#ENSEMBLE NOUVEAUMONDE
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FIRST AMENDMENT TO THE 2019 UNIVERSAL REGISTRATION DOCUMENT

including BFCM's Interim financial report at **June 30, 2020**

Crédit Mutuel Alliance Fédérale

BANQUE FÉDÉRATIVE Crédit Mutuel

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Crédit Mutuel
Alliance Fédérale

FIRST AMENDMENT TO THE 2019 UNIVERSAL REGISTRATION DOCUMENT

including BFCM's Interim financial report

JUNE 30, 2020

This overall presentation document was prepared by the Banque Fédérative du Crédit Mutuel (BFCM) in connection with widening its investor base, in order to respond to the specific features of some of the markets in which it operates.

In order to provide the same level of information to all investors on the European continent, in North America and in the Asia-Pacific region, BFCM has decided, for greater clarity and readability, to introduce a single universal registration document containing the financial information of Crédit Mutuel Alliance Fédérale and that of the BFCM consolidated scope. This document is intended to be used for all of BFCM's refinancing programs (Euro Medium Term Notes Program; U.S. Medium Term Notes Program; Euro Commercial Paper; Negotiable debt securities).

Accounts have not been audited, but are subject to a limited review.
2019 universal registration document filed with the Autorité des marchés financiers (AMF - French Financial Markets Authority) on April 27, 2020, as number D.20-0360.
First amendment to the 2019 universal registration document, filed with the Autorité des marchés financiers on August 11, 2020, as number D.20-0360-A01.

The English language version of this report is a free translation from the original, which was prepared in French. All possible care has been taken, to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This first amendment to the universal registration document was filed on August 11, 2020, with the AMF, as the competent authority under Regulation (EU) 2017/1129, without prior approval, in accordance with Article 9 of the regulation.

The Universal registration document can be used for the purposes of a public offering of securities or for the admission of securities to trading on a regulated market if it is supplemented by a note on the securities and, where relevant, a summary and all amendments to the universal registration document are included. These are approved by the AMF in accordance with Regulation (EU) 2017/1129.

PREAMBLE

CRÉDIT MUTUEL ALLIANCE FÉDÉRALE A RESILIENT BUSINESS MODEL SHOWS ITS STRENGTH

The networks' commercial activity continued through the lockdown period as a result of the commitment of all our employees and our ability to keep the banking networks open.

Growth in outstanding loans remained steady (+7.4% at €407 billion), driven not only by the very sharp rise in cash loans (including SGL – State-guaranteed loans, with €12.9 billion in outstandings at June 30), but also by a steady rise in home loans (+7.1%). Networks also saw an 19.8% increase in savings deposits at €382 billion, marked by the sharp rise in credit balances on current accounts (+30.1%).

Specialized consumer lending business was up (+4.3% in outstandings) despite the very sharp drop in spending on consumer durables during the lockdown period.

Private banking subsidiaries continued to play a major role, particularly in terms of advisory management. Savings deposits managed by Banque Transatlantique and its subsidiaries, Banque de Luxembourg and Banque CIC Suisse, were up 8.1%, at €127.6 billion.

The insurance sector's financial results were impacted by the support measures implemented to compensate policyholders, in particular, a €169 million recovery bonus (prime de relance mutualiste) paid out to 25,000 small businesses and self-employed professionals, as well as by the poor performance of the financial markets. Commercial activity was steady: property insurance revenue was up 5.4% and healthcare insurance revenue was up 3.4%. Gross premium income from life assurance and capitalization operations was down 40.1%.

Private equity business recorded a high level of disposals and made new investments of €267 million over the half year. Downturns in the valuation of portfolio investments impacted by the crisis led to a 59.5% drop in net banking income.

In terms of both liquidity and solvency, Crédit Mutuel Alliance Fédérale is one of the most robust banks in Europe. In fact, the liquidity reserve (€169.7 billion at June 30, 2020), bolstered by the improvement in the group's loan-to-deposit ratio for the last 18 months, largely covers 12-month money market funds. In terms of solvency, Crédit Mutuel Alliance Fédérale's own funds stood at €47.5 billion, up from €45.6 billion at June 30, 2019. At the end of March 2020, the Common Equity Tier 1 (CET1) ratio stood at 16.9%, up 50 basis points over one year, the Tier 1 ratio stood at 17.0% and the overall solvency ratio stood at 19.9%.

Economic and social uncertainty led Crédit Mutuel Alliance Fédérale to significantly strengthen its level of loan loss provision, particularly with regard to performing loans.

An additional €454 million provision was made this half year for non-proven risks, including:

- an increase in the level of provision for performing loans by increasing the worst-case scenario weighting;
- additional allocations to business segments deemed to be the most vulnerable;
- Impairment provisions for asset financing.

General operating expenses were tightly controlled over the half year, falling 1.2% to €4.6 billion at June 30, 2020.

Since March 20, the group's robust nature and its capacity for action have enabled it to take emergency measures to protect both individuals and business customers affected by the pandemic

CHOICES IN TERMS OF RESPONSIBILITY AND SOLIDARITY

In keeping with its mutualist values, Crédit Mutuel Alliance Fédérale took significant measures to support its members and customers – private individuals, self-employed professionals, businesses or non-profit organizations - right from the start of the health crisis

Our commitment to individual customers and members

During the crisis, Crédit Mutuel local banks and CIC branches stayed open to meet, at a distance, all their members and customers' needs. Members and customers were able to access not only their dedicated advisors, but also online banking, Crédit Mutuel and CIC mobile apps, as well as benefitting from the generalized roll-out of electronic signatures.

Special arrangements for private individuals during the crisis

- Offers were made to customers and members **to restructure their home and consumer loans**. At June 30, 2020, nearly 135,000 contractual amendments were signed within the two Crédit Mutuel and CIC networks.
- **Students** and **apprentices** with student loans still in the grace period, received **a €150 grant** and had their grace period extended by another 6 months, fee and interest-free, for loans due to be repaid from this summer onwards. At June 30, 2020, 32,000 grants had been paid.
- Crédit Mutuel Alliance Fédérale raised the **contactless payment threshold to €50** for all its bank cards.
- Protection for financially vulnerable customers was increased: **bank charges** were **lifted for account holders deemed to be financially vulnerable**.
- Customers not issued with cash withdrawal cards were able to use **E-Retrait Banque**, an innovative device making it possible to withdraw cash from the group's ATMs rather than over the counter.

Our commitment to self-employed professionals and businesses

Self-employed professionals, retailers, tradespeople, farmers, SMEs and non-profit organizations, hit hard by the crisis, also received major support.

In addition to State-guaranteed loans, the Crédit Mutuel, CIC and BECM networks set up a wide-ranging support scheme.

Specific measures for businesses and self-employed professionals during the crisis

- From March 20, **automatic fee-free extension of loan payment deadlines**, until September, apart from specific cases. At June 30, 2020, over 1,577,000 loan payment deadlines had been extended and modified, totaling €3.5 billion.
- Deferral of **insurance premiums** in the 2nd quarter with no loss of cover under all insurance policies (property and healthcare insurance).
- **Removal of bank charges for refused account transactions** (direct debits, checks and bills).
- **Distribution of State-guaranteed loans** as soon as they were launched. At June 30, 2020, 108,000 SGLs had been processed, totaling €17.3 billion.
- Immediate, one-off **recovery bonus (prime de relance mutualiste)** (of between €1,500 and €20,000) awarded to all holders of multi-risk business insurance policies covering operating losses, without exception, and with no need to make a claim. At June 30, 2020, €169 million had been paid to 25,000 policyholders.
- A €500,000 grant was given to Adie, the pioneering microlending non-profit organization, to **fund** interest-free **recovery loans** for businesses impacted by the crisis.

Our commitment to our employees

Crédit Mutuel Alliance Fédérale was able to count on all its employees as it continued to support its customers and members during lockdown.

As well as adopting the employee recognition measures provided for by the Government, Crédit Mutuel Alliance Fédérale decided to go further.

In keeping with its civic values, the business declined to make use of "partial unemployment" measures and, instead, put employees affected by a drop in business on reduced hours at full pay. This measure represents the equivalent of 95,000 working days

Crédit Mutuel Alliance Fédérale declined to profit from the Labor law exemptions permitted under the Labor Order of March 26, 2020, and did not compel any of its employees to take paid vacation or other statutory leave during lockdown. This measure had an impact of over €100 million on the consolidated interim financial statements in terms of the provision for paid vacation.

The decision was also made to award a €350 recognition bonus (the "PEPA") to all Crédit Mutuel Alliance Fédérale employees working either remotely, or on site. An additional bonus of up to €500 was also awarded to employees who displayed exceptional commitment under these particularly difficult circumstances.

These choices are in line with the responsible employment policy followed by Crédit Mutuel Alliance Fédérale.

TOWARDS UPDATING THE ENSEMBLE#NOUVEAUMONDE STRATEGIC PLAN

This crisis which affects our health, economy and society, marks a crystallization point where the relevance of mutualism, with its ability to listen to society's expectations and respond to the needs of its members and customers, has never been so clear.

The basic elements of the scenario underpinning the ensemble#nouveaumonde 2019-2023 strategic plan, namely low interest rates, regulatory pressure, competition from the tech platforms, digital transformation, and the climate and environmental emergency, have been confirmed. Crédit Mutuel Alliance Fédérale has decided to act now by accelerating the implementation of its strategy and intensifying its fundamental strategic choices, based on the need for proactivity, simplicity, efficiency and modernity.

Work on updating the plan has already begun and will be reviewed in the second half of 2020 after a period of co-construction and consultation involving elected members, employees and employee representatives.

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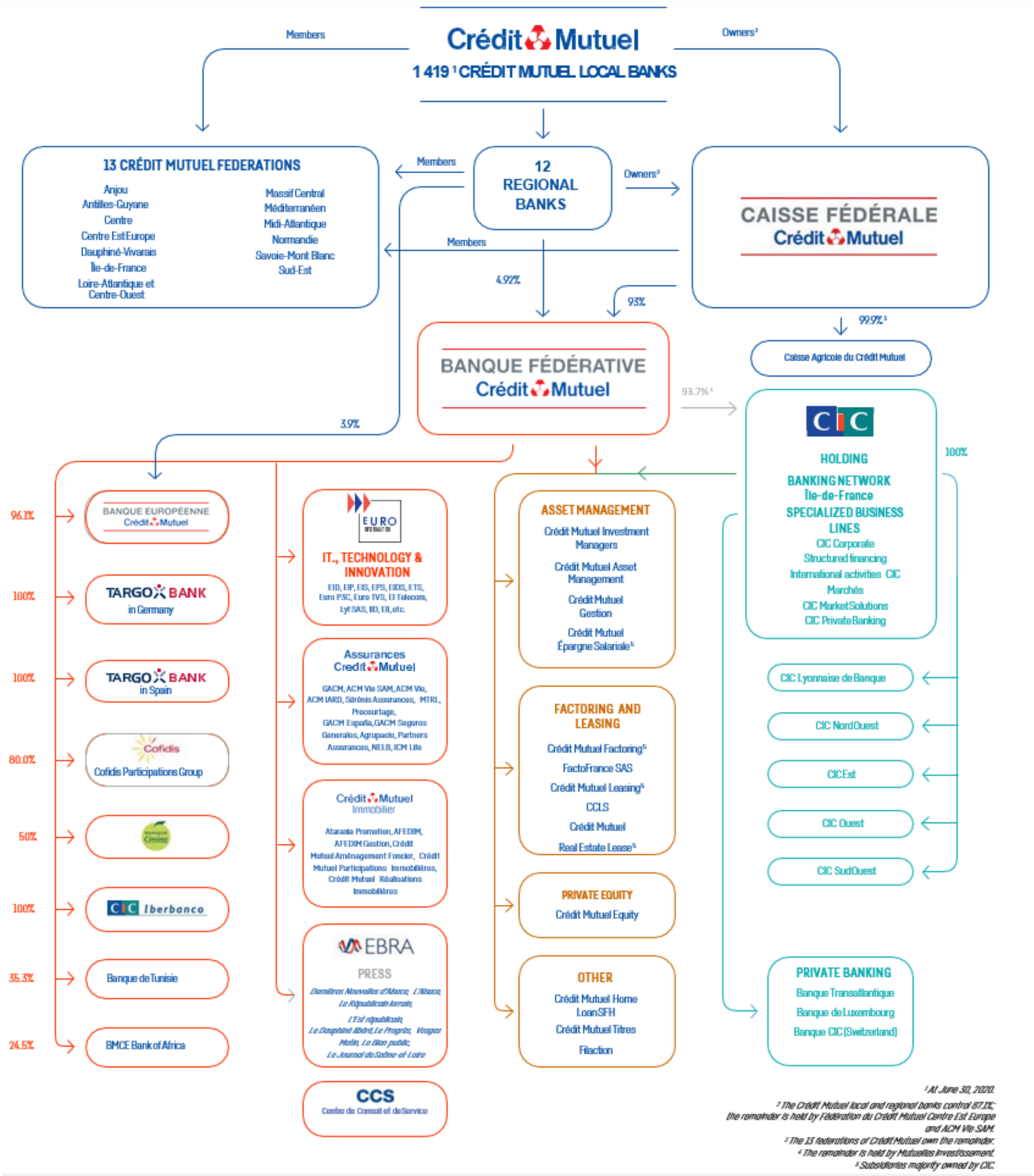
1 PRESENTATION OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

1.1 ORGANIZATION OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

Crédit Mutuel Alliance Fédérale has two divisions: the mutual banking division (also called the regulatory scope) comprising regional and local banks, 13 federations of Caisse Fédérale de Crédit Mutuel, and the capital division (BFCM Consolidated scope) comprising the subsidiaries of Crédit Mutuel Alliance Fédérale.

Through the 13 Crédit Mutuel federations that control it, Crédit Mutuel Alliance Fédérale is a member of the Confédération Nationale de Crédit Mutuel, the central body whose mission is to represent the group before public authorities, to promote and defend its interests and to exercise control over the federations.

As of June 30, 2020, Crédit Mutuel Alliance Fédérale had 26.9 million customers, 4,387 points of sale and 71,794 employees.



On May 20, 2020, Banque Fédérative du Crédit Mutuel (BFCM) acquired an additional 9.36% stake in the capital of Cofidis Participations. By increasing its stake in the capital of Cofidis Participations to 80%, Crédit Mutuel Alliance Fédérale reaffirms its determination to pursue the expansion of Cofidis in its consumer credit businesses in France and Europe.

1.2 THE CRÉDIT MUTUEL GROUP

The Crédit Mutuel group which is a leading supplier of banking and insurance services in France for the Crédit Mutuel network and all its subsidiaries grouped under the network's umbrella body: Confédération Nationale du Crédit Mutuel (CNCM). CNCM is responsible for defending the interests of the Crédit Mutuel group, whose central bank acts as its financing tool.

Crédit Mutuel is a cooperative bank which is governed by the Act of September 10, 1947. It belongs to its members who hold its capital and direct its strategy under a democratic functioning method.

1.2.1 Regional groups

The Crédit Mutuel group comprises the Crédit Agricole et Rural (CMAR) federation – and 5 regional groups comprising 18 federations:

- Crédit Mutuel Alliance Fédérale comprising 13 regional federations grouped around Caisse Fédérale de Crédit Mutuel;
- the Crédit Mutuel Arkéa group and its two regional federations, together forming Caisse Interfédérale Crédit Mutuel Arkéa: Bretagne (Brest), and Sud-Ouest (Bordeaux);
- the Crédit Mutuel Maine-Anjou, Basse-Normandie regional group (Laval);
- the Crédit Mutuel Nord Europe regional group (Lille);
- the Crédit Mutuel Océan regional group (La Roche-sur-Yon).

This federal bank may be interfederal, as is the case for Caisse Fédérale de Crédit Mutuel and for Caisse Interfédérale Crédit Mutuel Arkéa. The local banks and the federal bank, in which they are shareholders, are members of the regional federation. The federation is the strategy and control body which represents Crédit Mutuel in its region. The federal bank provides financial functions such as liquidity management as well as technical and IT services. The federations and the federal banks are managed by boards elected by the local banks.

1.2.2 Confédération Nationale du Crédit Mutuel

The Confédération Nationale du Crédit Mutuel (CNCM) is the network's central body in respect of the French Monetary and Financial Code. The 18 regional federations, the Crédit Mutuel Agricole et Rural (CMAR) federation, the Caisse Centrale du Crédit Mutuel (CCCM) and companies on a list kept by CNCM are affiliated to it.

The CNCM has continued to make changes to its structure and its operations and governance in accordance with the request of the European Central Bank (ECB), its supervisor. In 2020, the CNCM made clarifications to the solidarity and resolution mechanism at the national level at the request of the resolution authority.

CCCM, a national financial body structured as a credit institution, manages the intervention fund intended to be used in the event that Crédit Mutuel's financial solidarity is called into question. Its capital is held by all of Crédit Mutuel's federal or inter-federal banks.

1.2.3 Solidarity within the Crédit Mutuel group

The Crédit Mutuel solidarity scheme aims to ensure the continuous liquidity and solvency of all establishments affiliated to the Confédération Nationale du Crédit Mutuel (CNCM), in order to prevent defaults. It is based on a set of rules and mechanisms set up at regional group level and at confederal level.

There is unlimited solidarity between CNCM affiliates.

1.2.4 Provisions applicable at regional group level

The Crédit Mutuel Alliance Fédérale solidarity mechanism is based on Article R.511-3 of the French Monetary and Financial Code, independently of the statutory provisions relating to the joint and several liability of members up to the nominal value of the members' shares subscribed by the member.

Each federation must set up a solidarity mechanism between the local banks within its territorial jurisdiction.

This mechanism must enable a local bank to avoid a long-term deficit and/or restructure a deteriorated situation. It ensures the equalization of the earnings of member banks through a federal fund maintained by contributions and subsidies. The obligation to contribute applies to all funds (including the federal or inter-federal fund), or only to funds with positive results, depending on the rules of the relevant federal fund in force. Contributions, which preserve equalization, and subsidies are meant to cover losses recognized during the year and any tax losses carried forward. Equalization subsidies must include the amounts needed to pay for the compensation of shares. Subsidies from the federal fund are normally repayable.

Implementation of restructuring measures at regional group level as defined by the "DCG".

A mechanism that is reviewed and updated annually enables the regional group to monitor a number of key indicators included in the risk appetite framework adopted by the CNCM board of directors and implement the corrective measures stated in the restructuring plan should the indicators be exceeded.

In the event of difficulty, under the oversight of the CNCM, a regional group may request the assistance of another regional group for the implementation of the restructuring plan and for other reasons.

If no regional solidarity solution has been put in place or has not restored compliance with the key indicators within the timeframe set out in the restructuring plan, or if objective evidence suggests in advance that the implementation of such solutions would prove insufficient, the national solidarity mechanism shall be implemented.

1.2.5 Provisions adopted at national level

Confédération Nationale du Crédit Mutuel is in particular responsible for ensuring the coherence of its network and the proper functioning of the institutions affiliated to it. To this end, it must take all necessary measures, specifically to ensure the liquidity and solvency of each of said institutions, as well as the entire network (Article L.511-31 of the French Monetary and Financial Code).

According to the terms set by the DCGs interventions required can be decided by the CNCM board of directors if ultimately the mechanisms at regional group level are insufficient to deal with the potential difficulties that a group may face.

2 CRÉDIT MUTUEL ALLIANCE FÉDÉRALE AND BANQUE FÉDÉRATIVE DU CRÉDIT MUTUEL HALF-YEAR BUSINESS REPORT

2.1 ECONOMIC AND REGULATORY ENVIRONMENT IN THE FIRST HALF OF 2020

2.1.1 Economic environment

First half-year 2020: massive response to the unprecedented health crisis

The first half-year 2020 was marked by the Covid-19 health crisis, which originated in China and then spread around the rest of the world. The implementation of lockdown measures had an unprecedented impact on growth and fueled major financial tensions (including a marked slump in equity markets). However, the states associated with central banks acted quickly, setting up large-scale measures and support schemes to keep businesses and households afloat. The Fed in the US and the ECB in the euro zone in particular massively increased the size of their balance sheets and injected massive amounts of liquidity into the markets to ensure extremely favorable financing terms. These plans allowed various economies to start a recovery in the latter part of the half-year, and in a few short months the financial markets had made up most of their losses. In addition, research on a medical solution is being conducted at an unprecedented speed and scale (even though it has not yet led to any concrete results). However, the economic recovery was limited by the spread of the pandemic at the end of the half-year in the US and emerging countries. Similarly, unemployment and corporate bankruptcies remain an area of concern, as does the risk of a second wave of the pandemic.

In the **euro zone**, while the lockdown measures taken by states contained the health crisis, the economic consequences of the pandemic were extremely serious, as seen in the slump in equities (up to 30% for the Stoxx Europe 600 at its lowest point in mid-March) and in the composite PMI activity index (which reached a record low of 13.6 in the first quarter). Confronted with this exceptional situation, governments reacted rapidly with budgetary stimulus plans aimed at limiting the loss in household purchasing power (via short-time working in particular) and corporate bankruptcies (secured loans and credits). For its part, the ECB launched a 1100-billion-euro asset purchase program to run to the end of the year, in order to help refinance states and keep sovereign rates low, and to contain the risk of financial fragmentation in the euro zone (the spread between Italian and German debt reached 275 bp in Q1 2020). These initial measures, combined with the easing of lockdown measures, helped activity recover, while confidence was also boosted by the hopes of a strong budgetary response at European level (750 billion euros in aid, of which 500 billion in grants for countries, totals amounts have yet to be validated), contributing to the appreciation of the euro against the dollar in May (above €1 = $1.12 at the end of Q2 2020).

In **France**, the economic shutdown (the lockdown started on 17 March) was one of the most marked among developed countries in Q1 2020 (GDP fell -5.3% compared with Q4 2019), despite the implementation of large-scale support measures (almost 110 billion euros in direct support, state credits and guarantees leading to the disbursement of 350 billion euros in loans with more flexible terms). The impact of a full month of lockdown has been estimated by INSEE at -30% (in April) but the gradual lifting of restrictions since 11 May helped restart the economy, so much so that the volume of business lost was just 22% in May and 12% in June. The recovery is thus significant but the path is still long before we return to normal (the official growth projections for 2020 vary between -9 and -11%).

In the **United Kingdom**, the year started well, with the approval of an agreement on withdrawing from the EU but the tardy response to the health crisis and the uncertainties relating to subsequent Brexit negotiations (in view of the end of the transition period in December 2020) contributed to the volatility of the pound sterling, which fell against the euro and the dollar (reaching its lowest point at about €1 = £0.93 in March). Nevertheless, the pound recovered somewhat during the half-year as the health risk attenuated. This recovery is limited, however, by London's refusal to extend the transition period even though many issues have yet to be hammered out.

The **United States** initially opted for less strict lockdown measures to lessen the impact on the economy, which led to a less marked downturn in growth (-1.3% quarter on quarter in Q1 2020). While the federal authorities provided historical support (with the Fed reducing key lending rates, massive asset purchases and unprecedented corporate financing programs, and Washington providing 2,800 billion dollars in budget support), the response to the health crisis varied from state to state. States that took more drastic measures with a heavy impact on growth managed to keep contaminations down and halt the first wave. On the other hand, states that favored a rapid re-opening of the economy have been paying the price since the end of the first half-year in terms of contamination. Thus, since early June, the country has been confronted with a faster rate of contagion, forcing some states to re-impose restrictions (Texas, California, Florida, etc.), posing a risk as to the capacity of the economy to recover. Another recovery plan is expected but Congress has not yet reached agreement in an increasingly tense electoral context. Recent polls point to a growing lead for J. Biden and the Democrats in the presidential race, even though the gap is very small for Congress. This raises another issue – that of Washington's trade policy when D. Trump is looking for scapegoats. Relations with Beijing (and with Brussels to a lesser extent) have again become strained, despite China's efforts to comply with the undertakings of the agreement signed at the start of the year.

The first country to experience lockdown and the first to come out of it, **China** saw its growth fall sharply in Q1 2020 (-10% compared with Q4 2019) followed by a rebound in activity from March on. This trend continued at a sustained pace throughout the 2nd quarter. The authorities also had to deal with the emergence of new cases in Beijing, leading rapidly to new localized restriction measures to combat the spread of the virus. Despite growing tensions with Washington and the collapse in international order books, the country was able to rely on progressively improving domestic demand, buoyed inter alia by budgetary but above all monetary measures. The inability of **other emerging countries** to contain the spread of the virus (still rising in most of them) is problematic at a time when these economies have already been hit by the collapse in global trade, to which they are particularly exposed.

After falling sharply at the start of the year up to April (the American benchmark WTI temporarily entered negative territory), against a backdrop of tensions exacerbated by storage capacities, **oil prices** regained ground, buoyed by the gradual re-opening of economies and the considerable drop in global production. While OPEC+ has registered its long-term support, with production cuts planned up to April 2022 but the recovery in prices remains disrupted by large inventories accumulated since the start of the pandemic and a demand dynamic that remains fragile.

2.1.2 Regulatory environment

Regulatory developments over the last six months have been dictated by the COVID-19 situation. Even though the general framework of the regulations in force has not been fundamentally called into question, certain adjustments have been made. They will be presented at the end of this section.

Over the past decade, various national and international regulatory and supervisory bodies have issued rules aiming to limit exposure to risks, strengthen solvency, and protect customers, creditors and investors of banking institutions. As such, Crédit Mutuel Alliance Fédérale is governed by this broad and evolving legislative and regulatory framework, which is becoming increasingly complex.

These regulatory measures, issued by various international, European and/or national authorities in countries where the group is located, are likely to significantly impact Crédit Mutuel Alliance Fédérale in different ways. This requires the deployment of a large network of people and tools, in order to ensure compliance with the rules for all of Crédit Mutuel Alliance Fédérale's business lines, operations, themes, and geographic markets. These measures and constraints may:

- increase capital requirements and reduce the group's capacity to allocate and distribute its capital resources and financing;
- limit the ability to diversify risks;
- reduce the availability of certain financing and liquidity resources;
- increase the cost of financing;
- increase the cost of bringing operations into compliance;
- increase the cost of or reduce demand for products and services offered;
- influence the organization of operations, result in internal reorganization or structural changes;
- impede the ability to carry out certain activities;
- impact competitiveness and profitability, thereby adversely impacting revenues, the financial position, operating results, solvency and group ratings.

While some measures are already being implemented and stabilized, many others are still under discussion and are likely to be subject to amendments that remain undefined at this stage, notably during their transposition into European law in the context of the revision of the CRR3/CRD6 "European banking package". This uncertainty, in addition to complicating the management of activities and strategy, often makes it difficult to accurately assess the real consequences and to quantify the future impacts that are most often spread over very significant transition periods. These regulatory measures, whether in force or scheduled, are likely to have an effect on Crédit Mutuel Alliance Fédérale, namely:

- implementation of prudential reforms as part of the finalizing of the Basel III agreements, including the Fundamental Review of the Trading Book and the IRB Repair initiative (including the new definition of defaults);
- European regulations governing the management of non-performing loans, notably their provisioning rules;
- the recommendation made to French banks by the Haut Commissariat pour la stabilité financière (HCSF – High Council for Financial Stability) in order to further regulate the granting of home loans, combined with a countercyclical buffer in France;

- measures to regulate resolution recovery arrangements to be put in place in banking institutions (BRRD Bank Recovery and Resolution Directive), namely the associated requirements in terms of the MREL ratio (Minimum Requirement for own funds and Eligible Liabilities) to be respected and the contribution to the funding of the Single Resolution Fund (SRF);
- regulations governing data quality and protection (including the European Regulation on the protection of natural persons with regard to the processing of personal data, known as the "General Data Protection Regulation" (GDPR), or the requirements set out in the principles of the BCBS 239);
- regulations on banking compliance, in particular those governing the fight against money laundering and terrorist financing (LCB-FT) and customer protection;
- regulations governing market activities (including EMIR and MIFID2).

In addition, with the recent COVID-19 crisis, several regulatory adjustments have taken place. In particular, the gradual entry into force of the Basel III finalization agreements initially scheduled from 2022 to 2027 has been postponed by one year, to between 2023 and 2028. At the EU level, the European Parliament voted a package of "quick-fix" measures amending CRR 2 to increase the capacity of banks to absorb crisis-related losses and put in place transitional provisions for the management of non-performing loans. Temporary relief from certain prudential constraints was also agreed to, in particular:

the elimination of capital buffers (capital conservation buffers, counter-cyclical capital buffers, systemic risk buffers),

the option to waive certain Pillar 2 capital requirements,

the option to have an LCR liquidity ratio of below 100%.

Finally, the ECB recommended that all European banks pay no dividends in 2020 for 2019 and 2020 earnings. This measure will be discussed further in the fourth quarter of 2020 and also impact the payment of compensation for the shares.

2.2 ACTIVITIES AND PROFIT/(LOSS) OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

2.2.2 Activities and profit/(loss) of Crédit Mutuel Alliance Fédérale

2.2.2.1 Methodology notes

1/ Calculation of customer deposits excluding repos

Crédit Mutuel Alliance Fédérale
Outstanding customer loans

(in € millions)	June 30, 2020	June 30, 2019	change in %	change in €M
Loans and receivables to customers at amortized cost (A)	407,001	378,091	+7.6%	+28,910
o/w repos (B)	1,424	3,555	ns	(2,131)
Customer loans excluding repos (A) - (B)	405,577	374,536	+8.3%	+31,041

Outstanding customer deposits

(in € millions)	June 30, 2020	June 30, 2019	change in %	change in €M
Due to customers at amortized cost (A)	381,654	316,518	+20.6%	+65,136
o/w repos (B)	89	615	ns	(526)
Customer deposits excluding repos (A) - (B)	381,565	315,903	+20.8%	+65,662

2/ Changes at constant scope

Retail banking sector: the Antilles-Guyane (Fort-de-France) and Massif Central (Clermont-Ferrand) Federations of Crédit Mutuel joined Crédit Mutuel Alliance Fédérale on January 1, 2020. Changes at constant scope are calculated by neutralizing the data over the first half of 2020 for the two incoming federations.

Crédit Mutuel Alliance Fédérale

Outstandings in € millions	June 30, 2020	*chg. scope*	June 30, 2020	June 30, 2019	change at constant scope in %	change at current scope in %
Customer loans excluding repos	405,577	*3,218*	402,359	374,536	+7.4%	+8.3%
Customer deposits excluding repos	381,565	*3,106*	378,459	315,903	+19.8%	+20.8%

(in € millions)	1st half-year 2020	*chg. scope**	1st half-year 2020 at const. scope	1st half-year 2019	change at constant scope in %	change at current scope in %
Net banking income	6,858	*56*	6,801	7,537	-9.8%	-9.0%
General operating expenses	(4,552)	*(41)*	(4,511)	(4,567)	-1.2%	-0.3%
Gross operating income	2,306	*15*	2,290	2,970	-22.9%	-22.4%
Cost of risk	(1,046)	*(7)*	(1,039)	(462)	+124.6%	+126.2%
Operating income	1,260	*8*	1,251	2,507	-50.1%	-49.8%
Net gains and losses on other assets and ECC (1)	(0)	*0*	(0)	21	ns	ns
Profit/(loss) before tax	1,260	*8*	1,251	2,528	-50.5%	-50.2%
Income tax	(402)	*(3)*	(400)	(899)	-55.6%	-55.2%
Net profit/(loss)	857	*5*	852	1,629	-47.7%	-47.4%

Retail banking

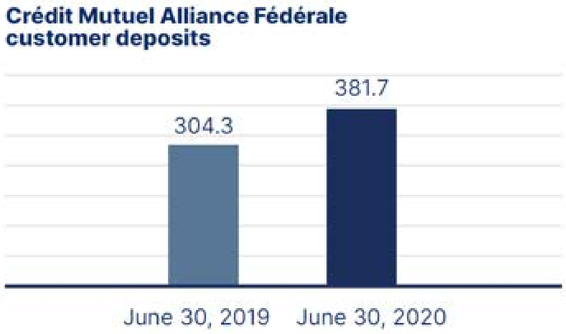
(in € millions)	1st half-year 2020	*chg. scope**	1st half-year 2020 at const. scope	1st half-year 2019	change at constant scope in %	change at current scope in %
Net banking income	5,191	*56*	5,135	5,265	-2.5%	-1.4%
General operating expenses	(3,355)	*(41)*	(3,314)	(3,386)	-2.1%	-0.9%
Gross operating income	1,836	*15*	1,820	1,879	-3.1%	-2.3%
Cost of risk	(934)	*(7)*	(926)	(391)	+136.6%	+138.5%
Operating income	902	*8*	894	1,487	-39.9%	-39.3%
Net gains and losses on other assets and ECC (1)	(1)	*0*	(1)	3	ns	ns
Profit/(loss) before tax	902	*8*	894	1,490	-40.0%	-39.5%
Income tax	(377)	*(3)*	(374)	(551)	-32.2%	-31.7%
Net profit/(loss)	525	*5*	520	939	-44.6%	-44.1%

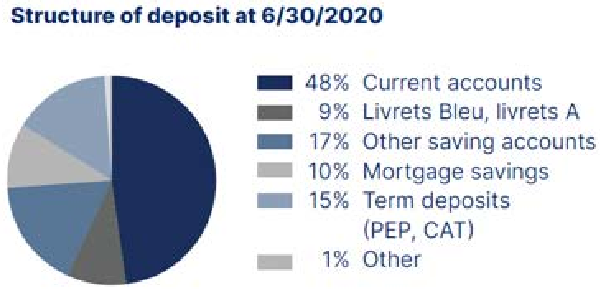
2.2.2.2 Change in activity in the 1st half-year 2020

CUSTOMER DEPOSITS

At end June 2020, the outstanding customer deposits were €381.7 billion, up 20.6% on a rolling 12-month basis (excluding repos and at constant scope, the growth was 20.8%).

Outstanding current account credit balances grew by more than €48 billion followed by negotiable deposits (+€15 billion) and passbook accounts (+€12 billion).

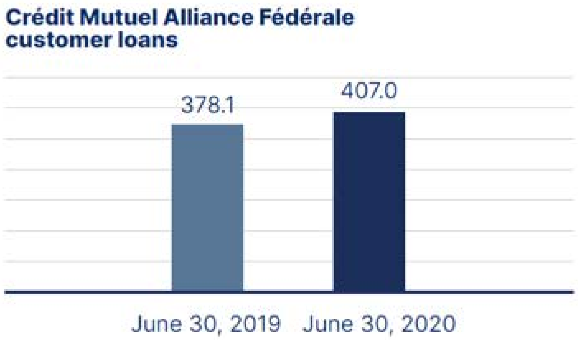


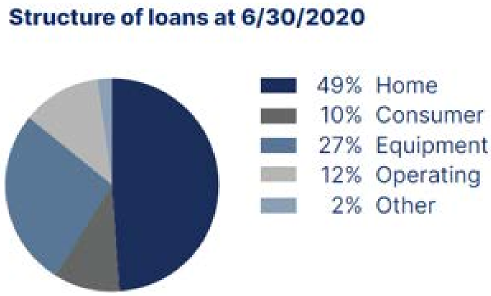


CUSTOMER LOANS

At end June 2020, outstanding customer loans were €407 billion, up 7.7% on a rolling 12-month basis (excluding repos and at constant scope, the growth was 7.4%).

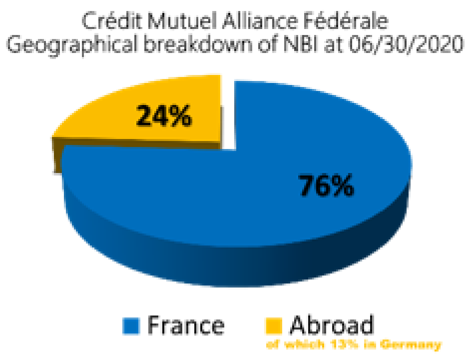
Outstanding home loans grew 7.1% (+€13 billion). Outstanding operating loans, which include Guaranteed business loans, increased 25.9% (+€10 billion). Consumer loans and investment loans showed the same trend with a 5.4% increase.





2.2.2.3 Regional breakdown of revenues

The group's activity is concentrated in France, which represents more than three quarters of the group's net banking income (76% at June 30, 2020). Internationally, the group has significant activities in Germany and, to a lesser extent, in Spain. CIC also has international subsidiaries in London, Brussels, New York, Hong Kong and Singapore, and representative offices in several other countries. These international activities represent around a quarter (24%) of the group's Net banking income.



2.2.2.4 Profit/(loss) of Crédit Mutuel Alliance Fédérale

(in € millions)	1st half-year 2020	1st half-year 2019	change at constant scope[2]
Net banking income	**6,858**	**7,537**	**-9.8%**
General operating expenses	(4,552)	(4,567)	-1.2%
Gross operating income	**2,306**	**2,970**	**-22.9%**
Cost of risk	(1,046)	(462)	+124.6%
Operating income	**1,260**	**2,507**	**-50.1%**
Net gains and losses on other assets and ECC [1]	0	21	ns
Profit/(loss) before tax	**1,260**	**2,528**	**-50.5%**
Income tax	(402)	(899)	-55.6%
Net profit/(loss)	**857**	**1,629**	**-47.7%**
Non-controlling interests	89	169	-47.2%
Net profit/(loss) attributable to the group	**768**	**1,460**	**-47.8%**

(1) ECC = Equity consolidated companies = proportionate share of the net profit (loss) from equity consolidated companies.

