it regularly sells similar products. The net carrying value of this portfolio is 5.1 million euro at 31 December 2018.

The vehicle loan portfolio was sold on 1 June 2018. The residual net carrying value of this portfolio is 2.9 million euro at 31 December 2018.

In accordance with IFRS 5, these assets have continued at be valued under IFRS 9 which is applicable. Following the remeasurement of the portfolios intended for sale, an additional impairment loss was recognised in profit or loss under the heading “Net gains or losses on other assets” to adjust the net carrying value to the fair value less costs to sell.

6.9. Tangible and intangible assets and investment properties

IN THOUSANDS OF EUROS	Gross value 31.12.2017	Change in consoolidation scope	Increase	Decrease	Gross value 31.12.2018	Impairment and amortisation 31.12.2017	Increase	Decrease	Net value 31.12.2018
Investment Properties	-	9 696	-	-	9 696	-	-	-	9 696
Tangible assets	**4 668**	**19 607**	**1 928**	**(1 135)**	**25 067**	**(1 069)**	**(1 259)**	**835**	**23 573**
Buildings	884	19 400	200	(1 070)	19 414	(819)	-	819	19 414
Office and IT equipments	1 704	120	1 402	(35)	3 191	(372)	(799)	16	2 036
Fittings and facilities	2 047	87	325	-	2 459	122	(460)	-	2 121
Tangible assets in course	34	-	-	(31)	3	-	-	-	3
Intangible assets [5]	**3 843**	**241**	**4 989**	**-**	**9 073**	**(842)**	**(1 526)**	**-**	**6 705**
Total tangible and intangible assets	**8 511**	**29 544**	**6 916**	**(1 135)**	**43 836**	**(1 911)**	**(2 785)**	**835**	**39 974**

At 31 December 2018, the Group recognised internally created software under intangible assets in course for an amount of €3.7 m.

6.10. Provisions

IN THOUSANDS OF EUROS	31.12.2017	Changes in consolidation scope	(+) Increase	(-) Reversal (utilized provisions)	(-) Reversal (surplus provisions)	Change in actuarial assumptions	31.12.2018
Pensions and other benefits post-employment [6]	63 512	-	2 710	(159)	(3 323)	(4 611)	58 129
Other long-term employee benefits	1 655	-	153	(150)	(215)	(37)	1 406
Restructuration	-	-	19 197	(17 614)	-	-	1 583
Fiscal and legal risks	3 912	-	3 084	(599)	(421)	-	5 975
Commitments and given guarantees	1 022	-	560	(537)	(552)	-	493
Other provisions	4 079	-	4 616	(643)	(1 631)	-	6 422
Total	**74 180**	**-**	**30 320**	**(19 701)**	**(6 143)**	**(4 648)**	**74 008**

[5] *Mainly software*

[6] *Cf. note 9 Employee benefits*

6.11. Remaining balance sheet items

IN THOUSANDS OF EUROS	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total 31.12.2018
Cash, due from central banks	125 309	-	-	-	125 309
Financial assets at fair value through profit and loss	-	-	-	4 963	4 963
Hedging derivatives	-	-	159	6 459	6 618
Financial assets at fair value through other comprehensive income	15 064	-	38 376	25 712	79 152
Financial assets at amortised cost	765	-	1 399	-	2 164
Loans and receivables due from banks and credit institutions at amortised cost	439 142	-	-	-	439 142
Loans and receivables due from customers at amortised cost	663 145	581 683	2 109 208	1 568 809	4 922 845
Non-current assets held for sale	-	8 006	-	-	8 006
Total financials assets	**1 243 425**	**589 688**	**2 149 142**	**1 605 944**	**5 588 200**
Due to central banks	32	-	-	-	32
Financial liabilities at fair value through profit and loss	-	-	-	4 856	4 856
Hedging derivatives	-	-	17	10 695	10 712
Debt securities issued	-	-	-	2 215 966	2 215 966
Due to bank and credit institutions	113 312	-	-	-	113 312
Due to customers	1 146 052	813 306	589 685	-	2 549 043
Total financials liabilities	**1 259 364**	**813 306**	**589 702**	**2 226 661**	**4 889 032**

FINANCIAL LIABILITIES

The table above presents the residual contractual maturities of the Group's derivative and non-derivative financial liabilities. In the case of derivatives, the amounts shown correspond to fair value at the reporting date, to the extent that the residual contractual maturities do not reflect the liquidity risk on these positions. In the case of non-derivative financial liabilities, the amounts presented are the undiscounted contractual cash flows in accordance with the due dates provided for in the contract.

Expected cash flows may vary from the data presented in this table for some financial liabilities. These differences mainly result from the fact that cash outflows might occur significantly sooner than the data suggest, because the group has the option to exercise an early repayment of securitisation fund units issued.

6.12. FINANCIAL ASSETS GIVEN AS COLLATERAL

The 95 million securities have been pledged to the Société Générale in consideration of a 35 days Evergreen funding operation for a maximum maturity: 31/12/2019.

7. NOTES ON THE INCOME STATEMENT

7.1. INTEREST INCOME AND EXPENSE

IN THOUSANDS OF EUROS	2018			2017		
	Interest income	Interest expenses	Net	Interest income	Interest expenses	Net
Loans and receivables from credit institutions	16	-	16	-	-	-
Loans and receivables from customers	122 755	(8 861)	113 893	107 208	-	107 208
Securities	(802)	(423)	(1 226)	-	(1 316)	(1 316)
Financial lease	29 148	-	29 148	21 709	1 010	22 719
Impaired financial assets	3 215	-	3 215	2 045	-	2 045
Other income and expense	-	-	-	(4 232)	-	(4 232)
Total financial assets at amortised cost	**154 331**	**(9 285)**	**145 046**	**126 730**	**(306)**	**126 424**
Due to central banks	-	(8)	(8)	-	-	-
Due to banks	-	(899)	(899)	-	(213)	(213)
Due to customers	-	(6 944)	(6 944)	-	(1 967)	(1 967)
Debt securities issued	-	(20 786)	(20 786)	-	(15 533)	(15 533)
Total financial liabilities at amortised cost	**-**	**(28 637)**	**(28 637)**	**-**	**(17 713)**	**(17 713)**
Total interest income and expense	**154 331**	**(37 922)**	**116 409**	**126 730**	**(18 019)**	**108 711**

7.2. FEE INCOME AND EXPENSE

IN THOUSANDS OF EUROS	2018			2017		
	Income	Expense	Net	Income	Expense	Net
Transaction with customers	7 935	(1 633)	6 302	6 827	-	6 827
Securities transactions	-	(2 544)	(2 544)	252	(1 419)	(1 167)
Transactions with payment instruments	0	(319)	(318)	-	(340)	(340)
Financial services	10 650	(1 312)	9 338	10 030	(854)	9 176
Other	1	(482)	(481)	-	(18 900)	(18 900)
Total fee income and expense	**18 586**	**(6 290)**	**12 296**	**17 110**	**(21 514)**	**(4 404)**

7.3. Net gains and losses on financial assets at fair value through profit and loss

The net gain at 31 December 2018 on financial instruments at fair value in profit or loss stands at 1.6 million euro and corresponds to the positive fair value changes of the trading derivatives held by the group.