(2) Excluding consolidation scope entrants in 2020: Crédit Mutuel Antilles French Guiana and Crédit Mutuel Massif Central - See methodology notes in section 2.2.2.1.

Net banking income (NBI)

Net banking income for the first half of 2020 reached €6.9 billion, down 9.8% over the year. The unprecedented and brutal nature of the pandemic on the economic environment negatively impacted the revenues of all Crédit Mutuel Alliance Fédérale's activities.

Net banking income from the operational business lines

(in € millions)	1st half-year 2020	1st half-year 2019	change in %	change in €M
Retail banking	**5,191**	**5,265**	**-2.5%***	**(74)**
Insurance	**698**	**1,096**	**-36.3%**	**(398)**
Specialized business lines	**604**	**831**	**-27.3%**	**(227)**
Private banking	311	273	+13.8%	+38
Corporate banking	185	188	-1.9%	(4)
Capital markets	38	194	-80.6%	(157)
Private equity	71	176	-59.5%	(104)
IT, logistics and press	**915**	**873**	**+4.8%**	**+42**

**at constant scope*

Retail banking, which accounts for 70% of Crédit Mutuel Alliance Fédérale revenues, posted net banking income of €5.2 billion, down 2.5%, penalized by a decline in net interest income in a persistent environment of low interest rates and a slight decrease in network commissions (-0.7%).

Corporate banking was less impacted with net banking income of €185 million, slightly down by 1.9%.

Net insurance income, down 36.3%, suffered from the fall in life insurance inflows and the strong impact of solidarity measures taken for policyholders, while in risk and life and health insurance, income and portfolio growth remained on an upward trend.

In the first half of 2020, market activities earned net banking income of €38 million, compared to €194 million in the first half of 2019, in a very deteriorated market environment that strongly penalized the account ting valuations of financial assets at fair value through profit or loss.

Net banking income from the private equity activity was affected by the decline in fair value of portfolio holdings. and totaled €71 million in the first half of 2020, compared to €176 million in the first half of 2019.

By contrast, private banking's net banking income (4% of the revenues of the operational business lines) rose 13.8% over the year against a backdrop of sustained commercial activity during the confinement period, which led to an increase in commissions.

General operating expenses and gross operating income

General operating expenses dropped 1.2% to €4.6 billion.

Given the decline in net banking income, gross operating income fell 22.9% to €2.3 billion.

Cost of risk, non-performing loans and operating income

The cost of risk increased sharply. It totaled €1,046 million versus €462 million in 2019, i.e., +€584 million. Related to outstanding loans, the cost of customer risk was 48 basis points. For reasons of prudence, it includes an additional non-proven risk expense of €454 million that was created in anticipation of a future deterioration in risks. Thus the cost of non-proven risk grew to €489 million versus €25 million one year earlier and represented 21 basis points on outstanding loans. The cost of proven risk rose by €119 million and stood at 26 basis points on outstanding loans (+3 basis points compared to June 30, 2019). This increase is linked to the sharp decline in economic activity in France.

The non-performing loans ratio was 3.04% at end-June 2020 and was stable compared to end-June 2019 (3.03%). It is a sign of the good quality of the assets. The coverage rate was 52.7% versus 54% at end-June 2019.

(in € millions)	**06/30/2020**	**06/30/2019**
Gross amount of outstanding loans to customers	416,128	386,263
Gross non-performing loans	12,669	11,695
Provisions for depreciation of receivables	9,127	8,172
o/w provisions for depreciation of non-performing receivables	6,676	6,314
o/w provisions for depreciation on performing loans	2,451	1,875
Share of non-performing loans in gross loans	3.04%	3.03%
Coverage ratio on non-performing receivables	52.7%	54.0%

Operating income was down 50.1% to €1,260 million in the first half of 2020 from €2,507 million a year earlier.

Profit/(loss) before tax

The profit/(loss) before tax was €1,260 million.

The item “Net gains and losses on other assets and ECC” recorded practically no income in the first half of 2020 versus €21 million in 2019 including the decreased share attributable to the group in the earnings of equity consolidated companies, particularly in the insurance sector.

Net profit/(loss)

Net income for the first half of 2020 was €857 million, compared to €1,629 million for the first half of 2019. It was strongly impacted by the shock of the health crisis, which caused a decline in net banking income and a significant increase in the cost of credit risk.

2.2.2.5 Results by activity of Crédit Mutuel Alliance Fédérale

2.2.2.5.1 Retail banking

(in € millions)	1st half-year 2020	1st half-year 2019	change atconstant scope [2]
Net banking income	**5,191**	**5,265**	**-2.5%**
General operating expenses	(3,355)	(3,386)	-2.1%
Gross operating income/(loss)	**1,836**	**1,879**	**-3.1%**
Cost of risk	(934)	(391)	+136.6%
Operating income	**902**	**1,487**	**-39.9%**
Net gains and losses on other assets and ECC [1]	(1)	3	ns
Profit/(loss) before tax	**902**	**1,490**	**-40.0%**
Income tax	(377)	(551)	-32.2%
Net profit/(loss)	**525**	**939**	**-44.6%**

(1) ECC = Equity consolidated companies = proportionate share of the net profit (loss) from equity consolidated companies.

(2) Excluding consolidation scope entrants in 2020: Crédit Mutuel Antilles French Guiana and Crédit Mutuel Massif Central - See methodology notes in section 2.2.2.1.

This business line consists of the Crédit Mutuel branches of the 13 federations, CIC's network, Banque Européenne du Crédit Mutuel, CIC Iberbanco, the Targobank branches in Germany and Spain, the Cofidis Participations Group, Banque Casino and all of the specialized business lines including those for which products are sold via the networks: equipment leasing and lease purchasing, real estate leasing, factoring, asset management, employee savings and real estate sales and management.

The banking network and the business line subsidiaries continued to work hard to serve all types of customers.

For individual customers, even if the wage maintenance arrangements put in place by the public authorities limit the financial consequences for the time being, arrangements for credit restructuring and continuity of services have been made.

For professional and corporate customers that have been hit hard by the crisis, immediate measures were put in place to automatically postpone loan maturities and a very large number of State-guaranteed loans were processed.

Retail banking, which accounts for 70% of Crédit Mutuel Alliance Fédérale revenues, posted net banking income of €5,191 million, down 2.5%, including a 2.1% drop in net interest margin in a persistently low interest rate environment, and to a lesser extent a 1.7% decline in network commissions.

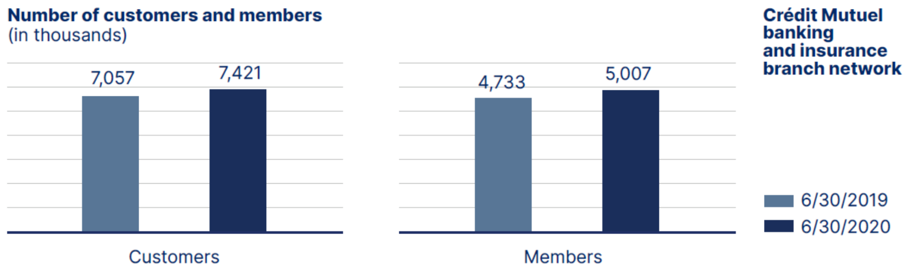
Faced with this decline in revenues, general operating expenses were also down to €3,355 million. Excluding the contribution to the Single Resolution Fund (+23.4%), retail banking's cost/income ratio was 64.6%, up 0.3% compared to the first half of 2019. Operating income was down 3.1% to €1,836 million from €1,879 million in the first half of 2019.

The cost of risk was €934 million, compared to €391 million a year earlier. The cost of non-proven risk was up sharply (+€394 million). It reflects the pandemic-related degradation of the economic environment. The cost of proven risk also rose by €149 million.

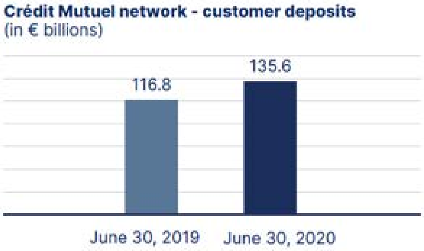
Bank networks

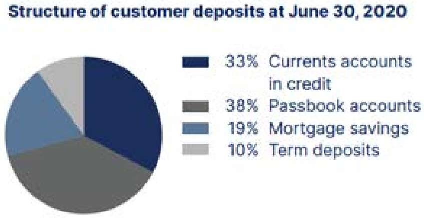
Crédit Mutuel's retail banking and insurance networks

At the end of June 2020, the banking and insurance network at Crédit Mutuel branches had 7.42 million customers. Private individuals accounted for 87% of the total followed by professionals and companies (8%), and non-profits (4%).



Outstanding deposits grew sharply by 16.1% year-on-year to €135.6 billion; credit balances of current accounts were valued in particular, drawing in €10.4 billion in the first half of the year, with other financial investments not offering very attractive returns. The popularity of passbook accounts remains strong, with outstandings up 12.7%. Term deposits and mortgage saving agreements were not left behind, with increases in outstandings of 17.2% and 6.1% respectively.





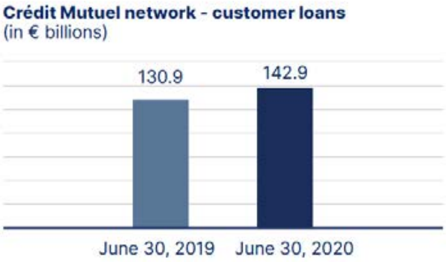
Life insurance outstandings (+2.3% at €40.8 billion) and bank financial savings (+2.1% at €14.0 billion) continued to grow. In all, the savings entrusted by customers of the Crédit Mutuel bank network totaled €190.4 billion, up 11.8%.

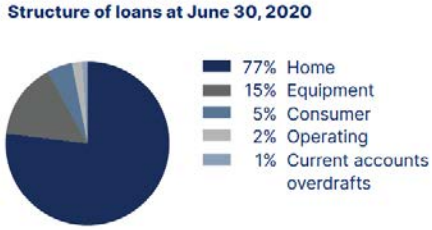
Outstanding loans grew by 9.2% to €142.9 billion.

The priority given to supporting the cash needs of professional and business customers is reflected in outstanding cash loans of €3.3 billion at the end of June 2020 compared to €0.8 billion one year earlier.

Business with private individuals was maintained with a continued rise in the amount of home loans appropriated (+3.9%) as well as outstandings (+8.7% to €109.4 billion).

Consumer loans, the most impacted by the confinement period, also grew 3.6%.





Customer demand for related products and services held steady and the network, despite difficult conditions, continued to equip customers with insurance (+3.1% of contracts), online banking (+5.2%) and remote surveillance (+2.6%) contracts.

With respect to the income statement, the net banking income from the banking and insurance network of Crédit Mutuel fell 1.8% at constant scope (+1.8% at current scope) to €1,577 million.

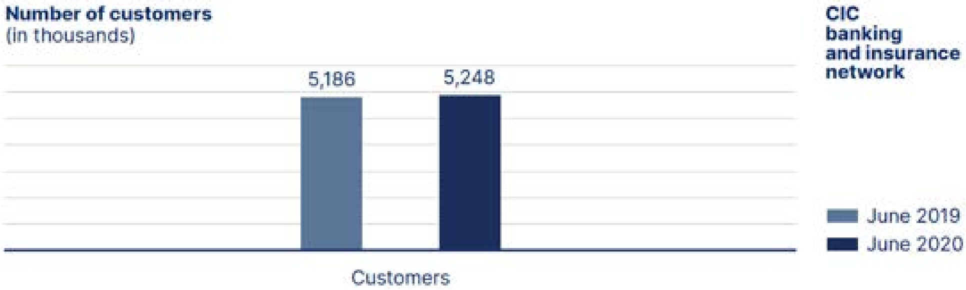
The general operating expenses were well controlled (-6.0%).

The cost of risk was €101 million versus €1 million in 2019 due to the exceptional nature of the COVID-19 health crisis.

Net profit/(loss) grew 3.0% to €227 million.

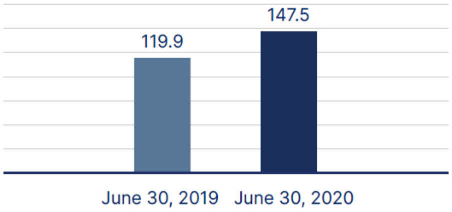
The CIC banking and insurance network

There were 5.2 million banking network clients as of the end of June 2020, an increase of 1.2% year-over-year. The number of self-employed professional and business customers increased by 2.8% with 1.0 million customers at end-June 2020 (20% of the total) and for individuals the increase was of 0.8%.

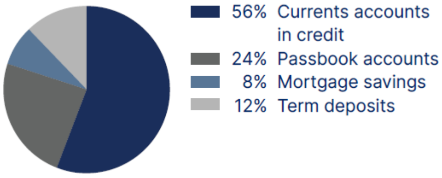


Outstanding deposits rose sharply by 23.0% over one year to €147.5 billion. Current accounts credit balances are the main cause of this increase with inflows of €21.2 billion in the first half of the year linked to the confinement period. The other components of deposits also increased: term deposits (+27.5%), passbook accounts (+6.4%) and mortgage saving agreements (+3.7%).

CIC network - customer deposits
(in € billions)



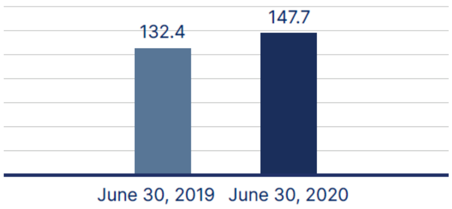
Structure of customer deposits at June 30, 2020



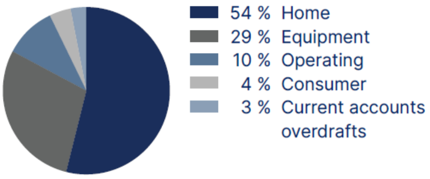
At end-June 2020, savings under management and in custody totaled €59.6 billion in assets under management. It was stable compared to June 30, 2019. Life insurance maintained a slight increase of 0.5% to €37.5 billion.

Outstanding loans grew by 11.6% to €147.7 billion compared to June 30, 2019. Due to the confinement period imposed on customers, lending activity was heavily concentrated on operating loans granted to professional and corporate customers (including SGLs): these loans almost tripled to €14.4 billion. The other categories of loans continued to grow (investment +7.5%, housing +4.8% and consumer +0.5%) even if, in terms of appropriation, activity declined over the period.

CIC network - customer loans
(in € billions)



Structure of loans at June 30, 2020



Customer demand for related products and services held steady and the network, despite difficult conditions, continued to equip customers with insurance (+3.5% of contracts), online banking (+6.8%) and remote surveillance (+2.1%) contracts.

With respect to the income statement, the net banking income from CIC's banking and insurance network fell by 5.1% to €1,661 million. The net interest margin (-5.2%) was adversely affected by specific business conditions and a persistently low interest rate environment, and commissions were down 3.3%.

The general operating expenses were well controlled (-0.8%).

The cost of risk was €224 million, versus €70 million in June 2019. The cost of proven risk increased by €31 million and the cost of non-proven risk by €123 million.

Net profit/(loss) fell 49.6% to €184 million.

Banque Européenne du Crédit Mutuel (BECM)

BECM is a subsidiary of Crédit Mutuel Alliance Fédérale serving the regional economies, the business market and real estate professionals. To support its 20,330 customers across all their needs, it has a commercial sales network of 54 branches and a subsidiary in Monaco. By region, the network is comprised of 45 branches in France, 8 in Germany and a branch in the Antilles. It is organized by market, with 36 branches for the business market, 16 branches for real estate professionals and 2 branches for the consumer market.

Measured in terms of average monthly capital and aggregated over the scope including its subsidiary, BECM Monaco, customer loans grew 11% year-on-year on a rolling 12-month basis to €18.0 billion. Deposits rose sharply by 58.2% over the rolling 12-month period, to €19.3 billion. The commitment ratio stood at 93.0%.

To meet the business continuity challenges during the pandemic, BECM benefited from equipment and organizational choices made in previous years: a high level of laptops, smartphones and remote connection options, widespread use of videoconferencing, a decentralized organization, a corporate culture based on responsibility as close to the field as possible and with a high degree of autonomy.

Since March 15, 2020, the implementation of measures to support customers' cash flow has been prioritized (figures as of July 13, 2020): €333 million in loan maturities have been extended. €1,125 million of Guaranteed business loans (PGE) have been appropriated or approved. Maturities of short-term financings have been postponed to the second half of 2020.

The health crisis generated strong growth in capital with a strengthened liquidity position. The decline in net banking income was limited because the drop in net interest margin was offset by resiliency in net commissions, up 13.7%.

The Net banking income increased by 3.2% to €151.3 million.

General operating expenses grew 1.6% due mainly to the increase in financial taxes. The cost of proven risk stood at €38.5 million, up €23.5 million.

The cost of non-proven risk under IFRS 9 stood at €15.3 million, up €8.6 million. Given the relatively small exposure of BECM to the sensitive sectors at group level, the cost of non-proven risk for sector risks stood at €5.2 million.

Net profit/(loss), at 23.4 million, down €25.2 million, reflects BECM's ability to maintain profitability in 2020 thanks to the resiliency of its business model.

TARGOBANK in Germany

TARGOBANK, with 338 branches in 250 main cities in Germany, provides banking, insurance, and also factoring and leasing solutions for its 3.8 million customers, private individuals and businesses. TARGOBANK is the market leader on the consumer credit and factoring sectors, combining the benefits of online banking with those of branch banking to offer its customers a quick and efficient service, with personalized advice in branches, at home, or by telephone.

After a promising start in January and February, TARGOBANK's activity suffered from the impacts from the health crisis.

Although the branches were closed to the public during the confinement phase between 20 March and 4 May, the bank quickly adapted its processes to be able to continue supporting its customers by telephone.

Remote sales channels, up 33% compared to the first half of 2019, also helped to cushion the impact from the closure of branches to the public.

The bank's market share in amortizable loans thus stood at 11.7% in the first half of the year, an increase of 19% compared to the same period in 2019.

Point-of-sale and automotive loan activities suffered from the temporary closure of many of the outlets of partner retailers and dealers, but have seen a catch-up in consumption since June.

Asset management activity increased in a high volatility environment which encouraged transactions.

Corporate activities were harder hit by the crisis. Sales processed by the factoring teams was down 5.7% compared with the first half of 2019, while new leases dropped by 10%.

Outstanding loans nevertheless grew. They stood at €20.2 billion at the end of June 2020, up €1 billion (+5%) compared to June 30, 2019. Deposits increased further during the health crisis due to lower consumption and higher precautionary savings. They reached €21.1 billion at June 30, 2020, up €2.2 billion, i.e. +11.8% compared to the end of June 2019.

The profit/(loss) before tax[1] in the first-half 2020 was €121 million. Despite a 1.8% increase in net banking income, the profit/(loss) before tax declined, mainly due to the €116 million provision reflecting the estimated future impact of the health crisis on credit risk. The effects of the crisis have not yet been seen due to the support measures for households and businesses temporarily put in place by the German government, in particular the moratorium allowing monthly payments to be postponed until July 1.

Cofidis Participations Group

In this specific environment, the Cofidis Participations Group was able to react quickly and enable working from home in each of its subsidiaries, to ensure both business continuity and the safety of its employees.

Commercial activity has been impacted by the heath crisis in the first-half. Products marketed directly suffered from the sharp slowdown in consumption; some partners stopped their activity. Originations were down 15% as a result compared to the previous fiscal year.

Thanks to a very good start to the year, loan outstandings grew 4.8% year-on-year to €12.6 billion. Net profit/(loss) fell compared to the first half of 2019, at €54 million in the first half of 2020, versus €96 million a year earlier.

Net banking income increased by €17 million compared to the first half of 2019. It was driven by the growth of commercial activity in the second half of 2019 and the beginning of 2020, as well as by the very favorable market refinancing conditions.

General operating expenses were stable, increasing only 0.7% compared to 2019, with significant savings made during the crisis.

The cost of risk increased by €73 million, including €37 million related to additional provisions on performing outstandings in anticipation of a deteriorating economic situation in the coming months.

[1] Contribution to the consolidated financial statements of Crédit Mutuel Alliance Fédérale.

2.2.2.5.2 Insurance

In the first half of 2020, insurance represented 10% of the revenues of Crédit Mutuel Alliance Fédérale's operating business lines.

(in € millions)	1st half-year 2020	1st half-year 2019	change
Net insurance income	**698**	**1,096**	**-36.3%**
General operating expenses	(334)	(329)	+1.5%
Gross operating income/(loss)	**365**	**767**	**-52.5%**
Net gains and losses on other assets and ECC [1]	1	15	ns
Profit/(loss) before tax	**366**	**783**	**-53.3%**
Income tax	(148)	(277)	-46.7%
Net profit/(loss)	**218**	**505**	**-56.9%**

(1) ECC = Equity consolidated companies = proportionate share of the net profit (loss) from equity consolidated companies.

The insurance activity, driven by the Groupe des Assurances du Crédit Mutuel (GACM), has been fully integrated in Crédit Mutuel Alliance Fédérale on commercial and technological levels for 50 years.

Like the market, the health and economic crisis caused by the COVID-19 pandemic is having a strong impact on GACM's activity and results in the first half of 2020.

The confinement measures implemented between March and May 2020 in France, and in the countries where GACM subsidiaries operate, led to a sharp slowdown in insurance policy sales and a significant decline in savings inflows. At June 30, 2020, insurance revenues were €5.0 billion, a 21.1% decline compared to the previous fiscal year.

This decline was due to a 40.1% drop in life and investment life insurance gross premium income to €2.2 billion. The drop in inflows was already evident at the very beginning of the year following the measures taken to improve the diversification of life insurance policies. Due to this strategy, the proportion of unit-linked sales rose to 37.9%, a significant increase on the 21.2% recorded in the first half of 2019. The decline in inflows was also observed at market level, but to a lesser extent (-26.7% at the end of June 2020).

Risk insurance, less exposed to the crisis, continued its steady growth.

Despite the halted growth in the first-half, property insurance revenue grew 5.4%.

The revenue increase was less marked in healthcare insurance. It nonetheless grew 3.4%. In particular, individual health suffered from the end of Complémentaire santé ACS health contract after November 1, 2019, which led to a contraction of the portfolio.

Despite this turbulent environment, insurance commissions paid to the networks continued to grow. They stood at €804 million (+2.7%), including €646 million paid to Crédit Mutuel Alliance Fédérale.

The confinement period had differing impacts on claims in the various policy portfolios. The decrease in automotive, housing and health claims was largely offset by an increase in work stoppages and deaths in personal risk and borrower's insurance. The crisis will still impact the second-half. Particularly in healthcare, a catch-up effect of procedures not performed during the confinement is expected.

Beyond these impacts on the insurance business, the confinement impacted many policyholders, particularly professionals and businesses. In this context, GACM took a number of exceptional measures to support them. An immediate flat-rate Mutualist Recovery Bonus was paid to the multi-risk policies of professionals who had taken out business interruption insurance. At end June 2020, more than 25,000 insureds benefited from this bonus of between €1,500 and €20,000, for a total paid of nearly €170 million. Assurances du Crédit Mutuel also contributed €17 million to the support measures implemented by the profession, in particular the solidarity fund for VSEs and the self-employed.

Finally, the sharp fall in the stock markets since the beginning of the crisis negatively impacted GACM's financial results, assessed under international accounting standards (IFRS).

GACM's contributory net profit amounted to €218 million, down 57% compared with June 2019 (€505 million).

2.2.2.5.3 Corporate banking and capital markets

In the first half of 2020, corporate banking and capital markets activities represented 3% of the revenues of Crédit Mutuel Alliance Fédérale's operating business lines.

(in € millions)	1st half-year 2020	1st half-year 2019	change
Net banking income	**223**	**383**	**-41.8%**
General operating expenses	(200)	(196)	+2.0%
Gross operating income	**23**	**187**	**-87.8%**
Cost of risk	(109)	(81)	+33.9%
Profit/(loss) before tax	**(86)**	**106**	**ns**
Income tax	20	(19)	ns
Net profit/(loss)	**(66)**	**87**	**ns**

Corporate banking

Corporate banking provides services to large corporate and institutional customers, based on a comprehensive approach to their requirements, with teams based in both France and at CIC's foreign subsidiaries (New York, London, Singapore and Hong Kong). It also relies on the action of the "corporate" networks for their large customers, and contributes to the development of international business and to the implementation of specialized financing (acquisitions, assets, projects).

Outstanding loans under management were €22.4 billion at the end of June 2020 and outstanding deposits €15.5 billion.

Corporate banking net banking income was down 1.9% and concentrated in "large corporates" activity, whereas new project financing business was good.

General operating expenses were stable (+0.8%). The overall cost of risk was up €27 million. The cost of non-proven risk increased by €69 million. It includes provisions on performing outstandings and ex-ante sectoral provisions related to sensitive sectors.

After income tax of €6 million (compared to a tax credit of €6 million in the first half of 2019), net income was zero, compared to €44 million a year earlier.

Capital markets

Crédit Mutuel Alliance Fédérale's capital markets business activities are recognized on CIC's balance sheet. It includes the interest rates investment business, shares and loans and the commercial business (CIC Market Solutions) in France and in the branches in New York and Singapore.

Capital markets activities produced net banking income in the first half of 2020 of €38 million, versus 194 million in the first half of 2019. The very deteriorated market environment penalized the book values of financial assets carried at fair value through profit or loss.

Operating expenses increased by 2.7%, with a contribution to the Single Resolution Fund (SRF) of €28 million compared to €22 million at June 30, 2019.

Net income was -€66 million in the first half, compared to €43 million in the same period last year.

2.2.2.5.4 Private banking

In the first half of 2020, private banking represented 4% of the revenues of Crédit Mutuel Alliance Fédérale's operating business lines.

(in € millions)	1st half-year 2020	1st half-year 2019	change
Net banking income	**311**	**273**	**+13.8%**
General operating expenses	(208)	(204)	+1.6%
Gross operating income	**103**	**68**	**+50.4%**
Cost of risk	(4)	11	ns
Operating income	**99**	**79**	**+25.1%**
Net gains and losses on other assets and ECC [1]	0	2	ns
Profit/(loss) before tax	**99**	**81**	**+22.2%**
Income tax	(22)	(16)	+34.0%
Net profit/(loss)	**77**	**65**	**+19.3%**

(1) ECC = Equity consolidated companies = proportionate share of the net profit (loss) from equity consolidated companies.

The companies composing the business line operate in France through CIC Banque Transatlantique and its subsidiaries Banque Transatlantique Luxembourg, Banque Transatlantique Belgium, Banque Transatlantique Londres, Banque de Luxembourg and Banque CIC Suisse.

The beginning of the year was very active commercially and management activity remained steady during the confinement period, especially in advisory management and structured products.

Outstanding savings totaled €127.6 billion at June 30, 2020, up 8.1%. This increase was in both deposits (+6.2%) and financial savings (+8.5%).

Outstanding loans reached €15.0 billion, an increase of 10.5% over one year.

Net banking income from private banking rose sharply by 13.8% to €311 million in the first half of 2020.

Operating expenses maintained a moderate increase of 1.6%, with gross operating income up 50.4% to €103 million.

The cost of risk posted a net provision of €4 million, compared to a reversal of €11 million a year earlier. Net income was up 19.3% to €77 million.

2.2.2.5.5 Private equity

In the first half of 2020, private equity represented 1% of the revenues of Crédit Mutuel Alliance Fédérale's operating business lines. The table below presents the elements constituting the profit/(loss) of the private equity business line for the fiscal years 2020 and 2019.

(in € millions)	1st half-year 2020	1st half-year 2019	change
Net banking income	**71**	**176**	**-59.5%**
General operating expenses	(25)	(23)	+5.1%
Gross operating income/(loss)	**47**	**152**	**-69.4%**
Cost of risk	2	0	ns
Profit/(loss) before tax	**49**	**152**	**-68.0%**
Income tax	2	1	ns
Net profit/(loss)	**50**	**153**	**-67.1%**

This business line is carried out by Crédit Mutuel Equity which, based in Paris, has branches in Lyon, Nantes, Lille, Bordeaux and Strasbourg, thus ensuring proximity with customers, while addressing a gradual international development phase (Switzerland, Germany, Canada, United States).

Despite a sharply deteriorating economic environment, the first half of the year was marked by a high level of disposals and a level of investment of €266.5 million over the period.

The portfolio of investments stood at €2,744 million at June 30, 2020. The portfolio consists of 329 non-fund holdings, the vast majority of which are in companies that are group's customers and nearly 90% are unlisted.

The write-downs in accounting valuations carried out to take into account the impact of the crisis on activity and the accounts of equity holdings led to a decline in net banking income to €71 million compared to €176 million one year earlier.

General operating expenses increased from €23 million to €25 million at end-June 2020. This resulted in net income of €50 million.

2.2.2.5.6 IT, logistics, press & Holding Company

These activities are composed of two separate sectors.

The first groups the activities which are not attached to one of the other business lines, such as the historical equity investments of the group in the companies of the press and media sector established in the east of France, El Télécom, which provides mobile telephony services to customers of the retail banking, Euro Protection Surveillance, which delivers remote monitoring services to individuals, and Lyf Pay, the group's electronic wallet. It also includes the information systems, the group's real estate, the services of Centre de Conseil et de Services (CCS), a subsidiary created in May 2008 to centralize and rationalize logistics, payment processes, services platforms and support services intended for members of Crédit Mutuel Alliance Fédérale and the local banks of other federations.

The second groups the coordination and carrying activities of the subsidiaries as well as the equity investments and acquisitions of the group (notably amortization of valuation differences and costs of refinancing acquisitions), as well as the start-up expenses of new branches and local banks, and lastly, the proportionate share of consolidation using the equity method of entities in which the group holds non-controlling interests.

The table below presents the elements constituting the profit/(loss) of the IT, logistics and press/holding business line for the 2019 and 2020 fiscal half- years.

(in € millions)	1st half-year 2020	1st half-year 2019	change
Net banking income	**806**	**779**	**+3.5%**
General operating expenses	(873)	(863)	+1.2%
Gross operating income/(loss)	**(67)**	**(84)**	**+20.5%**
Cost of risk	(2)	(1)	ns
Operating income	**(69)**	**(85)**	**+18.5%**
Net gains and losses on other assets and ECC [1]	0	0	ns
Profit/(loss) before tax	**(69)**	**(84)**	**+17.6%**
Income tax	122	(37)	ns
Net profit/(loss)	**53**	**(121)**	**ns**

(1) ECC = Equity consolidated companies = proportionate share of the net profit (loss) from equity consolidated companies.

The net banking income of the IT, logistics, press & holding company services stood at €806 million in the first half of 2020 versus €779 million in the first half of 2019. These figures are explained as follows:

- the group's "IT, logistics, and press" business generated net banking income or commercial margins for a total amount of €915 million in the first half of 2020, versus €873 million in the first half of 2019, an increase of 4.8%. This change reflects the level of invoicing of the IT companies;
- The holding company activities of the group generated negative net banking income of €109 million in the first half of 2020, including in particular the cost of carry of fixed expenditure, the cost of equity and development plans.

General operating expenses increased by 1.2%. This increase includes both continued IT investments and lower costs (-8.2%) incurred as part of the ongoing restructuring of the press sector.

The IT, logistics, press & holding company activities posted a net profit/(loss) in the first half of 2020 of €53 million versus -€121 million in the first half of 2019.

2.2.2.6 Financial position of Crédit Mutuel Alliance Fédérale

2.2.2.6.1 Balance sheet

The structure of the balance sheet is the reflection of the commercial banking activity of Crédit Mutuel Alliance Fédérale and the measures taken by the group to strengthen its financial structure in order to meet the new regulatory requirements that will be applicable in the forthcoming years. In particular:

- Crédit Mutuel Alliance Fédérale finances a greater share of loans to customers through deposits, this development being in line with the strategy followed over the last few years. The loans/deposits ratio gradually improved: it stood at 106.6% as of June 30, 2020, against 119.5% as of June 30, 2019.
- Liquidity risk at Crédit Mutuel Alliance Fédérale is strictly managed as part of a system steered by BFCM on the bases of a centralized risk management system. Thus, a significant progress was made with the Basel 3 liquidity ratios, which are above the 100% threshold; the LCR was 159.8% on average over the first half of 2020.

Assets

Summary. The group's consolidated assets stood at €784.5 billion at June 30, 2020 versus €718.5 at December 31, 2019 (+9.2%*).*

This 9.2% increase in total assets (+€66 billion) mainly derives from the increase in loans and receivables to customers (+€22.5 billion, i.e. +5.8%), cash and central bank outstandings (+€24.7 billion) and loans and receivables to credit institutions at amortized cost (+35.8%).

Loans and receivables to credit institutions. Loans and receivables to credit institutions are composed of demand deposits, inter-bank loans and securities subject to repurchase agreements. Loans and receivables to credit institutions reached €55.4 billion as of June 30, 2020, compared to €40.8 billion on December 31, 2019.

Loans and receivables to customers. Loans and receivables to customers stood at €407.0 billion on June 30, 2020, versus €384.5 billion on December 31, 2019, a gross increase of 5.8%.

Liabilities (excluding shareholders' equity)

Summary. The group's consolidated liabilities excluding shareholders' equity stood at €737 billion as of June 30, 2020, versus €671.4 billion on December 31, 2019 (+9.8%). These liabilities include subordinated debt of €8.2 billion on June 30, 2020, stable compared with December 31, 2019. This increase in liabilities excluding shareholders' equity during the first half of 2020 was primarily due to the increase in debts due to customers (mainly deposits) of €44.8 billion (+13.3%*), debt securities (+9.9%) and debts due to credit institutions (+29%).*

Due to credit institutions. Debts due to credit institutions increased by €10.6 billion (+29%) to €47 billion as of June 30, 2020.

Due to customers. Debts due to customers are mainly composed of demand deposits, term deposits, regulated savings accounts and securities subject to repurchase agreements. Debts due to customers amounted to €381.7 billion as of June 30, 2020, versus €336.8 billion on December 31, 2019. This increase is mainly due to the increase in current accounts, term deposits and passbook accounts.

Debt securities at amortized cost. Debt securities are composed of negotiable certificates of deposit and bond issues. Debt securities stood at €137.1 billion as of June 30, 2020, up 9.9% compared to December 31, 2019.

Consolidated equity

The consolidated equity attributable to the group stood at €44.7 billion on June 30, 2020, versus €43.8 billion on December 31, 2019; this change primarily corresponds to net carryover from 2019.

Non-controlling interests increased from €3,320 million on December 31, 2019 to €2,857 million on June 30, 2020.

2.2.2.6.2 Liquidity and refinancing

At 30 June 2020, Crédit Mutuel Alliance Fédérale's liquidity position was solid due to a further improvement in the group's commitment ratio over the past 18 months and easy access to market resources, facilitated by the European Central Bank's (ECB) strong liquidity support measures (PEPP: Pandemic Emergency Purchase Programme; TLTRO3: Targeted Longer-Term Refinancing Operations).

Funding raised by group treasury (BFCM S.A. scope) in the markets stood at €157.1 billion at the end of June (versus €143.6 billion at the end of 2019) and is well spread between short- (35%) and medium- to long-term (65%).

Short-term money market funding of €55 billion grew 6% compared to the end-2019 position and was diversified in terms of instruments (NeuCP 36%; ECP 35%; London CD 11%, deposits 18%) and in terms of currencies (EUR 48%; USD 33%; GBP 18%). Foreign currency funding is mainly swapped into euros.

The beginning of the year was very active. €10.4 billion in medium and long-term external resources (excluding TLTRO) had already been raised, i.e. more than 80% of the annual program. The annual program was reduced by €15 billion to €12/13 billion given the group's comfortable liquidity position.

The breakdown between public issues and private placements stood at 56% and 44% respectively. The particularly high proportion of private transactions in the first half of the year reflected good demand for BFCM by domestic and international investors.

In 2020, public issues represented an equivalent of €5.8 billion. They broke down as follows:

- BFCM by way of senior European Medium-Term Notes (EMTN) of which:
    - £600 million (€658 million equivalent) at 5 years, issued in February,
    - CHF 180 million (€169 million equivalent) at 8 years, issued in February.
- BFCM by way of Non Preferred Senior EMTN (NPS):
    - €1.0 billion at 10 years, issued in January,
    - €1.0 billion at 10 years, issued in June.
- Crédit Mutuel Home Loan SFH:
    - €1.25 billion at 10 years, issued in January,
    - €1.75 billion at 5 years, issued in April.

LCR AND LIQUIDITY BUFFER

The liquidity situation of the consolidated scope of Crédit Mutuel Alliance Fédérale in 2018 was as follows:

- an average LCR ratio in the first half of 2020 of 159.8%,
- average high quality liquidity assets (HQLA) totaling €110.1 billion, 74% of which deposited with central banks (mainly the ECB).

Total liquidity reserves at June 30, 2020 over the consolidated scope broke down as follows:

Crédit Mutuel Alliance Fédérale (in € billions)	June 2020
Cash deposited in central banks	96.2
LCR securities (after *LCR* haircut)	29.0
o/w HQLA Level 1 securities	24.6
Other eligible assets, central banks (after *ECB* haircut)	44.5
TOTAL LIQUIDITY RESERVES	169.7

The liquidity reserve largely covers market resources due at 12 months.

2.2.2.6.3 Solvency

Crédit Mutuel Alliance Fédérale's own funds were €47.5 billion as of June 30, 2020 (€45.6 billion as of June 30, 2019 and €47.1 billion as of December 31, 2019).

At end-June 2020, Crédit Mutuel Alliance Fédérale maintained a high level of solvency, with a Common Equity Tier 1 (CET1) ratio of 17.1%[1]. The Tier 1 ratio also stood at 17.2%[1] at the end of June 2020 and the overall solvency ratio reached 20.0%[1].

Risk-weighted assets (RWA) totaled €231.5 billion at June 30, 2020 (versus €225.7 billion at end-December 2019). Risk-weighted assets in terms of credit risk accounted for 89% of the total, at €207.1 billion.

The leverage ratio stood at 5.9% as of June 30, 2020 (calculated in the transitional period).

[1] Without transitory measures.

2.2.2.6.4 MREL – Minimum Requirement Eligible Liabilities

At March 31, 2020, Crédit Mutuel group (the "group") complies with the MREL target (Minimum Requirement Eligible Liabilities) set by the Single Resolution Board (SRB) at 23.7% of the group's risk-weighted assets (RWA) (>8% of total liabilities and shareholders' equity ("TLOF") and applicable [1]on a consolidated basis. The estimated ratio stood at 37.5% of RWA and 14.2% of TLOF.

As previously [2]indicated, and in anticipation of changes in the regulatory environment, and in particular the transposition of [3]BRRD II, the group wanted to continue consolidating eligible liabilities, including those issued by Banque Fédérative du Crédit Mutuel (BFCM). With this in mind, BFCM's board of directors on July 30, 2020 decided to ask to be affiliated to the Conféderation Nationale du Crédit Mutuel (CNCM) and thus be included within the Credit Mutuel solidarity scope. This affiliation could, subject to the CNCM's decision, occur by the end of September 2020.

2.2.2.6.5 External ratings

The solid financial position and suitability of the group's business model are recognized by the three rating agencies that rate Crédit Mutuel Alliance Fédérale and the Crédit Mutuel group:

	LT/ST counterparty **	Issuer/ LT Preferred senior debt	Outlook	ST Preferred senior debt	Intrinsic rating ***	Date of most recent publication
Standard & Poor's	A+/A- 1	A	Negative ↓	A- 1	a	04/23/2020
Moody's	Aa2/P- 1	Aa3	Stable	P- 1	a3	05/12/2020
Fitch Ratings *	AA-↑	AA-↑	Negative ↓	F1+↑	a+	06/19/2020

* *The "Issuer Default Rating" is stable at A+.*

** *The counterparty ratings represent ratings from the following agencies: Resolution Counterparty at Standard & Poor's, Counterparty Risk Rating at Moody's, and Derivative Counterparty Rating at Fitch Ratings.*

*** *The intrinsic rating corresponds to the Stand Alone Credit Profile (SACP) rating from Standard & Poor's, the Adjusted Baseline Credit Assessment (Adj. BCA) rating from Moody's, and the Viability Rating from Fitch.*

Standard & Poor's: Crédit Mutuel group rating.

Moody's: Crédit Mutuel Alliance Fédérale/BFCM and CIC rating.

Fitch Ratings: Crédit Mutuel Alliance Fédérale rating.

On March 30, 2020, Fitch upgraded the Senior Preferred long term (LT) and short term (ST) ratings by one notch from A+/F1 to AA-/F1+ and the Derivative Counterparty rating from A+ to AA-, considering that Crédit Mutuel Alliance Fédérale should be able to meet its MREL requirement without recourse to Senior Preferred debt within a 3- to 5-year horizon. This improvement follows a change in the agency's methodology that recently came into effect. The central "Issuer Default Rating" remained unchanged at A+.

Between the end of March and the beginning of April 2020, Fitch downgraded the ratings of almost all European banks in the context of the COVID-19 crisis, which resulted in: (i) the banks most exposed to a downgrading of their ratings being on the negative watch, and (ii) the banks whose ratings were deemed more resilient, such as those of Crédit Mutuel Alliance Fédérale, being given a negative outlook.

Between April and early May 2020, Standard & Poor's followed in Fitch's footsteps. It issued multiple negative rating actions on European banks due to the consequences of the COVID-19 crisis on their medium-term fundamentals, despite the support measures put in place by domestic and European authorities. In this context, the agency put the ratings of the five largest French banks, including the Crédit Mutuel group, on negative outlook.

[1] As determined on the basis of the 2018 resolution cycle.
[2] See press release of July 25, 2019 - page 7.
[3] EU Directive 2019/879 (BRRD II).

2.2.2.7 Alternative performance measures

ALTERNATIVE PERFORMANCE MEASURES (APM) - ARTICLE 223-1 OF THE GENERAL REGULATIONS OF THE AUTORITÉ DES MARCHÉS FINANCIERS (AMF - FRENCH FINANCIAL MARKETS AUTHORITY) / POLICIES OF THE ESMA (ESMA/2015/1415)

Name	Definition/calculation method	For ratios, reason for use
Cost/income ratio	Ratio calculated from items of the consolidated income statement: ratio of general operating expenses (sum of items "general operating expenses" and "allocations/ reversals of depreciation, amortization and provisions for property, plant and equipment and intangible assets" of the consolidated income statement) to "IFRS Net banking income"	Measure of the bank's operational efficiency
Overall cost of customer risk related to the *outstanding loans (expressed in% or in basis points)*	Cost of customer risk from the notes to the consolidated financial statements related to gross outstanding loans at the end of the period	Enables assessment of the level of risk as a percentage of credit commitments on the balance sheet
Cost of risk	The "cost of counterparty risk" item on the publishable consolidated income statement	Measurement of the level of risk.
Customer loans	The "loans and receivables due from customers at amortized cost" item in consolidated balance sheet assets	Measurement of customer loan activity.
Cost of non-proven risk	Expected losses at 12 months (S1) + expected losses at maturity (S2) – See note to the financial statements. Application of IFRS 9. Impairment is recognized for all financial assets that have not been objectively indicated as individual losses.	Measurement of the level of unrealized risk.
Customer deposits; deposits accounting	The "amounts due to customers at amortized cost" item in consolidated balance sheet liabilities	Measurement of customer activity in terms of balance sheet resources.
Insurance savings	Life insurance outstandings held by our customers – management data (insurance company)	Measurement of customer activity in matters of life insurance
Financial savings; managed savings held in custody	Off-balance sheet savings outstandings held by our customers or held in custody (securities accounts, UCITS, etc.) – management data (group entities)	Representative measure of activity in terms of off-balance sheet funds (excluding life insurance)
Total savings	Sum of account deposits, insurance savings and bank financial savings	Measurement of customer activity in matters of savings
General operating expenses; management fees	Sum of lines "general operating expenses" and "allocations to/reversals of depreciation, amortization and provisions for property, plant and equipment and intangible assets" from the publishable consolidated income statement	Measure the level of general operating expenses.
Interest margin; net interest revenue; net interest income	Calculated from the items on the consolidated income statement: difference between interest received and interest paid: ▪ interest received = item "interest and similar income" of the publishable consolidated income statement ▪ interest paid = item "interest and similar expenses" of the publishable consolidated income statement	Representative measurement of profitability.
Loan/deposit ratio; commitment coefficient	Ratio calculated using consolidated balance sheet items: ratio expressed as a percentage of total customer loans ("loans and receivables to customers" item of the asset side of the consolidated balance sheet) to customer deposits ("due to customers" item of the liabilities side of the consolidated balance sheet)	Measurement of dependence on external refinancing.
Coverage ratio	Determined by calculating the ratio of provisions for credit risk (S3 impairment) to the gross outstandings identified as in default in accordance with regulations (gross receivables subject to individual impairment S3).	This hedge rate measures the maximum residual risk associated with loans in default ("non-performing").
Share of non-performing loans in gross loans	Ratio between gross outstanding receivables subject to individual depreciation (S3) and gross customer loans (calculated from the notes "Loans and receivables to customers" to the consolidated financial statements: gross receivables + finance leases)	Indicator of asset quality

ALTERNATIVE PERFORMANCE MEASURES (IAP) : RECONCILIATION WITH FINANCIAL STATEMENTS

(in € millions)

Cost/income ratio for retail banking	1st half-year 2020	1st half-year 2019
General operating expenses for retail banking	(3,355)	(3,386)
Net banking income for retail banking	5,191	5,265
Cost/income ratio for retail banking	64.6%	64.3%

Loans/deposits	06/30/2020	06/30/2019
Net customer loans	407,001	378,091
Customer deposits	381,654	316,518
Loans/deposits	106.6%	119.5%

Coverage ratio	06/30/2020	06/30/2019
Impairment (S3)	6,676	6,314
Individually-impaired receivables, gross (S3)	12,669	11,695
Total coverage ratio	52.7%	54.0%

Rate of non-performing loans	06/30/2020	06/30/2019
Individually-impaired receivables, gross (S3)	12,669	11,695
Gross loans to customers	416,128	386,263
Rate of non-performing loans	3.04%	3.03%

Cost of total customer risk related to outstanding loans	06/30/2020	06/30/2019
Cost of customer risk	(1,005)	(454)
Gross loans to customers	416,128	386,263
Cost of customer risk related to outstanding loans*	0.48%	0.24%

Cost of proven customer risk related to outstanding loans	06/30/2020	06/30/2019
Cost of proven customer risk	(533)	(440)
Gross loans to customers	416,128	386,263
Cost of proven customer risk related to outstanding loans*	0.26%	0.23%

Cost of unproven customer risk related to outstanding loans	06/30/2020	06/30/2019
Cost of unproven customer risk	(473)	(14)
Gross loans to customers	416,128	386,263
Cost of unproven customer risk related to outstanding loans*	0.23%	0.01%

* annualized.

2.2.3 Recent developments and prospects

This crisis which affects our health, economy and society, marks a crystallization point where the relevance of mutualism, with its ability to listen to society's expectations and respond to the needs of its members and customers, has never been so clear.

The diagnosis of an environment of low interest rates, regulatory pressure, competition from technological platforms, digital transformation and climatic and environmental urgency posited by the strategic plan *ensemble#nouveaumonde 2019-2023* is confirmed. Crédit Mutuel Alliance Fédérale has therefore decided to act now by accelerating the implementation of its strategy and amplifying its fundamental strategic choices based on the demand for proactiveness, simplicity, efficiency and modernity.

Updates have already been launched and will be verified in the second half of 2020 after a co-construction and consultation process involving elected representatives, employees and employee representatives

2.3 BFCM CONSOLIDATED INCOME

2.3.1 Analysis of the consolidated income statement

BFCM's net profit/(loss) over the consolidated scope for the first half of 2020 was sustained by the same factors that impacted the results of Crédit Mutuel Alliance Fédérale.

The table below presents the interim management balances for BFCM over the consolidated scope for the first half of 2020 and the first half of 2019.

(in € millions)	1st half-year 2020	1st half-year 2019	change
Net banking income	**4,871**	**5,617**	**-13.3%**
General operating expenses	(3,169)	(3,172)	-0.1%
Gross operating income/(loss)	**1,701**	**2,445**	**-30.4%**
Cost of risk	(940)	(460)	+104.6%
Operating income	**761**	**1,985**	**-61.7%**
Net gains and losses on other assets and ECC [1]	23	37	-38.7%
Profit/(loss) before tax	**784**	**2,023**	**-61.2%**
Income tax	(310)	(639)	-51.4%
Net profit/(loss)	**473**	**1,383**	**-65.8%**
Non-controlling interests	96	206	-53.6%
Net profit/(loss) attributable to the group	**378**	**1,177**	**-67.9%**

(1) ECC = Equity consolidated companies = proportionate share of the net profit (loss) from equity consolidated companies.

Net banking income (NBI)

Net banking income for the first half of 2020 reached €4.9 billion, down 13.3% over the year. The unprecedented and brutal nature of the pandemic on the economic environment negatively impacted the revenues of all BFCM's activities.

Net banking income from the operational business lines

(in € millions)	1st half-year 2020	1st half-year 2019	change in%	change In €M
Retail banking	**3,611**	**3,713**	**-2.8%**	**(102)**
o/w banking networks	*2,654*	*2,756*	*-3.7%*	*(102)*
Insurance	**647**	**1,037**	**-37.6%**	**(390)**
Specialized business lines	**604**	**831**	**-27.3%**	**(227)**
Private banking	311	273	+13.8%	+38
Corporate banking	185	188	-1.9%	(4)
Capital Markets	38	194	-80.6%	(157)
Private equity	71	176	-59.5%	(104)
IT, logistics and press	**121**	**133**	**-8.5%**	**(11)**

Retail banking, which accounts for 72% of BFCM's revenues, posted net banking income of €3.6 billion, down 2.8%, penalized by a decline in net interest income in a persistent environment of low interest rates and lower network commissions.

Corporate banking was less impacted with net banking income of €185 million, slightly down by 1.9%.

Net insurance income, down 37.6%, suffered from the fall in life insurance inflows and the strong impact of solidarity measures taken for policyholders, while in risk and life and health insurance, income and portfolio growth remained on an upward trend.

In the first half of 2020, market activities earned net banking income of €38 million, compared to €194 million in the first half of 2019, in a very deteriorated market environment that strongly penalized the account ting valuations of financial assets at fair value through profit or loss.

Net banking income from the private equity activity was affected by the decline in fair value of portfolio holdings and totaled €71 million in the first half of 2020, compared to €176 million in the first half of 2019.

By contrast, private banking's net banking income (6% of the revenues of the operational business lines) rose 13.8% over the year against a backdrop of sustained commercial activity during the confinement period, which led to an increase in commissions.

General operating expenses and gross operating income

General operating expenses were stable at €3.2 billion.

Given the decline in net banking income, gross operating income fell 30.4% to €1.7 billion.

Cost of risk and operating income

The cost of risk increased sharply and totaled €940 million, compared to €460 million in the first half of 2019, i.e. +€481 million.

For reasons of prudence, it includes an additional non-proven risk expense in anticipation of a future deterioration in risks. As a result, the cost of non-proven risk increased to €432 million, compared to €38 million one year earlier. The cost of proven risk rose by €87 million. This increase is linked to the sharp decline in economic activity in France.

Operating income was down 61.7% to €761 million in the first half of 2020 from €1,985 million a year earlier.

Profit/(loss) before tax

The profit/(loss) before tax was €784 million.

The item "Net gains and losses on other assets and ECC" recorded income of €23 million in the first half of 2020 versus €37 million in the first half of 2019.

Net profit/(loss)

Net income for the first half of 2020 was €473 million, compared to €1,383 million for the first half of 2019. It was strongly impacted by the shock of the health crisis, which caused a decline in net banking income and a significant increase in the cost of credit risk.

2.3.2 Transactions with Crédit Mutuel Alliance Fédérale entities

As of June 30, 2020, the outstanding loans granted to Crédit Mutuel Alliance Fédérale entities that are not part of the BFCM consolidation scope totaled €34.0 billion.

BFCM's consolidated gross operating income was -€145 million, related to transactions carried out with Crédit Mutuel Alliance Fédérale entities that are not part of the BFCM consolidation scope (mainly local banks and Caisse Fédérale de Crédit Mutuel). In the first half of 2020, net interest income from these transactions totaled €173 million, net commissions paid were -€6 million and the net balance of income and expenses from other activities recorded by these entities was -€312 million.

2.3.3 Recent developments and prospects

This crisis which affects our health, economy and society, marks a crystallization point where the relevance of mutualism, with its ability to listen to society's expectations and respond to the needs of its members and customers, has never been so clear.

The diagnosis of an environment of low interest rates, regulatory pressure, competition from technological platforms, digital transformation and climatic and environmental urgency posited by the strategic plan *ensemble#nouveaumonde 2019-2023* is confirmed. Crédit Mutuel Alliance Fédérale has therefore decided to act now by accelerating the implementation of its strategy and amplifying its fundamental strategic choices based on the demand for proactiveness, simplicity, efficiency and modernity.

Updates have already been launched and will be verified in the second half of 2020 after a co-construction and consultation process involving elected representatives, employees and employee representatives.

3 CORPORATE GOVERNANCE

3.1 BFCM – CORPORATE GOVERNANCE

3.1.1 Composition of management bodies as of June 30, 2020

Board of directors

- Nicolas Théry, chairman
- Michel Vieux, vice chairman
- CFCM Maine-Anjou et Basse-Normandie, represented by Jean-Marc Busnel
- Gérard Cormorèche
- Claude Courtois
- Philippe Gallienne
- Charles Gerber
- Olivier Guiot
- Elio Gumbs
- Nicolas Habert
- Albert Mayer
- Gislhaine Ravanel
- René Schwartz
- Francis Singler
- Alain Têtedoie
- Dominique Trinquet

Non-voting directors

- Michel Andrzjewski
- Jean-Louis Bazille
- Pascal David
- Jean-Claude Lordelot
- Christian Muller
- Jacques Simon
- Alain Tessier
- Philippe Tuffreau

Other participants

- In accordance with Article L.2312-72 of the French Labor Code, two representatives of the Social and Economic Committee attend the meetings of the board of directors in an advisory capacity.

Executive management

- Daniel Baal, chief executive officer and effective manager
- Alexandre Saada, deputy chief executive officer and effective manager

3.1.2 Positions and functions held by the corporate officers

Directors

Nicolas Théry

MEMBER OF THE GROUP RISK MONITORING COMMITTEE OF CAISSE FÉDÉRALE DE CRÉDIT MUTUEL

55 years old

Born December 22, 1965

Business address:

4 rue Frédéric Raiffeisen 67000 Strasbourg

Summary of main fields of expertise and experience

Nicolas Théry began his career in the financial inspection department in 1989 before joining the Treasury Department in 1993. From 1997 to 2000, he was an adviser in the office of the Minister of the Economy and Finance in charge of monetary and financial topics and then international and European topics. In 2000, he became director of the Private Office of Florence Parly, Secretary of State for the Budget. From 2000 to 2002, he was Confederal Secretary of the CFDT in charge of economic issues. He helped create the inter-union committee for employee savings schemes and the Vigeo rating agency created by Nicole Notat. From 2002 to 2009, he worked at the European Commission as director of cabinet of Pascal Lamy, Commissioner for International Trade, before joining the Directorate-General for Enterprise and becoming director in the directorate general for the Environment where he worked on climate change. In 2009, he joined Crédit Mutuel after holding various positions within the banking group. He was chairman and CEO of CIC Est from 2012 to 2016. Since 2014, he has been chairman of the Caisse Fédérale de Crédit Mutuel, Banque Fédérative du Crédit Mutuel and Crédit Industriel et Commercial. Since 2016, he has been chairman of Confédération Nationale du Crédit Mutuel and Fédération du Crédit Mutuel Centre Est Europe. He also chairs the supervisory board of Groupe des Assurances du Crédit Mutuel.

Nicolas Théry is a graduate of Science Po Paris and of the École Nationale d'Administration (ENA) – top of the "Liberty, Egality, Fraternity" class, and holds a master's degree in law, Economics, Management – with a specialization in Business law.

Chairman of the board of directors
Appointed to the board: 2014
Term expires: 2023

Other offices held as of June 30, 2020

Chairman of the board of directors
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
Fédération du Crédit Mutuel Centre Est Europe
Caisse Fédérale de Crédit Mutuel
Crédit Industriel et Commercial
Banque CIC Est
Banque CIC Nord Ouest
Assurances du Crédit Mutuel Vie SA
Assurances du Crédit Mutuel Vie SAM
ACM IARD SA
Chairman of the supervisory board
Groupe des Assurances du Crédit Mutuel
Banque Européenne du Crédit Mutuel
Permanent representative of Groupe des Assurances du Crédit Mutuel, director
ACM GIE
Permanent representative of Fédération du Crédit Mutuel Centre Est Europe, member of the management board
Euro-Information
Director
Caisse de Crédit Mutuel Strasbourg Vosges

Terms of office expired over the past five fiscal years
Member of the management board
Euro-Information
Chief executive officer
Banque CIC Est
Chairman of the executive board
Groupe des Assurances du Crédit Mutuel
Deputy chief executive officer
Caisse Fédérale de Crédit Mutuel
Banque Fédérative du Crédit Mutuel
Groupe des Assurances du Crédit Mutuel
Director
Targobank Spain
Banque Publique d'Investissement
Permanent representative of BECM, director
Fédération du Crédit Mutuel Centre Est Europe
Permanent representative of GACM, director
ACM IARD SA
Member of the supervisory board
Cofidis
Cofidis Participations

Michel Vieux

ASSOCIATE MEMBER OF THE GROUP RISK MONITORING COMMITTEE OF CAISSE FÉDÉRALE DE CRÉDIT MUTUEL

69 years old

Born April 12, 1951

Business address:

130-132 avenue Victor Hugo – 26009 Valence

Summary of main fields of expertise and experience

Michel Vieux holds a Bachelor's degree in Mathematics from the University 1 of Grenoble and is a graduate of the Institut d'Études Commerciales de Grenoble: Master's Degree in Management Sciences, Diploma of Advanced Study, Finance option, Research studies in doctoral studies at the postgraduate level.

Michel Vieux is chairman of the Fédération and Caisse Régionale du Crédit Mutuel Dauphiné Vivarais. During his professional career, he has held positions as professor of economics and management, continuing education advisor, consultant in financial analysis and director of a training organization.

He has extensive mutualist experience at Crédit Mutuel, where he has held various positions since 1984, first at local and regional level before being appointed confederal director in 2000.

Vice chairman of the board of directors
Appointed to the board: 2011
Term expires: 2023

Other offices held as of June 30, 2020

Chairman of the board of directors
Fédération du Crédit Mutuel Dauphiné-Vivarais
Caisse régionale du Crédit Mutuel Dauphiné-Vivarais
Caisse de Crédit Mutuel de Pierrelatte
Caisse de Crédit Mutuel de la Vallée du Rhône
Director
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
Director (representing CRCM Dauphiné-Vivarais)
Assurances du Crédit Mutuel Vie SAM
Honorary chairman of the board of directors
Caisse de Crédit Mutuel Agriculture de Valréas
Co-managing partner
Sud-Est Transactions Immobilières
Non-voting director
Caisse Fédérale de Crédit Mutuel

Terms of office expired over the past five fiscal years

Member of the supervisory board
Banque Européenne du Crédit Mutuel
Director
Caisse Fédérale de Crédit Mutuel
Non-voting director
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel

Jean-Marc Busnel

61 years old

Born April 25, 1959

Business address:

43 boulevard Volney – 53083 Laval

Summary of main fields of expertise and experience

Jean-Marc Busnel holds a post-graduate degree (DESS) in business administration and management and has been Industrial director of the ACOME Group since 2018. He began his career with ACOME as a technician and then as a senior manager in 1980. He then held various positions from Operations director (2002) to Industry, Purchasing and Supply Chain director (2008) before becoming Branch director (2015).

In 1994, he was elected director of the Caisse locale de Crédit Mutuel de Saint Hilaire du Harcouët. Today, he holds offices at the local level as well as at the federal and confederal levels. Since 2018, he has been chairman of the Caisse Fédérale and the Fédération du Crédit Mutuel de Maine-Anjou Basse-Normandie.

Permanent representative of Caisse Fédérale de Crédit Mutuel de Maine-Anjou et Basse-Normandie, member of the board of directors
Appointed to the board: 2018
Term expires: 2021

Other offices held as of June 30, 2020

Chairman of the board of directors
Fédération du Crédit Mutuel de Maine-Anjou et Basse-Normandie
Caisse Fédérale de Crédit Mutuel de Maine-Anjou et Basse-Normandie
Caisse de Crédit Mutuel de Saint Hilaire du Harcouet
Caisse de Crédit Mutuel Solidaire
Vice chairman of the supervisory board
SODEREC
Director
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
ACOME SA
Permanent representative of Caisse Fédérale de Crédit Mutuel de Maine-Anjou et Basse-Normandie, director
Assurances du Crédit Mutuel Vie SAM
ACM IARD SA

Terms of office expired over the past five fiscal years

Chairman of the board of directors
IDEA OPTICAL

Gérard Cormorèche

MEMBER OF THE GROUP AUDITING AND ACCOUNTING COMMITTEE OF CAISSE FÉDÉRALE DE CRÉDIT MUTUEL

63 years old

Born July 3, 1957

Business address:

8 rue Rhin et Danube – 69009 Lyon

Summary of main fields of expertise and experience

Holder of an engineering degree from the École Supérieure d'Agricultures d'Angers, Gérard Cormoreche is the manager of a cereal and vegetable farm and of the CORMORECHE SARL specializing in the processing of red beetroot. He was awarded the insignia of Chevalier du mérite agricole in 1999.

In 1993, he was elected chairman of a local Crédit Mutuel bank. He holds mandates within Crédit Mutuel at local, regional and national levels. Since 1995, he has been chairman of the Fédération and the Caisse de Crédit Mutuel du Sud-Est. He has also been chairman of the board of directors of Caisse Agricole du Crédit Mutuel since 2004 and vice chairman of CNCM (Confédération Nationale du Crédit Mutuel).

Director
Appointed to the board: 2001
Term expires: 2022

Other offices held as of June 30, 2020

Chairman of the board of directors
Fédération du Crédit Mutuel du Sud-Est
Caisse de Crédit Mutuel du Sud-Est
Caisse Agricole Crédit Mutuel (CACM)
C.E.C.A.M.U.S.E
Caisse de Crédit Mutuel Neuville-sur-Saône
Vice chairman of the board of directors
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
Fédération du Crédit Mutuel Agricole et Rural
MTRL
Assurances du Crédit Mutuel pour l'éducation et la prévention en santé
Director
Caisse Fédérale de Crédit Mutuel
Crédit Industriel et Commercial
SICA d'habitat Rural du Rhône et de la Loire
Permanent representative of Caisse de Crédit Mutuel du Sud-Est, director
Assurances du Crédit Mutuel Vie SAM
Managing partner
SCEA CORMORÈCHE Jean-Gérard
SARL CORMORECHE

Terms of office expired over the past five fiscal years

Non-voting director
Crédit Industriel et Commercial

Claude Courtois

66 years old

Born January 6, 1954

Business address:

494 avenue du Prado – 13008 Marseille

Summary of main fields of expertise and experience

A graduate of the École Nationale de Police de Cannes-Ecluse, Claude Courtois has worked as a police inspector in two active services of the French National Police.

In 1998, he was elected member of the supervisory board of a local Crédit Mutuel bank. In 2014, he became federal director and chairman of the Western District of the Fédération du Crédit Mutuel Méditerranéen.

Director
Appointed to the board: 2019
Term expires: 2022

Other offices held as of June 30, 2020

Chairman of the board of directors
Caisse de Crédit Mutuel de Montpellier Antigone
Vice chairman of the board of directors
Fédération du Crédit Mutuel Méditerranéen
Caisse de Crédit Mutuel Frontignan
Director
Caisse méditerranéenne Financement

Terms of office expired over the past five fiscal years

Member of the board of directors
Caisse de Crédit Mutuel de Perpignan Kennedy

Philippe Gallienne

64 years old

Born June 17, 1956

Business address:

17 rue du 11 novembre – 14052 Caen

Summary of main fields of expertise and experience

A graduate of the École de Management de Normandie, Philippe Gallienne was partner in charge of the association and social management sector of the Le Havre office of Mazars from 1990 to April 2019.

In 1995, he was elected founding chairman of the Caisse de Crédit Mutuel du Havre Sanvic. In 1998, he became chairman of the Caisse de Crédit Mutuel du Havre Hôtel de Ville and was elected federal director the same year. He was appointed vice chairman of the Fédération du Crédit Mutuel de Normandie in 2003 before being appointed chairman of the Fédération and the Caisse Régionale du Crédit Mutuel de Normandie in 2019.

Director
Appointed to the board: 2019
Term expires: 2022

Other offices held as of June 30, 2020

Chairman of the board of directors
Fédération du Crédit Mutuel Normandie
Caisse Régionale du Crédit Mutuel Normandie
Caisse de Crédit Mutuel Le Havre Hôtel de Ville
Member of the supervisory board
Banque Européenne du Crédit Mutuel
Non-voting director
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
Caisse Fédérale de Crédit Mutuel

Terms of office expired over the past five fiscal years

None

Charles Gerber

MEMBER OF THE GROUP AUDITING AND ACCOUNTING COMMITTEE OF CAISSE FÉDÉRALE DE CRÉDIT MUTUEL

67 years old

Born June 3, 1954

Business address:

4 rue Frédéric Raiffeisen

67000 Strasbourg

Summary of main fields of expertise and experience

Holder of a CAP degree in general mechanics and a diploma in management and recruitment from the Comité d'Action Économique du Haut-Rhin, Charles Gerber began his career as a master sergeant in the French army. He then worked for 10 years in the mechanical field, for 20 years as manager of a production site and for 10 years as manager of high volume purchasing at the same company before retiring in 2009. In 1991 he was first appointed member of the board of directors of a Crédit Mutuel local bank, before being appointed chairman of the board of directors in 2012.

Director
Appointed to the board: 2020
Term expires: 2023

Other offices held as of December 31, 2019

Chairman

Union des caisses de Crédit Mutuel du District d'Altkirch-St-Louis

Chairman of the board of directors

Caisse de Crédit Mutuel de la Largue

Director

Fédération du Crédit Mutuel Centre Est Europe

Terms of office expired over the past five fiscal years

Director

Caisse Fédérale de Crédit Mutuel

Olivier Guiot

53 years old

Born July 21, 1967

Business address:

61 rue Blatin – 63000 Clermont-Ferrand

Summary of main fields of expertise and experience

Olivier GUIOT holds a CAP degree in accounting. After working as a logistics technician, he was elected mayor of the municipality of Saint-Hilaire in the Allier department in 2001.

In 1999, he became a director of Fédération du Crédit Mutuel Massif Central. From 2018 to 2020, he was a director on several provisional boards of directors (CCM MONTFERRAND, CCM CEBAZAT, vice chairman of CCM YZEURE). In 2020, he became chairman of CCM YZEURE.

Director
Appointed: 2020
Term expires: 2023

Other offices held as of June 30, 2020

Chairman

Caisse de Crédit Mutuel YZEURE

Director

Fédération du Crédit Mutuel Massif Central

Caisse régionale du Crédit Mutuel Massif Central

Terms of office expired over the past five fiscal years

Vice chairman

Provisional board of directors of Caisse de Crédit Mutuel YZEURE

Caisse de Crédit Mutuel de Moulins

Director

Provisional board of directors of Caisse de Crédit Mutuel CEBAZAT

Provisional board of directors of Caisse de Crédit Mutuel MONTFERRAND

Elio Gumbs

59 years old

Born November 23, 1961

Business address:

Rue du Prof Raymond Garcin 97201 Fort de France

Director

Appointed: 2020

Term expires: 2023

Summary of main fields of expertise and experience

Holder of a DUT in civil engineering, Elio GUMBS has been central group head at Electricité de France since 2001. In 1983, he began his career as a technology teacher before joining Electricité de France in 1984.

In 2008, he became a director of a Crédit Mutuel local bank and was appointed chairman in 2017. Since 2017, he has been a director of the Fédération and the Caisse Régionale de Crédit Mutuel Antilles Guyane.

Other offices held as of June 30, 2020

Chairman of the board of directors
Caisse de Crédit Mutuel Saint Martin
Director
Fédération du Crédit Mutuel Antilles Guyane
Caisse Régionale du Crédit Mutuel Antilles Guyane

Terms of office expired over the past five fiscal years

None

Nicolas Habert

COMMITTEES: GROUP RISK MONITORING

58 years old

Born April 27, 1962

Business address:

6 rue de la Tuilerie – 31130 Balma

Summary of main fields of expertise and experience

A graduate of ISEP and ESSEC and holder of an actuarial degree, Nicolas HABERT has been an independent consultant with NH Consulting since 2007. He began his career in 1987 at the National Bank of Paris as customer relationship manager before joining Caisse des Dépôts et Consignations in 1989 and then Caisse Centrale de Crédit Mutuel in 1993. From 1988 to 2012 he worked as a part-time trainer for various entities at the training center for the banking profession and the Purpan engineering school from 1996 to 2007, where he taught management, finance and international commerce.

In 2001, he became a director of a new Crédit Mutuel local bank and was appointed chairman in 2010. Since 2017, he has been a federal director and chairman of the supervisory board of Cautionnement Mutuel de l'Habitat. In May 2020, he was appointed chairman of Caisse Régionale du Crédit Mutuel Midi Atlantique.

Director

Appointed: 2020

Term expires: 2021

Other offices held as of June 30, 2020

Chairman of the board of directors
Caisse régionale du Crédit Mutuel Midi Atlantique
Caisse du Crédit Mutuel de Toulouse Purpan
Chairman of the supervisory board
Cautionnement Mutuel de l'Habitat
Vice chairman of the board of directors
Fédération du Crédit Mutuel Midi Atlantique
Director
Caisse Fédérale de Crédit Mutuel
Banque Fédérative du Crédit Mutuel
Permanent representative of Caisse régionale du Crédit Mutuel Midi Atlantique
Assurances du Crédit Mutuel Vie SAM

Terms of office expired over the past five fiscal years

None

Albert Mayer

65 years old

Born September 17, 1955

Business address:

4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main fields of expertise and experience

Albert Mayer holds certificates of higher accounting studies and has been the chairman of the firm Albert Mayer Expertise et Audit Comptable since 2009. Albert Mayer has also been a member of the Metz Association of Statutory Auditors since 1994 and is a legal expert with the Metz Court of Appeal.

Since 1993 he has held an appointment as chairman of a Crédit Mutuel local bank. Since 2018, he has been chairman of the Saint-Avold District of the Fédération du Crédit Mutuel Centre Est Europe.

Director
Appointed to the board: 2018
Term expires: 2021

Offices held as of June 30, 2020

Chairman
District des caisses de Crédit Mutuel de Sarreguemines
Chairman of the board of directors
Caisse de Crédit Mutuel Freyming Hombourg-Haut
Director
Fédération du Crédit Mutuel Centre Est Europe
Managing partner
Expertise et audit comptable Albert Mayer SAS
Secogem SARL
Pôle d'expertise comptable

Terms of office expired over the past five fiscal years

None

Gislhaine Ravanel

68 years old

Born September 30, 1952

Business address:

99 avenue de Genève – 74054 Annecy

Summary of main fields of expertise and experience

A graduate of the École Pigier de Nice, Gislhaine Ravanel is a town councilor. She worked for the Chamonix Town Hall and then for the Communauté de Communes Pays du Mont-Blanc before retiring in 2013.

She has been chairwoman of a local Crédit Mutuel fund since 2008 as well as chairwoman of the District Arve/Genevois and member of the board of directors of the Fédération du Crédit Mutuel Savoie-Mont Blanc since 2017.

Director
Appointed to the board: 2019
Term expires: 2022

Other offices held as of June 30, 2020

Chairwoman of the board of directors
Caisse de Crédit Mutuel de Chamonix
Member of the board of directors and chairwoman of the Arve/Genevois District
Fédération du Crédit Mutuel Savoie-Mont Blanc

Terms of office expired over the past five fiscal years

Director
None

René Schwartz

ASSOCIATE MEMBER OF THE GROUP AUDITING AND ACCOUNTING COMMITTEE OF CAISSE FÉDÉRALE DE CRÉDIT MUTUEL

63 years old

Born January 14, 1957

Business address:

4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main fields of expertise and experience

Holder of a Masters' degree in law and a DESS in business administration, René Schwartz, until his retirement as of June 30, 2019, worked as a lawyer specializing in tax law at the Société Fiduciaire d'Alsace et de Lorraine in Mulhouse.

From 1992 onward, he was elected chairman of the Caisse de Crédit Mutuel du Nouveau Monde in Bollwiller.

Since the end of 2018, he has been chairman of the Union des Caisses de Crédit Mutuel du District de Mulhouse and a director of the Fédération Centre Est Europe and Banque Fédérative du Crédit Mutuel.