7.4. Net gains and losses on financial assets at fair value through other comprehensive income

The gains under this item stand at 1.6 million euro at 31 December 2018 and correspond essentially to the positive fair value changes of the derivatives held with respect to cash flow hedging relationships.

7.5. Net gains and losses on financial assets measured at amortised cost

IN THOUSANDS OF EUROS	31.12.2018	31.12.2017
Gains / (Losses) on financial assets at amortised cost	**(1 837)**	**(1 437)**
Loans and receivables due from customers	(1 837)	(1 437)
Gains / (Losses) on financial liabilities at amortised cost	-	-
Total Gains / losses on financial assets and liabilities at amortised cost	**(1 837)**	**(1 437)**

The deconsolidation of assets realized in 2018 relate to portfolio sales completed by the various entities of the group on defaulted short-term loan portfolios, classified in POCI or in Stage 3. These sales enable the group to optimize its collections management process and the own funds consumption related to these assets. Debt sales related to defaulted loans are part of the group's strategy and are expected to be recurring in the future.

Disposals during the financial periods include the vehicle portfolios which were classified as "non-current assets held for sale" at 31 December 2017.

7.6. Income and expense from other activities

IN THOUSANDS OF EUROS	31.12.2018	31.12.2017
Financial lease expenses	(1 761)	(741)
Total other expenses	**(1 761)**	**(741)**
Insurance income	7 308	7 509
Financial lease income	1 707	9 947
Reversal of provision	-	-
Files fees	2 650	407
Uncollected VAT to be written back	1 884	234
Other	2 701	2 517
Total other income	**16 249**	**20 613**
Total income and expense from other activities	**14 488**	**19 872**

7.7. General operating expenses

IN THOUSANDS OF EUROS	31.12.2018	31.12.2017
Miscellaneous operating income	(0)	680
Reversal of provisions for risks and charges	21 027	6 079
Provisions for risks and expenses	(20 135)	(2 238)
Employee profit-sharing and incentive schemes	16	(891)
Payroll taxes, duties and similar levies	(3 313)	(2 767)
Pension expenses	(4 879)	(3 305)
Wages and salaries	(52 859)	(37 203)
Other social security expenses	(18 950)	(14 643)
Total employee costs	**(79 093)**	**(54 288)**
Lease	(4 362)	(4 101)
External services provided by Group entities	(1 625)	4 053
Transport and travel	(3 298)	(1 742)
Other external services	(43 233)	(38 718)
Miscellaneous operating expenses	(814)	(1 184)
Total Operational expenses	**(53 333)**	**(41 694)**
Taxes	(6 038)	(5 495)
Other	(982)	942
Total operating expenses	**(139 446)**	**(100 535)**

7.8. Amortisation costs and depreciations

IN THOUSANDS OF EUROS	31.12.2018	31.12.2017
Depreciation and amortisation on intangible assets	(1 104)	(921)
Depreciation and amortisation on tangible assets	(1 164)	(1 942)
Reversals of provisions for deprecation	1 838	122
Total Amortisation, depreciation and impairment of tangible and intangible fixed assets	**(431)**	**(2 741)**

7.9. Cost of risk

IN THOUSANDS OF EUROS	31.12.2018	31.12.2017
Net provisions on transactions with customers	(5 537)	(16 129)
Net POCI re-evaluation	9 596	5 657
Net losses on transactions with customers	(8 931)	(278)
Net provisions on other risks	86	(998)
Total cost of risk	**(4 786)**	**(11 748)**

7.10. NET GAINS AND LOSSES ON OTHER ASSETS

IN THOUSANDS OF EUROS	31.12.2018	31.12.2017
Gains on disposals of tangible assets	440	283
Losses on disposals of tangible assets	(2 198)	(167)
Impairment on non-current assets held for sale	876	(15 531)
Total gains or losses on other assets	**(882)**	**(15 416)**

7.11. INCOME TAX AND DEFERRED TAXES

IN THOUSANDS OF EUROS		31.12.2018	31.12.2017
Net income - Group share		107 035	601 352
Net income - Non-controlling interests		492	421
Income tax charge		3 120	(12 507)
Earnings before tax		**104 407**	**614 280**
Theoretical tax rate		34,43%	34,43%
Theoretical tax		**(35 947)**	**(211 496)**
Permanent differences		(374)	(294)
Differences in foreign subsidiary tax rates		(536)	(1 130)
Tax losses for the year (limited for reasons of prudence)		6 456	(7 132)
Impact of the change in tax rate on deferred tax		(2 944)	(3 964)
Tax on prior periods			(2 586)
Tax on bargain purchase gain		36 299	214 069
Other		167	26
Tax charge for the period		**3 120**	**(12 507)**
	w/o tax payables	*(2 461)*	*(5 982)*
	w/o deferred tax	*5 581*	*(6 525)*

8. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE NETTING FRAMEWORK AGREEMENTS AND SIMILAR AGREEMENTS

There has been no offsetting of financial assets and liabilities during the 2018 reporting period. Although the Group has concluded several enforceable netting framework agreements, they do not comply with the IAS 32 offsetting criteria.

9. Employee benefits

9.1. Changes in the actuarial debt

IN THOUSANDS OF EUROS	31.12.2018			31.12.2017		
	Metropolitan France	Overseas	Total	Metropolitan France	Overseas	Total
Actuarial debt at the opening	**77 663**	**2 021**	**79 684**	**-**	**-**	**-**
Current service cost	511	132	643	493	106	599
Past service cost	(2 192)	-	(2 192)	-	-	-
Actuarial debt interest charges	1 061	28	1 089	809	20	829
Purchases ans sales	(1 288)	-	(1 288)	80 574	1 960	82 534
Actuarial gains and losses, due to changes in financial assumptions	(936)	(27)	(962)	(1 521)	(38)	(1 559)
Actuarial gains and losses due to experience adjustments	(3 967)	(121)	(4 088)	(872)	73	(799)
Benefit paid	(2 165)	(68)	(2 233)	(1 818)	(100)	(1 918)
Actuarial debt at the closing	**68 688**	**1 965**	**70 654**	**77 665**	**2 021**	**79 686**
With a partial or total hedging asset in return	*60 843*	*-*	*60 843*	*68 528*	*-*	*68 528*
Without hedging asset	*7 877*	*1 965*	*9 843*	*9 137*	*2 021*	*11 158*

9.2. Changes in investment

IN THOUSANDS OF EUROS	31.12.2018			31.12.2017		
	Metropolitan France	Overseas	Total	Metropolitan France	Overseas	Total
Fair value of the investment at the opening	**14 517**	**-**	**14 517**	**-**	**-**	**-**
Interest income on investments	159	-	159	136	-	136
Amendments plans	-	-	-	15 949	-	15 949
Benefit paid	(2 083)	-	(2 083)	(1 754)	-	(1 754)
Actuarial losses or gains	(402)	-	(402)	187	-	187
Fair value of the investment at the closing	**12 191**	**-**	**12 191**	**14 517**	**-**	**14 517**
Actuarial return on investments	-1,8%	0,0%	-1,8%	2,1%	0,0%	2,1%
Composition of investments in percentage	**-**	**-**	**-**	**-**	**-**	**-**
Shares	11,4%	0,0%	11,4%	11,5%	0,0%	11,5%
Bonds	82,3%	0,0%	82,3%	82,1%	0,0%	82,1%
Other	6,3%	0,0%	6,3%	6,4%	0,0%	6,4%