Director

Appointed to the board: 2018

Term expires: 2021

Other offices held as of June 30, 2020

Chairman

District des caisses de Crédit Mutuel de Mulhouse

Chairman of the board of directors

Caisse de Crédit Mutuel du Nouveau Monde

Director

Fédération du Crédit Mutuel Centre Est Europe

Terms of office expired over the past five fiscal years

Director

CARPA Mulhouse

Francis Singler

64 years old

Born July 18, 1956

Business address:

4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main fields of expertise and experience

Holder of an industrial methods technician degree, Francis Singler is retired. He spent his career with APF Entreprises Alsace, holding positions as production manager and then IT manager before retiring in 2018.

In 2001, he was appointed director of a local Crédit Mutuel bank. He was chairman of the training commission for elected representatives of the Sélestat District from 2006 to 2018. Since 2018, he has been chairman of the Sélestat District of the Fédération du Crédit Mutuel Centre Est Europe and chairman of the board of directors of the Ried Centre Alsace (1359) bank.

Director

Appointed to the board: 2018

Term expires: 2021

Other offices held as of June 30, 2020

Chairman

District des caisses de Crédit Mutuel de Sélestat

Chairman of the board of directors

Caisse de Crédit Mutuel Ried Centre Alsace

Member of the supervisory board

Euro Information Production

Director

Fédération du Crédit Mutuel Centre Est Europe

Terms of office expired over the past five fiscal years

None

Alain Têtedoie

66 years old

Born May 16, 1954

Business address:

10 rue de Rieux – 44040 Nantes

Director

Appointed to the board: 2007

Term expires: 2021

Summary of main fields of expertise and experience

A graduate in horticulture, Alain Têtedoie is chairman and chief executive officer in the agri-food sector.

In 1991, he became a director of a local Crédit Mutuel bank. He has been chairman of the Fédération and Caisse Régionale du Crédit Mutuel Loire Atlantique Centre-Ouest since 2006 and has also been a confederal director since 2004.

Other offices held as of June 30, 2020

Chairman
Thalie Holding
Chairman of the board of directors
Fédération du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest
Caisse régionale du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest
Chairman of the supervisory board
Crédit Mutuel Immobilier
Centre de Conseil et de Service (CCS)
Vice chairman of the board of directors
Caisse de Crédit Mutuel de Loire-Divatte
Vice chairman of the supervisory board
Banque Européenne du Crédit Mutuel
Chairman and permanent representative of Fédération du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest
Investlaco
Director
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
Permanent representative of EFSA, director
Banque CIC Ouest
Permanent representative of Caisse Fédérale du Crédit Mutuel Loire Atlantique et Centre Ouest, director
Assurances du Crédit Mutuel Vie SAM
Representing Thalie Holding
La Fraiseraie SA
Managing partner
GFA La Fraiseraie
La Fraiseraie SCEA
Non-voting director
Caisse Fédérale de Crédit Mutuel

Terms of office expired over the past five fiscal years

Director
Caisse Fédérale de Crédit Mutuel

Dominique Trinquet

70 years old

Born November 13, 1950

Business address:

18 rue de la Rochefoucauld – 75009 Paris

Summary of main fields of expertise and experience

Holder of a state license as an Automobile Expert, Dominique Trinquet has been an independent expert with TRINQUET since 1986.

In 2000, he was elected chairman of the local branch of Crédit Mutuel du Mantois. Since 2002, he has been a director of the Caisse Régionale du Crédit Mutuel Île-de-France, of which he is also vice chairman.

Director
Appointed to the board: 2019
Term expires: 2022

Other offices held as of June 30, 2020

Chairman of the board of directors
Caisse de Crédit Mutuel du Mantois
Vice chairman of the board of directors
Caisse Régionale du Crédit Mutuel Île-de-France

Terms of office expired over the past five fiscal years

None

Left the board during the first half-year 2020[1]

Gérard Bontoux

CHAIRMAN OF THE REMUNERATION COMMITTEE, MEMBER OF THE APPOINTMENTS COMMITTEE, MEMBER OF THE GROUP RISK MONITORING COMMITTEE OF CAISSE FÉDÉRALE DE CRÉDIT MUTUEL

70 years old

Born March 7, 1950

Business address:

6 rue de la Tuilerie – 31130 Balma

Summary of main fields of expertise and experience

Gérard Bontoux holds a master's degree in private law and is a graduate of the Institut d'Études Politiques de Toulouse. He began his career in the commitment department of the Union Parisienne bank. In 1975, he joined the Midi-Pyrénées Regional Department of Labour, Employment and Professional Training as a project manager and then became head of the Prospective Evaluation and Statistics department in 1995.

In 1979, he was elected director of the Caisse de Crédit Mutuel de Toulouse Saint-Cyprien. He holds mandates at local, regional and confederal level. He has been chairman of the Fédération and the Caisse Fédérale de Crédit Mutuel Midi-Atlantique since 1994. He has been chairman of the remuneration committee of Caisse Fédérale de Crédit Mutuel since 2018.

Director
Appointed to the board: 2009
Term expires: 2021

Other offices held as of June 30, 2020

Chairman of the board of directors
Fédération du Crédit Mutuel Midi-Atlantique
Caisse régionale du Crédit Mutuel Midi-Atlantique
Vice chairman of the board of directors
Caisse Fédérale de Crédit Mutuel
Director
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
Caisse de Crédit Mutuel Toulouse St Cyprien
Permanent representative of Marsovalor, member of the board of directors
CIC Sud Ouest
Permanent representative of Caisse régionale du Crédit Mutuel Midi-Atlantique
Assurances du Crédit Mutuel Vie SAM

Terms of office expired over the past five fiscal years

Member of the supervisory board
Banque Européenne du Crédit Mutuel

[1] *For the sake of transparency, the directors of Crédit Mutuel Alliance Fédérale whose terms of office within BFCM came to an end during the first half-year 2020 but who also hold offices within Crédit Mutuel Alliance Fédérale are listed below.*

Senior management

Daniel Baal

63 years old

Born December 27, 1957

Business address:

4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main fields of expertise and experience

Daniel Baal began his career in 1979 as a credit records manager at the head office of Banque Fédérative du Crédit Mutuel in Strasbourg and went on to hold various head office and network positions in Strasbourg, Colmar and Mulhouse. In 1995, he became director of commitments at the Southern Regional Division of Caisse Fédérale du Crédit Mutuel Centre Est Europe, then director of Caisse de Crédit Mutuel Mulhouse-Europe in 2001. He was deputy chief executive officer of Société du Tour de France and director of "cycling" activities for Sport Amaury Organisation from 2001 to 2004. In 2004, he became Manager of Caisse Fédérale de Crédit Mutuel Centre Est Europe before being appointed chief executive officer of the Fédération and the Caisse Régionale du Crédit Mutuel Île-de-France. Then, in 2010, he was appointed deputy chief executive officer of Confédération Nationale du Crédit Mutuel, then deputy chief executive officer of Crédit Industriel et Commercial in 2014 and chief executive officer of Caisse Centrale de Crédit Mutuel in 2015.

Since 2017, he has been chief executive officer of Caisse Fédérale de Crédit Mutuel, chief executive officer of Banque Fédérative du Crédit Mutuel, chief executive officer of Crédit Industriel et Commercial, chief executive officer of Fédération du Crédit Mutuel Centre Est Europe and a member of the executive board of Groupe des Assurances du Crédit Mutuel.

Daniel Baal is a graduate of EDC Paris Business School, majoring in financial management.

Chief executive officer and effective manager

Appointed to the board: 2017

Term expires: 2020

Other offices held as of June 30, 2020

Chief executive officer
Fédération du Crédit Mutuel Centre Est Europe
Caisse Fédérale de Crédit Mutuel
Crédit Industriel et Commercial
Chairman of the supervisory board
Cofidis
Cofidis Participations
Euro-Information Production
Member of the executive board
Groupe des Assurances du Crédit Mutuel
Vice chairman of the board of directors
Banque de Luxembourg

Terms of office expired over the past five fiscal years

Chairman
SAS Les Gâtines
Chairman of the board of directors
CIC Sud Ouest
CIC Ouest
Chairman of the supervisory board
CIC Iberbanco
Vice chairman of the supervisory board
Targo Deutschland GmbH
Tangobank AG
Targo Management AG (merged into Targobank AG on May 9, 2018)
Director
Fivory SA
Fivory SAS
Permanent representative of Caisse régionale du Crédit Mutuel Île-de-France, member of the management board
Euro-Information

Alexandre Saada

55 years old

Born September 5, 1965

Business address:

4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main fields of expertise and experience

Alexandre Saada began his career in 1992 in London, with S.G. Warburg (which merged in 1995 with UBS Investment Bank) in the corporate finance department, specializing in the financial institutions segment, before serving as an associate partner at S Capital from 2002 to 2010. In 2010, he joined Société Générale as Head of Mergers & Acquisitions for the financial institutions sector for France and Benelux. In 2015, he became executive management advisor and then chief financial officer of Crédit Mutuel Nord Europe.

Since June 2017, he has been deputy chief executive officer of Banque Fédérative du Crédit Mutuel and chairman of the board of directors of Crédit Mutuel Home Loan SFH. He has also been chairman of the board of directors of CIC Ouest since 2018.

Alexandre Saada is a graduate of Sciences Po Paris (1988 – economics and finance section), holds a Master of Science in Management (1987), a DEA in International Economics and Finance (1988) from Université Paris Dauphine and a Master of Science in Finance (1989 – Jean Monnet scholarship) from Lancaster University (UK).

Deputy chief executive officer and effective manager
Appointed to the board: 2018
Term expires: 2021

Other offices held as of June 30, 2020

Chairman of the board of directors
CIC Ouest
Crédit Mutuel Home Loan SFH
Permanent representative of BFCM, director
Crédit Mutuel Investment Managers
Member of the supervisory board
TARGOBANK AG
Targodeutschland GmbH
Director
Opuntia (LUXE TV) SA
Banque de Tunisie
Non-voting director
Cofidis France
Cofidis Participations

Terms of office expired over the past five fiscal years

None

3.1.3 Work of the board during the first half-year 2020

The board of directors meets at least four times a year according to a pre-established schedule.

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

On June 30, 2020, the board of directors met four times. The meeting attendance rate for directors was 76% on average.

Meeting of February 19, 2020

The board of directors meeting of February 19, 2020 focused on the following topics in particular:

- Presentation of the balance sheet and consolidated financial statements as of December 31, 2019;
- Update on ALM, interest rate and liquidity risk;
- Report of the group auditing and accounting committee, including presentation of the assessment of key permanent control, periodic control and compliance functions;
- Report of the group risk monitoring committee, including presentation of the assessment of the key risk management function;
- Relations with regulators and follow-up letters;
- Preventive recovery plan;
- Operational risks: 2019 summary;

- Non-compliance risks: 2019 summary;
- Approval of 2020 bodies of rules;
- Approval of liquidity emergency plan;
- Social and Mutualist Responsibility: sectoral policies, actions to reduce the carbon footprint by 30%;
- Report of the remuneration committee presenting the following items: review of the implementation of the compensation and benefits policy, compensation of corporate officers, indemnities of members of the boards of umbrella entities, annual assessment of the implementation of the policy and practices for the compensation of risk takers;
- Report of the appointments committee, including presentation of summary of assessments from boards of directors;
- Presentation of the assessment of executive management and approval of all assessments of the committee and key functions;
- Update on the cash flow and liquidity of Crédit Mutuel Alliance Fédérale;
- Update on merger and acquisition holding activities;
- Approval of the annual and consolidated financial statements as of December 31, 2019;
- Review of regulated agreements;
- Affiliation of new Crédit Mutuel branches.

Meeting of April 2, 2020

The board of directors meeting of April 2, 2020 focused on the following topics in particular:

- Managing the COVID 19 crisis: crisis management system, organizational and employee protection measures, measures to support customers and members, initial impacts and outlook;
- Presentation and review of the annual internal control reports;
- Approval of the LCB-FT annual internal control reports;
- Breakdown of the overall compensation package under the charter governing the exercise of offices of members of the boards of directors;
- Management reports and corporate governance reports;
- Proposed changes in the composition of the board of directors, including the renewal of the chief executive officer's term of office
- Preparation and convening of the ordinary shareholders' meeting of May 6, 2020;
- Affiliation of new Crédit Mutuel branches.

Meeting of May 19, 2020

The board of directors meeting of May 19, 2020 focused on the following topic:

- Acquisition of 9.36% of Cofidis Participations (2020 tranche) and amendment to the shareholder agreement.

Meeting of June 25, 2020

The board of directors meeting of June 25, 2020 focused on the following topic:

- New long-term industrial partnership.

3.1.4 Executive management

Composition of executive management

The executive management of Banque Fédérative du Crédit Mutuel is composed of:

- Daniel Baal, chief executive officer and effective manager;
- Alexandre Saada, deputy chief executive officer and effective manager.

Prerogatives of executive management

The board meetings of April 6, 2017, February 21, 2018 and April 2, 2020 relating to the appointment of officers did not limit the powers of the two effective managers as defined by law and our articles of association and internal rules.

3.2 CAISSE FÉDÉRALE DE CRÉDIT MUTUEL – CORPORATE GOVERNANCE

3.2.1 Composition of management bodies as of June 30, 2020

Board of directors

- Nicolas Théry, chairman
- Gérard Cormorèche
- Bernard Dalbiez
- Chantal Dubois
- Étienne Grad
- Nicolas Habert
- Véronique Hemberger
- Christine Leenders
- Mireille Lefebure
- Jean-Louis Maître
- Élia Martins
- Laurence Miras
- Gérard Oliger
- Frédéric Ranchon
- Agnès Rouxel
- Daniel Schoepf
- Annie Virot
- Alex Weimert

Employee directors

- Audrey Hammerer
- Laurent Torre

Non-voting directors

- Bernard Basse
- Philippe Gallienne
- Jean-François Jouffray
- Damien Lievens
- Gérard Lindacher
- Charles Gerber
- Lucien Miara
- Philippe Rage
- Daniel Rocipon
- Alain Têtedoie
- Philippe Tuffreau
- Didier Vieilly
- Michel Vieux

Other participants

- In accordance with Article L.2312-72 of the French Labor Code, two representatives of the Social and Economic Committee attend the meetings of the board of directors in an advisory capacity.

- The by-laws of Caisse Fédérale de Crédit Mutuel also state that three representatives of representative trade union organizations, other than those that have appointed directors representing the employees, shall attend the meetings of the board of directors in an advisory capacity.

Executive management

- Daniel Baal, chief executive officer and effective manager;
- Éric Petitgand, deputy chief executive officer and effective manager;
- Frantz Rublé, deputy chief executive officer.

3.2.2 Positions and functions held by the corporate officers

Directors

Nicolas Théry

COMMITTEE: GROUP RISK MONITORING

55 years old

Born December 22, 1965

Business address:

4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main fields of expertise and experience

Nicolas Théry began his career in the financial inspection department in 1989 before joining the Treasury Department in 1993. From 1997 to 2000, he was an adviser in the office of the Minister of the Economy and Finance in charge of monetary and financial topics and then international and European topics. In 2000, he became director of the Private Office of Florence Parly, Secretary of State for the Budget. From 2000 to 2002, he was Confederal Secretary of the CFDT in charge of economic issues. He helped create the inter-union committee for employee savings schemes and the Vigeo rating agency created by Nicole Notat. From 2002 to 2009, he worked at the European Commission as director of cabinet of Pascal Lamy, Commissioner for International Trade, before joining the directorate general for Enterprise and becoming director in the directorate general for the Environment where he worked on climate change. In 2009, he joined Crédit Mutuel after holding various positions within the banking group. He was chairman and CEO of CIC Est from 2012 to 2016. Since 2014, he has been chairman of the Caisse Fédérale de Crédit Mutuel, Banque Fédérative du Crédit Mutuel and Crédit Industriel et Commercial. Since 2016, he has been chairman of Confédération Nationale du Crédit Mutuel and Fédération du Crédit Mutuel Centre Est Europe. He also chairs the supervisory board of Groupe des Assurances du Crédit Mutuel.

Nicolas Théry is a graduate of Science Po Paris and the École Nationale d'Administration (ENA) – top of the "Liberty, Egality, Fraternity" class -, and holds a master's degree in law, Economics, Management – with a specialization in Business law.

Chairman of the board of directors
Appointed to the board: 2014
Term expires: 2022

Other offices held as of June 30, 2020

Chairman of the board of directors
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
Fédération du Crédit Mutuel Centre Est Europe
Banque Fédérative du Crédit Mutuel
Crédit Industriel et Commercial
Banque CIC Est
Banque CIC Nord Ouest
Assurances du Crédit Mutuel Vie SA
Assurances du Crédit Mutuel Vie SAM
ACM IARD SA
Chairman of the supervisory board
Groupe des Assurances du Crédit Mutuel
Banque Européenne du Crédit Mutuel
Director
Caisse de Crédit Mutuel Strasbourg Vosges
Permanent representative of Groupe des Assurances du Crédit Mutuel, director
ACM GIE
Permanent representative of Fédération du Crédit Mutuel Centre Est Europe, member of the management board
Euro-Information

Terms of office expired over the past five fiscal years
Member of the management board
Euro-Information
Chief executive officer
Banque CIC Est
Chairman of the executive board
Groupe des Assurances du Crédit Mutuel
Deputy chief executive officer
Caisse Fédérale de Crédit Mutuel
Banque Fédérative du Crédit Mutuel
Groupe des Assurances du Crédit Mutuel
Director
Targobank Spain
Banque Publique d'Investissement
Permanent representative of BECM, director
Fédération du Crédit Mutuel Centre Est Europe
Permanent representative of GACM, director
ACM IARD SA
Member of the supervisory board
Cofidis
Cofidis Participations

Gérard Cormorèche

63 years old

Born July 3, 1957

Business address:

8 rue Rhin et Danube – 69009 Lyon

COMMITTEE: GROUP AUDIT AND ACCOUNTING

Summary of main fields of expertise and experience

Holder of an engineering degree from the École Supérieure d'Agricultures d'Angers, Gérard Cormorèche is the manager of a cereal and vegetable farm and of the CORMORÈCHE SARL specializing in the processing of red beetroot. He was awarded the insignia of Chevalier du mérite agricole in 1999.

In 1993, he was elected chairman of a local Crédit Mutuel bank. He holds mandates within Crédit Mutuel at local, regional and national levels. Since 1995, he has been chairman of the Fédération and the Caisse de Crédit Mutuel du Sud-Est. He has also been chairman of the board of directors of Caisse Agricole du Crédit Mutuel since 2004 and vice chairman of CNCM (Confédération Nationale du Crédit Mutuel).

Director
Appointed to the board: 2001
Term expires: 2022

Other offices held as of June 30, 2020

Chairman of the board of directors
Fédération du Crédit Mutuel du Sud-Est
Caisse de Crédit Mutuel du Sud-Est
Caisse Agricole Crédit Mutuel (CACM)
C.E.C.A.M.U.S.E
Caisse de Crédit Mutuel Neuville-sur-Saône
Vice chairman of the board of directors
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
Fédération du Crédit Mutuel Agricole et Rural
MTRL
Assurances du Crédit Mutuel pour l'éducation et la prévention en santé
Director
Banque Fédérative du Crédit Mutuel
Crédit Industriel et Commercial
SICA d'habitat Rural du Rhône et de la Loire
Permanent representative of Caisse de Crédit Mutuel du Sud-Est, director
Assurances du Crédit Mutuel Vie SAM
Managing partner
SCEA CORMORÈCHE Jean-Gérard
SARL CORMORECHE

Terms of office expired over the past five fiscal years

Non-voting director
Crédit Industriel et Commercial

Bernard Dalbiez

62 years old

Born August 7, 1958

Business address:

494 avenue du Prado – 13008 Marseille

Summary of main fields of expertise and experience

A high school graduate, Bernard Dalbiez was a train engineer for SNCF before retiring in 2008. Alongside his primary employment, he was an officer in the French air force reserves, serving until June 2019.

In 2010, he was elected chairman of Caisse locale de Crédit Mutuel de Marseille Pelletan. Since 2018, he has been District chairman and vice chairman of the Fédération du Crédit Mutuel Méditerranéen.

Director
Appointed to the board: 2019
Term expires: 2022

Other offices held as of June 30, 2020

Chairman
District Centre Est de la Fédération du Crédit Mutuel Méditerranéen
Chairman of the board of directors
Caisse de Crédit Mutuel Marseille Pelletan
Chairman of the supervisory board
Société Actimut
Vice chairman of the board of directors
Fédération du Crédit Mutuel Méditerranéen
Non-voting director
Caisse Centrale du Crédit Mutuel
Confédération Nationale du Crédit Mutuel

Terms of office expired over the past five fiscal years

Member of the supervisory board
Banque Européenne du Crédit Mutuel

Chantal Dubois

68 years old

Born October 8, 1952

Business address:

10 rue de Rieux – 44040 Nantes

Summary of main fields of expertise and experience

Chantal Dubois made her career at Legrand before retiring in 2012.

In 1985 she became a director of Caisse de Crédit Mutuel de Limoges Bénédictins and was elected chairwoman of this local bank and of Caisse de Crédit Mutuel de Limoges Jourdan Colisée in 2004. In 2010 she was appointed director of Fédération du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest. She has been chairwoman of Fondation du Crédit Mutuel de Loire-Atlantique et du Centre Ouest since 2017.

Director
Appointed to the board: 2017
Term expires: 2020

Other offices held as of June 30, 2020

Chairwoman
Fondation du Crédit Mutuel Loire-Atlantique – Centre Ouest
Vice chairwoman of the board of directors
Caisse de Crédit Mutuel de Limoges Centre
Director
Fédération du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest
Caisse régionale du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest

Terms of office expired over the past five fiscal years

Permanent representative of Caisse Fédérale du Crédit Mutuel Loire Atlantique et Centre Ouest, director
DOM'AULIM ESH

Étienne Grad

COMMITTEE: GROUP AUDIT AND ACCOUNTING

68 years old
Born December 26, 1952

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main fields of expertise and experience

A graduate of the Karlsruhe Chamber of Commerce and Industry in Germany, Étienne Grad is chairman of Étienne Grad Conseil et Développement.

He began his career at TECHNAL as manager of the East region before going on to Sopromal as sales manager. In 1992, he founded Bureau d'Étude Étienne Grad before creating the company Étienne Grad Conseil et Développement in 2011.

Since 1992 he has been the appointed chairman of the board of directors of Caisse de Crédit Mutuel du cours de l'Andlau.

Since 2010 he has been chairman of the Communauté Urbaine de Strasbourg District of the Fédération du Crédit Mutuel Centre Est Europe.

Director
Appointed to the board: 2018
Term expires: 2021

Other offices held as of June 30, 2020

Chairman
District des caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg
SAS GRAD Étienne Conseil et Développement
Chairman of the board of directors
Caisse de Crédit Mutuel Cours de l'Andlau
Vice chairman of the board of directors
Fédération du Crédit Mutuel Centre Est Europe
Director
Crédit Industriel et Commercial

Terms of office expired over the past five fiscal years

Director
Banque Fédérative du Crédit Mutuel

Nicolas HABERT

COMMITTEES: GROUP RISK MONITORING

58 years old
Born April 27, 1962

Business address:
6 rue de la Tuilerie – 31130 Balma

Summary of main fields of expertise and experience

A graduate of ISEP and ESSEC and holder of an actuarial degree, Nicolas HABERT has been an independent consultant with NH Consulting since 2007. He began his career in 1987 at the National Bank of Paris as customer relationship manager before joining Caisse des Dépôts et Consignations in 1989 and then Caisse Centrale de Crédit Mutuel in 1993. From 1988 to 2012 he worked as a part-time trainer for various entities at the training center for the banking profession and the Purpan engineering school from 1996 to 2007, where he taught management, finance and international commerce.

In 2001, he became a director of a new Crédit Mutuel local bank and was appointed chairman in 2010. Since 2017, he has been a federal director and chairman of the supervisory board of Cautionnement Mutuel de l'Habitat. In May 2020, he was appointed chairman of Caisse Régionale of Crédit Mutuel Midi-Atlantique.

Director
Appointed: 2020
Term expires: 2021

Other offices held as of June 30, 2020

Chairman of the board of directors
Caisse Régionale du Crédit Mutuel Midi Atlantique
Caisse du Crédit Mutuel de Toulouse Purpan
Chairman of the supervisory board
Cautionnement Mutuel de l'Habitat
Vice chairman of the board of directors
Fédération du Crédit Mutuel Midi-Atlantique
Director
Caisse Fédérale de Crédit Mutuel
Banque Fédérative du Crédit Mutuel
Permanent representative of Caisse régionale du Crédit Mutuel Midi-Atlantique
Assurances du Crédit Mutuel Vie SAM

Terms of office expired over the past five fiscal years

None

Véronique Hemberger

COMMITTEE: GROUP AUDIT AND ACCOUNTING

69 years old

Born December 24, 1951

Business address:

4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main fields of expertise and experience

Holder of a degree in education from the Académie de Strasbourg, Véronique Hemberger worked as a teacher and then as the principal of a kindergarten before joining the Association départementale de la coopération at the École du Bas-Rhin in 1996 and taking retirement in 2005.

Since 2014, she has been chairwoman of Caisse de Crédit Mutuel Enseignant 67 as well as of UNCME since 2017. In 2018 she was named chairwoman of the Federal Commission and the Interfederal Commission for the training of elected members of Crédit Mutuel Alliance Fédérale.

Director

Appointed to the board: 2018

Term expires: 2021

Other offices held as of June 30, 2020

Chairwoman
CME 67
UNCME
Permanent representative of BFCM, director
Fédération du Crédit Mutuel Centre Est Europe
Member of the District de la CUS
District des caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg

Terms of office expired over the past five fiscal years

None

Christine Leenders

COMMITTEES: GROUP RISK MONITORING I REMUNERATION

64 years old

Born February 21, 1956

Business address:

1 place Molière – 49000 Angers

Summary of main fields of expertise and experience

With a BTS degree in Tourism and completion of courses in Coaching and Mentoring, Christine Leenders is a senior manager of Haras des Landes.

In 2001, she was appointed a director of Caisse de Crédit Mutuel de Durtal-Seiches sur le Loir, before being elected chairwoman of that local bank in 2003.

Since 2006, she has been a director of Caisse de Crédit Mutuel Agricole et Rurale de l'Anjou and of the Fédération and the Caisse Régionale du Crédit Mutuel Anjou since 2010. Since 2017, she has been a member of the board of Caisse Fédérale de Crédit Mutuel.

Director

Appointed to the board: 2017

Term expires: 2020

Other offices held as of June 30, 2020

Chairwoman
Le pied à l'étrier
Écurie le mors aux dents
Chairwoman of the board of directors
Caisse de Crédit Mutuel de Durtal-Seiches-sur-le-Loir
Director
Fédération du Crédit Mutuel Anjou
Caisse régionale du Crédit Mutuel d'Anjou
Caisse de Crédit Mutuel Agricole et Rural de l'Anjou
Manager
Les Landes

Terms of office expired over the past five fiscal years

None

Mireille Lefebure

68 years old

Born October 27, 1952

Business address:

105 faubourg Madeleine

45920 Orléans

Summary of main fields of expertise and experience

Holder of a bachelor's degree in English and a DESS in SME Management, Mireille Lefebure has held posts as chief administration and finance officer and later deputy chief executive officer at École Supérieure de Commerce de Tours/Poitiers/Orléans, before retiring in 2013.

In 1991 she became a director of Caisse de Crédit Mutuel Tours Halles, where she has been chairwoman since 2014. Since 2017, she has been a member of the board of directors of Fédération du Crédit Mutuel du Centre and of that of Caisse Fédérale de Crédit Mutuel.

Director
Appointed to the board: 2017
Term expires: 2020

Other offices held as of June 30, 2020

Chairwoman of the board of directors
Caisse de Crédit Mutuel Tours Halles
Director
Fédération du Crédit Mutuel du Centre

Terms of office expired over the past five fiscal years

None

Jean-Louis Maître

63 years old

Born February 26, 1957

Business address:

99 avenue de Genève – 74054 Annecy

Summary of main fields of expertise and experience

Trained as an independent accountant, Jean-Louis Maître had a career in public accountancy for 39 years, including 26 as director of a ten-person firm, before retiring March 1, 2017.

Elected to the board of directors of Caisse locale de Crédit Mutuel de Bourg Saint Maurice on March 15, 1989, as vice chairman of the board of directors of that same local bank on March 16, 1994 and then as chairman on March 16, 2000. Since 2000, he has also been a director of Fédération du Crédit Mutuel-Savoie-Mont Blanc. Non-voting director of the Confédération Nationale and Caisse Centrale du Crédit Mutuel since May 16, 2018. Director at Caisse Fédérale de Crédit Mutuel "Alliance Fédérale" since May 10, 2019.

Director
Appointed to the board: 2019
Term expires: 2022

Other offices held as of June 30, 2020

Chairman of the board of directors
Caisse de Crédit Mutuel de Bourg Saint-Maurice
Director
Fédération du Crédit Mutuel Savoie-Mont Blanc
Non-voting director
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel

Terms of office expired over the past five fiscal years

None

Élia Martins

50 years old

Born June 4, 1970

Business address:

18 rue de la Rochefoucauld – 75009 Paris

Summary of main fields of expertise and experience

Holder of a DEA in European law from Université Paris 1 and a CAPA from EFB Paris, Elia Martins has been a lawyer at the L'Oréal Group since 2006. Previously, she worked on the staff of the Pierre Haïk law firm.

In 2013, she was elected chairwoman of the board of directors of Caisse de Crédit Mutuel Paris 8 Europe. Since 2017, she has been a member of the board of directors of the Fédération and the Caisse Régionale du Crédit Mutuel Île-de-France.

Director
Appointed to the board: 2018
Term expires: 2021

Other offices held as of June 30, 2020

Chairwoman of the board of directors
Caisse de Crédit Mutuel Paris 8 Europe
Director
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
Fédération du Crédit Mutuel Île-de-France
Caisse régionale du Crédit Mutuel Île-de-France

Terms of office expired over the past five fiscal years

None

Laurence Miras

COMMITTEE: APPOINTMENTS

55 years old

Born April 4, 1965

Business address:

130-132 avenue Victor Hugo – 26009 Valence

Summary of main fields of expertise and experience

Holder of Master's in law from the Law Faculty of Aix-Marseille and a diploma as a French notary, Laurence Miras has held a variety of positions in notary studies as a clerk and then as a notary for 10 years before becoming a free-lance landscape gardener in 2013.

In 2014, she was elected chairwoman of the board of directors of Caisse de Crédit Mutuel Agriculture de Valréas and is a member of the board of directors of the Fédération and the Caisse Régionale of Crédit Mutuel Dauphiné-Vivarais.

Director
Appointed to the board: 2017
Term expires: 2020

Other offices held as of June 30, 2020

Chairwoman of the board of directors
Caisse de Crédit Mutuel Agriculture de Valréas
Director
Fédération du Crédit Mutuel Dauphiné-Vivarais
Caisse régionale du Crédit Mutuel Dauphiné-Vivarais

Terms of office expired over the past five fiscal years

None

Gérard Oliger

COMMITTEES: APPOINTMENTS (CHAIRMAN) I REMUNERATION

69 years old

Born July 7, 1951

Business address:

4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Director

Appointed to the board: 2018

Term expires: 2022

Summary of main fields of expertise and experience

Holder of a bachelor's in history from the Arts Faculty of Strasbourg, Gérard Oliger worked as a teacher for the board of education of Nancy Metz for some 30 years before retiring in 2011.

In 1995 he became a director of a Crédit Mutuel local bank. In 2006, he was appointed chairman of the District de Sarreguemines de la Fédération du Crédit Mutuel Centre Est Europe. He holds offices at both the local and regional level. He has been chairman of the appointments committee of Caisse Fédérale de Crédit Mutuel since 2018.

Other offices held as of June 30, 2020

Chairman
Union des caisses de Crédit Mutuel du District de Sarreguemines
Chairman of the board of directors
Caisse de Crédit Mutuel du Pays de Bitche
Director
Fédération du Crédit Mutuel Centre Est Europe
Permanent representative of Groupe des Assurances du Crédit Mutuel, director
Assurances du Crédit Mutuel Vie SA

Terms of office expired over the past five fiscal years

None

Frédéric Ranchon

54 years old

Born June 22, 1966

Business address:

61 rue Blatin – 63000 Clermont-Ferrand

Summary of main fields of expertise and experience

A graduate of the pharmacy school of Chatenay-Malabry, Frédéric Ranchon began his career as a pharmaceutical salesman in 1988 before receiving training in entrepreneurship at the ESC of Clermont Ferrand and ESSEC Paris and taking over management of a shop, Orchestra, in 2003.

From 2005 to 2019 he was Key Accounts Manager for Abbot/Abbvie Laboratories (large hospital accounts).

He has been chairman of Fédération du Crédit Mutuel Massif Central since 2017 as well as chairman of Caisse Régionale du Crédit Mutuel Massif Central since 2016.

Director
Appointed to the board: 2018
Term expires: 2021

Other offices held as of June 30, 2020

Chairman

Fédération du Crédit Mutuel Massif Central

Caisse régionale du Crédit Mutuel Massif Central

Managing partner

SAXO

MAM

SAXO MOD

FARGES

Terms of office expired over the past five fiscal years

None

Agnès Rouxel

COMMITTEE: APPOINTMENTS

62 years old

Born April 20, 1958

Business address:

17 rue du 11 novembre – 14052 Caen

Summary of main fields of expertise and experience

Agnès Rouxel has a university degree in Adult Education. She is General Manager of JP2A and GENESE, two international consulting and human performance training firms.

Together with her main occupation, she chairs the Commission of Elected Representatives of the Seine Estuary Chamber of Commerce and Industry, is a member of the Seine Estuary MEDEF and the European Council of Business and Commercial Women.

Since 2018 she has been chairwoman of Caisse de Crédit Mutuel Sainte-Adresse and member of the board of directors of Caisse Régionale du Crédit Mutuel de Normandie.

Director
Appointed to the board: 2017
Term expires: 2023

Other offices held as of June 30, 2020

Permanent representative of Caisse de Crédit Mutuel de Sainte-Adresse, director

Caisse régionale du Crédit Mutuel Normandie

Chairwoman of the board of directors

Caisse de Crédit Mutuel Sainte-Adresse

Member and chairwoman of the Commission of Elected Representatives

Chambre de Commerce et d'Industrie Seine Estuaire

Member of the board

Conseil européen des entreprises et commerce – Conseil du commerce de France

Manager

JP2A

Genèse

Terms of office expired over the past five fiscal years

Member of the board of directors

MEDEF Seine Estuaire

Daniel Schoepf

COMMITTEE: GROUP RISK MONITORING (CHAIRMAN)

65 years old

Born March 9, 1955

Business address:

4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main fields of expertise and experience

Recipient of a BTS in Commercial Operations and of multiple training courses in IT and management, Daniel Schoepf made his career in the IT sector for nearly 40 years before his retirement in 2015.

In 1996 he was elected chairman of the Union des Caisses de Crédit Mutuel du District de Saverne de la Fédération du Crédit Mutuel Centre Est Europe.

In 2014, he was elected chairman of Caisse de Crédit Mutuel Dettwiller. He has been chairman of the group risk monitoring committee since 2016.

Director

Appointed to the board: 2018

Term expires: 2023

Other offices held as of June 30, 2020

Chairman

Union des Caisses de Crédit Mutuel du District de Saverne

Chairman of the board of directors

Caisse de Crédit Mutuel Dettwiller

Director

Fédération du Crédit Mutuel Centre Est Europe

Éditions des Dernières Nouvelles d'Alsace

SAP L'Alsace

Permanent representative of BFCM, director

Assurances du Crédit Mutuel Vie SAM

Terms of office expired over the past five fiscal years

Member of the supervisory board

Banque Européenne du Crédit Mutuel

Annie Virot

COMMITTEE: REMUNERATION

65 years old

Born March 6, 1955

Business address:

4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main fields of expertise and experience

Holder of a CAPES in Mathematics from the Université de Reims, Annie Virot taught mathematics for some 20 years before working as a consultant and then as a trainer.

In 2007, she was elected chairwoman of Caisse de Crédit Mutuel de Dijon Darcy. She has been chairwoman of the Union des Caisses de Crédit Mutuel du District de Saverne of Fédération du Crédit Mutuel Centre Est Europe since 2018.

Director

Appointed to the board: 2017

Term expires: 2023

Other offices held as of June 30, 2020

Chairwoman

Union des caisses de Crédit Mutuel du District de Bourgogne-Champagne

Chairwoman of the board of directors

Caisse de Crédit Mutuel de Dijon Darcy

Vice chairwoman of the board of directors

Fédération du Crédit Mutuel Centre Est Europe

Terms of office expired over the past five fiscal years

None

Alex Weimert

66 years old

Born May 23, 1954

Business address:

Rue du Prof Raymond Garcin 97201 Fort de France

Summary of main fields of expertise and experience

Holder of a diploma in agro-economics and a post-graduate degree in advanced studies, Alex Weimert began his career as Director of Coopérative Fruitière de Guyane before becoming a technical and educational adviser at the Ministry of Youth and Sports. In 1984 he founded IFODES, a vocational training organization and then in 1988, he founded Guyane Technologiques Systèmes, an IT services company. Mr. Alex WEIMERT is now retired.