9.3. Net cost analysis

IN THOUSANDS OF EUROS	31.12.2018 Metropolitan France	31.12.2018 Overseas	31.12.2018 Total	31.12.2017 Metropolitan France	31.12.2017 Overseas	31.12.2017 Total
Current service cost	543	132	675	493	106	598
Past service cost	(2 192)	-	(2 192)	-	-	-
Interest on actuarial debt	1 061	28	1 089	809	20	828
Interest on investment	(159)	-	(159)	(136)	-	(136)
Actuarial losses and (gains) related to other long-term liabilities	39	(76)	(37)	(27)	44	16
Total net cost analysis	**(707)**	**84**	**(623)**	**1 138**	**169**	**1 307**

9.4. Assumption used

IN THOUSANDS OF EUROS	31.12.2018 Metropolitan France	31.12.2018 Overseas	31.12.2018 Total	31.12.2017 Metropolitan France	31.12.2017 Overseas	31.12.2017 Total
To determine commitments as of December 31						
Dicsount rate included inflation	1,60%	1,60%	1,60%	1,45%	1,45%	1,45%
Growth rate of the expected wage	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%
Expected rate of the plan assets	1,60%	N/A	1,60%	1,45%	N/A	1,45%
Rate of inflation of pensions	2,00%	N/A	2,00%	2,00%	N/A	2,00%
Rate of inflation of medical costs	3,00%	N/A	3,00%	3,00%	N/A	3,00%
To determine expense for the period						
Discount rate included inflation	1,60%	1,60%	1,60%	1,25%	1,25%	1,45%
Growth rate of the expected wage	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%
Expected rate of the plan assets	1,60%	N/A	1,60%	1,25%	N/A	1,45%
Rate of inflation of pensions	2,00%	N/A	2,00%	2,00%	N/A	2,00%
Rate of inflation of medical costs	3,00%	N/A	3,00%	3,00%	N/A	3,00%

9.5. Sensitivity to the assumption

On all commitments (Metropolitan France and overseas)

IN THOUSANDS OF EUROS	31.12.2018 Reference discount rate - 0,25 %	31.12.2018 Reference discount rate	31.12.2018 Reference discount rate + 0,25 %	31.12.2017 Reference discount rate - 0,25 %	31.12.2017 Reference discount rate	31.12.2017 Reference discount rate + 0,25 %
Fair value of the commitment as of December 31	72 303	70 685	69 137	81 641	79 684	77 813
Current services costs	573	545	519	756	716	686

IN THOUSANDS OF EUROS	Reference inflation rate - 0,25 %	Reference inflation rate	Reference inflation rate + 0,25 %	Reference inflation rate - 0,25 %	Reference inflation rate	Reference inflation rate + 0,25 %
Fair value of the commitment as of December 31	67 452	70 685	75 568	75 718	77 684	84 436
Current services costs	555	545	533	733	716	705

9.6. Major special events of the year

Gamma project

BESV has decided to sell its Private Bank business and has begun the process of doing so. On 30 January 2019, the Boards of BESV and Marignan Gestion approved the start of a process to sell the group's Private Bank, including the sale of shares in Marignan Gestion, BESV Courtage and AOC Patrimoine.

Group tax consolidation regime

Since 1 January 2019, MMB SCF has been part of the tax consolidation scope established by the consolidating parent entity, Promontoria MMB, in fulfilment of the tax consolidation regime requirements of Article 223 A of the French General Tax Code.

Private investments in Q1 2019

MMB SCF made two private investments in Q1 2019

The first, dated 26 February, has the following characteristics:

- Amount issued: €50 000 000
- Operation date: 26 February 2019
- Settlement date: 1 March 2019
- Maturity date: 1 March 2039

The second, dated 21 March, has the following characteristics:

- Amount issued: €25 000 000
- Operation date: 21 March 2019
- Operation date: 28 March 2019
- Maturity date: 28 March 2034

9.7. Discount rate

The discount rate has been determined with reference to the performance as of 31 December 2018 of investment-grade corporate bonds carrying an AA rating or higher with a duration comparable to the average duration of Group commitments in each zone.

9.8. Description of obligations in respect of defined benefit plans

Retirement obligations include retirement and other postemployment benefits, including termination benefits.

The main defined benefit plans are:

- lump sums paid on retirement, which correspond to the payment of a capital sum to the employee by the entity on retirement. The lump sum paid on retirement is determined by the national collective agreement that covers the Group, and the terms of the Group's internal agreement.
- the long-service awards scheme, corresponding to a capital sum paid to employees reaching total seniority (since the beginning of their careers) of between 15 and 40 years, depending on the Group entities.
- "the healthcare expenses plan for retirees, the obligations of which take effect when the Group:
  - assumes the total or partial financing of the contribution of retirees to the healthcare expenses plan,
  - does not pay the retiree's contribution directly, but the mutual plan for current and retired employees. In this instance, there is nevertheless a benefit from mutualisation; the participation of the employer in the asset plan indirectly funds the retirees' plan"

- the CRCC plan, revised following the agreement of 3 July 2008, which is a closed retirement plan with two populations: current plan members (active employees, future pensioners) and current pensioners. Rights were frozen at the plan closure date and have been remeasured since based on the annual level of the Social Security pension (but may not be lower than an increase based on the AGIRC plan index).

9.9. Future cash flows

The average plan duration is around 9 years.

	2018		
IN THOUSANDS OF EUROS	Metropolitan France	Overseas	Total
Performance expected in 2019	7 658	135	**7 793**
Performance expected in 2020	4 689	142	**4 831**
Performance expected in 2021	3 296	129	**3 426**
Performance expected in 2022	4 457	124	**4 581**
Performance expected in 2023	4 768	112	**4 880**
Performance expected from 2024 to 2028	23 842	966	**24 808**

10. Other informations

Through its activity the My Money Group is exposed to the following risks on the financial instruments it holds:

- Credit risk;
- Liquidity risk;
- Overall interest rate risk;
- Securitisation risk.

The framework for managing these risks is presented below in accordance with IFRS 7 – *Financial instruments: Disclosures*. It has been introduced in accordance with the 3rd of November 2014 decree on the internal control of businesses in the banking sector, payment services and investment services subject to the supervision of the ACPR (“Autorité de Contrôle Prudentiel et de Résolution”).

10.1. Risk management in My Money Group

a. Liquidity risk, overall interest rate risk and securitisation risk

Management and control of liquidity risk, interest rate risk and securitisation risk form part of a comprehensive policy established and applied within My Money Group’s Treasury department to oversee the definition, measurement and supervision of these risks in line with the objectives and the Group’s Risk Appetite Statement.