In 1992, he became chairman of the local bank of Crédit mutuel de Guyane before becoming chairman of Crédit Mutuel Antilles-Guyane in October 2016.

Director
Appointed: 2020
Term expires: 2023

Other offices held as of June 30, 2020

Chairman of the board of directors
Fédération du Crédit Mutuel Antilles Guyane
Caisse Régionale du Crédit Mutuel Antilles Guyane
Director
Caisse Fédérale de Crédit Mutuel
Managing partner
Guyane Technologie Systèmes

Terms of office expired over the past five fiscal years

None	

Employee directors

Audrey Hammerer

42 years old

Born January 8, 1978

Business address:

4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main areas of expertise and experience

Holder of a bachelor's in History & Geography and in Insurance, Banking & Finance, Audrey Hammerer joined Crédit Mutuel in 2002 as a customer receptionist and today serves as a customer relationship manager in the Grenoble Professional Division of Crédit Mutuel Dauphiné-Vivarais.

Since 2016, she has been a director representing the employees of Caisse Fédérale de Crédit Mutuel on the board.

Director, representing employees
Appointed to the board: 2016
Term expires: 2022

Other offices held as of June 30, 2020

None

Terms of office expired over the past five fiscal years

None

Laurent TORRE

52 years old

Born May 5, 1967

Business address:

4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main fields of expertise and experience

Holder of a master's degree in private law, Laurent Torre is head of legal affairs at Caisse Fédérale de Crédit Mutuel. He began his career in 1995 as a lawyer with Assurances du Crédit Mutuel before joining Caisse Fédérale de Crédit Mutuel in 2000.

Since January 2020, he has been a director representing the employees of Caisse Fédérale de Crédit Mutuel on the board.

Director

Appointed: 2020

Term expires: 2022

Other offices held as of June 30, 2020

Director, representing employees
Caisse Fédérale de Crédit Mutuel

Directors whose terms of office ended in the first half-year 2020[1]

Gérard Bontoux

CHAIRMAN OF THE REMUNERATION COMMITTEE, MEMBER OF THE APPOINTMENTS COMMITTEE, MEMBER OF THE GROUP RISK MONITORING COMMITTEE OF CAISSE FÉDÉRALE DE CRÉDIT MUTUEL

70 years old

Born March 7, 1950

Business address:

6 rue de la Tuilerie – 31130 Balma

Summary of main fields of expertise and experience

Gérard Bontoux holds a master's degree in private law and is a graduate of the Institut d'Études Politiques de Toulouse. He began his career in the commitment department of the Union Parisienne bank. In 1975, he joined the Midi-Pyrénées Regional Department of Labour, Employment and Professional Training as a project manager and then became head of the Prospective Evaluation and Statistics department in 1995.

In 1979, he was elected director of the Caisse de Crédit Mutuel de Toulouse Saint-Cyprien. He holds mandates at local, regional and confederal level. He has been chairman of the Fédération and the Caisse Fédérale de Crédit Mutuel Midi-Atlantique since 1994. He has been chairman of the remuneration committee of Caisse Fédérale de Crédit Mutuel since 2018.

Director

Appointed to the board: 2009

Term expires: 2021

Other offices held as of June 30, 2020

Chairman of the board of directors
Fédération du Crédit Mutuel Midi-Atlantique
Caisse régionale du Crédit Mutuel Midi-Atlantique
Vice chairman of the board of directors
Caisse Fédérale de Crédit Mutuel
Director
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
Caisse de Crédit Mutuel Toulouse St Cyprien
Permanent representative of Marsovalor, member of the board of directors
CIC Sud Ouest
Permanent representative of Caisse régionale du Crédit Mutuel Midi-Atlantique
Assurances du Crédit Mutuel Vie SAM

Terms of office expired over the past five fiscal years

Member of the supervisory board
Banque Européenne du Crédit Mutuel

(1) *For the sake of transparency, the directors of Crédit Mutuel Alliance Fédérale whose terms of office within CFde CM came to an end during the first half-year 2020 but who also hold offices within Crédit Mutuel Alliance Fédérale are listed below.*

Charles Gerber

MEMBER OF THE GROUP AUDITING AND ACCOUNTING COMMITTEE OF CAISSE FÉDÉRALE DE CRÉDIT MUTUEL

67 years old

Born June 3, 1954

Business address:

4 rue Frédéric Raiffeisen

67000 Strasbourg

Summary of main fields of expertise and experience

Holder of a CAP degree in general mechanics and a diploma in management and recruitment from the Comité d'Action Économique du Haut-Rhin, Charles Gerber began his career as a master sergeant in the French army. He then worked for 10 years in the mechanical field, for 20 years as manager of a production site and for 10 years as manager of high volume purchasing at the same company before retiring in 2009. In 1991 he was first appointed member of the board of directors of a Crédit Mutuel local bank, before being appointed chairman of the board of directors in 2012.

Director
Appointed to the board: 2020
Term expires: 2023

Other offices held as of June 30, 2020

Chairman
Union des caisses de Crédit Mutuel du District d'Altkirch-St-Louis
Chairman of the board of directors
Caisse de Crédit Mutuel de la Largue
Director
Fédération du Crédit Mutuel Centre Est Europe

Terms of office expired over the past five fiscal years

Director
Caisse Fédérale de Crédit Mutuel

Senior management

Daniel Baal

63 years old

Born December 27, 1957

Business address:

4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main fields of expertise and experience

Daniel Baal began his career in 1979 as a credit records manager at the head office of Banque Fédérative du Crédit Mutuel in Strasbourg and went on to hold various head office and network positions in Strasbourg, Colmar and Mulhouse. In 1995, he became director of commitments at the Southern Regional Division of Caisse Fédérale du Crédit Mutuel Centre Est Europe, then director of Caisse de Crédit Mutuel Mulhouse-Europe in 2001. He was deputy chief executive officer of Société du Tour de France and director of "cycling" activities for Sport Amaury Organisation from 2001 to 2004. In 2004, he became Manager of Caisse Fédérale de Crédit Mutuel Centre Est Europe before being appointed chief executive officer of the Fédération and the Caisse Régionale du Crédit Mutuel Île-de-France. Then, in 2010, he was appointed deputy chief executive officer of Confédération Nationale du Crédit Mutuel, then deputy chief executive officer of Crédit Industriel et Commercial in 2014 and chief executive officer of Caisse Centrale de Crédit Mutuel in 2015.

Since 2017, he has been chief executive officer of Caisse Fédérale de Crédit Mutuel, chief executive officer of Banque Fédérative du Crédit Mutuel, chief executive officer of Crédit Industriel et Commercial, chief executive officer of Fédération du Crédit Mutuel Centre Est Europe and a member of the executive board of Groupe des Assurances du Crédit Mutuel.

Daniel Baal is a graduate of EDC Paris Business School, majoring in financial management.

Chief executive officer
Appointed to the board: 2017
Term expires: 2023

Other offices held as of June 30, 2020

Chief executive officer
Fédération du Crédit Mutuel Centre Est Europe
Banque Fédérative du Crédit Mutuel
Crédit Industriel et Commercial
Member of the executive board
Groupe des Assurances du Crédit Mutuel
Chairman of the supervisory board
Cofidis
Cofidis Participations
Euro-Information Production
Vice chairman of the board of directors
Banque de Luxembourg

Terms of office expired over the past five fiscal years

Chairman
SAS Les Gâtines
Chairman of the board of directors
CIC Sud Ouest
CIC Ouest
Chairman of the supervisory board
CIC Iberbanco
Vice chairman of the supervisory board
Targo Deutschland GmbH
TARGOBANK AG
Targo Management AG (merged into TARGOBANK AG on May 9, 2018)
Director
Fivory SA
Fivory SAS
Permanent representative of Caisse régionale du Crédit Mutuel Île-de-France. member of the management board
Euro-Information

Éric Petitgand

56 years old

Born February 4, 1964

Business address

4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main fields of expertise and experience

Eric Petitgand began his career in 1987 as a back-office manager of cash operations at BTP and later Renault Crédit International. In 1992, he joined the Caisse Centrale du Crédit Mutuel as back-office manager of markets. In 1996, he was a special assistant to the chief executive officer and sale director at Crédit Mutuel Centre Est Europe. In 1999, he was named regional executive of the Fédération du Crédit Mutuel Centre Est Europe before being named chief executive officer of the Fédération and the Caisse Fédérale de Crédit Mutuel Savoie-Mont Blanc in 2003, then vice chairman and head of operations of the shared services center of the Desjardins network of local banks in 2013.

Since 2016, he has been deputy chief executive officer of the Caisse Fédérale de Crédit Mutuel and deputy chief executive officer of the Fédération du Crédit Mutuel Centre Est Europe. Since 2017, he has also been chief executive officer of the Caisse Fédérale de Crédit Mutuel Antilles Guyane and the Fédération du Crédit Mutuel Antilles Guyane.

Éric Petitgand holds a DESS in management control and auditing from the IAE of the Université Paris 1 Panthéon – Sorbonne.

Deputy chief executive officer and effective manager
Appointed to the board: 2016
Unlimited term

Other offices held as of June 30, 2020

Chairman and permanent representative of Banque Fédérative du Crédit Mutuel
Bischenberg
Deputy chief executive officer
Fédération du Crédit Mutuel Centre Est Europe
Vice chairman
Monetico International
Chief executive officer
Caisse Fédérale de Crédit Mutuel Antilles-Guyane
Fédération du Crédit Mutuel Antilles-Guyane
Permanent representative of Caisse régionale du Crédit Mutuel, member of the supervisory board
Groupe des Assurances du Crédit Mutuel
Member of the supervisory board
Euro-Information
Member of the management committee
Euro-Information Télécom
Member of the board of directors
Centre de Conseil et de Service – CCS
Permanent representative of Placinvest, director
Crédit Mutuel Investment Managers
Director
LYF

Terms of office expired over the past five fiscal years

Chairman
Filaction
Vice chairman
Cemcice Servicios España
Member of the board of directors
Cautionnement Mutuel de l'Habitat
Member of the supervisory board
Euro Information Production
Member of the management board
Euro Information Direct Services
Permanent representative of Caisse Fédérale de Crédit Mutuel, member of the management board
Euro-TVS
Euro-Information Épithète
Permanent representative of CIC Associés, director
Crédit Mutuel Asset Management
Chief executive officer
Caisse régionale du Crédit Mutuel Savoie-Mont Blanc
Fédération du Crédit Mutuel Savoie-Mont Blanc
Permanent representative of Caisse régionale du Crédit Mutuel Savoie-Mont Blanc, director
ACM – IARD S.A

3.2.3 Work of the board during the first half-year 2020

The board of directors meets at least four times a year according to a pre-established schedule.

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

On June 30, 2020, the board of directors met three times. The meeting attendance rate for directors was 95% on average.

Meeting of February 19, 2020

The board of directors meeting of February 19, 2020 focused on the following topics in particular:

- Presentation of the balance sheet and consolidated financial statements as of December 31, 2019;
- Update on ALM, interest rate and liquidity risk;
- Report of the group auditing and accounting committee, including presentation of the assessment of key permanent control, periodic control and compliance functions;
- Report of the group risk monitoring committee, including presentation of the assessment of the risk management function;
- Relations with regulators and follow-up letters;
- Operational risks: 2019 summary;
- Non-compliance risks: 2019 summary;
- Approval of 2020 bodies of rules;
- Approval of liquidity emergency plan;
- Social and cooperative responsibility;
- Report of the remuneration committee;
- Report of the appointments committee, including presentation of summary of assessments from boards of directors;
- Presentation of the assessment of executive management and approval of all assessments of the committee and key functions;
- Activities and development of Caisse Fédérale de Crédit Mutuel;
- Approval of the annual comprehensive and consolidated financial statements as of December 31, 2019;
- Replacement of an employee director:
- Regulated agreements;
- Affiliation of new Crédit Mutuel branches.

Meeting of April 2, 2020

The board of directors meeting of April 2, 2020 focused on the following topics in particular:

- Managing the COVID 19 crisis: crisis management system, organizational and employee protection measures, measures to support customers and members, initial impacts and outlook;
- Presentation and review of the annual internal control reports;
- Approval of the LCB-FT annual internal control reports;
- Report of the remuneration committee meeting of March 26, 2020 and approval of the annual report on the policy and practices for the compensation of risk takers and of the overall compensation package for risk takers;
- Breakdown of the overall compensation package under the charter governing the exercise of offices of members of the boards of directors;
- Report of the appointments committee of March 26, 2020;
- Management reports and corporate governance reports;
- Proposed changes in the composition of the board of directors, including the renewal of the chief executive officer's term of office
- Change to the composition of the group auditing and accounting committee;
- Change to the composition of the group risk monitoring committee;
- Change to the composition of the appointments committee;
- Change to the composition of the remuneration committee;
- Proposals for the appointment of voting and non-voting directors to the boards of CNCM and CCCM;
- Preparation and convening of the ordinary shareholders' meeting of CFdeCM of May 6, 2020;
- Affiliation of new Crédit Mutuel branches.

Meeting of June 25, 2020

The board of directors meeting of June 25, 2020 focused on the following topic:

- New long-term industrial partnership.

3.2.4 Committees of the board of directors

The board of directors has set up four specialized committees within the scope of Crédit Mutuel Alliance Fédérale: the remuneration committee, the appointments committee, the group auditing and accounting committee and the group risk monitoring committee. The provisions which define the composition, functioning, regulatory framework and duties of the regulatory committees of Crédit Mutuel Alliance Fédérale are set out in the internal rules of the board of directors updated on November 15, 2019.

The committees are made up of three to six members of the board of directors of Caisse Fédérale de Crédit Mutuel appointed by the board of directors on the proposal of the chairman of the board for the duration of their term of office as directors, to which may be added associate members proposed by the boards of directors of the federations for the duration of their term of office as federal directors. One member of the remuneration committee must be an employee director.

Remuneration committee: composition and meetings in the first half-year 2020

The remuneration committee met twice during the first half-year 2020, with an average attendance rate of 83%.

As of June 30, 2020, the remuneration committee was composed of a chairman, five members including one employee director and one associate member:

- Chairman: Annie Virot;
- Members: Christine Leenders, Gérard Oliger, Philippe Gallienne, Audrey Hammerer (employee director);
- Associate member: Jean-François Jouffray.

Appointments committee: composition and meetings in the first half-year 2020

The appointments committee met four times during the first half-year 2020, with an average attendance rate of 88%.

As of June 30, 2020, the appointments committee was composed of a chairman, three members and two associate members:

- Chairman: Gérard Oliger;
- Members: Bernard Dalbiez, Laurence Miras, Agnès Rouxel;
- Associate members: Mireille Gavillon, Jean-François Jouffray.

Group auditing and accounting committee: composition and meetings in the first half-year 2020

The auditing and accounting committee met three times during the first half-year 2020, with an average attendance rate of 81%.

As of June 30, 2020, the auditing and accounting committee was composed of a chairman, three members and thirteen associate members:

- Chairman: Jean-François Jouffray;
- Members: Gérard Cormorèche, Étienne Grad, Véronique Hemberger;
- Associate members: Jean-Pierre Bertin, Didier Belloir, Christian Fouchard, Patrice Garrigues, Charles Gerber, Jean-Claude Lordelot, Yves Magnin, Alexandre Martial, Patrick Morel, Bich Van Ngo, Jean-François Parra, Alain Pupel, René Schwartz.

Group risk monitoring committee

The risk monitoring committee met four times during the first half-year 2020, with an average attendance rate of 95%.

As of June 30, 2020, the risk monitoring committee was composed of a chairman, four members and nine associate members:

- Chairman: Daniel Schoepf;
- Members: Bernard Dalbiez, Christine Leenders, Nicolas Habert, Nicolas Théry;
- Associate members: Gilles Berrée, Bernard Basse, Hubert Chauvin, Jean-François Jouffray, Laurent Benoît, Claude Levêque, Daniel Rocipon, Michel Vieux, Didier Benonie, Patrick Hoche.

3.2.5 Executive management: composition and prerogatives

Composition of executive management

The executive management of Caisse Fédérale de Crédit Mutuel is composed of:

- Daniel Baal, chief executive officer and effective manager;
- Éric Petitgand, deputy chief executive officer and effective manager;
- Frantz Rublé, deputy chief executive officer.

Prerogatives of executive management

The board meetings of July 29, 2016, April 6, 2017 and April 2, 2020 did not limit the powers of the two effective managers as defined by law and our articles of association and internal rules.

4 RISK FACTORS

This section describes the principal risks to which Crédit Mutuel Alliance Fédérale (hereafter called "the group") is exposed. Because of the specificities of the group's organization, these risks apply identically across all of the group's two scopes:

the mutual banking division or "regulatory scope" comprising: Crédit Mutuel banks, federations and the Caisse Fédérale de Crédit Mutuel.

the capital division or "BFCM consolidated scope" comprising the Banque Fédérative du Crédit Mutuel (issuer) and all its subsidiaries.

Crédit Mutuel Alliance Fédérale is exposed to various risks associated with its activities of retail banking, insurance, corporate banking and capital markets, private banking and private equity. The risks shown below are those identified, to date, as being important and specific to Crédit Mutuel Alliance Fédérale and Banque Fédérative du Crédit Mutuel, and which could have a major adverse effect on their activity, their financial position and/or their results and outlook. The group has set up a process to identify and measure risks related to its activities which enables it, at least once a year, to prepare the map of its most significant risks. The risk mapping is submitted for approval by the group's board of directors.

Below are the main factors that can significantly influence the main risks of the group. Major risks are formalized first within each category.

The COVID-19 pandemic and its spread worldwide is causing a shock to the world economy and a marked slowdown in activity. Generally speaking, this health crisis has accentuated the potential impact of our various risk factors on the financial position of Crédit Mutuel Alliance Fédérale. Details of these impacts are specified for each relevant risk factor.

4.1 CREDIT RISK

Because of its business model, Crédit Mutuel Alliance Fédérale's primary risk is credit risk. Gross exposures (on-balance sheet, off-balance sheet, derivatives and repos) to credit risk amounted to €778.6 billion at June 30, 2020.

The COVID-19 pandemic could have a significant impact on the profitability and solvency of Crédit Mutuel Alliance Fédérale. Taking the consequences of the 2008 crisis on Crédit Mutuel Alliance Fédérale's financial statements as an example, the current health crisis could have four types of significant impact on the group's credit risk exposures.

1.1 The first impact would be related to the risk of financial loss due to the inability of counterparties to meet their contractual obligations (risk of default), especially since the current crisis is generating massive recourse to debt to cope with sharp drops in activity and cash inflows during periods of containment. The counterparties may be banks, financial institutions, industrial or commercial companies, states, investment funds or natural persons. This risk concerns the financing activities (which therefore appear on the balance sheet of Crédit Mutuel Alliance Fédérale) or guarantee activities (which appear off-balance-sheet) as well as other activities exposing the group to a risk of counterparty default, notably its activities related to the trading and settlement/delivery of financial instruments on the capital markets, and to insurance. At June 30, 2020, Crédit Mutuel Alliance Fédérale's non-performing loans' ratio was 3.04% and the cost of risk was €1,046 million (as a fraction of gross outstanding loans, the cost of customer risk was 0.483%), the figure for the first half of 2020 being almost identical to the figure recorded for the whole of 2019. This amount partly contains provisions of a forward-looking nature that could prove insufficient if the consequences of the crisis prove to be more serious than anticipated at the time they were created. During the 2008 crisis, the group's NPL rate climbed as high as 4.68% (December 31, 2009), generating a peak in the cost of risk of €1,987 million (the cost of customer risk representing 0.77% of the gross loans at the time), over a more restricted scope, given the acquisitions made by the group since 2009.

1.2 The second impact would depend on the method used for calculating the weighted risks in the denominator of the solvency ratio. Within Crédit Mutuel Alliance Fédérale, nearly 70% of total exposure to credit risk is subject to internal rating for which the quality determines the calculation of the capital requirements pursuant to the credit risk under the Basel 3 method and therefore the group's solvency ratio. A worsening of the ratings for all or part of the portfolio would therefore lead to a deterioration of the group's solvency. The current pandemic increases this risk, again in view of the increased indebtedness of economic agents and the decline in their financial income, which is particularly high in certain sectors of activity (such as air transport, leisure activities or hotels and restaurants) where the group is exposed (see Pillar III - Table 26 "Travel and leisure" sector).

1.3 Due to the size of its portfolio of real estate loans (49% of customer loans or around €199 billion at 06.30.2020), mainly in France, the group is exposed to a downturn in the real estate market, the probability of occurrence of which may be increased by the current pandemic (following a fall in demand linked to a deterioration in households' financial situation, the unemployment rate, etc.). A scenario of that type would impact its cost of risk through higher defaults and also, in terms of mortgage-backed financing, if the value of dwellings given as collateral should be significantly affected for a considerable period of time by a decline in the real estate market. Following the 2008 crisis, the cost of risk on the network's portfolio of real estate loans reached 0.10% of balance-sheet commitments during two years (2009 and 2010). It reached 0.02% of home loans on the balance sheet in the first half of 2020, almost unchanged from 2019.

1.4 Crédit Mutuel Alliance Fédérale has unitary exposure that is relatively high to certain states, to bank counterparties or to large groups, mainly French, some of which have benefited from support measures implemented by public authorities (i.e. guaranteed loans). The default of one or more of the group's largest customers could degrade its profitability. Concerning States, the group is principally exposed to France, mainly the Banque de France - member of the euro system - and to the Caisse des Dépôts et Consignations (equivalent to French sovereign risk, due to the mechanism for centralizing deposits from regulated savings). Other than States, on December 31, 2019, single exposures, on and off-balance sheet, exceeding €300 million (representing about 10% of the net profit/loss) to banks represented €5.1 billion for eight counterparties. For companies its represented €37.4 billion for 56 counterparties. The probability of several of these counterparties being downgraded or even defaulting simultaneously cannot be ruled out and would affect the profitability of the group.

4.2 RISKS RELATED TO THE MACROECONOMIC AND MARKET ENVIRONMENTS

4.2.1 Risks related to the macroeconomic and market environments (rates)

Risks related to the macroeconomic and market environment are defined as risks related to a change in market conditions, in particular those affecting income and price levels as well as in the current macroeconomic environment as existing or expected economic conditions. One of the main risks concerned is interest rate risk, defined as the difference in the profit/(loss) of a bank when interest rates vary upwards or downwards. As the value of an institution is directly related to its earnings, changes in interest rates also mean changes in its asset value with an impact on the balance of on- and off-balance sheet items.

The COVID-19 pandemic could have a significant impact on the profitability of Crédit Mutuel Alliance Fédérale. The exceptional measures implemented by the European and national authorities will therefore have an impact on Crédit Mutuel Alliance Fédérale's long-term interest rate levels and profitability.

The net present value (or "NPV") sensitivity of the Crédit Mutuel Alliance Fédérale balance sheet, determined according to six regulatory scenarios, is below the 15% threshold for Tier-1 equity. Crédit Mutuel Alliance Fédérale is sensitive to a flattening of the yield curve, with a NPV sensitivity of -9.12% relative to CET1 equity as of June 30, 2020. The sensitivity of net banking income at one and two years is determined according to several scenarios (increase and decrease of rates by 100 bps, increase and decrease of rates by 200 bps with a floor) and two stress scenarios (flattening/inversion of the yield curve and a sustained fall in short and long rates). The "flattening/inversion of the yield curve" scenario is the most unfavorable scenario for Crédit Mutuel Alliance Fédérale, with an impact of -5.01% over 2 years, or -€638 million at June 30, 2020.

- 2.1.1 A prolonged low interest rate environment carries risks which could affect the Crédit Mutuel Alliance Fédérale's revenues or profitability. As a large portion of the Crédit Mutuel Alliance Fédérale's revenues are tied to the net interest margin, which directly impacts the group's profitability. Interest rate fluctuations are caused by a number of factors over which Crédit Mutuel Alliance Fédérale has no control, such as the level of inflation, the monetary policies of States, including that of the French State, in particular the level of regulated rates (Passbook savings rate "A," Passbook savings rate "bleu," etc.). Thus Crédit Mutuel Alliance Fédérale's revenues and profitability are impacted by the changes in interest rates at different points on the yield curve. The low interest rate environment in the markets for several years has significantly impacted the profitability of banks including Crédit Mutuel Alliance Fédérale. This low interest rate situation will tend to persist due to the measures put in place by the ECB in the context of the current crisis. The impact for Crédit Mutuel Alliance Fédérale could be that it may be unable to sufficiently offset the fall in revenues related to granting loans at market levels with the level of interest rates for customer resources and regulated savings products (Passbook savings rate "A," Passbook savings rate "bleu," PEL (mortgage savings plans)) remunerated at rates above the market rate. This situation is increasing early repayments and renegotiations of real estate loans and other fixed rate loans to individuals and companies seeking to benefit from the low interest rates. Crédit Mutuel Alliance Fédérale must also deal with a new production of loans with particularly low rates. In addition, in order to comply with its regulatory liquidity constraints, Crédit Mutuel Alliance Fédérale must place excess liquidity with the central bank at negative interest rates. Customers meanwhile are not charged for bank deposits which contributes to reducing the interest margin and the bank's profitability. All these factors could markedly impact the group's activity, financial position and results.
- 2.1.2 Likewise, a sudden hike in interest rates could have a material adverse effect on the Crédit Mutuel Alliance Fédérale's net banking income and profitability. The end of a prolonged period of low interest rates, particularly from a tightening of monetary policy, brings risks for the banking sector in general, and for Crédit Mutuel Alliance Fédérale in particular. An abrupt exit from these interest rate levels could have an unfavorable impact on the bank's revenues and profitability. This hike in interest rates could have a marked impact on the cost of refinancing in the banking sector markets for short-term and medium-term debt issues. At the same time, Crédit Mutuel Alliance Fédérale could have difficulty in immediately passing on the interest rate hike to housing loans and other fixed rate loans granted to individuals and companies while the cost of customer deposits would tend to increase more rapidly. Some volatile, non-interest bearing demand deposits might be turned into more costly deposits such as term deposits and passbook accounts. A portion of the volatile deposits might also be shifted to off-balance sheet vehicles such as UCITS and life insurance.

- 2.1.3 Significant fluctuations in the values of securities portfolios and derivative products could also adversely impact Crédit Mutuel Alliance Fédérale's net profit and equity. The net carrying amount of the liquid assets portfolio is adjusted on the balance sheet on each reporting date. Fair value adjustments of assets are recognized through shareholders' equity. Any unfavorable changes in the markets and in particular changes to the value of the liquid assets portfolio could impact equity and consequently the Crédit Mutuel Alliance Fédérale's prudential ratios. These value adjustments could also have an impact on the carrying amount of the Crédit Mutuel Alliance Fédérale's assets and liabilities, and impact its net profit and equity.
- 2.1.4 Changes to the reference indexes, particularly Euribor and Libor, could also affect Crédit Mutuel Alliance Fédérale at different levels. On the subject of the regulations relative to reference indices, it should be noted that some of them (LIBOR, EURIBOR, EONIA) will be considered as non-compliant indices from January 1, 2022, and may not be used in new contracts and financial instruments. A number of points about the transition to the new indices need to be raised. The first relates to the level of rates of substitution by which the structure (old index/new index) differs technically and requires an adjustment margin to be added. The methodology for certain indices has already been communicated, such as the EONIA Index which is recalibrated to the €STER + spread (€uro Short-Term Rate). However, the methodology for other indices still remains to be defined by the authorities. The second concerns the transition from the old index to the new, which could potentially create a risk of asymmetrical treatment of the various balance sheet items (assets and liabilities) and their hedges.

4.2.2 Risks related to the regulatory and prudential environment

Crédit Mutuel Alliance Fédérale's regulatory environment is described in the dedicated section supra "2.1.2 Regulatory environment" of chapter 2. The group is subject to a great many banking regulations, some of which are not reflected in its ratios but could have a significant effect on them. As specified in 1.2, a large majority of the group’s exposures are approved by the supervisor for calculation using the internal risk weighting model. However, changes to the “finalization of Basel 3” regulations will adversely impact the calculation of risk weightings and therefore the solvency ratio of the group. The probability of the occurrence of this risk is almost certain but it will gradually occur between 2023 and 2028 due to the one-year delay in the entry into force of these regulations.

- 2.2.1 The finalization of the Basel 3 agreements specifies that for portfolios with a low risk of default authorized for the IRBA method (notably the internal calculation of the parameters covering probability of default and loss given default), the internal parameter “loss given default” may no longer be used for calculating weighted risk. It will be replaced by a standard value fixed at 40% for all establishments from January 1, 2023, which will increase the capital requirements on exposures. For the group, this will concern counterparties that are “banks” and “large corporates” (groups having more than €500 million in consolidated revenue), representing about €90 billion of balance-sheet and off-balance-sheet exposure on December 31, 2019.
- 2.2.2 From 2023, an “output floor” will gradually be put in place, the aim of which is to limit the gains in equity arising from internal models for calculating risk weightings in the denominator of the solvency ratio. About 70% of the group’s exposures have a risk weighting taken from internal models, most of which are well below the standard weighting. The application of the output floor will be done gradually between 2023 (50%) and 2028 (72.5%) and will adversely impact the solvency ratio.
- 2.2.3 As specified in 1.3, the group’s exposure to real estate risks is significant. They will also be unfavorably affected by the regulations when the new standard method applies in 2023. This new approach will use the Loan-To-Value indicator (LTV, the ratio between the amount of the loan and the market value of the property) to weight the risk of exposures. The higher the LTV, the higher the risk weighting, up to 100%, while the weighting in the current standard weighting method for exposures guaranteed by a mortgage or an equivalent surety – i.e. €148 billion on December 31, 2019 – is 35% (and 14% using the internal method). This new methodology will also have the consequence of making capital requirements relative to portfolios of property receivables more sensitive to a drop in property prices (portfolios using the standard method and portfolios using an internal method via the output floor mechanism mentioned above).
- 2.2.4 The aim of the Targeted Review of Internal Models or TRIM carried out by the European Central Bank (ECB) with European banking institutions may result in a decline of the level of CET1, because of additional requirements on the RWA or additional prudential margins on Basel parameters (PD, LGD, CCF).
- 2.2.5 The transposition into national law of the European BRRD 2 directive (Bank Recovery and Resolution Directive) adopted in December 2018 by the Council of the EU and the Parliament will result in new measures and obligations for banks' resolution mechanism. According to the methods for the directive coming into force, the requirements concerning the MREL ratio (Minimum Requirement for own funds and Eligible Liabilities) to be respected could be reinforced. The Crédit Mutuel group's MREL requirements also, de facto, constrains the structure of the Crédit Mutuel Alliance Fédérale's debt (because of its weight in the Crédit Mutuel group) and will require it to instead fund through the subordinated debt markets, impacting the cost, strategy and potentially the Crédit Mutuel Alliance Fédérale financing capacity.
- 2.2.6 The national regulator (BaFIN) in Germany, the group's second domestic market, wishes to restrict the level of life insurance commission paid by the insured to the distributor, with a potential impact on the revenue of the Targobank subsidiary in Germany.

4.2.3 Governance-related risks

The regulations give the resolution authority the power to start insolvency proceedings in respect of the Crédit Mutuel group if, after applying the measures referred to in article L. 511-31, CNCM, the central body of the group and all its affiliates, is failing, or is likely to fail, with the objective of ensuring critical function continuity, avoiding risks of contagion, recapitalizing or restoring the institution's viability. These powers must be implemented in such a way so that losses, subject to certain exceptions, are borne first by the impairment or conversion of equity instruments, then by holders of additional Tier-1 and Tier-2 equity instruments (such as subordinated bonds), then by holders of senior non-preferred bonds and finally by holders of senior preferred bonds in accordance with the priority order of their claims.

The resolution authority has extensive powers to implement the resolution tools for the Issuer, or the Crédit Mutuel group, which may include the total or partial transfer of business to a third party or to a bridge institution, the separation of the institution's assets, the substitution of the Issuer as debtor in respect of debt instruments, the total or partial impairment of regulatory equity instruments, the dilution of regulatory equity instruments through the issuance of new equity securities, the total or partial impairment or conversion of debt instruments into equity securities, the modification of the terms of debt instruments (including the modification of the maturity and/or the amount of interest payable and/or the temporary suspension of payments), the suspension of the listing and admission to trading of financial instruments, the dismissal of executives or the appointment of a special director.

The Issuer is covered by the Crédit Mutuel group's internal financial solidarity mechanism. Creditors' attention is, however, drawn to the fact that repayment, in full, of their loan, is subject to the risk of the implementation of said financial solidarity mechanism.

Where the emergency plan or the solidarity measures taken are not sufficient to facilitate the recovery of the central body's affiliates, including the Issuer, or if objective evidence suggests in advance that the implementation of any such emergency plan or measures that may be taken by CNCM would prove insufficient to restore compliance with prudential requirements, the resolution of the Crédit Mutuel group will be determined on a collective basis. In fact, the implementation of the solidarity mechanism is accompanied by the merger of Crédit Mutuel group affiliates.

During phases of proven financial difficulty (i.e. when the European Central Bank alerts the Single Resolution Board of the risk of failure ("Failing Or Likely To Fail" FOLTF principle), of the Crédit Mutuel group, determined on a consolidated basis, or the Single Resolution Board declares the Crédit Mutuel group FOLTF, on a consolidated basis, in accordance with regulation (EU) 806/2014, known as the "SRMR" or, as provided for in the national solidarity mechanism, when the emergency plan or the measures taken by CNCM within the context of this mechanism, are not sufficient to facilitate the recovery of a failing group, or if objective evidence suggests in advance that the implementation of any such emergency plan or measures that may be taken by the Confédération would prove insufficient to restore compliance with prudential requirements), CNCM, at the request of the supervisory or resolution authorities, as appropriate, is fully authorized to fulfill the objectives and principles followed by these authorities in relation to solidarity.

During phases of proven financial difficulty or during the resolution phase, there is unlimited solidarity between CNCM affiliates.

The implementation of these means and powers with regard to the Issuer, or the Crédit Mutuel group, may give rise to significant structural modifications.

Should CNCM be required to merge all its affiliates, creditors could find themselves competing with creditors of the same ranking, of other CNCM affiliates. After the transfer of all or part of the activities, the creditors (even without any impairment or conversion of their loans) would hold loans in an institution whose remaining businesses or assets may be insufficient to satisfy the claims held by all or some of its creditors.

If CNCM has not merged all its affiliates upon commencement of resolution, the resolution authority may consider other resolution strategies (transfer of business, bridge institution, separation of assets, or coordinated "bail-in" of all CNCM affiliates). Should the resolution authority apply a coordinated "bail-in", the liquidity of CNCM affiliates and all capital instruments and eligible liabilities may be used to help offset losses and recapitalize CNCM affiliates. In this event, value reduction measures or the conversion of eligible liabilities would follow the ranking of creditors in a judicial liquidation. The "bail-in" would be based on capital requirements at consolidated level but would be applied on a pro rata basis by entity, i.e. the same impairment or conversion rate will be applied to all shareholders and creditors of the same class, irrespective of the issuing legal entity within the network.

Exercising the powers described above may result in losses for investors.

4.2.4 Market risks

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

The potential impact of market risk on the asset-liability management activity is addressed elsewhere in this chapter (an increase in rates increases the cost of resources, even though it also could improve the net interest margin). The risk involving asset management is due to the fact that the fees received by this business line vary with the valuation of the funds under management, which is set by markets.

The main risk factors associated with market risks are:

- 2.4.1 A worsening of economic prospects would negatively affect the financial markets in that they are supposed to reflect the financial health of issuers of the capital and debt securities that are traded in them. The valuation of securities would drop and the volatility of the valuation level would increase. The effect on the activities of CIC Marchés would be negative. In particular, the investment business line would suffer from adverse financial market conditions to the extent that this business line, on the basis of an assumption of an improvement of the economy, takes a position on increasing stock market valuations and on a better rating quality of the issuers of debt. In addition, the commercial business line would also suffer from poor market conditions. Commissions from the brokerage activity would drop with transactions covering amounts that would be reduced due to the lower valuation level. Furthermore, the number of transactions on the primary market (initial public offers, capital increases and debt issues) would trend downwards, which implies less commission.
- 2.4.2 Monetary policy is another factor which has strong impact on market risks. The accommodating monetary policy of the ECB influences the net interest margin of the bank, and consequently its profitability is strongly affected by this (maintenance at a low level).

The market risk to which the CIC Marchés division is exposed is weak. The equity capital allocated to CIC Marchés is €555 million (1.2% of overall regulatory equity capital, which stood at €46 billion on December 31, 2019).

As at June 30, 2020, €437.5 million of this limit was used (against €800 million in 2008). However, the first half of 2020 was marked by an unprecedented crisis that sharply eroded asset valuations (but did not, however, generate significant final losses). The NBI per IFRS of CIC Marchés at June 2020 was down significantly at €34.4 million, and profit/(loss) before tax at -€72.9 million. Hit hard by increased market volatility, the 99% one-day VaR of the trading portfolio stood at €27.5 million at the end of the first half of 2020, up sharply on the end of 2019. The effects of the first half make it impossible to reach a conclusion regarding the potential annual effects.