The principle objectives of this policy are to:

- establish the strategy and risk appetite for each type of risk exposure;
- develop and implement the processes and procedures for measuring and reporting risk exposure;
- monitor compliance with the limits and principles defined by the Group;
- define escalation procedures in the event of failure to respect the limits and principles of risk management, and action plans to address such situations;
- set out clear roles and responsibilities for risk management and reduction.

This comprehensive policy has been validated by the Asset Liability Committee (ALCO) and the Internal Audit and Risk Committee. It is revised at least annually by ALCO. The same committee monitors its implementation quarterly at group level.

The Asset Liability Committee consists of the following permanent members: the Chairman, Finance Director, Risk Officer, and the officers responsible for permanent control and the Treasury. They may be joined by additional invited members, depending on the subjects addressed. Its main tasks are:

- reviewing and recommending approval of the Treasury's comprehensive policy and any changes following its annual revision;
- reviewing the Group's position in terms of the limits and principles set;
- reviewing and approving any exceptions to the Treasury policy;
- approving the annual modelling assumptions for liquidity and interest rate risk stress tests;
- approving the warning thresholds defined for market indicators to be monitored by the Group (CAC 40, Euribor rates, etc.);
- determining the Group's refinancing capacity based on the market indicators monitored;
- defining and approving urgent financing action plans if an event occurs materially affecting the Group's refinancing capacity;
- approving distributions of dividends as part of the capital management strategy and the regulatory capital adequacy requirements;
- approving the securitisation of assets in dedicated financing structures;
- approving the use of hedging operations to modify the Group's risk profile in respect of interest rates or foreign exchange rates;
- reviewing the information on the list of authorised investments;
- annually approving the Treasury's operational management directives.

In operational terms, these responsibilities are in part addressed and implemented by the Treasury department, whose role consists of the operational management of the group's refinancing requirements through the different authorised channels, within the applicable risk mandates and limits. The Treasury department is directly involved in drafting the comprehensive policy, inter alia by developing the Group Contingency Plan and by providing ALCO with information for its approval (e.g. the calculation of regulatory liquidity ratios, risk exposures or the development of stress tests).

b. Credit risk

The framework for monitoring credit risks is piloted by the Promontoria MMB Group Risk Department in compliance with the Decree of 3 November 2014 on risk monitoring. The scope of the Risk Department's intervention therefore addresses credit risk in line with the definition given in Regulation (EU) no 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR of 26 June 2013), in particular articles 387 to 403 and 493. This defines credit risk as the risk incurred in the event of default of a counterparty or counterparties considered as a single beneficiary.

The Risk Department establishes approval policies and documentation for each customer type and financing type. Credit approval delegations are defined in a formalised document.

Officers responsible for giving approval must respect these procedures, and first and second level controls are carried out in order to monitor compliance. These controls provide for subsequent verification of compliance with policies for approval and documentation, and with delegations. The results of controls are presented to the Permanent Oversight Committee and will lead to staff corrective measures if necessary.

The Risk Department ensures weekly, monthly and quarterly monitoring of credit risk by activity (mortgage loans as provider, credit consolidation, vehicle loans and consumer loans).

Checks are carried out to verify this risk monitoring and respect for risk procedures in case management. Any anomalies found will give rise to actions ranging, in addition to an interview with the staff member responsible, from a general reminder of the rules to a specific action plan decided upon either by the staff member's manager or by the Permanent Oversight Committee when such anomalies are presented to this committee.

The Risk Department also monitors vehicle loans deemed to be in a state of rapid deterioration. These are cases with a missed payment within the six months following the first payment due after the loan is granted; missed payment monitoring is reported weekly to the Marketing Department and Debt Collection. The Risk Department also continues to monitor the risk of outstanding that are the subject of securitisation operations.

10.2. Liquidity risk

Liquidity risk is defined by the order of 3 November 2014 as the risk that the entity cannot meet its due obligations or unwind or offset a particular position, because of market or idiosyncratic factors, within a specified time and at reasonable cost.

a. Liquidity risk management objectives

The objective of the Group's liquidity strategy is to ensure access to sufficient funds to meet its commercial needs and financial obligations at a reasonable cost, while aiming for a sufficient diversity of financing types and maturities to meet the limits and constraints of existing or potential risks.

In this context, the Group has sold a material portion of its outstanding consolidated loans to a number of securitisation mutual funds and has expands its deposit program for private individuals and SMEs in order to diversify its refinancing sources. This diversification limits the overall liquidity risk, giving the bank access to different potential sources with diverse characteristics (in terms of rate, duration, amount, etc.). This strategy has been continued and strengthened during 2018, in particular via the issue of mortgage bonds by the subsidiary MMB SCF for an amount of 500 million euro. A 120 million euro Revolving Credit Facility (RCF) was also concluded with various banks. At 31 December 2018, there had been no drawings on this credit facility.

The Group's strategic objectives in terms of liquidity prioritise short-term resilience (one year) in the event of a deterioration in the Group's liquidity profile and its capacity to absorb short-term shocks resulting from stresses in the economic and financial environment.

b. Exposure to liquidity risk

The Group's liquidity risk exposure pertains to its two main refinancing sources, market financing via securitisation structures and customer deposits.

Inability to access the finance markets and significant withdrawals over a prolonged period can affect the entity's capacity to fund its current operations. Failure to maintain a sufficient stock of liquid assets can materially increase the liquidity risk. The timings of inflows and outflows of cash necessary to meet commitments can also contribute to the liquidity risk.

Additionally, the Company has conditional exposures to undrawn loan commitments to customers which could lead to unplanned increases in liquidity requirements.

Breakdown of financial liabilities by contractual due date (undiscounted cash flows) is presented in Note 6.11.

c. Measures and monitoring of liquidity risk

The main liquidity monitoring indicator used by the Group is the Free Available Cash Equivalent (FACE).

The FACE is used to determine the cash amounts or cash equivalents available to the group for its economic activities. The indicator is measured daily and consists of the following assets, depending on their cycle of availability:

- Immediately available or within 48 hours:
  - liquidity reserve, including High Quality Liquid Assets (HQLA);
  - cash invested in first-rank banking institutions, in accordance with the Group's counterparty risk principles.
  - undrawn lending facilities (RCF).
- Available within one month:
  - balance sheet assets eligible for immediate securitisation.

Liquidity management relies on forecasts and analyses of scenarios, as well as the following three pillars:

- key liquidity indicators (FACE, LCR, NSFR, Economic Liquidity Buffer (ELB), Counterbalancing Capacity (CBC));
- market indicators (Early Warning Indicators, EWI) monitored on a daily basis;
- a contingency plan.

10.3. Overall interest rate risk

Overall interest rate risk is defined by the 3rd of November 2014 decree as the risk incurred in the event of interest rate change affecting balance-sheet and off-balance sheet operations, with the exception, where applicable, of operations subject to market risks. This risk results from exposure to adverse movements that could affect interest rate markets, their volatility or their spreads.

a. General policy for the management of overall interest rate risk

The Group's policy for the management of the overall interest rate risk is not intended to hold speculative positions on the portfolios concerned in a lasting and structural manner.

In order to limit its exposure to interest rate risks, the Group seeks to:

- refinance its debt by loans with matching rate type and maturity. Variable rate assets must be backed by variable rate liabilities, and fixed rate assets must be backed by fixed rate liabilities, with equivalent maturities. Interest rate risk is thus taken into account for fixed and variable rate operations;
- where the economic characteristics of financial assets and liabilities do not allow for natural set-off of the risks, establish hedging operations for all exposures to overall interest rate risk and foreign exchange risk, while respecting the limits set by the overall Treasury policy. These hedges comply with IFRS accounting standards and are presented in Note 5.1.g *Derivative financial instruments and hedge accounting.*

b. Exposure to the overall interest rate risk

The Group is exposed to the interest rate risk through its lending activities, its financing operations and its investments. The main source generating overall interest rate risk are the timing differences between the application of new rates to assets and liabilities (depending on references and maturities).

Furthermore, a significant portion of the Group's variable-rate assets contain optionalities that restrict the possibility of passing on these variable rates to borrowers. These assets also contain clauses allowing a switch to fixed rate, necessitating a regular rebalancing of structural positions on the balance sheet to take account of the changes in the rate risk due to the exercise of these options.

c. Measuring and monitoring the overall rate risk

The approach to monitoring the Group's rate risk uses measures of economic sensitivity, within limits set by ALCO.

In its internal assessment of capital adequacy, the Group applies the Pillar 2 rate shocks, corresponding to instantaneous parallel shocks of +/- 200 bps.

The calculation and monitoring of risk indicators and limits are reported to ALCO every month, as are overall interest rate risk hedging operations.

10.4. Credit risk

a. General principles for lending and the selection of credit operations

My Money Group lending and investment guidelines have been developed in compliance with articles 111 and 112 of the 3rd of November 2014 Decree on the internal control of businesses in the banking sector, payment services and investment services subject to the supervision of the ACPR.

The appraisal and decision process depend on eligibility conditions, an analysis and the determination of a financial rating specific to each segment, and in some cases obtaining guarantees.

Loan approval decisions are taken in the course of delegations granted jointly to the business lines by the Risk Department. These delegations are granted on an individual basis and are validated annually. Delegations correspond to a ceiling amount or a specific authorisation defining the exceptions or exemptions to the rules laid down by the Risk Department. When a case exceeds the delegation threshold of the approvals service, it is escalated for approval to the Investment Committee, consisting of the Risk Officer and the Chief Executive, and in the final resort to the Group Board of Directors.

Launch of a new product or significant modification of an existing product

For all operations, any new product launch or significant product changes are accompanied by a presentation containing a description of the product, financial forecasts, the product risk profile, standards for approval and monitoring criteria.

The process of bringing new products to the market requires the approval of the Group Management Committee (including the Finance, Risks, Legal, Compliance and Operations departments). When the Management Committee has validated a request to market a product, it submits the application for the approval of the Board of Directors of Promontoria MMB.

Approving and monitoring business introducers

For the car loan, credit consolidation and deposits businesses, product distribution is largely dependent on business introducers. These introducers therefore act as an initial selection filter. For example, any financing dossier submitted requires the introducer's prior approval. All the rules for this process are set out in the KYI policy ("know your introducer").

In order to approve new introducers, the Marketing Department collects all the documents necessary to acquire a solid knowledge of the introducers, in accordance with the current approval procedure. Significant introducers, or those presenting an unusual risk or compliance profile, receive special treatment (as set out in the KYI policy) and must obtain the agreement of the Marketing, Risk and Compliance Departments for definitive approval.

The situation of active and inactive introducers is reviewed every four months by the Risk, Marketing, Sales and Compliance departments in a meeting of the Introducer Monitoring Committee, based on a list drawn up by the Risk Department. The approvals officer for each activity is also invited to attend. The Committee determines the future of the business relationship with the introducer. It may decide to continue or terminate the relationship, or to monitor it through various operational measures.

Finally, *ad hoc* committees can also meet in the event of any alerts or one-off anomalies.

APPROVAL OF APPLICATIONS

The Risk Department establishes approval policies for each type of customer (individual or corporate) and financing type. It sets out all the rules and conditions for granting loans, and the list of customer documents required in order to study and approve a financing application.

The approval process relies on rigorous customer knowledge, in particular through analyses of indebtedness and solvency based on a wide range of available information sources (Banque de France records, evidence of financial position provided by the customer, financial statements in the case of legal persons, etc.).

In the cases of vehicle finance for private individuals and mortgage consolidation, specific analyses of the value of the goods financed or used to guarantee the loan are carried out. The values of these goods are checked using external sources, comparative market studies or expert analyses.

b. RATING SYSTEMS AND METHODS OF ESTIMATING CREDIT RISK

My Money Group applies the standardized approach and therefore does not calculate its regulatory capital requirement using internal rating systems. Where there is no external credit rating directly applicable to a banking portfolio exposure, the Bank’s customer databases may, depending on the case and after analysis, make it possible to apply a rating based in part on an internal or external rating of the issuer (or of its guarantor if any). The Risks Department monitors the Banque de France borrower ratings, which are automatically updated monthly.

GENERAL METHODS OF CALCULATING EXPECTED CREDIT LOSSES

Credit risk is expressed through the impairment provisions recognised for expected credit losses as defined by IFRS 9 and set out in Note 5.1.d *Impairment and restructuring of financial assets.*

The calculation of expected losses relies on three main parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD), taking account of amortisation profiles. Expected losses are calculated using the formula PD x LGD x EAD and are discounted at the effective interest rate determined on initial recognition of the financial instrument. For all exposures, the assessment of the ECL is carried out in a way that reflects the reasonable and justifiable information on past events, current conditions and forecasts for future economic conditions that can be obtained at the reporting date without excessive costs or efforts (“forward looking”).

Forward-looking information has been incorporated in the default probability models for all products since March 2018, with the exception of BESV exposures. A statistical model has been used to establish a connection between macro-economic data and the probability of default. In addition, assumptions regarding property market trends are taken into account when determining the LGD on the DC Secured portfolio; these have a direct impact on the estimated amount of the mortgage guarantee at the time the good is sold.

The future assumptions for all the data used in the model were reviewed in December 2018 to take account of the most recent economic forecasts.

These parameters are defined using internal statistical models and the historical information.

Estimations of probability of default

Estimations of the probability of default are based on the situation of a counterparty at a point in time and are calculated using transition matrices per tranche of outstanding. The migration of a counterparty or an exposure between the various tranches will entail a change in the estimated PD. Calculation of PD takes into consideration the contractual maturities of exposures, as well as estimates of early repayments. Transition matrices are differentiated, depending on whether the PD is calculated over 12 months or at maturity, and sub-segmentation is carried out in order to distinguish unmodified financial assets and those that have been modified in an immaterial manner.

In the special case of financing associated with the dealer portfolio, PD estimations rely on internal scores attributed to dealers with a view to segmenting them in accordance with their estimated probability of default and/or judicial liquidation.