4.3 LIQUIDITY AND FINANCING RISKS

Liquidity risk means the capacity for a bank to find the funds necessary for financing its commitments at a reasonable price at any time. Thus, a credit institution which is unable to honor its net outflows of cash because of a scarcity of financial resources in the short-, medium- and long-term has a liquidity risk.

The COVID-19 pandemic has created an unprecedented market situation that has required exceptional measures by European and national authorities. Within the context of liquidity risk, these measures have increased the spread of liquidity in the banking sector. In addition, the growth in deposits recorded in the French banking system linked to precautionary savings by individuals and companies helped to increase the liquidity reserve and the level of LCR. It should be noted that the effects on the first half of the year do not allow for any conclusions to be drawn about the potential annual effects.

Crédit Mutuel Alliance Fédérale's Liquidity risk can be understood as being the regulatory short-term liquidity coverage ratio (LCR) between highly liquid assets when faced with net outflows of liquidity at 30 days in stress scenarios. Crédit Mutuel Alliance Fédérale's average LCR totals 159.8% over the first half of 2020 which represents an excess of €41 billion on average compared to minimum regulatory requirements. Crédit Mutuel Alliance Fédérale's liquidity reserve is comprised of deposits with central banks, securities and available receivables which are eligible for central bank refinancing. Crédit Mutuel Alliance Fédérale’s liquidity reserve was €169.7 billion at June 30, 2020.

The loans/deposits ratio or commitment ratio is an accounting indicator and not a regulatory indicator which complements the battery of liquidity indicators. Subject to the regulatory treatment (leakage rate in particular) of the deposits collected in the LCR calculation, improved regulatory treatment contributes positively to the LCR. This indicator shows a level of 106.6% at June 30, 2020.

3.1 Crédit Mutuel Alliance Fédérale's access to financing and the costs of this financing could be adversely impacted by sharp downturns in the market, major macro-economic difficulties, a sudden deterioration in rating or other crisis factors.

Short-, medium- and long-term market funds are an essential source for preserving Crédit Mutuel Alliance Fédérale's business activities. Financing involves the issuance of medium and long-term debt and short-term negotiable debt instruments (TCN). Guaranteed financing operations such as repurchase agreements also are involved. Thus if market access and market conditions severely deteriorated, the impacts on the financial sector in general and on Crédit Mutuel Alliance Fédérale in particular could significantly impact the level of its liquidity and the group's financial situation, particularly in terms of profitability.

3.2 The increase in the Banque de France's discounts for pledged securities in TRICP (data processing of private loans, or Traitement Informatique des Créances Privées) or ACC (Additional Credit Claims) type transactions could reduce the level of the Crédit Mutuel Alliance Fédérale's liquidity reserve.

Crédit Mutuel Alliance Fédérale's liquidity reserve of €134.6 billion is mainly comprised of overnight deposits with central banks, a portfolio of highly liquid securities and eligible collateral with central banks.

This collateral mainly includes loans whose nature, composition and quality permits them to be pledged and to be eligible for ECB financing. The Banque de France sets a discount rate for each type of receivable which it can revise upwards or downwards at any time. Thus an increase in the discounts on pledged receivables in TRICP or ACC type refinancing transactions could impact the level of the Crédit Mutuel Alliance Fédérale liquidity reserve and have an adverse impact on the group's financial position.

3.3 A significant change/variation in interest rates could have an adverse impact on customer behavior and affect the level of their bank deposits.

Interest rate levels have been low for several years, particularly in the context of the ECB's accommodating policy. This interest rate environment has changed customer behavior and the way customers place their deposits. Thus, in recent years customers have opted to deposit their funds on current accounts rather than deposit accounts (passbook accounts, term deposits, etc.) whose interest rates are unattractive by comparison. As current accounts are generally unremunerated they can be withdrawn at any time.

An increase in interest rates could lead to volatility in these current account deposits. Customers could decide to invest them, or place them in other types of account (passbook accounts, term accounts) or in insurance or asset management type funds. This potential volatility for deposits could affect Crédit Mutuel Alliance Fédérale's liquidity and adversely impact its loan/deposit ratio.

3.4 A significant deterioration in BFCM's and CIC's rating could have a significant impact on the Crédit Mutuel Alliance Fédérale's cost of financing, profitability and business continuity.

BFCM is Crédit Mutuel Alliance Fédérale's main issuer. BFCM's ratings therefore impact the group. The ratings are based primarily on a review of the governance, strategy, quality and diversity of the revenue sources, the adequacy of equity, the quality and structure of the balance sheet, the risk management and risk appetite. BFCM's long-term (Senior Preferred) ratings as of June 30, 2020 were AA- (negative) from Fitch Ratings, Aa3 (stable) from Moody's and A (negative) from Standard & Poor's (this last agency rates the Crédit Mutuel group and its principal issuers). Thus, a drop in these credit ratings, and particularly a deterioration in the factors contributing to the financial rating, could have a material impact on the refinancing of Crédit Mutuel Alliance Fédérale and the subsidiaries operating in the financial markets (including CIC). This situation could limit access to refinancing, increase costs and diminish the group's ability to expand. Thus, a deterioration could significantly impact the group's liquidity position, its profit/(loss) and profitability and trigger obligations in certain bilateral contracts and collateralized financing agreements, and consequently have a negative impact on its profitability.

The long-term unsecured cost of financing of BFCM and CIC is directly related to their respective credit spreads (the spread above the rate on government securities of the same maturity which is paid to bond investors), which in turn largely depends on their ratings. An increase in credit spreads can significantly increase BFCM's and CIC's refinancing costs. Changes in credit spreads are market-dependent and sometimes subject to unpredictable and highly volatile fluctuations. Credit spreads are also influenced by the perceived solvency of the issuer.

4.4 RISKS RELATED TO INSURANCE ACTIVITIES

Crédit Mutuel Alliance Fédérale is also subject to additional supervision under the Financial Conglomerates Directive due to its bancassurance business, which results from its majority holding of nearly 80% in Groupe des Assurances du Crédit Mutuel (GACM). The GACM contributes around 25% of Crédit Mutuel Alliance Fédérale's net income and distributes its products through the Crédit Mutuel and CIC bank networks to which it pays fees.

The two main risk factors are market risk and underwriting risk.

4.1 Market risk: market risks notably cover the interest rate risk connected to savings in euro, the equities risk and similar risks and the real estate risk.

If there was a sudden hike in rates, the GACM's rate for its euro contracts could be below the market, resulting in a probable loss of some customers. This would necessitate the sale of bonds and the recognition of unrealized losses if redemptions became significant. Conversely, persistently low rates could dilute the rate of return on assets to below the minimum guaranteed rate stipulated in the euro savings contact creating an adverse effect on GACM's profitability.

Furthermore a crash in the equity or real estate market would lead to impairments of euro contract assets. GACM would have to recognize provisions for unrealized losses. By way of illustration, the COVID-19 pandemic led to a drop in the financial markets, worsening GACM's position over the first half of 2020.

At March 31, 2020, market risks accounted for 52% of GACM's SCR. At June 30, 2020, the structure of the investment portfolio (€101.2 million) is divided as follows: 77.8% interest rate products, 11.8% shares and comparable, 5.8% real estate (the remaining 4.6% is placed in monetary supports).

4.2 Underwriting risk: underwriting risk concerns GACM's provident, loan insurance, savings, retirement, non-life and health insurance activities.

The underwriting risk could occur under the impact of 3 types of events:

- an unforeseen change in mortality, longevity, disability and invalidity rates would weigh on the provident, loan insurance or retirement activities by increasing loss experience and the benefits under these portfolios;
- a massive increase in redemptions (or terminations) compelling GACM to reimburse loan insurance policyholders early or non-life holders changing insurer resulting in lost earnings. As euros savings contracts have a capital guarantee, the sale of assets at a potentially unfavorable time on the financial markets could result in financial losses;
- the inadequacy of rating or the amount of technical provisions compared to the structure of the losses and costs to be covered could generate a loss of profitability.

At March 31, 2020, the underwriting risks accounted for 39% of GACM's SCR, of which 14% is connected to life underwriting risk, 14% to health underwriting risk and 11% to the non-life underwriting risk. Please note that the COVID-19 pandemic led to losses relating to the rise in the number of deaths and medical leave, worsening GACM's position over the first half of 2020.

4.5 RISKS RELATED TO BUSINESS OPERATIONS

4.5.1 Operational risks

In accordance with point 52, Article 4 of EU Regulation No. 575/2013, operational risk is defined as the risk of loss or gain resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. The Decision of November 3, 2014 states that operational risk includes risks from events with a low probability of occurrence but a high impact, risks of internal and external fraud as defined in Article 324 of EU Regulation No. 575/2013 cited above, and model risks.

The Decision of November 3, 2014 describes model risk as the risk of the potential loss an institution may incur as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models.

Operational risk, thus defined, excludes strategic and reputation (image) risks and includes in particular risks of misconduct and IT security risks (cyber risks).

The main risk factors associated with operational risks are:

5.1.1 Internal and external fraud organized by people inside and outside the group in order to misappropriate funds or data. External fraud represents the greater risks for the group notably fraud involving means of payment.

5.1.2 Legal risks to which the group is exposed and which could have unfavorable effect on its financial situation and its profit/loss.

5.1.3 Shortcomings or delays by the group in the full compliance of its activities with the rules related to financial or banking activities, whether they are of a legislative or regulatory nature, professional and ethical standards, instructions or ethics in professional behavior. The adoption by different countries of multiple and sometimes divergent legal or regulatory requirements exacerbates this risk.

5.1.4 Any failure of, or attack against, the IT systems of the group, which could cause lost earnings, losses and sporadically weaken the customer protection system.

At June 30, 2020, €1.85 billion of capital was allocated to cover the losses generated by this risk. At that same date, the ratio between the allocation of equity capital (potential loss) and losses (proven loss) stood at 39 (representing €1.85 billion of equity capital allocated for proven loss of €47 million). The risks with the greatest impact on proven loss in the first half of 2020 were (i) fraud, (ii) practices in matters of employment and safety at work, and (iii) execution, delivery and management of processes.

Fraud represented 34% of the group's proven loss at 06.30.2020 (of which 33% for external fraud) and 45% of potential loss (the portion relative to capital requirements for operational risks). Crédit Mutuel Alliance Fédérale's total loss experience (excluding recoveries of insurance, where applicable) accounted for around 0.32% of the group's net banking income in 2020.

4.5.2 Business interruption risk

The unavailability of employees, premises or infrastructure could lead to a partial or complete shutdown of Crédit Mutuel Alliance Fédérale's activity, resulting in a decline in its earnings depending on the extent of the shutdown. Similarly, the inability of customers to have access to the services offered by Crédit Mutuel Alliance Fédérale would be detrimental to its financial position. Such circumstances would necessarily entail adjustments to the arrangements for continuation of activity, with resulting additional costs.

The COVID-19 pandemic and the prolonged containment of the population decided by the government led to the restriction of access for both customers and employees to the group's sales outlets and central services, which had a de facto impact on activity. As the risk of a new wave of the pandemic cannot be ruled out, and new constraints on demand and the continuation of activities could affect Crédit Mutuel Alliance Fédérale.

4.5.3 Climate risks

Conscious of its role in developing territories, Crédit Mutuel Alliance Fédérale is committed to conducting all of its activities responsibly by taking climate constraints into account.

Environmental, economic and social challenges are one of the major parts of its 2019-2023 strategic plan Ensemble#NouveauMonde which are focused on major decisions:

1. Financing projects with a significant impact on the climate.
2. Assisting companies in transforming their business models.
3. Adding more environmental requirements to the rules for providing financing.
4. Aligning sectoral policies to combat the use of carbon and unconventional hydrocarbons by means of its climate strategy.
5. Inclusion of direct and indirect impacts of climate risk of the group's activities in Crédit Mutuel Alliance Fédérale's risk mapping.

The management of the risks connected to climate change (physical risk and transition risk) is integrated into Crédit Mutuel Alliance Fédérale's financial risk management system. All projects developed are presented to the risk committee (executive body) and then to the risk monitoring committee (deliberative body) of Crédit Mutuel Alliance Fédérale for validation and are part of the strategic monitoring of risks, in direct liaison with the chairman and executive management. In addition, this work is carried out in close collaboration with the risk department of Confédération Nationale du Crédit Mutuel.

Crédit Mutuel Alliance Fédérale faces three types of financial risks linked to climate change:

- physical risks resulting from natural hazards (100-year flood, storms, hurricanes, tornadoes, typhoons, earthquakes, etc.) and environmental or accidental risks arising from natural hazards (pollution, dam ruptures, major fires, nuclear catastrophes, etc.);
- transition risks that include the risks of transitioning to a low-carbon economy and are sectoral in nature;
- risk to reputation.

The risks related to climate change, which are mainly analyzed at this stage as operational risks (and therefore their potential consequences can be reduced by the Emergency and Business Continuity Plans), have changed and have enabled the creation of a new approach to implement them within the scope of the new mechanism to monitor the financial limits per country. This evaluation, based, among others, on an internal financial rating, enables to define a maximum outstanding amount by country and generates monitoring alerts per country. This is a risk monitoring system for countries.

Given the increase in risks related to climate change which can impact countries' and their economies, the working group for the project to evaluate climate risks decided to include an ESG (Environmental Social Governance) component into the definition of its country limits, i.e. the exposure ceiling which the group sets for the counterparties it deals with in each country.

Thus, the calculation of the country limit takes the Notre Dame Global Adaptation Index – or ND-GAIN limit into account, which reflects:

- the vulnerability of the countries to climate change, based on 36 quantitative and qualitative criteria (principal themes: health, food, ecosystems, habitat, access to water and infrastructure);
- the ability to adapt to these changes, based on nine economic, social and governance criteria.

The limit is affected by a penalty which differs depending on the level of the index. The limits are calculated dynamically and are reviewed at least in accordance with the annual updates of the index.

Specific adjustments can be made to the system to rapidly take any new project into account which is specifically linked to combating climate change which is implemented in a country, in order to avoid penalizing proactive countries which are trying to improve their capacity to withstand climate change now and in the future.

This system is part of an iterative approach to evaluate how climate risks are monitored and is adjusted in accordance with the advances made by the connected projects within Crédit Mutuel Alliance Fédérale.

The information on climate risks is given in the dedicated section of chapter 3 "Social and Cooperative Responsibility" of this document.

5 CRÉDIT MUTUEL ALLIANCE FÉDÉRALE CONSOLIDATED FINANCIAL STATEMENTS

5.1 CRÉDIT MUTUEL ALLIANCE FÉDÉRALE CONSOLIDATED FINANCIAL STATEMENTS

5.1.1 Balance sheet

Balance sheet (assets)

(in € millions)	06/30/2020	12/31/2019	Notes
Cash, central banks	95,844	71,171	4
Financial assets at fair value through profit or loss	35,100	31,907	5a
Hedging derivatives	2,368	2,420	6a
Financial assets at fair value through shareholders' equity	36,679	30,459	7
Securities at amortized cost	2,900	2,813	10a
Loans and receivables to credit institutions and similar, at amortized cost	55,429	40,825	10b
Loans and receivables to customers at amortized cost	407,001	384,535	10c
Revaluation adjustment on rate-hedged books	2,585	2,079	6b
Short-term investments in the insurance business line and reinsurers' share of technical provisions	126,857	129,869	13a
Current tax assets	1,635	1,611	14a
Deferred tax assets	1,585	1,529	14b
Accruals and other assets	7,105	9,342	15a
Non-current assets held for sale	205	726	3c
Investments in equity consolidated companies	621	620	16
Investment properties	79	89	17
Property, plant and equipment [1]	3,718	3,669	18a
Intangible assets	737	735	18b
Goodwill	4,037	4,118	19
TOTAL ASSETS	784,485	718,519	

Balance sheet (liabilities)

(in € millions)	06/30/2020	12/31/2019	Notes
Due to central banks	1	715	4
Financial liabilities at fair value through profit or loss	22,423	18,854	5b
Hedging derivatives	2,349	2,291	6a
Debt securities at amortized cost	137,122	124,792	11a
Due to credit and similar institutions at amortized cost	47,018	36,461	11b
Amounts due to customers at amortized cost	381,654	336,806	11c
Revaluation adjustment on rate-hedged books	21	-4	6b
Current tax liabilities	847	787	14a
Deferred tax liabilities	1,114	1,295	14b
Deferred income, accrued charges and other liabilities [1]	10,270	11,628	15b
Debt related to non-current assets held for sale	102	725	3c
Liabilities relative to contracts of the insurance business line	122,390	125,289	13b
Provisions	3,423	3,498	20
Subordinated debt at amortized cost	8,227	8,235	21
Total shareholders' equity	**47,524**	**47,147**	22
Shareholders' equity attributable to the group	**44,667**	**43,827**	22
Capital and related reserves	6,675	6,482	22a
Consolidated reserves	36,506	33,552	22a
Gains and losses recognized directly in equity	718	961	22b
Profit (loss) for the fiscal year	**768**	**2,832**	
Shareholders' equity – Non-controlling interests	2,857	3,320	
TOTAL LIABILITIES	**784,485**	**718,519**	

5.1.2 Income statement

Income statement

(in € millions)	06/30/2020	06/30/2019	Notes
Interest and similar income [1]	6,720	6,946	24
Interest and similar expenses [1]	-3,123	-3,667	24
Commissions (income)	2,293	2,286	25
Commissions (expenses)	-523	-529	25
Net gains on financial instruments at fair value through profit or loss	-358	497	26
Net gains or losses on financial assets at fair value through shareholders' equity	15	75	27
Net gains or losses resulting from derecognition of financial assets at amortized cost	0	0	28
Net income from insurance activities	1,166	1,543	29
Income from other activities	1,070	909	30
Expenses on other activities	-402	-524	30
Net banking income	**6,858**	**7,537**	
General operating expenses	-4,234	-4,274	31 a,b
Movements in depreciation, amortization and provisions for property and equipment and intangible assets	-317	-294	31 c
Gross operating income/(loss)	**2,306**	**2,969**	
Cost of counterparty risk	-1,046	-462	32
Operating income	**1,260**	**2,507**	
Share of net profit/(loss) of equity consolidated companies	3	19	16
Net gains/(losses) on disposals of other assets	-2	2	33
Changes in the value of goodwill	-1	0	34
Profit/(loss) before tax	1,260	2,528	
Income tax	-402	-899	35
Post-tax gains/(losses) on discontinued operations	0	0	
Net profit/(loss)	**857**	**1,629**	
Net profit/(loss) – Non-controlling interests	89	169	
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**768**	**1,460**	

(1) In 2019, the group reviewed the presentation of interest income from finance leases. This is now presented under net interest income. It was previously presented under "Interest income and expenses". Accordingly, and to ensure a comparison with interest income and expense as of June 30, 2020, the reported figures as of June 30, 2019 have been restated in accordance with this definition in the financial statements and note 24.

Statement of net profit/(loss) and profits and losses recognized directly in equity

(in € millions)	06/30/2020	06/30/2019
Net profit/(loss)	857	1,629
Translation adjustments	-11	7
Remeasurement of financial assets at fair value through equity – capital instruments	-123	40
Revaluation of insurance business investments	-104	633
Remeasurement of hedging derivatives	-2	-3
Share of unrealized or deferred gains and losses of associates	-1	4
Total recyclable gains and losses recognized directly in equity	-241	681
Revaluation of financial assets at fair value through equity – capital instruments at closing	-7	31
Remeasurement of financial assets at fair value through equity – capital instruments sold during the fiscal year	0	29
Actuarial gains and losses on defined benefit plans	-19	-17
Share of non-recyclable gains and losses of equity consolidated companies	0	-1
Total non-recyclable gains and losses recognized directly in equity	-27	42
Net profit/(loss) and gains and (losses) recognized directly in equity	589	2,352
o/w attributable to the group	*525*	*2,048*
o/w percentage of non-controlling interests	*64*	*304*

The items relating to gains and losses recognized directly in equity are presented for the amount net of tax.

5.1.3 Changes in shareholders' equity

(in millions)	Capital	Premiums	Reserves [1]	Gains and losses recognized directly in equity: Translation adjustments	Gains and losses recognized directly in equity: Financial assets at fair value through other comprehensive income	Gains and losses recognized directly in equity: Hedging derivatives	Gains and losses recognized directly in equity: Actuarial gains and losses	Net profit / (loss) - attributable to the group	Shareholders' equity attributable to the group	Non-controlling interests	Total consolidated shareholders' equity
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2018	**6,167**	**0**	**30,926**	**-11**	**750**	**3**	**-240**	**2,695**	**40,290**	**3,306**	**43,596**
Appropriation of earnings from previous year			2,695					-2,695	0		0
Capital increase	229								229		229
Distribution of dividends			-88						-88	-430	-518
Change in investments in subsidiaries without loss of control									0		0
Subtotal of movements related to relations with shareholders	**229**	**0**	**2,607**	**0**	**0**	**0**	**0**	**-2,695**	**141**	**-430**	**-289**
Consolidated income for the period								1,460	1,460	169	1,629
Changes in the fair value of assets at fair value through shareholders' equity			-30	9	598	-2	-16		558	135	693
Subtotal	**0**	**0**	**-30**	**9**	**598**	**-2**	**-16**	**1,460**	**2,018**	**304**	**2,322**
Effects of acquisitions and disposals on non-controlling interests					0				0		0
Other changes		0	0						0	-4	-4
SHAREHOLDERS' EQUITY AT JUNE 30, 2019	**6,396**	**0**	**33,504**	**-2**	**1,348**	**1**	**-256**	**1,460**	**42,449**	**3,176**	**45,625**
Appropriation of earnings from previous year								0	0		0
Capital increase	87								87		87
Distribution of dividends									0	0	0
Change in investments in subsidiaries without loss of control									0		0
Subtotal of movements related to relations with shareholders	**87**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**87**	**0**	**87**
Consolidated income for the period								1,372	1,372	144	1,516
Changes in gains and (losses) recognized directly in equity			1	30	-67	1	-93		-128	-16	-144
Subtotal	**0**	**0**	**1**	**30**	**-67**	**1**	**-93**	**1,372**	**1,244**	**129**	**1,373**
Effects of acquisitions and disposals on non-controlling interests									0		0
Other changes		0	47						47	15	62
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2019	**6,482**	**0**	**33,552**	**28**	**1,281**	**2**	**-349**	**2,832**	**43,827**	**3,319**	**47,146**
Appropriation of earnings from previous year			2,832					-2,832	0		0
Capital increase	37								37		37
Distribution of dividends			-70						-70	-7	-77

Change in investments in subsidiaries without loss of control									0		0
Subtotal of movements related to relations with shareholders	**37**	**0**	**2,762**	**0**	**0**	**0**	**0**	**-2,832**	**-32**	**-7**	**-39**
Consolidated income for the period								768	768	89	857
Changes in gains and (losses) recognized directly in equity				-11	-210	-2	-20		-243	-25	-268
Subtotal	**0**	**0**	**0**	**-11**	**-210**	**-2**	**-20**	**768**	**525**	**64**	**589**
Effects of acquisitions and disposals on non-controlling interests [2]			-196						-196	-514	-710
Other changes [3]	155	0	388						544	-5	539
SHAREHOLDERS' EQUITY AT JUNE 30, 2020	**6,675**	**0**	**36,506**	**16**	**1,071**	**0**	**-369**	**768**	**44,667**	**2,857**	**47,525**

(1) As of June 30, 2020 reserves are made up of the legal reserve for €366 million, statutory reserves for €5,492 million and other reserves for €27,646 million.

(2) The group acquired an additional 5% stake in EI Télécom in the first half of 2020 as well as an additional 9.36% stake in Cofidis Participations. It is thus expected that BFCM will be able to increase its stake in Cofidis Participations to 100% by 2023-2024, and a debt has been recorded to that effect on the basis of the price of the last transaction made.

(3) Mainly affects the membership of Antilles French Guiana and Massif Central (€536 million).

5.1.4 Statement of cash flows

(in € millions)	06/30/2020	06/30/2019
Net profit/(loss)	857	1,629
Tax	402	899
Profit/(loss) before tax	**1,259**	**2,528**
+/- Net depreciation and amortization of property, plant and equipment and intangible assets	315	292
- Impairment of goodwill and other fixed assets	3	0
+/- Net provisions	669	114
+/- Share of income from companies consolidated using the equity method	-3	-19
+/- Net loss/gain from investing activities	2	27
+/- Other movements	-2,127	5,076
= Total non-monetary items included in net profit/(loss) before tax and other adjustments	**-1,141**	**5,490**
+/- Flows related to transactions with credit institutions	-5,273	-10,621
+/- Flows related to client transactions	21,879	4,585
+/- Flows related to other transactions affecting financial assets or liabilities	7,134	-74
+/- Flows related to other transactions affecting non-financial assets or liabilities	-1,529	451
Taxes paid	-516	-199
= Net decrease in assets and liabilities from operating activities	**21,696**	**-5,859**
Total net cash flow generated by operating activity	21,815	2,159
+/- Flows related to financial assets and investments	56	221
+/- Flows related to investment property	-221	-3
+/- Flows related to property, plant and equipment and intangible assets	-368	-232
Total net cash flow related to investment activities	-533	-13
+/- Cash flow to or from shareholders	-40	-290
+/- Other net cash flows from financing activities	1,928	3,281
Total net cash flow related to financing transactions	1,888	2,991
Effect of foreign exchange rate changes on cash and cash equivalents	27	31
Net increase of cash and cash equivalents	**23,197**	**5,167**
Net cash flow generated by operating activities	21,815	2,159
Net cash flow related to investment activities	-533	-13
Net cash flow related to financing transactions	1,888	2,991
Effect of foreign exchange rate changes on cash and cash equivalents	27	31
Cash and cash equivalents at opening	**68,397**	**53,510**
Cash, central banks, CCP	70,457	56,346
Accounts and demand loans/borrowing with credit institutions	-2,059	-2,837
Cash and cash equivalents at closing	**91,595**	**58,677**
Cash, central banks, CCP	95,845	63,200
Accounts and demand loans/borrowing with credit institutions	-4,250	-4,523
CHANGE IN NET CASH POSITION	23,197	5,167

5.2 CONTRIBUTION TO THE CONSOLIDATED FINANCIAL STATEMENTS OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

Note 1 Accounting policies and principles

1.1 Accounting basis

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards, and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements have been drawn up in accordance with IFRS as adopted by the European Union on June 30, 2020.
The entire framework is available on the European Commission's website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.

The financial statements are presented in the format advised by the Autorité des normes comptables (ANC – French Accounting Standards Authority) in its Recommendation No. 2017-02 relating to IFRS summary statements. They comply with the international accounting standards as adopted by the European Union.

Information relating to risk management is included in the group's management report.

Since January 1, 2020, the group has applied the amendments adopted by the EU without any significant impact on the group's financial statements:

- Amendment to IAS 1 and IAS 8

It aims to modify the definition of the term "significance" in order to clarify and align it with the conceptual framework and IFRS standards. According to that amendment, information is of a significant nature (that is to say, it is relatively important) if it is reasonable to expect that its omission, inaccuracy or obfuscation would influence decisions made by primary users based on these financial statements in the general usage of such statements, which contain financial information on a given accounting entity.

- Amendment to IFRS 3

This amendment clarifies the definition of an activity. It introduces a two-step analysis approach, which aims to facilitate the distinction between an acquisition of a business and an acquisition of a group of assets (the latter being accounted for in accordance with the standard applicable to it).
This amendment would have an impact on the group in the event of a change of control or the acquisition of an interest in a joint venture. The group has not carried out any such operations since January 1, 2020.

COVID-19 health crisis

The Crédit Mutuel group is fully mobilized to deal with the COVID-19 health crisis. As a credit institution, it is fully involved in providing close support to its customers, including professionals and companies, that could face difficulties, especially VSEs/SMEs.

The group is committed to the government's plan to support the economy. It offers state-guaranteed loans[1] to support the cash flow of its business and corporate customers.

This financing represents 12-month bullet loans with grace periods of one to five years.

In its initial offer, its interest rate is 0%, plus the cost of the state guarantee (rebelled via a commission paid by the customer, ranging from 0.25% to 0.50% over the first year, depending on the size of the company).
In the event of an extension, its interest rate will be reset. It may not exceed the group's market refinancing rate for the maturity selected, plus the guarantee premium set by decree.

Held for the purpose of collecting cash flows and meeting the basic loan criteria, they are accounted for at amortized cost using the interest rate method.

At June 30, 2020, outstanding state-guaranteed loans issued by Crédit Mutuel Alliance Fédérale totaled €12.9 billion.

The valuation of the expected credit losses for these loans takes into account the effect of the State guarantee (implemented by the Banque Publique d'Investissement) for 70% to 90% of the outstanding capital and interest.

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[1] The main characteristics of State-guaranteed loans and the mechanism for triggering the guarantee are summarized in Article 2 of the Order of March 23, 2020 granting State guarantees to credit institutions and financing companies and to the lenders mentioned in Article L. 548-1 of the French Monetary and Financial Code.

The Crédit Mutuel group is committed to concrete measures to support businesses and individuals. It has granted deferrals of loan repayments mainly to companies for up to six months (suspension of interest payments and/or deferment of capital repayments).

At the end of these periods, a final adjustment of the contracts will be made if the suspended maturities have not been repaid. These will be reintegrated on a rescheduled basis over the remaining term of the loan or carried forward beyond the original maturity date.

At June 30, 2020, the Crédit Mutuel group had no significant cash flow losses for the loans that benefit from these easing measures. The extended and modified maturities amount to €3.5 billion.

The group has reviewed the publications issued at the end of March 2020[1] by the IASB, EBA and ESMA.
It uses judgment in accounting for expected credit losses in the exceptional context of the COVID-19 crisis.
In particular, the maturity extension measures were granted on a general basis without specific conditions. They form part of a market mechanism at the initiative of French banks, in line with the EBA's guidelines on moratoria.
These measures are not automatically an indicator of a significant deterioration in the credit risk of the financial assets in question or of reclassification as restructured assets.
The transfer to Status 2 or 3 or to a restructured asset could, however, take place in compliance with group rules.

As part of the provisioning of performing loans, the group took into account the unprecedented and brutal nature of the COVID-19 crisis on the macro-economic environment:

- the weighting of the pessimistic scenario has been increased to calibrate the probabilities of forward-looking defaults on all portfolios using the internal ratings-based method. In addition to its direct impact on the amount of impairments, this increase also results in an increase in Status 2 transfers linked to the increase in the probability of default at the balance sheet date. The impact at June 30, 2020 is estimated at €229 million;
- In accordance with the recommendations of the authorities, a lump-sum provision was made to anticipate the increase in the proven claims rate in the sectors considered to be the most vulnerable to the health crisis (tourism, gaming, leisure, hotels, restaurants, automobile industry excluding manufacturers, clothing, beverage trade, light vehicle rentals, industrial passenger transport, air carriers). The impact at June 30, 2020 is estimated at €82.5 million.

Finally, the group's financial strength enables it to cope with this unprecedented crisis situation, thanks to the level of its shareholders' equity and the resulting ratios.

1.2 Scope and methods of consolidation

Consolidating entity

Following the accession of Crédit Mutuel Antilles-Guyane and Crédit Mutuel Massif Central on January 1, 2020, Crédit Mutuel Alliance Fédérale now consists of 13 Crédit Mutuel federations: Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranée, Anjou, Antilles-Guyane and Massif Central.

Crédit Mutuel Alliance Fédérale is a mutualist group belonging to a central body, within the meaning of Articles L.511-30 et seq. of the French Monetary and Financial Code. Crédit Mutuel's local banks, which are fully owned by the members, form the basis of the group, according to a “reverse pyramid” capital control structure.

In order to show the community of interest of our members in consolidation as accurately as possible, the consolidating entity is defined in such a way as to reflect the common bonds of operation, financial solidarity and governance.

To this end, the consolidating entity at the head of the group is made up of the companies placed under the same collective accreditation to carry out banking activity, issued by the Autorité de contrôle prudentiel et de résolution (ACPR – French Prudential Supervisory and Resolution Authority).

As such, the consolidating entity is made up of the following federations:

- Fédération du Crédit Mutuel Centre Est Europe (FCMCEE), Fédération du Crédit Mutuel du Sud-Est (FCMSE), Fédération du Crédit Mutuel Île-de-France (FCMIDF), Fédération du Crédit Mutuel Savoie-Mont Blanc (FCMSMB), Fédération du Crédit Mutuel Midi-Atlantique (FCMMA),

[1] They refer to:
- the March 27, 2020 IASB statement on IFRS 9 and COVID-19,
- the EBA statement on the application of the prudential framework for default, forbearance and IFRS 9 with regard to COVID-19 measures (dated March 25, 2020) and the guidance issued on legislative and non-legislative moratoria on loan repayments applied as a result of the COVID-19 pandemic (dated April 2, 2020),
- the ESMA statement on the accounting implications of the COVID-19 crisis on the calculation of expected credit losses under IFRS 9 (dated March 25, 2020).

Fédération du Crédit Mutuel Loire-Atlantique Centre-Ouest (FCMLACO), Fédération du Crédit Mutuel du Centre (FCMC), Fédération du Crédit Mutuel de Normandie (FCMN), Fédération du Crédit Mutuel Dauphiné-Vivarais (FCMDV), Fédération du Crédit Mutuel Méditerranée (FCMM), Fédération du Crédit Mutuel d'Anjou (FCMA), Fédération du Crédit Mutuel Antilles-Guyanes (FCMAG) and Fédération du Crédit Mutuel Massif Central (FCMMC). These political bodies of the groups determine the main strategic orientations, decide on their strategy and organize the representation of the banks;

- Caisse Fédérale de Crédit Mutuel (CF de CM), Caisse Régionale du Crédit Mutuel du Sud-Est (CRCMSE), Caisse Régionale du Crédit Mutuel d'Île-de-France (CRCMIDF), Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc (CRCMSMB), Caisse Régionale du Crédit Mutuel Midi-Atlantique (CRCMMA), Caisse Régionale du Crédit Mutuel Loire-Atlantique Centre-Ouest (CRCMLACO), Caisse Régionale du Crédit Mutuel du Centre (CRCMC), Caisse Régionale du Crédit Mutuel de Normandie (CRCMN), Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais (CRCMDV), Caisse Régionale du Crédit Mutuel Méditerranée (CRCMM), Caisse Régionale du Crédit Mutuel d'Anjou (CRCMA), Caisse Régionale du Crédit Mutuel Antilles-Guyanes (CRCMAG) and Caisse Régionale du Crédit Mutuel Massif Central (CRCMMC). CF de CM, which is at the service of the local banks, is responsible for joint services across the network, ensures its smooth running and supports the group's logistics. It centralizes all the banks' deposits and in parallel ensures their refinancing, while fulfilling regulatory requirements on their behalf (compulsory reserves, allocated deposits, deposits at Caisse Centrale du Crédit Mutuel, etc.);
- The Credit Mutuel banks that are members of FCMCEE, FCMSE, FCMIDF, FCMSMB, FCMMA, FCMLACO, FCMC, FCMN, FCMDV, FCMM, FCMA, FCMAG and FCMMC: these form the basis of the group's banking network.

Consolidation scope

The general principles governing whether an entity is included in the consolidation scope are defined by IFRS 10, IFRS 11 and IAS 28R.

Entities that are controlled or under significant influence that do not have a significant character in relation to the consolidated financial statements are excluded from the consolidation scope. This situation is assumed when the balance sheet total or the profit or loss of a company has no impact greater than 1% on the consolidated or sub-consolidated equivalent (in case of consolidation by level). This quantitative criterion is but relative; an entity may be included within the scope of consolidation regardless of this threshold when its business or its expected development afford it the status of strategic investment.

The consolidation scope comprises:

- **controlled entities:** control is deemed to exist when the group has power over the entity, is exposed to or is entitled to variable returns from its involvement with the entity, and has the ability to use its power over the entity to affect the returns it obtains. The financial statements of controlled entities are fully consolidated;
- **entities under joint control:** joint control is the contractually-agreed sharing of control over an entity, which exists only in the case where decisions concerning key activities require the unanimous consent of the parties sharing control. Two or more parties that exercise joint control constitute a partnership, which is either a jointly-controlled operation or a joint venture:
  - a jointly-controlled operation is a partnership in which the parties exercising joint control have rights over the assets and obligations pursuant to liabilities relative to the entity: this involves recognizing the assets, liabilities, income and expenses relative to interests held in the entity,
  - a joint venture is a partnership in which the parties who exercise joint control have rights over the net assets of the entity: the joint venture is accounted for according to the equity method.

  All entities under joint control of the group are joint ventures according to the meaning of IFRS 11;
- **entities over which the group has significant influence**: these are entities that are not controlled by the consolidating entity, which may, however, participate in these entities' financial and operating policy decisions. Shareholdings in entities over which the group has significant influence are accounted for using the equity method.