Calculation of the LGD

The LGD represents the rates of expected loss on a given exposure in the event of default. Loss given default is calculated on the basis of the history of losses (total or partial) observed on the Group's defaulted contracts, and the residual future recovery curves for contracts classified in stage 3. Depending on default seniority, these curves provide the residual recovery rates in comparison with the cumulative recovery rate calculated for an instrument entering default. The final rate of loss applied is a weighted average incorporating each possible scenario for emerging from default (e.g. reclassification as a healthy debt, closure without loss, reclassification as disputed, or write-off).

Dossiers are written off when the receivable is recognised as irrecoverable (i.e. when a refusal of payment or the debtor's insolvency make it definitively impossible to recover an amount).

In the case of the DC Secured portfolio, the systematic constitution of guarantees to cover exposure is included when determining the LGD of the portfolio, taking account of:

- the valuation of guarantees and the progress of recovery;
- new parameters in the default exit scenarios used for the calculation of the final loss rates, reflecting the methods of disposal of guarantees (amicable sale, judicial sale).

Methods of determining the EAD

The EAD is the expected exposure at the time of counterparty default. The Group determines the EAD on the basis of the current exposure at the estimate date, taking account of the impact of expected events on the contract until the default date, such as exposure amortisation or early repayment. The EAD at the estimate date is equal to the carrying value of the instrument. Variations in the EAD between the reporting date and the date of default are modelled and integrated into the estimations of probability of default, which take account of amortisation and drawdowns before default.

Time horizon for assessing expected credit losses

The Group measures the expected credit losses on the instruments it holds over the maximum contractual period, including options for extension, during which it is exposed to the credit risk.

However, in the case of revolving credits, this period can be extended beyond contractual maturity to behavioural life, when Group's contractual right to demand repayment and to terminate an undrawn loan commitment does not limit its exposure to credit losses beyond the contractual notice period. This extension beyond contractual maturity is determined by considering such factors as credit risk mitigation measures, including the reduction or removal of unused limits, which the group proposes to take should the credit risk on the financial instrument increase. The behavioural life of revolving credits is calculated by the Group in consideration of historical information and experience of similar financial instruments in terms of the period of credit risk exposure, the time

period for the occurrence of default following a significant increase in the credit risk, and the measures to mitigate the risk in the event of such an increase (limitation or removal of unused limits).

c. Measurement and monitoring of credit risk

Credit risk is managed and monitored by the Risk Department using three main drivers:

- lending limits;
- an analysis of profitability of credit operations;
- regular monitoring of collection performance.

Lending limits

My Money Group has strict limits, set by the Board of Directors, depending on the nature of the operations and the guarantees attached. These limits are reviewed annually. Each new product or activity launch is submitted for the approval of the Promontoria MMB Board of Directors.

Analysis of profitability of credit operations

The Risk Department and the Pricing Service regularly conduct a review of the profitability of the relationship with each introducer or partner whose inventories the Bank finances. For the affected financing (vehicles, finance at the point of sale), introducer risk monitoring is conducted at least quarterly on the basis of several risk indicators. Where appropriate, this makes it possible - in consultation with the Marketing Department and acting on a proposal from the Risk Department - to terminate the relationship with introducers with negative profitability.

Reports on commercial and financial margins are prepared by the Finance Pricing Service and distributed to all the entity's departments and support functions on a weekly basis. Changes in the margins and volumes of the various activities are analysed during Management Committee meetings, or in ad-hoc Pricing Committees.

Two indicators in particular are tracked:

- the gross margin, calculated as a percentage, which is the difference between the nominal rate and the refinancing rate;
- the risk-adjusted margin, incorporating the refinancing cost and the cost of risk. This corresponds to the gross margin adjusted for expenses received (administrative charges, management expenses, late fees and collection fees), additional insurance revenues, commissions paid to introducers and the cost of risk.

A monthly review of profitability is conducted by the Pricing Services and the Marketing Department, making it possible to assess:

- new volumes in comparison with the entity's targets;
- the profitability of credit operations based on US accounting standards, in comparison with the entity's targets;
- a summary of current pricing operations;
- future pricing operations to be developed.

Finally, Group Management carries out monthly follow-up based on an analysis of the profitability of lending operations per activity conducted by the Pricing Service. This analysis includes the NBI, acquisition costs, cost of risk and overheads.

Monitoring collection performance

The collection process uses internal software for managing and monitoring cases of arrears (including the management of reminders and urging letters, and follow-up of promises to pay).

Two teams operate at different stages in the processing of arrears, depending on the loan type:

- for vehicle loans and consumer loans, a reminder team intervenes to conduct amicable negotiation, with the support of a proceedings team for cases of litigation;
- for mortgages and credit consolidation, a pre-litigation collection team provides individualised customer management until the 6th payment failure, and a litigation collection team takes over cases beyond that point.

In conjunction with the criteria used to assess a significant increase in default risk for the purposes of IFRS 9 provisioning (moving to stage 2 or stage 3), the main management indicators used to monitor arrears and the effectiveness of collection are as follows:

- 0+ (cases presenting no failures to pay);
- 2+ (2 or more payment failures, cases in judicial settlement, judicial liquidation, forfeiture of term or payment moratorium);
- 4+ (4 or more payment failures, cases in judicial settlement, judicial liquidation, forfeiture of term or payment moratorium);

The results of call campaigns are also monitored, with the number of calls made (in the reference month), changes in contact rates per customer segment, and the rate of payment promises kept per product.

These aspects are followed up regularly through:

- weekly monitoring of collection service performance per activity (vehicle loans, consumer credit, mortgages, and credit consolidation) by the Risk Department on the basis of an estimate per structure (amicable, pre-litigation, litigation, etc.) and by level of arrears,
- monthly reports presented to the full Management Committee during the monthly review of the Bank's activities.

d. Techniques de reduction du risque de credit

Credit risk mitigation is a technique for the reduction of the credit risk incurred by the bank in the event of total or partial counterparty default.

The Group relies on traditional proven risk mitigation techniques that are adapted to its activities:

- for motor vehicle financing, the Group uses collateral in cases where the amount of finance is significant and applies a reservation of title clause in other cases, in accordance with its acquisition credit risk policy. Continuous first and second level controls are carried out to validate the respect of formalities and the legal validity of the guarantee. The collateral rate, i.e. the ratio between the number of guarantees recorded and the number to be taken, is monitored regularly to ensure that the cases concerned are adequately covered;
- in the case of mortgage consolidation finance, whether or not including the takeover of a real estate loan, the Group takes a first mortgage. Continuous first and second level controls are carried out to validate the respect of formalities and the validity of the mortgage and of its renewal.

The tables below, from “e.” to “h.”, do not include the balance of assets classified as POCI.

e. Expected credit losses on « DC » (Debt Consolidation) Portfolio

Book value - DC Portfolio IN THOUSANDS OF EUROS	Expected losses at 12 months (S1)	Expected losses at maturity (S2)	Financial assets with incurred credit losses at closed (expected losses at maturity) (S3)
Book value at 01.01.2018	**2 358 216**	**28 913**	**62 606**
Financial assets transferred to S1	-	(9 806)	(9 844)
Financial assets transferred from S1	-	65 737	45 606
Financial assets transferred to S2	(71 029)	-	(12 888)
Financial assets transferred from S2	8 752	-	8 591
Financial assets transferred to S3	(49 419)	(9 281)	-
Financial assets transferred from S3	8 887	12 217	-
Financial assets created or acquired during the year	536 438	2 435	1 569
Write-offs	(2 529)	(262)	(918)
Financial assets derecognised during the year	(253 001)	(4 819)	(8 250)
Amortisation	(176 585)	(326)	(2 087)
Other changes	-	-	-
Book value at 31.12.2018	**2 359 730**	**84 809**	**84 383**

Provisions - DC Portfolio IN THOUSANDS OF EUROS	Expected losses at 12 months (S1)	Expected losses at maturity (S2)	Financial assets with incurred credit losses at closed (expected losses at maturity) (S3)
Provisions at 01.01.2018	**2 612**	**963**	**3 291**
- Transfer to S1	15	(326)	(465)
- Transfer to S2	(69)	2 757	(626)
- Transfer to S3	(59)	(338)	3 752
Amortisation	(210)	(14)	(99)
Financial assets derecognised during the year	(331)	(137)	(319)
Financial assets created or acquired during the year	691	115	94
Write-offs	(3)	(9)	(68)
Change of models / re-estimation of parameters)	(120)	(682)	396
Foreign exchange effects and other movements	-	-	-
Provisions at 31.12.2018	**2 526**	**2 329**	**5 958**

N.B.: The impact of expected losses on the group’s off-balance sheet commitment is not significant. No impairments have consequently been recorded.

f. Expected credit losses on « DOM » Portfolio

Book value - DOM Portfolio IN THOUSANDS OF EUROS	Expected losses at 12 months (S1)	Expected losses at maturity (S2)	Financial assets with incurred credit losses at closed (expected losses at maturity) (S3)
Book value at 01.01.2018	**882 862**	**20 823**	**22 301**
Financial assets transferred to S1	-	(6 830)	(4 246)
Financial assets transferred from S1	-	14 788	16 278
Financial assets transferred to S2	(21 443)	-	(607)
Financial assets transferred from S2	4 716	-	5 318
Financial assets transferred to S3	(22 342)	(7 214)	-
Financial assets transferred from S3	2 901	455	-
Financial assets created or acquired during the year	455 602	5 065	2 558
Write-offs	(18)	(20)	(68)
Financial assets derecognised during the year	(141 687)	(2 909)	(1 705)
Amortisation	(186 717)	(1 167)	(3 706)
Other changes	-	-	-
Book value at 31.12.2018	**973 876**	**22 992**	**36 123**

Provisions - DOM Portfolio IN THOUSANDS OF EUROS	Expected losses at 12 months (S1)	Expected losses at maturity (S2)	Financial assets with incurred credit losses at closed (expected losses at maturity) (S3)
Provisions at 01.01.2018	**8 338**	**3 192**	**7 141**
- Transfer to S1	78	(1 061)	(1 412)
- Transfer to S2	(211)	2 412	(206)
- Transfer to S3	(221)	(1 139)	7 319
Amortisation	(1 696)	(146)	(1 095)
Financial assets derecognised during the year	(1 301)	(456)	(546)
Financial assets created or acquired during the year	4 359	846	864
Write-offs	(0)	(4)	(26)
Change of models / re-estimation of parameters)	(1 838)	(569)	3 011
Foreign exchange effects and other movements	-	-	-
Provisions at 31.12.2018	**7 508**	**3 077**	**15 050**

g. Expected credit losses on "Trailing" Portfolio

Book value - Trailing Portfolio IN THOUSANDS OF EUROS	Expected losses at 12 months (S1)	Expected losses at maturity (S2)	Financial assets with incurred credit losses at closed (expected losses at maturity) (S3)
Book value at 01.01.2018	**14 890**	**290**	**678**
Financial assets transferred to S1	-	(13)	(24)
Financial assets transferred from S1	-	64	89
Financial assets transferred to S2	(331)	-	(117)
Financial assets transferred from S2	23	-	43
Financial assets transferred to S3	(390)	(49)	-
Financial assets transferred from S3	67	103	-
Financial assets created or acquired during the year	-	-	35
Write-offs	-	-	-
Financial assets derecognised during the year	(2 849)	(70)	(170)
Amortisation	(4 032)	105	126
Other changes	-	-	-
Book value at 31.12.2018	**7 378**	**430**	**659**

Provisions - Trailing Portfolio IN THOUSANDS OF EUROS	Expected losses at 12 months (S1)	Expected losses at maturity (S2)	Financial assets with incurred credit losses at closed (expected losses at maturity) (S3)
Provisions at 01.01.2018	**29**	**22**	**87**
- Transfer to S1	0	(3)	(11)
- Transfer to S2	(1)	24	(13)
- Transfer to S3	(1)	(3)	46
Amortisation	(8)	(2)	(4)
Financial assets derecognised during the year	(5)	(5)	(19)
Financial assets created or acquired during the year	-	-	4
Write-offs	-	-	-
Change of models / re-estimation of parameters)	1	(3)	15
Foreign exchange effects and other movements	-	-	-
Provisions at 31.12.2018	**16**	**30**	**105**

h. Expected credit losses on « BESV » Portfolio

Book value - BESV Portfolio IN THOUSANDS OF EUROS	Expected losses at 12 months (S1)	Expected losses at maturity (S2)	Financial assets with incurred credit losses at closed (expected losses at maturity) (S3)
Book value at 01.01.2018	**-**	**-**	**-**
Financial assets transferred to S1	-	-	-
Financial assets transferred from S1	-	-	-
Financial assets transferred to S2	-	-	-
Financial assets transferred from S2	-	-	-
Financial assets transferred to S3	-	-	-
Financial assets transferred from S3	-	-	-
Financial assets created or acquired during the year	1 136 517	-	-
Write-offs	-	-	-
Financial assets derecognised during the year	-	-	-
Amortisation	-	-	-
Other changes	-	-	-
Book value at 31.12.2018	**1 136 517**	**-**	**-**