Investments held by private equity companies and over which joint control or significant influence is exercised are recognized at fair value through profit or loss.

Consolidation methods

The consolidation methods used are the following:

Full consolidation

This method involves replacing the value of the shares held in the subsidiary concerned with each of the assets and liabilities of said subsidiary and showing separately the interests of non-controlling interests in equity and net profit. This is the method used for all controlled entities, including those with a different account structure, regardless of whether the business concerned is an extension of that of the consolidating entity.

Consolidation using the equity method

This method involves replacing the value of the shares held with the equity attributable to the group and net profit of the entities concerned. It is applied to all entities under joint control, classified as joint ventures or for all entities under significant influence.

Non-controlling interests

Non-controlling interests correspond to interests that do not confer control as defined by IFRS 10 and include partnership interests that entitle their holders to a share in net assets in the event of liquidation and other capital instruments issued by subsidiaries that are not held by the group.

In accordance with IAS 32, the group recognized a liability for the commitment to increase its stake in COFIDIS Participation to 100%. The counterparty was recorded as a reduction of minority interests and a reduction of the group's share for the excess amount.

Reporting date

The reporting date for all of the group's consolidated companies is December 31.

Elimination of intercompany transactions

Intercompany transactions and balances, as well as profits on intercompany sales that have a material impact on the consolidated financial statements, are eliminated.

Conversion of foreign currency accounts

Concerning the accounts of foreign entities expressed in foreign currencies, the balance sheet is converted based on the official exchange rate at the reporting date. Differences arising from exchange rate fluctuations impacting the share capital, reserves and retained earnings are recorded as a separate component of equity, under "Cumulative translation adjustments". The income statements of foreign subsidiaries are translated into euros at the average exchange rate for the fiscal year. The resulting translation differences are recorded under "Cumulative translation adjustments". On liquidation or disposal of some or all of the interests held in a foreign entity, these amounts are recognized through the income statement.

Goodwill

Fair value adjustments

On the date of acquisition of a controlling interest in a new entity, said entity's assets, liabilities and contingent operating liabilities are measured at fair value as at that date. Fair value adjustments correspond to the difference between the carrying amount and fair value.

Goodwill

In accordance with IFRS 3R, when CIC acquires a controlling interest in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at fair value as at the acquisition date, with the exception of non-current assets classified as assets held for sale (IFRS 5), which are recognized at the lower of fair value net of selling costs and their net carrying amount. Goodwill corresponds to the amount of the consideration transferred and non-controlling interests less the net amount recognized (generally at fair value) as identifiable assets acquired and liabilities assumed. IFRS 3R permits the recognition of full goodwill or partial goodwill and the choice of method is made separately for each business combination. In the case of full goodwill, non-controlling interests are measured at fair value, whereas in the case of partial goodwill, they are measured based on their share of the values attributed to the assets and liabilities of the acquired entity. If the goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under "Changes in value of goodwill".

If the group's stake in an entity it already controls, increases/decreases, the difference between the share acquisition cost/selling price and the portion of consolidated equity that said shares represent on the acquisition/sale date is recognized within equity.

Goodwill is presented on a separate line of the balance sheet when it relates to fully-consolidated companies, and under the heading "Investments in associates" when it relates to equity consolidated companies.

Goodwill not including direct costs related to acquisitions according to IFRS 3R is recognized in profit/loss.

Goodwill is tested for impairment regularly by the group (at least once a year). The tests are designed to identify whether the goodwill has suffered a decline in value. Goodwill from a business combination is allocated to cash generating units (CGUs) or groups of CGUs likely to benefit from the synergies generated by the business combination. The recoverable amount from a CGU or group of CGUs is the value in use or the fair value less selling costs, whichever is the highest. The value in use is measured in relation to estimated future cash flows, discounted at the interest rate that reflects the current market evaluation of the time value of money and specific risks to the asset of the CGU. If the recoverable amount of the cash-generating unit (CGU) to which the goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. These losses – which are recognized through the income statement – cannot be reversed. In practice, cash-generating units are defined on the basis of the group's business lines.

When goodwill concerns a related company or a joint venture, it is included in the carrying amount of the value of consolidation using the equity method. In this event, it is not subject to impairment testing apart from the value of consolidation using the equity method. When the recoverable amount of this (namely the higher of the values between the value in use and the fair value less selling costs) is less than its carrying amount, a loss in value is recognized and not allocated to a specific asset. Any reversal of this impairment loss is recognized to the extent that the recoverable amount of consolidation using the equity method increases at a later date.

1.3 Accounting policies and principles

1.3.1 Financial instruments under IFRS 9

1.3.1.1 Classification and measurement of financial instruments

Under IFRS 9, the classification and measurement of financial instruments depend on the business model and contractual terms of the financial instruments.

Loans, receivables and debt securities acquired

The asset is classified:

- at amortized cost, if it is held in order to collect contractual cash flows and if its characteristics are similar to those of a "basic" contract, see the section below "Characteristics of cash flows" (hold to collect model);
- at fair value through other comprehensive income if the instrument is held with a view to collecting contractual cash flows and selling it when the opportunity arises, yet without holding it for trading, and if its characteristics are similar to those of a basic contract implicitly entailing a high predictability of associated cash flows ("hold to collect and sell" model);
- at fair value through profit or loss:
  - if it is not eligible for the two aforementioned categories (as it does not meet the "basic" criterion and/or is managed in accordance with the "other" business model, or
  - if the group initially opts to classify it as such, in an irrevocable way. This option is used to reduce accounting mismatch in relation to another associated instrument.

Cash flow characteristics

Contractual cash flows which solely represent repayments of principal and the payment of interest on outstanding principal are compatible with a "basic" contract.
In a basic contract, interest mainly represents the consideration for the time value of money (including in the event of negative interest) and credit risk. Interest may also include the liquidity risk, administrative fees to manage the asset and a profit margin.

All contractual clauses must be analyzed, in particular those that could alter the timing or amount of contractual cash flows. The option, under the agreement, for the borrower or lender to repay the financial instrument early is compatible with the SPPI (*Solely Payments of Principal and Interest)* criterion of contractual cash flows, provided that the amount repaid essentially represents the outstanding principal and accrued interest, as well as, where applicable, early repayment compensation of a reasonable amount.

The compensation for early repayment[1] is deemed reasonable if, for example:

- it is expressed as a percentage of the principal repaid and is below 10% of the nominal amount repaid; or
- it is determined according to a formula aimed at compensating the difference in the benchmark interest *rate* between the date on which the loan was granted and its early repayment date.

The analysis of contractual cash flows may also require their comparison with those of a reference instrument when the time value of money included in the interest is likely to change due to the contractual clauses of the instrument. Such is the case, for example, if the interest rate of the financial instrument is revised periodically, but the frequency of such revisions is unrelated to the period for which the interest rate was established (e.g. monthly revision of an annual interest rate), or if the interest rate of the financial instrument is revised periodically based on an average interest rate.

If the difference between the non-discounted contractual cash flows of the financial asset and those of the reference instrument is significant, or may become so, the financial asset cannot be considered as basic.

Depending on the case, the analysis is either qualitative or quantitative. The materiality or immateriality of the difference is assessed for each fiscal year and cumulatively over the life of the instrument. The quantitative analysis takes into account a range of reasonably possible scenarios. To this effect, the group has used yield curves going back to the year 2000.

Moreover, a specific analysis is conducted in the case of securitization where there is priority of payment among holders and credit risk concentrations in the form of tranches. In that case, the analysis requires the examination of the contractual characteristics of the tranches in which the group has invested and of the underlying financial instruments, as well as the credit risk of the tranches in relation to the credit risk of the underlying financial instruments.

Note that:

- embedded derivatives are no longer recognized separately, which means that the entire hybrid instrument is then considered as non-basic and recognized at fair value through profit or loss;
- units in UCITS or UCIs are not basic instruments and are recognized at fair value through profit or loss.

Business models

The business model represents the way in which the instruments are managed to generate cash flows and revenues. It is based on observable facts and not simply on management's intention. It is not assessed at the entity level, or on an instrument-by-instrument basis, but rather on a higher level of aggregation which reflects the way in which groups of financial assets are managed collectively. It is determined at initial recognition and may be reassessed in the event of a change in model (exceptional cases).

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[1] *The group has made early application of the amendment to IFRS 9 on the clauses on early repayment specifying negative compensation, adopted by the EU in March 2018.*

To determine the business model, it is necessary to consider all available information, including the following:

- how the activity's performance is reported to decision-makers;
- how managers are compensated;
- the frequency, timing and volumes of sales in previous periods;
- the reason for the sales;
- future sales forecasts;
- the way in which risk is assessed.

For the "hold-to-collect" business model, certain examples of authorized sales are explicitly set out in the standard:

- in response to an increase in credit risk;
- close to maturity and for an amount near the par amount;
- exceptional (e.g. linked to a liquidity stress).

Such "authorized" sales are not included in the analysis of the significant and frequent nature of the sales made out of a portfolio. Frequent and/or significant sales would not be compatible with this business model. Moreover, sales related to changes in the regulatory or fiscal framework will be documented on a case-by-case basis to demonstrate the "infrequent" nature of such sales.

For other sales, thresholds have been defined based on the maturity of the securities portfolio, for example 2% for an average maturity of eight years (the group does not sell its loans).

The group has mainly developed a model based on the collection of contractual cash flows from financial assets, which applies in particular to the customer financing activities.

It also manages financial assets according to a model based on the collection of contractual cash flows from financial assets and the sale of these assets, as well as a model for other financial assets, in particular financial assets held for trading.

Within the group, the "hold-to-collect-and-sell" model applies primarily to proprietary cash management and liquidity portfolio management activities.

Financial assets held for trading consist of securities originally acquired with the intention of reselling them in the near future, as well as securities that are part of a portfolio of securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets at amortized cost

These mainly include:

- cash and cash equivalents, which comprise cash accounts, deposits, and demand loans and borrowings with central banks and credit institutions;
- other loans to credit institutions and loans to customers (granted directly, or the share in syndicated loans), not measured at fair value through profit or loss;
- a portion of the securities held by the group.

The financial assets classified in this category are initially recognized at their fair value, which is generally the net amount disbursed. The interest rates applied to loans granted are deemed to represent market rates, since they are constantly adjusted in line with the interest rates applied by the vast majority of competitor banks.

At subsequent reporting dates, the assets are measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts future cash payments or receipts over the estimated life of the financial instrument to obtain the net carrying amount of the financial asset or liability. It takes account of estimated cash flows without taking account of future losses on loans and includes commissions paid or received when these are treated as interest, as well as directly-related transaction costs and all premiums and discounts.

For securities, the amortized cost takes account of the amortization of premiums and discounts, as well as acquisition costs, if significant. Purchases and sales of securities are recognized at the settlement date.

The income received is shown in the income statement under "Interest and similar income".

Commissions received or paid, which are directly linked to the arrangement of a loan and are treated as a component of interest, are spread over the term of the loan using the effective interest rate method and are recorded in the income statement under "Interest".

Commissions received in connection with the commercial renegotiation of loans are also spread over the term of the loan.

The restructuring of a loan following financial difficulties by the debtor leads to novation of the contract. Following the definition of this concept by the European Banking Authority, the group included it in the information systems in order to harmonize the accounting and prudential definitions.

The fair value of assets at amortized cost is disclosed in the notes to the financial statements at the end of each reporting period. It corresponds to the net present value of future cash flows estimated using a zero-coupon yield curve that includes an issuer cost inherent to the debtor.

Financial assets at fair value through shareholders' equity

Since the group does not sell its loans, this category solely consists of securities. They are recognized at fair value in the balance sheet at the time of their acquisition, on the settlement date and at subsequent reporting dates until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account, excluding accrued income. These unrealized gains or losses recognized as shareholders' equity are recognized in the income statement only in the event of disposal or impairment (see § "3.1.7. Derecognition of financial assets and liabilities" and "1.3.1.8. "Measurement of credit risk").

Income accrued or received is recognized in profit or loss under "Interest and similar income", using the effective interest method.

Financial assets at fair value through profit or loss

These assets are recognized at fair value upon their initial recognition in the balance sheet and at subsequent reporting dates until their disposal (see Section "1.3.1.7. Derecognition of financial assets and liabilities"). Changes in fair value are taken to the income statement under "Net gains/ (losses) on financial instruments at fair value through profit or loss".

Since the 2018 fiscal year income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). Before, this interest was recognized under "Net gains/(losses) on financial instruments at fair value through profit or loss". This change was made for the sake of consistency with the regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on the interest received and paid.

In 2019, in order to better reflect the interest income and expenses of the transaction instruments, the group also revised the recognition and presentation scheme in the net banking income of the interest income and expenses of some of these financial instruments at fair value through profit or loss and notably proceeded with the following restatements: (i) recording of interest as overall offsets on the lending and borrowing legs of transaction swaps, and (ii) reclassification of interest from hedging derivatives in the "Income and expenses from hedging derivatives" section.

Purchases and sales of securities measured at fair value through profit or loss are recognized on the settlement date. Changes in fair value between the transaction date and the settlement date are recognized in profit or loss.

Equity instruments acquired

Equity instruments acquired (shares, in particular) are classified as follows:

- at fair value through profit or loss; or
- optionally, at fair value through other non-recyclable equity at the initial recognition and in an irrevocable manner when they are not held for trading.

Financial assets at fair value through shareholders' equity

Shares and other equity instruments are recognized in the balance sheet at their fair value at the time of their acquisition and at subsequent reporting dates until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account. These unrealized or deferred gains and losses booked to equity are never recognized in the income statement, even when they are sold (see section "3.1.7 Derecognition of financial assets and liabilities"). Only dividends received on variable-income securities are recognized in the income statement, under "Net gains/(losses) on financial assets at fair value through equity". Purchases and sales of securities are recognized at the settlement date.

Financial assets at fair value through profit or loss

Equity instruments are recognized in the same way as debt instruments at fair value through profit or loss.

1.3.1.2 Classification and measurement of financial liabilities

Financial liabilities are classified in one of the following two categories:

Financial liabilities measured at fair value through profit or loss

- those incurred for trading purposes including, by default, derivatives with a negative fair value which do not qualify as hedging instruments; and
- non-derivative financial liabilities that the group originally classified as measured at fair value through profit or loss (fair value option). These include:
  - financial instruments containing one or more separable embedded derivatives,
  - instruments for which, were the fair value option is not applied, the accounting treatment would be inconsistent with that applied to another related instrument,
  - instruments belonging to a pool of financial instruments measured and managed at fair value.

The recognition of changes in fair value resulting from own credit risk concerning debts optionally designated at fair value through profit or loss is recognized in unrealized or deferred profit or loss in non-reclassifiable equity. The group is marginally concerned by the problem of own credit risk.

Financial liabilities at amortized cost

These consist of other non-derivative financial liabilities. These include amounts due to customers and to credit institutions, debt securities (certificates of deposit, interbank market securities, bonds, etc.), as well as dated and undated subordinated debt for which measurement at fair value through profit or loss was not opted for.

Subordinated debt is separated from other debt securities since, in the event of liquidation of the debtor's assets, it is repaid only after claims by other creditors have been extinguished. Debt securities include the non-preferred senior debt instruments created by the Sapin 2 Act.

These liabilities are initially recognized at fair value in the balance sheet. At subsequent reporting dates, they are measured at amortized cost using the effective interest rate method. The initial fair value of issued securities is their issue price less transaction costs, where applicable.

Regulated savings contracts

Amongst the liabilities at amortized cost are the comptes épargne logement (CEL – mortgage saving accounts) and plans épargne logement (PEL – mortgage saving plans), which are regulated French products accessible to customers (natural persons). In the initial savings phase, account holders receive interest on amounts paid into these accounts, which subsequently entitle them to a mortgage loan (second phase). They generate two types of obligation for the distributing establishment:

- an obligation to pay interest on paid-in amounts at a fixed rate (in the case of PEL accounts only, as interest on CEL accounts is regularly revised on the basis of an indexation formula and is therefore treated as variable-rate interest);
- an obligation to grant loans to customers under predetermined terms (both PEL and CEL).

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data. A provision is made as a liability on the balance sheet to cover future expenses relating to the potentially unfavorable conditions of these products, compared to the interest rates offered to individual customers for similar products, but which are not regulated in terms of compensation. This approach is implemented through the creation of PEL and CEL savings products that are similar in terms of their regulated conditions. The impacts on profit (loss) are recorded as interest paid to customers.

1.3.1.3 Debt-equity distinction

According to the IFRIC 2 interpretation, members' shares are shareholders' equity if the entity has an unconditional right to refuse redemption or if there are legal or statutory provisions prohibiting or significantly limiting redemption. Due to the existing statutory and legal provisions, the members' shares issued by structures composing the Crédit Mutuel group's consolidating entity are recognized in shareholders' equity.

Other financial instruments issued by the group are classified as debt instruments in the group's accounts when the group has a contractual obligation to deliver cash to holders of the instruments. Such is the case with subordinated notes issued by the group.

1.3.1.4 Foreign currency transactions

Assets and liabilities denominated in a currency other than the local currency are translated at the exchange rates prevailing on the balance sheet date.

Monetary financial assets and liabilities

Foreign currency gains and losses on the translation of such items are recognized in the income statement under "Net gains/(losses) on portfolio at fair value through profit or loss".

Non-monetary financial assets and liabilities

Foreign currency gains or losses arising from such translations are recognized in the income statement under "Net gains/(losses) at fair value through profit or loss" if measured at fair value through profit or loss, or recognized under "Unrealized or deferred capital gains/(losses)" if they are financial assets measured at fair value through other comprehensive income.

1.3.1.5 Derivatives and hedge accounting

IFRS 9 allows entities to choose, on first-time application, whether to apply the new provisions concerning hedge accounting or to retain those of IAS 39.

The group has elected to continue to apply the provisions of IAS 39. However, in accordance with IFRS 7 (revised), additional information on the management of risks and the impacts of hedge accounting on the financial statements is provided in the notes or in the management report.

Moreover, the provisions of IAS 39 concerning the fair value hedge of the interest rate risk associated with a portfolio of financial assets or financial liabilities, as adopted by the European Union, continue to apply.

Derivatives are financial instruments which have the following three characteristics:

- their value fluctuates with the change in the underlying items (interest rates, exchange rates, share prices, indices, commodities, credit ratings, etc.);
- their initial cost is low or nil;
- their settlement takes place at a future date.

The Crédit Mutuel group deals in simple derivative instruments (*swaps* and vanilla options), mainly of rates and classified essentially in level 2 of the value hierarchy.

All financial derivative instruments are recognized at fair value under financial assets or financial liabilities. They are recognized by default as trading instruments unless they can be classified as hedging instruments.

Determining the fair value of derivatives

Most over-the-counter derivatives, swaps, forward rate agreements, caps, floors and vanilla options are valued using standard, generally accepted models (discounted cash flow method, Black and Scholes model or interpolation techniques), based on observable market data such as yield curves. The valuations given by these models are adjusted to take into account the liquidity risk and the credit risk associated with the instrument or parameter concerned and specific risk premiums intended to offset any additional costs resulting from a dynamic management strategy associated with the model in certain market conditions, as well as the counterparty risk captured by the positive fair value of over-the-counter derivatives. The latter includes the own counterparty risk present in the negative fair value of over-the-counter derivatives.

When establishing valuation adjustments, each risk factor is considered individually and no effect of diversification between risks, parameters or models of a different nature are taken into account. A portfolio approach is most often used for a given risk factor.

Derivatives are recognized as financial assets when their market value is positive and as financial liabilities when their market value is negative.

Classification of derivatives and hedge accounting

Derivatives classified as financial assets or financial liabilities at fair value through profit or loss

By default, all derivatives not designated as hedging instruments under IFRS are classified as “Financial assets or financial liabilities at fair value through profit or loss”, even if they were contracted for the purpose of hedging one or more risks.

- Embedded derivatives

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, meets the definition criteria for a derivative. It has the effect, notably, of changing certain cash flows in the same way as a stand-alone derivative.

The derivative is detached from the host contract and recognized separately as a derivative instrument at fair value through profit or loss only if all of the following conditions are satisfied:

- it meets the definition criteria of a derivative;
- the hybrid instrument hosting the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics of the derivative and the associated risks are not considered as being closely related to those of the host contract;
- separate measurement of the embedded derivative is sufficiently reliable to provide relevant information.

For financial instruments under IFRS 9, only those derivatives embedded in financial liabilities may be detached from the host contract for separate recognition.

- Recognition

Realized and unrealized gains and losses are recognized in the income statement under “Net gains/(losses) on financial instruments at fair value through profit or loss”.

Hedge accounting

- Risks hedged

In its accounts, the group only recognizes interest rate *risk* through micro-hedging or on a broader scope through macro-hedging.

Micro-hedging is partial hedging of the risks incurred by an entity on its assets and liabilities. It specifically applies to one or more assets or liabilities for which the entity covers the risk of an unfavorable change in a type of risk, through derivatives.

Macro-hedging aims to cover all of the group’s assets and liabilities against any unfavorable changes, particularly in interest rates.

The overall management of the interest rate risk is described in the management report, along with the management of all other risks (foreign exchange, credit, etc.) that may be hedged through the natural backing of assets to liabilities or the recognition of trading derivatives.

Micro-hedging is particularly done through asset swaps, usually in the aim of transforming fixed-rate instruments into variable-rate instruments.

Three types of hedging relationship are possible. The choice of the hedging relationship depends on the nature of the risk being hedged.

- A fair value hedge hedges the exposure to changes in the fair value of financial assets or financial liabilities.
- A cash flow hedge is a hedge of the exposure to variability in cash flows relating to financial assets or financial liabilities, firm commitments or forward transactions.
- The hedging of net investments in foreign currencies is recognized in the same way as cash flow hedging. The group has not used this form of hedging.

Hedging derivatives must meet the criteria stipulated by IAS 39 to be designated as hedging instruments for accounting purposes. In particular:

- the hedging instrument and the hedged item must both qualify for hedge accounting;

- the relationship between the hedged item and the hedging instrument must be documented formally immediately upon inception of the hedging relationship. This documentation sets outs the risk management objectives determined by management, the nature of the risk hedged, the underlying strategy, and the methods used to measure the effectiveness of the hedge;
- the effectiveness of the edge must be demonstrated upon inception of the hedging relationship, subsequently throughout its life, and at the very least at each balance sheet date. The ratio of the change in value or gain/loss on the hedging instrument to that of the hedged item must be within a range of 80% to 125%.

Where applicable, hedge accounting is discontinued prospectively.

- Fair value hedge of identified financial assets or liabilities

In a fair value hedging relationship, derivatives are remeasured at fair value through profit or loss under “Net gains/(losses) on financial instruments at fair value through profit or loss” symmetrically with the remeasurement of the hedged items to reflect the hedged risk. This rule also applies if the hedged item is recognized at amortized cost or is a debt instrument classified under “Financial assets at fair value through equity”. Changes in the fair value of the hedging instrument and the hedged risk component offset each other partially or totally; only the ineffective portion of the hedge is recognized in profit or loss. It may be due to:

- the “counterparty risk” component integrated in the value of the derivatives;
- the different value curve between the hedged items and hedging instruments. Indeed, swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve.

The portion corresponding to the rediscounting of the derivative financial instrument is recognized in the income statement under “Interest income/(expense)”. The same treatment is applied to the interest income or expense relating to the hedged item.

If the hedging relationship is interrupted or the effectiveness criteria are not met, hedge accounting is discontinued on a prospective basis. The hedging derivatives are transferred to “Financial assets or financial liabilities at fair value through profit or loss” and are accounted for in accordance with the principles applicable to this category. The carrying amount of the hedged item is subsequently no longer adjusted to reflect changes in fair value. In the case of interest rate instruments initially identified as hedged, the remeasurement adjustment is amortized over their remaining life. If the hedged item has been derecognized in the balance sheet, due notably to early repayment, the cumulative adjustments are recognized immediately in the income statement.

- Macro-hedging derivatives

The group has availed itself of the possibilities offered by the European Commission as regards accounting for macro-hedging transactions. In fact, the changes made by the European Union to IAS 39 (carve‑out) allow the inclusion of customer demand deposits in portfolios of hedged fixed-rate liabilities with no measurement of ineffectiveness in case of under-hedging. Demand deposits are included based on the run-off rules defined for asset-liability management purposes.

For each portfolio of fixed-rate financial assets or liabilities, the maturity schedule of the hedging derivatives is reconciled with that of the hedged items to ensure that there is no over-hedging.

The accounting treatment of fair value macro-hedging derivatives is similar to that used for fair value hedging derivatives.

Changes in the fair value of the hedged portfolios are recorded in the balance sheet under “Remeasurement adjustment on interest-rate hedged portfolios”, the counterpart being an income statement line item.

- Cash flow hedges

In the case of a cash flow hedging relationship, derivatives are remeasured at fair value in the balance sheet, with the effective portion recognized in equity. The portion considered as ineffective is recognized in the income statement under “Net gains/(losses) on financial instruments at fair value through profit or loss”.

Amounts recognized in equity are reclassified to profit or loss under “Interest income/(expense)” at the same time as the cash flows attributable to the hedged item affect profit or loss.

The hedged items continue to be recognized in accordance with the rules specific to their accounting category. If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued. The cumulative amounts recorded in shareholders’ equity for the remeasurement of the hedging derivative are maintained in shareholders’ equity until such time as the hedged transaction itself impacts profit or loss or until the transaction is no longer expected to occur. At this point, said amounts are transferred to profit or loss.

If the hedged item no longer exists, the cumulative amounts recorded in equity are immediately transferred to profit or loss.

- Benchmark rate reform

The reform of IBOR rates forms part of the response to the weaknesses found in methodologies for the construction of indices and interbank rates, these being based on the declared data of banks and on a volume of underlying transactions that is significantly down.

In Europe, it is expressed by the “BMR” Benchmark regulation published in 2016 and applicable from the beginning of 2018. The major element of this reform is based on a calculation of rates based on actual transactions, to secure and improve the reliability of the indices used by the market.

The indices created from January 1, 2018 should now be compliant with the BMR regulation and be validated by the regulator. The existing indices may continue to be used until December 31, 2021. Eventually, it will no longer be possible to use the former benchmark indices (LIBOR, EONIA, EURIBOR, etc.) unless they are compliant with the new regulations.

In order to ensure a smooth transition, the group has listed the impacts in the legal, commercial, organizational, tools and financial/accounting areas. It therefore began the work in project mode from the first quarter of 2019.

Concerning the accounting aspects, the group monitors all of the IASB's work on the effects of the reform of benchmark rates. Stakeholders were informed of the relaxation measures proposed in the Phase 2 exposure draft published in April 2020.

Since January 1, 2019, the group has applied the Phase 1 amendment to IAS 39, IFRS 9 and IFRS 7, published by the IASB, meaning that existing hedging relationships could be maintained during this exceptional and temporary situation and until the uncertainty created by the reform of IBOR rates is resolved concerning the choice of a new index and the effective date of this change.

The group considers that uncertainty remains on the EONIA rate (date of switchover to the €STER not known), on the EURIBOR rate (in the absence of contractual modifications of indexed financial instruments, including the fallback clause) and on the LIBOR rate (uncertainties on replacement rates).

1.3.1.6 Financial guarantees and financing commitments

Financial guarantees are treated like an insurance policy when they provide for specified payments to be made to reimburse the holder for a loss incurred because a specified debtor fails to make payment on a debt instrument on the due date.

In accordance with IFRS 4, such financial guarantees continue to be measured using French accounting standards, i.e. they are treated as off-balance sheet items, until such time as the current standards are revised. Accordingly, they are subject to a provision for liabilities if an outflow of resources is likely.

By contrast, financial guarantees that provide for payments in response to changes in a financial variable (price, credit rating, index, etc.) or a non-financial variable (provided that this variable is not specific to one of the parties to the agreement) fall within the scope of IFRS 9. These guarantees are thus treated as derivatives.

Financing commitments that are not considered as derivatives within the meaning of IFRS 9 are not shown on the balance sheet. However, they give rise to provisions in accordance with the requirements of IFRS 9.

1.3.1.7 Derecognition of financial assets and liabilities

The group partly or fully derecognizes a financial asset (or a group of similar assets) when the contractual rights to the asset's cash flows expire (in the case of commercial renegotiation), or when the group has transferred the contractual rights to the financial asset's cash flows, as well as most of the risks and advantages linked with ownership of the asset.

Upon derecognition of:

- a financial asset or liability at amortized cost or at fair value through profit or loss: a gain or loss on disposal is recognized in the income statement in an amount equal to the difference between the carrying amount of the asset or liability and the amount of the consideration received/paid;
- a debt instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under equity are taken to the income statement, as well as any capital gains/losses on disposal;
- an equity instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under other comprehensive income, as well as any capital gains/losses on disposal are recognized in consolidated reserves without going through the income statement.

The group derecognizes a financial liability when the contractual obligation is extinguished, is canceled or expires. A financial liability may also be derecognized in the event of a material change in its contractual terms and conditions, or an exchange with the lender for an instrument whose contractual terms and conditions are substantially different.

1.3.1.8 Measurement of credit risk

The IFRS 9 impairment model is based on an "expected loss" approach while that of IAS 39 was based on an "incurred credit losses", for which the accounting of credit losses at the time of the financial crisis was considered too little too late.

Under the IFRS 9 model, financial assets for which no objective evidence of impairment exists on an individual basis are impaired on the basis of observed losses as well as reasonable and justifiable future cash flow forecasts.

The IFRS 9 impairment model thus applies to all debt instruments measured at amortized cost or at fair value through equity, as well as to financing commitments and financial guarantees. These are divided into three categories:

- status 1 – non-downgraded performing loans: provisioning on the basis of 12-month expected credit losses (resulting from default risks over the following 12 months) as from initial recognition of the financial assets, provided that the credit risk has not increased significantly since initial recognition;
- status 2 – downgraded performing loans: provisioning on the basis of the lifetime expected credit losses (resulting from default risks over the entire remaining life of the instrument) if the credit risk has increased significantly since initial recognition; and
- status 3 – non-performing receivables: category comprising the financial assets for which there is objective evidence of impairment related to an event that has occurred since the loan was granted. The scope of this category is the same as that for loans impaired individually under IAS 39.

For Statuses 1 and 2, the basis of calculation of interest income is the gross value of the asset before impairment while, for Status 3, it is the net value after impairment.

Governance

The models for compartment allocation, forward-looking scenarios and parameter calculation methods constitute the methodological basis for impairment calculations. They are validated at the group's top level and are applicable to all entities according to the portfolios involved. The entire methodological base and any subsequent modification in terms of method, weighting of the scenarios, parameter calculation or provision calculation must be validated by the Crédit Mutuel group's governance bodies.

These bodies consist of the Supervisory and Executive Board as defined by Article 10 of the French Decree of November 3, 2014 relative to internal control. Given the specificities of the Crédit Mutuel group's decentralized organizational structure, the supervisory and Management body are divided into two levels – the national level and the regional level.

The principle of subsidiarity, applied across the Crédit Mutuel group, governs the breakdown of roles between national and regional levels, both on a project basis and for the ongoing implementation of the asset impairment calculation methodology.

- at the national level, the Basel III Working group approves the national procedures, models and methodologies to be applied by the regional groups;
- at the regional level, regional groups are tasked with the calculation of the IRFS 9 provisions within their entities, under the responsibility and control of their respective executive and supervisory bodies.

Definition of the boundary between Status 1 and Status 2

The group uses the models developed for prudential purposes and has therefore applied a similar breakdown of its outstanding loans:

- low default portfolios (LDP), for which the rating model is based on an expert assessment: large accounts, banks, local governments, sovereigns, specialized financing. These portfolios are composed of products such as operating loans, short-term operating loans, current accounts;
- high default portfolios (HDP) for which the default data is sufficient to establish a statistical rating model: mass corporate and retail. These portfolios include products such as home loans, consumer credit, revolving loans, current accounts,

A significant increase in credit risk, which entails transferring a loan out of Status 1 into Status 2, is assessed by:

- taking into account all reasonable and justifiable information; and
- comparing the risk of default on the financial instrument at the reporting date with the risk of default at the initial recognition date.

For the group, this involves measuring the risk at the level of the borrower, where the counterparty rating system is common to the entire group. All of the group's counterparties eligible for internal approaches are rated by the system. This system is based on:

- statistical algorithms or "mass ratings" based on one or more models, using a selection of representative and predictive risk variables (HDP); or
- rating grids developed by experts (LDPs).

The change in risk since initial recognition is measured on a contract-by-contract basis. Unlike Status 3, transferring a customer's contract into Status 2 does not entail transferring all of the customer's outstanding loans or those of related parties (absence of contagion).

Note that the group immediately puts into Status 1 any performing exposure that no longer meets the criteria for Status 2 classification (both qualitative and quantitative).

The group has demonstrated that a significant correlation exists between the probabilities of default at 12 months and at termination, which allows it to use 12-month credit risk as a reasonable approximation of the change in risk since initial recognition, as the standard permits.

Quantitative criteria

For LDP portfolios, the boundary is based on an allocation matrix that relates the internal ratings at origination and at the reporting date. Thus, the riskier the rating at origination, the lower the group's relative tolerance to a significant risk deterioration.

For HDP portfolios, a continuous and growing boundary curve relates the probability of default at origination and the probability of default at the reporting date. The group does not use the operational simplification offered by the standard, which allows outstanding loans with low risk at the reporting date to be maintained in Status 1.

Qualitative criteria

To these quantitative criteria the group adds qualitative ones such as installments unpaid or late by more than 30 days, the fact that a loan has been restructured, etc.

Methods based exclusively on qualitative criteria are used for entities or small portfolios that are classified for prudential purposes under the standardized approach and do not have a rating system.

Statuses 1 and 2 – Calculating expected credit losses

Expected credit losses are measured by multiplying the outstanding amount of the loan at the contract rate by its probability of default (PD) and by the loss given default (LGD). The off-balance-sheet exposure is converted into a balance sheet equivalent based on the probability of a drawdown. The one-year probability of default is used for Status 1, while the probability of default at termination (1 to 10 year curve) is used for Status 2.

These parameters are based on the same values as prudential models and adapted to meet IFRS 9 requirements. They are used both for assigning loans to a status and for calculating expected losses.

Probability of default

This is based:

- for high default portfolios, on the models approved under the IRB-A approach;
- for low default portfolios, on an external probability of default scale based on a history dating back to 1981.

Loss given default

This is based:

- for high default portfolios, on the collection flows observed over a long period of time, discounted at the interest rates of the contracts, segmented according to types of products and types of guarantees;
- for low default portfolios, on fixed ratios (60% for sovereign and 40% for the rest).

Conversion factors

For all products, including revolving loans, they are *used* to convert off-balance-sheet exposure to a balance sheet equivalent and are mainly based on prudential models.

Forward-looking aspect

To calculate expected credit losses, the standard requires taking reasonable and justifiable information into account, including forward-looking information. The development of the forward-looking aspect requires anticipating changes in the economy and relating these anticipated changes to the risk parameters. This forward-looking aspect is determined at the group level and applies to all the parameters.

For high default portfolios, the forward-looking aspect included in the probability of default takes into account three *scenarios* (optimistic, neutral or pessimistic), which will be weighted based on the group's view of changes in the economic cycle over five years. The group mainly relies on macroeconomic data (GDP, unemployment rate, inflation rate, short-term and long-term interest rates, etc.) available from the OECD. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

- they are recent, meaning they occurred a few weeks before the reporting date;
- they cannot be included in a scenario: for example, regulatory changes that will certainly have a significant effect on the risk parameters and whose impact can be measured by making certain assumptions.

The forward-looking dimension over different time horizons other than one year will largely be a function of the one-year dimension.

The forward-looking aspect is also included in the LGD by incorporating information observed over a period close to current conditions.

For low default portfolios, forward-looking information is incorporated into large corporates/bank models, and not into local governments, sovereigns and specialized financing models. The approach is similar to that used for high default portfolios.

Status 3 – Non-performing loans

An impairment is recorded when there is objective proof, as a result of an event occurring after a loan or group of loans has been granted, that it is likely to generate a loss. The impairment is equal to the difference between the carrying amount and the estimated future cash flows, allowing for collateral or other guarantees, present-discounted at the interest rate of the original loan. In the event of a variable rate, it is the most recent contractual rate that is booked.

Since November 2019, the Crédit Mutuel group has been applying the new definition of prudential default in accordance with the guidelines of the EBA and with the technical standards for the regulations on the concepts of the applicable materiality thresholds.