Provisions - BESV Portfolio IN THOUSANDS OF EUROS	Expected losses at 12 months (S1)	Expected losses at maturity (S2)	Financial assets with incurred credit losses at closed (expected losses at maturity) (S3)
Provisions at 01.01.2018	**-**	**-**	**-**
- Transfer to S1	-	-	-
- Transfer to S2	-	-	-
- Transfer to S3	-	-	-
Amortisation	-	-	-
Financial assets derecognised during the year	-	-	-
Financial assets created or acquired during the year	30 510	-	-
Write-offs	-	-	-
Change of models / re-estimation of parameters)	-	-	-
Foreign exchange effects and other movements	-	-	-
Provisions at 31.12.2018	**30 510**	**-**	**-**

i. Credit risk exposures

Credit risk exposure by payment delay (in days) – Customer loans portfolio						
	2018					2017
IN THOUSANDS OF EUROS	Not due or < 30 days	> 30 days	> 60 days	> 90 days	Total	Total
Personnal loans - Book value						
On the basis of the expected credit losses at 12 months	146 105	0	0	16	146 121	120 673
On the basis of the expected credit losses at maturity	2 658	1 407	596	4 950	9 611	5 618
POCI (Purchased or Originated Credit Impaired)	412	22	8	1 217	1 659	3 945
Mortgage loans - Book value						
On the basis of the expected credit losses at 12 months	2 167 087	0	0	0	2 167 087	2 169 633
On the basis of the expected credit losses at maturity	89 848	14 185	10 080	44 064	158 177	87 306
POCI (Purchased or Originated Credit Impaired)	50 806	2 693	1 460	54 872	109 831	133 589
Auto - Book value						
On the basis of the expected credit losses at 12 months	829 588	0	0	0	829 588	747 929
On the basis of the expected credit losses at maturity	15 269	8 590	6 118	19 801	49 778	36 869
POCI (Purchased or Originated Credit Impaired)	3 488	564	463	21 420	25 935	42 110
Restructured loans (exc. mortgage) - Book value						
On the basis of the expected credit losses at 12 months	192 744	0	0	0	192 744	187 151
On the basis of the expected credit losses at maturity	4 695	1 444	839	4 045	11 023	4 159
POCI (Purchased or Originated Credit Impaired)	804	81	53	1 375	2 313	4 008
Real Estate - Gross carrying value						
On the basis of the expected credit losses at 12 months	746 939	5 824	21 502	101 816	876 082	-
On the basis of the expected credit losses at maturity	0	0	0	0	0	-
POCI (Purchased or Originated Credit Impaired)	35 699	0	579	59 168	95 447	-
Unsecured - Gross carrying value						
On the basis of the expected credit losses at 12 months	260 436	0	0	0	260 436	-
On the basis of the expected credit losses at maturity	0	0	0	0	0	-
POCI (Purchased or Originated Credit Impaired)	7 538	0	1 946	856	10 340	-

10.5. Securitisation risk

My Money Group holds securitised assets on its balance sheet, acquired either as originator in the course of its financing activities, or through the securitisation of several portfolios of customer loans (debt consolidation, motor vehicle loans & leases and personal loans).

In the context of the Capital Requirement Regulation (articles 404 to 410), the total securities issued in these securitisation operations stands at €2 216 million at 31 December 2018.

The securities issued have been rated by two external ratings agencies, S&P and DBRS. The companies under French law which manages these securitisation funds are EuroTitrisation, and the custodians of the securities are Société Générale.

In the course of these operations, servicing contracts have been established between My Money Group (the servicer) on the one hand, and EuroTitrisation (the management company) and Société Générale (the custodians) on the other. These servicing contracts mean inter alia that the Group is responsible for the management of the securitised assets on behalf of the management company and of the custodian.

A specific monitoring tool has been established including first-level controls within the Treasury covering cash flows, data transferred to the management company and external reporting. The data transferred to the management company is subject to a second-level control by the Finance Director and the Risk Officer. The performance of securitisation vehicles is also reviewed monthly, as a second-level control, by ALCO.

10.6. Management and adequacy of internal capital

a. Régulatory capital

My Money Group is included in the consolidation perimeter of Promontoria MMB SAS, the entity responsible for evaluating internal capital adequacy.

The method for evaluating internal capital adequacy must enable credit institutions and other investment entities to assess the extent to which their capital is sufficient to cover all their actual or potential risks. The Group must comply with the prudential regulations defined in the Basel III agreements: Directive 2013/36/EU and Regulation (EU) no 575/2013 of the European Parliament and of the Council.

The regulatory capital requirement is calculated on a consolidated basis by the parent company Promontoria MMB SAS.

The standardized approach is used to quantify the total Pillar I capital requirement for credit risk and operational risk. Additional analyses of the Group’s other risk exposures under Pillar II (mainly the overall interest rate risk and liquidity risk) are conducted in order to measure any necessity for an additional allocation of capital in order to comply with the Basel principles.

In terms of solvency, three levels of capital are defined:

- Common Equity Tier 1 (CET1). This category of equity includes the Group's accounting equity (capital, issue premiums, reserves, annual result), less the proposed distribution of dividends, and restated for the applicable regulatory adjustments, including deferred taxes on carry-forwards, the deduction of goodwill and intangible assets (net of tax liabilities) or other adjustments related to OCI accounted for directly in equity (e.g. fair value reserves related to gains or losses on cash flow hedges);
- Tier 1 equity, consisting of Common Equity Tier 1 and Additional Tier 1 capital (AT1). This category includes securities with no specified maturity date;
- Total equity, which consists of tier 1 and tier 2 equity, and includes subordinated debt in addition to the previous levels.

b. Monitoring and management of equity

The Group's capital management strategy consists of maintaining a level of equity sufficient to cover potential losses, guarantee respect of its regulatory requirements and ensure its solvency.

This strategy is implemented through a management system addressing all the operational processes required to achieve these objectives:

- the development of an internal approach to the measurement of the capital requirement and the monitoring of the group's resilience in a high-stress environment (ICAAP);
- forecasting capital requirements and their allocation reflecting the needs of business lines, and profitability targets;
- a system for the analysis of the consumption of equity by business lines and of their profitability, based on weighted assets in Basel III/CRR;
- the monthly monitoring of internal capital adequacy indicators (solvency ratios, CET1, RWA) in the ALCO committee;
- an analysis and approval by ALCO and the Promontoria MMB Board of Directors of any planned distributions of dividends.

11. Establishments and activities by country

Article L. 511-45 of the Monetary and Financial Code requires credit institutions, (mixed) financial holding companies and financing entities to publish information on the establishments and activities included in the consolidation scope in each country or territory.

The Group's staff, like all its activities, are located in France and stand at 762 FTE. The Group's establishments are presented in Note 4, *Consolidation scope*

Since all the operations of My Money Group are located in France only, all the other information required by Article L. 511-39 of the Monetary and Financial Code, aggregated for this State, is reported directly in the following Notes to the consolidated financial statements:

Required information	Note to the consolidated financial statements
Net banking income	II – Consolidated income statement
Profit / loss before tax	II – Consolidated income statement
Amounts of taxes on profits	II – Consolidated income statement
w/o current taxes	*7.11 Income tax and deferred taxes*
w/o deferred taxes	*6.6 Current and deferred tax assets and liabilities*
	7.11 Income tax and deferred taxes
Public subsidies received	N/A

12. Fees paid to the statutory auditors

IN THOUSANDS OF EUROS	2018 KPMG Audit	2018 RSM Paris	2018 Grant Thornton	2018 Total	2017 KPMG Audit	2017 RSM Paris	2017 Total
Independent audit, certification and examination of the separate and consolidated accounts	634	170	12	816	240	92	332
Services other than the certification of accounts	188	67		255	99	31	130
Total	**822**	**237**	**12**	**1 071**	**339**	**123**	**462**

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