The main developments related to the implementation of this new definition are the following:

- the analysis of default is now done during daily processing at the level of the borrower and no longer at the level of the contract;
- the number of days of delay is assessed at the level of a borrower (obligor) or a group of borrowers (joint obligor) having a common commitment;
- default is triggered when 90 consecutive days of arrears are recorded by a borrower/group of borrowers. The count of the number of days begins at the simultaneous crossing of the absolute materiality threshold (€100 Retail, €500 Corporate) and *the relative* materiality threshold (more than 1% of balance sheet commitments in arrears). The borrower arrears are reinitialized as soon as one of these two thresholds are crossed in a downwards direction;
- the default contagion scope extends to all receivables of the borrower, and all individual commitments of borrowers participating in a joint credit obligation;

- there is a minimum three-month probationary period before non-restructured assets can return to healthy status.

The Crédit Mutuel group has chosen to use the new definition of default on the IRB entities according to the two-step approach proposed by the EBA:

- Step 1 – Consists of submitting a self-assessment and request for authorization from the supervisor. Authorization for use was obtained by the group in October 2019;
- Step 2 – Consists of implementing the new definition of default within systems and then, where necessary, recalibrating models after a 12-month period of observing the new defaults.

The group believes that the new definition of default, as required by the EBA, is representative of objective proof of impairment in an accounting sense of the word. The group has aligned its definitions of accounting (Status 3) and prudential default. This change constitutes a change of estimation, for which the non-material impact is booked to profit (loss) during the period of the change.

Initially impaired financial assets

These are contracts for which the counterparty is non-performing on the date of initial recognition or acquisition. If the borrower is non-performing at the reporting date, the contracts are classified into Status 3; otherwise, they are classified as performing loans, identified in an "originated credit-impaired assets" category, and provisioned based on the same method used for exposures in Status 2, i.e. an expected loss over the residual maturity of the contract.

Recognition

Impairment charges and provisions are recorded in "Net provision allocations/reversals for loan losses". Reversals of impairment charges and provisions are recorded in "Net provision allocations/reversals for loan losses" for the portion relating to the change in risk and in "Net interest" for the portion relating to the passage of time. For loans and receivables, impairment is deducted from assets, and for financing and guarantee commitments, the provision is recorded in liabilities under "Provisions" (see section "1.3.1.6. Financial guarantees and financing commitments" and section "1.3.3.2. "Provisions"). For assets at fair value through equity, the impairment recognized in the cost of risk is offset under "Unrealized or deferred gains and losses".

Loan losses are written off and the corresponding impairments and provisions are reversed.

1.3.1.9 Determination of fair value of financial instruments

Fair value is the amount for which an asset could be sold, or a liability transferred, between knowledgeable willing parties in an arm's length transaction.

The fair value of an instrument upon initial recognition is generally its transaction price.

The fair value must be calculated for subsequent measurements. The calculation method to be applied varies depending on whether the instrument is traded on a market deemed to be active or not.

Financial instruments traded in an active market

When financial instruments are traded in an active market, fair value is determined by reference to their quoted price as this represents the best possible estimate of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available (from a stock exchange, dealer, broker or pricing service) and those prices represent actual market transactions regularly occurring on an arm's length basis.

Financial instruments not traded in an active market

Observable market data are used provided they reflect the reality of a transaction at arm's length on the valuation date and there is no need to make an excessive adjustment to said value. In other cases, the group uses non-observable data (mark-to-model).

When observable data is not available or when market price adjustments require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, comprising adjustments linked to the risks the market would factor in. Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions.

When establishing valuation adjustments, each risk factor is considered individually and no effect of diversification between risks, parameters or models of a different nature are taken into account. A portfolio approach is most often used for a given risk factor.

In all cases, adjustments are made by the group in a reasonable and appropriate manner, based on judgment.

Fair value hierarchy

A three-level hierarchy is used for fair value measurement of financial instruments:

- level 1: prices listed on active markets for identical assets or liabilities. This applies in particular to debt securities listed by at least three contributors and derivatives listed on an organized market;
- level 2: data other than the level 1 quoted prices, which are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. data derived from prices). Included, in particular, in level 2 are interest rate swaps whose fair value is generally determined with the help of yield curves based on market interest rates observed at the end of the reporting period;

- level 3: data relating to the asset or liability that are not observable market data (non-observable data). The main constituents of this category are investments in non-consolidated companies held in venture capital entities or otherwise and, in the capital markets activities, debt securities quoted by a single contributor and derivatives using mainly non-observable parameters. The instrument is classified at the same hierarchical level as the lowest level of the input having an important bearing on fair value considered as a whole. Given the diversity and volume of the instruments measured at level 3, the sensitivity of the fair value to a change in parameters would be immaterial.

1.3.2 Insurance business line

The insurance departments falling within the Conglomerate Directive benefit from the deferred application of IFRS 9 until 2022, as scheduled by the amendment to IFRS 4 adopted by the European Union. As such, their financial instruments remain valued and recognized in accordance with IAS 39. In terms of presentation, the group chose to adopt an "IFRS audit" approach that allows all financial instruments under IAS 39 to be grouped together under the dedicated asset or liability items rather than by applying ANC recommendation 2017-02 strictly speaking, which entails the presentation of instruments under certain items pursuant to IAS 39 and IFRS 9. Thus, all the financial instruments of the insurance departments are grouped in assets under "Investments in insurance business and shares of reinsurers in technical provisions", and in liabilities under "Liabilities related to insurance business policies", also including technical provisions. Investment property is also affected by the reclassification. The impact in the income statement of financial instruments and technical provisions is included under "Net income from insurance activities". Other assets/liabilities and income statement items are included under the "banking insurance" joint entries. Where relevant, the disclosures required by IFRS 7 are given separately for the insurance business lines.

In accordance with the adoption regulation of November 3, 2017, the group ensures there is no transfer of financial instruments with a derecognition effect, between the insurance and other sectors of the conglomerate, other than those recognized at fair value through profit or loss in both sectors.

The accounting principles and valuation rules specific to assets and liabilities generated by the issue of insurance policies are drafted in accordance with IFRS 4. This also applies to reinsurance contracts issued or subscribed, and to financial contracts incorporating a discretionary profit-sharing clause.

Except in the cases outlined above, the other assets held and liabilities issued by the insurance companies follow the rules common to all the group's assets and liabilities.

1.3.2.1 Insurance business line – Financial instruments

Under IAS 39, insurers' financial instruments may be classified in one of the following categories:

- financial assets/liabilities at fair value through profit or loss;
- available-for-sale financial assets;
- held-to-maturity financial assets;
- loans and receivables;
- financial liabilities at amortized cost.

They are grouped in assets under "Investments in insurance business and shares of reinsurers in technical provisions", and in liabilities under "Liabilities related to insurance business policies".

The classification in one or other of these categories reflects the management intention and determines the recognition rules for instruments.

The fair value of these instruments follows the general principles outlined in section 1.3.1.9.

Financial assets and liabilities at fair value through profit or loss

Classification criteria

The classification of instruments in this category is a result either of a genuine intention to trade, or the use of the fair value option.

a) Instruments held for trading:

Held-for-trading securities consist of securities originally acquired with the intention of reselling them in the near future, as well as securities that are part of a portfolio of securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

b) Instruments at fair value on option:

Financial instruments may be classified by choice, from the outset and on an irrevocable basis, at fair value through profit or loss in the following circumstances:

a. financial instruments containing one or more separable embedded derivatives;

b. instruments for which the accounting treatment would be inconsistent with that applied to another related instrument, were the fair value option not applied;

c. instruments belonging to a pool of financial assets measured and managed at fair value.

This option is specifically used in connection with unit-linked contracts for insurance activities, to ensure consistency with the treatment of liabilities.

Basis of valuation and recognition of income and expenses

Assets classified as "*Assets at fair value through profit or loss*" are recognized when they are entered on the balance sheet at their fair value, and at subsequent closing dates, until disposal. Changes in fair value and the income received or accrued on these assets are recognized on the income statement under "Net income from insurance activities".

Available-for-sale financial assets

Classification criteria

Available-for-sale financial assets include those financial assets not classified as "*loans and receivables*", or "*financial assets held-to-maturity*" or *"fair value through profit or loss*".

Basis of valuation and recognition of income and expenses

They are recognized on the balance sheet at their fair value at the time of their acquisition, and at subsequent reporting dates, until their disposal. Changes in fair value are shown on the "*Unrealized or deferred gains and losses*" line within a specific equity account, excluding accrued income. These unrealized gains or losses in shareholders' equity are only recognized on the income statement in the event of disposal or sustainable impairment. On disposal, these unrealized gains or losses previously recognized in shareholders' equity are recognized in the income statement, along with capital gains and losses on disposal.

Income accrued or acquired from fixed-income securities is recognized in profit or loss, using the effective interest rate method. They are presented in "Net income from insurance activities", along with dividends received on variable-income securities.

Credit risk and impairment

a) Sustainable impairment, specific to shares and other capital instruments

Impairment is recognized on variable-income available-for-sale financial assets in the event of a prolonged or significant fall in fair value, compared to cost.

In the case of variable-income securities, the group considers that a fall in the security's value of at least 50% compared to its acquisition cost or over a period of more than 36 consecutive months shall result in an impairment. The analysis is carried out on a line-by-line basis. Judgment is also used when reviewing those securities that do not meet the above criteria, but for which Management believes the recoverability of the amount invested may not reasonably be expected in the near future. The loss is recognized in income under "Net income from insurance activities".

Any subsequent fall is also recognized on the income statement.

Long-term impairment losses on shares or other capital instruments posted in income are irreversible as long as the instrument appears on the balance sheet. In the event of subsequent appreciation, this will be recognized in shareholders' equity under "*unrealized or deferred gains or losses*".

b) Impairment due to credit risk

Impairment losses on fixed-income available-for-sale financial assets (specifically bonds) are recognized under "*Cost of risk*". In fact, only the existence of credit risk may lead to the impairment of these fixed-income instruments, since impairment in the event of loss due to a simple rate increase is not permitted. In the event of impairment, all combined unrealized losses in shareholders' equity must be recognized in profit or loss. These impairments are reversible; any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "*Cost of risk*", in case of improvement of the issuer's credit situation.

Held-to-maturity financial assets

Classification criteria

This category includes determinable or fixed-income securities with a maturity date that the entity intends and is able to hold until maturity.

Any interest-rate hedging operations performed on this category of securities are not eligible for hedge accounting as set out in IAS 39.

Furthermore, the possibilities to dispose of or transfer securities of this portfolio are extremely limited, given the provisions of IAS 39, on pain of downgrading the entire portfolio at group level in the "available-for-sale financial assets" category, and forbidding access to this category for two years.

Basis of valuation and recognition of income and expenses

Securities classified in this category are initially recognized at fair value, then valued at amortized cost according to the effective interest rate method, which incorporates amortization of premiums and discounts, as well as acquisition expenses, if these are material.

Income received on these securities is given in "Net income from insurance activities" on the income statement.

Credit risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). An analysis is performed at each closing, on a security-by-security basis. Impairment is assessed by comparing the carrying amount and the present value at the original interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "*Cost of risk*". Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "*Cost of risk*".

Loans and receivables

Classification criteria

Loans and receivables are determinable or fixed-income financial assets not quoted on an active market and not intended for sale upon acquisition or grant. They are recognized at their fair value when they initially appear on the balance sheet which is generally the net amount disbursed. These outstandings are then valued on subsequent closing dates at amortized cost using the effective interest-rate method (except for those recognized using the fair value option method).

Credit risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). Impairment is assessed by comparing the carrying amount and the present value at the effective interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "*Cost of risk*". Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "*Cost of risk*".

Financial liabilities at amortized cost

These include amounts due to customers and to credit institutions, debt securities (certificates of deposit, interbank market securities, bonds, etc.), as well as dated and undated subordinated debt for which measurement at fair value through profit or loss was not opted for.

These liabilities are initially recognized at fair value in the balance sheet. At subsequent reporting dates, they are measured at amortized cost using the effective interest rate method. The initial fair value of issued securities is their issue price less transaction costs, where applicable.

1.3.2.2 Insurance business line – Non-financial assets

Investment property and fixed assets follow the accounting methods outlined elsewhere.

1.3.2.3 Insurance business line – Non-financial liabilities

Insurance liabilities, representing commitments to subscribers and beneficiaries, are included under "technical provisions of insurance policies". They remain valued, recognized and consolidated according to French standards.

The technical provisions of life insurance policies consist primarily of mathematical provisions, which generally correspond to the redemption values of the contracts. The risks covered are primarily death, disability and incapacity for work (for borrower insurance).

Technical provisions for unit-linked contracts are valued on the reporting date based on the realizable value of the assets used to support these contracts.

Provisions for non-life insurance contracts correspond to unearned premiums (portion of premiums issued relating to subsequent fiscal years) and to claims payable.

Those insurance contracts benefiting from a discretionary profit-sharing clause are subject to "shadow accounting". The resulting deferred profit-sharing provision represents the portion of asset capital gains and losses, which accrues to the insured parties. These provisions for deferred profit-sharing appear as liabilities or assets, by legal entity and without offset between entities within the scope of consolidation. On the asset side, they appear as a separate item.

At the reporting date, a liability adequacy test recognized on these contracts (net of other related assets or liabilities, such as deferred acquisition costs and portfolio securities acquired) is conducted: the recognized liability is audited to ensure it is sufficient to hedge the estimated future cash flows on that date. Any shortfall in the technical provisions is recognized in profit or loss for the period (and may subsequently be reversed if necessary).

1.3.3 Non-financial instruments

1.3.3.1 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Ownership may or may not eventually be transferred.

An operating lease is any lease that is not a finance lease.

Finance lease transactions – Lessor

In accordance with IFRS 16, finance lease transactions with non-group companies are reported in the consolidated balance sheet at their financial accounting amount. Finance lease transactions transfer substantially all the risks and rewards incidental to ownership of the leased asset to lessees.

Thus, the analysis of the economic substance of the transaction results in:

- the leased asset exiting the balance sheet;
- the recognition of a receivable in "Financial assets at amortized cost", for a present value, at the implicit contract rates, of the rental payments to be received under the finance lease contract, increased by any residual value not guaranteed returning to the lessor;

- the recognition of deferred taxes pursuant to the time differences existing throughout the life of the finance lease transaction;
- the recognition as net interest margin, of net revenue from the lease, this being representative of the constant periodic rate of return on the amounts outstanding.

Credit risk related to financial receivables is measured and recognized under IFRS 9 (see section “1.3.1.8 Measurement of credit risk”).

Finance lease transactions – Lessee

In accordance with IFRS 16, fixed assets are recorded on the balance sheet to offset a liability in “other liabilities”. Lease payments are broken down between interest expense and repayment of principal.

1.3.3.2 Provisions

Provisions and reversals of provisions are classified by type under the corresponding item of income or expenditure.

A provision is recognized whenever it is probable that an outflow of resources representing economic benefits will be necessary to extinguish an obligation arising from a past event and when the amount of the obligation can be estimated accurately. Where applicable, the net present value of this obligation is calculated to determine the amount of the provision to be set aside.

The provisions constituted by the group cover, in particular:

- operating risks;
- social commitments;
- execution risk on signature commitments;
- litigation risk and guarantee commitments given;
- tax risks;
- risks related to mortgage saving agreements.

1.3.3.3 Employee benefits

Where applicable, provisions in respect of employee obligations are recognized under “Provisions”. Any movements in this provision are recognized in the income statement under “Employee benefits expense” except for the portion resulting from actuarial gains/(losses), which is recognized in unrealized or deferred gains and losses, under equity.

Post-employment benefits under a defined benefit plan

These comprise the pension plans, early pension plans, and supplementary pension plans under which the group has a formal or implicit obligation to provide employees with predefined benefits.

These obligations are calculated using the projected unit credit method, which involves allocating entitlement to benefits to periods of service by applying the contractual formula for calculating plan benefits. Such entitlements are then discounted using demographic and financial assumptions such as:

- a discount rate, determined by reference to the long-term rate on private-sector borrowings consistent with the term of the commitments;
- the rate of increase in wages, assessed according to age group, manager/non-manager position and regional characteristics;
- inflation rates, estimated by comparing French treasury bond rates and inflation-linked French treasury bond rates at different maturities;
- staff turnover rates, determined by age bracket, using the three-year average for the ratio of resignations and dismissals relative to the year-end number of employees under permanent contracts;
- retirement age: estimated on a case-by-case basis using the actual or estimated date of commencement of full-time employment and the assumptions set out in the law reforming pensions, with a ceiling set at 67 years of age;
- mortality according to the INSEE TH/TF 00-02 table.

Differences arising from changes in these assumptions and from differences between previous assumptions and actual experience constitute actuarial gains or losses. When the plan has assets, these are valued at fair value and their expected return impact profit (loss). Differences between actual and expected yields also constitute actuarial gains or losses.

Actuarial gains and losses are recognized in equity, within unrealized or deferred gains and losses. Curtailments and settlements of the plan produce a change in the commitment, which is recognized in the profit (loss) for the period.

Supplementary pensions within the pension funds

The AFB transitional agreement dated September 13, 1993, modified the pension plans of banking institutions. Since January 1, 1994, banks affiliate with the national plans, Arrco and Agirc. The four pension funds to which the group’s banks contributed were merged. They pay the various benefits covered by the transitional agreement. In the event that fund assets are not sufficient to cover these benefit obligations, the banks are required to make additional contributions. The average contribution rate for the next ten years is capped at 4% of the payroll. The pension fund resulting from the mergers was converted into an IGRS (a French supplementary pension management institution) in 2009. It does not have an asset shortfall.

Other post-employment benefits under a defined benefit plan

Retirement benefits and supplementary pensions, including special schemes, are provisioned. They are assessed on the basis of the rights acquired for all active employees, based in particular on the turnover rate of the staff specific to the consolidated entities and the estimated future salary that the beneficiary will earn upon retirement plus social security contributions, where applicable. In France, retirement benefits in the banking network in France are at least 60% covered by insurance from ACM Vie – an insurance company which is part of the Crédit Mutuel group and is fully consolidated.

Post-employment benefits under a defined contribution plan

Group entities contribute to various retirement plans managed by independent organizations, to which they have no formal or implicit obligation to make supplementary payments in the event, notably, that the fund's assets are insufficient to meet its commitments.

Since such plans do not represent a commitment for the group they are not subject to a provision. Expenses are recognized in the fiscal year in which the contribution must be paid.

Long-term benefits

These represent benefits other than post-employment benefits and termination benefits expected to be paid more than 12 months after the end of the fiscal year in which the staff rendered the corresponding service. They include, for example, long service awards.

The group's commitment in respect of other long-term benefits is quantified using the projected unit credit method. However, actuarial gains and losses are recognized immediately in profit or loss.

Commitments for long service awards are sometimes covered by insurance policies. Only the unhedged portion of this commitment is subject to a provision.

Supplemental pension plan for employees

In addition to the mandatory pension plans, the employees of the entities covered by the group collective agreement also benefit from a supplementary defined contribution pension plan provided by ACM VIE SA.

Termination benefits

These are benefits granted by the group when an employment contract is terminated before the usual retirement age or following the employee's decision to leave the group voluntarily in exchange for an indemnity. The related provisions are discounted if payment is expected to take place more than 12 months after the reporting date.

Short-term benefits

These are benefits, other than termination benefits, payable within 12 months following the reporting date. They include salaries, social security contributions and certain bonuses.

An expense is recognized for these short-term benefits in the fiscal year in which the services granting entitlement to these benefits were rendered to the business.

1.3.3.4 Non-current assets

Non-current assets of which the group is owner

Fixed assets included in the balance sheet include property, plant and equipment and intangible assets, as well as investment properties. Operating assets are used for the production of services or for administrative purposes. Investment property consists of real estate assets held to generate rental income and/or capital gains. The historical cost method is used to recognize both operating and investment properties.

Fixed assets are initially recognized at acquisition cost plus any directly attributable costs necessary to make them operational and usable. They are subsequently measured at amortized historical cost, i.e. their cost less accumulated depreciation and any impairment.

When a non-current asset comprises several components likely to be replaced at regular intervals, with different uses or providing economic benefits over differing lengths of time, each component is recognized separately from the outset and is depreciated or amortized in accordance with its own depreciation schedule. The component approach was retained for operating buildings and investment properties.

The depreciable or amortizable amount of a non-current asset is determined after deducting its residual value, net of disposal costs. As the useful life of non-current assets is generally equal to their expected economic life, no residual value is recognized.

Non-current assets are depreciated or amortized over their estimated useful life at rates reflecting the estimated consumption of the assets' economic benefits by the entity. Intangible assets with an indefinite useful life are not amortized.

Depreciation and amortization charges on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement.

Depreciation charges on investment property are recognized under "Expenses on other activities" in the income statement.

The following depreciation and amortization periods are used:

Property, plant and equipment

- Land and network improvements: 15-30 years.
- Buildings – shell: 20-80 years (depending on type of building).
- Buildings – equipment: 10-40 years.
- Fixtures and fittings: 5-15 years.
- Office furniture and equipment: 5-10 years.
- Safety equipment: 3-10 years.
- Rolling stock: 3-5 years.
- Computer equipment: 3-5 years.

Intangible assets

- Software purchased or developed in-house: 1-10 years.
- Business goodwill acquired: 9-10 years (if customer contract portfolio acquired).

Depreciable and amortizable assets are tested for impairment when evidence exists at the reporting date that the items may be impaired. Non-amortizable non-current assets such as lease rights are tested for impairment once a year.

If an indication of impairment exists, the recoverable amount of the asset is compared to its net carrying amount. In the event of loss of value, a write-down is recognized on the income statement; it changes the depreciable or amortizing amount of the asset prospectively. The write-down is repaid in the event of changes to the estimated recoverable amount or if the indications of impairment disappear. The net carrying amount following the reversal of an impairment provision cannot exceed the net carrying amount that would have been calculated if no impairment had been recognized.

Impairment charges and reversals on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement.

Impairment charges and reversals on investment property are recognized in the income statement under "Expenses on other activities" and "Income from other activities", respectively.

Capital gains or losses on disposals of operating assets are recorded in the income statement on the line "Net gains/(losses) on other assets".

Gains and losses on the disposal of investment property are recorded on the income statement on the line "Income from other activities" or "Expenses from other activities."

Non-current assets of which the group is the lessee

For a contract to qualify as a lease, there must be both the identification of an asset and control by the lessee of the right to use said asset.

In respect of the lessee, operating leases and finance leases will be recorded in a single model, with recognition of:

- an asset representing the right to use the leased property during the lease term
- offset by a liability in respect of the lease payment obligation;
- straight-line depreciation of the asset and an interest expense in the income statement using the diminishing balance method.

The group mainly activates its real estate contracts, with the exception of those in a situation of automatic renewal (taking into account the 6-month prior notice for termination). The automotive fleet was only restated where it was locally significant and computer and security equipment were precluded on the grounds of their substitutable nature, in accordance with standards. Only a limited number of IT contracts, deemed to be significant, was deemed to be activated.

Other underlying assets were precluded through short-term or low value exemptions (set at €5,000). The group has no leases that give rise to recognition of intangible assets or investment properties.

Therefore, usage rights are recorded as "Property, plant and equipment", and lease obligations as "Other liabilities". Leasehold rights are reclassified as property, plant and equipment when they concern contracts that are not automatically renewable. Rights of use and lease obligations are the subject of deferred tax assets or liabilities for the net amount of taxable and deductible temporary differences.

On the income statement, interest charges appear in "Interest margin" while depreciation/amortization is presented under the heading dedicated to general operating expenses.

For calculating the lease obligation, we use:

- the contractual term. The group follows the ANC position on commercial leases, pursuant to contractual provisions: any new lease of this type will be capitalized for a term of nine years. Indeed, from an accounting standpoint, there is no lease term renewal option and consequently, the period for which the contract is enforceable is generally 9 years, taking into account the group's choice of location;
- the discount rate is the marginal rate of indebtedness corresponding to the chosen duration. It is a rate that is depreciable by the group's refinancing headquarters;

- the lease payment, excluding taxes. The group is marginally affected by variable lease payments.

The group is currently analyzing the impact of the IFRIC decision of December 2019, on the current assumptions adopted for the commercial leases 3/6/9 and for the contracts under automatic renewal. This decision could have the consequence of reviewing the enforceable duration of the contracts mentioned above, and thus modify the amount of the lease debt and the associated usage rights. At this stage, different assumptions are being examined and, since these analyzes have not been conclusive, no data is provided.

1.3.3.5 Commissions

Fees and commissions in respect of services are recorded as income and expenses according to the nature of the services involved. Thus, fees considered as an additional interest are an integral part of the effective interest rate. These fees and commissions are thus recognized either as interest income or expense.

Fees and commissions linked directly to the grant of a loan are spread using the effective interest method.

Fees and commissions remunerating a service provided on a continuous basis are recognized over the period during which the service is provided.

Fees and commissions remunerating a significant service are recognized in full in the income statement upon execution of the service.

1.3.3.6 Income tax expense

The income tax expense includes all tax, both current and deferred, payable in respect of the income for the period under review.

The income tax payable is determined in accordance with applicable tax regulations.

Deferred taxes

As required by IAS 12, deferred taxes are recognized in respect of temporary differences between the carrying amount of an asset or liability on the consolidated balance sheet and its taxable value, with the exception of goodwill.

Deferred taxes are calculated using the liability method, applying the income tax rates known at the end of the fiscal year, and applicable in subsequent fiscal years.

Deferred tax assets net of deferred tax liabilities are recognized only when there is a high probability that they will be utilized. Current or deferred tax is recognized as income or an expense, except for that relating to unrealized or deferred gains or losses recognized in equity, for which the deferred tax is allocated directly to equity.

Deferred tax assets and liabilities are netted if they arise in the same entity or in the same tax group, are subject to the same tax authority and when there is a legal right to do so.

Deferred tax is not discounted.

Uncertainties over income tax treatment

In accordance with IFRIC 23, the group is assessing the probability of the tax authority accepting the tax position taken. It is assessing the likely effects on the result for tax purposes, tax bases, tax loss carryforwards, unused tax credits and rates of taxation.
In the event of an uncertain tax position, the amounts payable are estimated on the basis of the most likely amount or the expected amount according to the method that reflects the best estimate of the amount to be paid or received.

1.3.3.7 Interest borne by the State for certain loans

Pursuant to measures to support the agricultural and rural sector, as well as the purchase of housing, some group entities grant loans at reduced rates, which are set by the State. Consequently, these entities receive a subsidy from the government equal to the interest rate differential existing between the rate granted to customers and a predefined benchmark rate. As a result, no discounting occurs on loans that benefit from these grants.

The arrangements governing this offset mechanism are periodically reviewed by the State.

The government subsidies received are recognized under "Interest and similar income" and allocated over the life of the corresponding loans, in accordance with IAS 20.

1.3.3.8 Non-current assets held for sale and discontinued operations

Non-current assets, or groups of assets, are classified as held for sale if they are available for sale and there is a high probability that their sale will take place within the next 12 months.

The related assets and liabilities are shown separately in the balance sheet, on the lines "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale". They are recognized at the lower of their carrying amount and their fair value less selling costs, and are no longer depreciated or amortized.

Any impairment loss on such assets and liabilities is recognized in the income statement.

Discontinued operations consist of businesses held for sale or which have been discontinued, or subsidiaries acquired exclusively with a view to resale. All gains and losses related to discontinued operations are shown separately in the income statement, on the line "Post-tax gain/(loss) on discontinued operations and assets held for sale".

1.3.4 Judgments and estimates used in the preparation of the financial statements

Preparation of the group's financial statements requires the use of assumptions for the purpose of the necessary measurements, which entails risks and uncertainties as to whether these assumptions will materialize in the future, in particular, within the context of the COVID-19 pandemic.

The future outcome of such assumptions may be influenced by several factors, in particular:

- the activities of national and international markets;
- fluctuations in interest rates and foreign exchange rates;
- economic and political conditions in certain business sectors or countries;
- regulatory and legislative changes.

Accounting estimates requiring the formulation of assumptions are mainly used for the measurement of the following:

- the fair value of financial instruments not quoted on an active market, the definition of a forced transaction and the definition of observable data require the exercise of judgment;
- pension plans and other future employee benefits;
- impairment of assets, in particular expected credit losses;
- provisions;
- impairment of intangible assets and goodwill;
- deferred tax assets.

1.4 Related-party information

Parties related to the group are companies consolidated at the level of the Crédit Mutuel group as a whole, including the other establishments affiliated to the Confédération Nationale du Crédit Mutuel and companies accounted for by the equity method.

Transactions carried out between the group and its subsidiaries and associates are done so under normal market conditions, at the time these transactions are conducted.

The list of consolidated companies is presented in note 3. As transactions carried out and outstandings that exist at the end of the period between the group's fully consolidated companies are totally eliminated in consolidation, data pertaining to these reciprocal transactions is included in the attached tables only when concerning companies over which the group exercises joint control or significant influence, and is consolidated using the equity method.

1.5 Standards and interpretations adopted by the European Union and not yet applied

Amendment to IFRS 16 – COVID-19-related rent concessions

Adopted by the IASB at the end of May, this amendment introduces a simplification measure for lessees receiving concessions within the context of the COVID-19 crisis.

It offers the option to dispense with analysis of lease amendments made within this context, if the following conditions have been met:

- amended rents are materially identical to, or lower than, rents set by the initial lease;
- the reduction in lease payments only applies to payments due until June 30, 2021;
- there is no material change to the other terms and conditions of the contract.

Should the lessee opt for this exemption, rent concessions will generally be recognized in the same way as negative variable rents, not recognized in the initial measurement of the liability.

The Crédit Mutuel group is not significantly affected by these provisions.

The group applies the provisions of IFRS 9 for any rent concessions granted as lessor with respect to leases.

IFRS 17 – Insurance Contracts

This standard will replace IFRS 4, which allows insurance companies to conserve their local accounting principles for their insurance contracts and other contracts within the scope of IFRS 4. This is detrimental to the comparability of financial statements of entities in the sector.

As part of the amendments to IFRS 17 published by the IASB in June 2020, the date of application of IFRS 17 initially scheduled for 2021 has been postponed by two years to January 1, 2023. The application of IFRS 9 for insurance entities that have opted for deferral (as the group did) was also covered by an amendment by the IASB for an extension until 2023. These amendments (as well as the other provisions of IFRS 17 as published in 2017) are awaiting adoption by the European authorities.

The aim of IFRS 17 is to harmonize the recognition of the various types of insurance contracts and to base their valuation on a prospective assessment of insurers' commitments. This requires increasing use of complex models and concepts similar to those of Solvency 2. Financial communication will also have to be broadly adapted.

The group's Insurance divisions are continuing their work of analysis and preparation for the implementation of the provisions of IFRS 17.

The group has also begun studies on financial communication at the conglomerate level in line with the studies of the IASB on primary financial statements.

Amendments to IFRS 3 – Reference to the conceptual framework

This amendment updates IFRS 3 so that it refers to the updated 2018 version of the Conceptual framework (replacing the reference to its previous 1989 version).

It introduces an exception so as not to create discrepancies with the current consequences in terms of the recognition of assets and liabilities in business combinations.

This exception specifies that acquirers must refer to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 - Levies, instead of to those provided in the new Conceptual framework.

Acquirers must not recognize any assets acquired in a business combination.

Amendments to IAS 37 - cost of fulfilling a contract

Clarifies the notion of "unavoidable costs" used to define an onerous contract.

Unavoidable costs include costs directly related to the contract. They include both incremental costs and an allocation of other costs directly related to the fulfillment of the contract.

It applies to contracts for which the group would not have met its obligations on January 1, 2022.

Amendments to IAS 16 - Proceeds before intended use

Prohibits deducting from the cost of an item of property, plant or equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The proceeds from selling such items must be recognized immediately in profit or loss. The cost of such items must be measured in accordance with IAS 2, Inventories.

Improvements to IFRS – 2018-2020 cycle

Amendments modify the following standards:

- IFRS 1 – First-time adoption of IFRS: simplifies the application of IFRS 1 for a subsidiary adopting IFRS after its parent;
- IFRS 9 – Financial instruments: specifies the fees and costs to be included in the 10% test for derecognition of financial liabilities. These only include fees and costs paid, or received, by borrowers and lenders, including those paid, or received, on behalf of others;
- IFRS 16 – Leases: amends illustrative example 13 to avoid any confusion regarding the treatment of benefits received by lessors;
- IAS 41 – Agriculture: makes it possible to align the measurement of fair value under IAS 41 with that of other IFRS.

Note 2 Analysis of the balance sheet and income statement by business segment and geographic area

The businesses are as follows:

- retail banking comprises the banks of the Crédit Mutuel Alliance Fédérale network, CIC's regional banks, Targobank in Germany and Spain, Cofidis and all specialized businesses whose products are marketed by the network: real estate and equipment leasing, factoring, collective management, employee savings, real estate;
- the insurance business line is composed of Groupe des Assurances du Crédit Mutuel.
- the financing and market activities are composed of:

a) the financing of large companies and institutional customers, structured financing, international business and foreign branches,

b) capital markets, which are composed of investments in interest rate, currency and equities activities, including stock market brokering;

- private banking brings together companies whose main business occurs in France and abroad;
- private equity consists of proprietary trading and financial engineering services;
- the holding structure brings together those items that cannot be assigned to another business (holding company) as well as the press and logistics structures: intermediary holdings, non-controlling interests, operating real estate hosted in specific entities, press and IT entities.

Consolidated entities are fully allocated to their core business based on their contribution to the consolidated financial statements. Only two entities are an exception, CIC and BFCM because of their presence in several businesses. In this case, the contribution to the consolidated income statements and balance sheets of these two entities is broken down based on the different business sectors to which they contribute.

2a Breakdown of the income statement by business segment

06/30/2020	Retail banking	Insurance	Financing and markets	Private banking	Private equity	Logistics and holding	Inter activities	Total
Net banking income	5,191	698	223	311	71	806	-442	6,858
General operating expenses	-3,355	-334	-200	-208	-25	-873	442	-4,552
Gross operating income/(loss)	1,836	365	23	103	47	-67	0	2,306
Cost of counterparty risk	-934		-109	-4	2	-2		-1,046
Gains on other assets*	-1	1				0		0
Profit/(loss) before tax	902	366	-86	99	49	-69	0	1,260
Income tax	-377	-148	20	-22	2	122		-402
Post-tax gains and losses on discontinued assets								0
Net profit/(loss)	**525**	**218**	**-66**	**77**	**50**	**53**	**0**	**857**
Non-controlling interests								89
Net profit/(loss) attributable to the group								**768**

* *Includes net profit/(loss) of entities accounted for using the equity method and impairment losses on goodwill (Notes 16 and 19).*

06/30/2019	Retail banking	Insurance	Financing and markets	Private banking	Private equity	Logistics and holding	Inter activities	Total
Net banking income	5,265	1,096	383	273	176	779	-433	7,537
General operating expenses	-3,386	-329	-196	-204	-23	-863	433	-4,567
Gross operating income/(loss)	1,879	767	187	68	152	-84	0	2,970
Cost of counterparty risk	-391		-81	11	0	-1		-463
Gains on other assets*	3	15		2		0		21
Profit/(loss) before tax	1,491	783	106	81	152	-84	0	2,528
Income tax	-551	-277	-19	-16	1	-37		-899
Post-tax gains and losses on discontinued assets								0
Net profit/(loss)	**939**	**505**	**87**	**65**	**153**	**-121**	**0**	**1,629**
Non-controlling interests								169
Net profit/(loss) attributable to the group								**1,460**

* *Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.*

2b Breakdown of income statement items by geographic area

	06/30/2020				06/30/2019			
	France	Europe outside France	Other countries*	Total	France	Europe outside France	Other countries*	Total
Net banking income**	5,199	1,546	112	6,858	5,917	1,505	115	7,537
General operating expenses	-3,624	-879	-49	-4,552	-3,638	-883	-47	-4,567
Gross operating income/(loss)	1,575	667	63	2,306	2,279	622	68	2,970
Cost of counterparty risk	-613	-427	-6	-1,046	-260	-203	1	-462
Gains on other assets***	-6	-3	9	-0	0	3	18	21
Profit/(loss) before tax	956	237	67	1,260	2,020	421	87	2,528
Total net profit/(loss)	643	160	54	857	1,256	296	77	1,629
NET INCOME ATTRIBUTABLE TO THE GROUP	**566**	**150**	**53**	**768**	**1,116**	**272**	**72**	**1,460**

* *USA, Singapore, Hong Kong, Saint Martin, Tunisia and Morocco.*

** *24.5% of NBI (excluding the logistics and holding business line) was generated abroad in the first half of 2020 (versus 22.5% of NBI in the first half of 2019).*

*** *Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.*

Note 3 Consolidation scope

3a Composition of the consolidation scope

In line with the opinion of the French Banking Commission, the group's parent company is made up of the companies included within the scope of globalization. The entities that make it up are:

- Fédération du Crédit Mutuel Centre Est Europe (FCMCEE);
- Fédération du Crédit Mutuel du Sud-Est (FCMSE);
- Fédération du Crédit Mutuel d'Île-de-France (FCMIDF);
- Fédération du Crédit Mutuel de Savoie-Mont Blanc (FCMSMB);
- Fédération du Crédit Mutuel Midi-Atlantique (FCMMA);
- Fédération du Crédit Mutuel Loire-Atlantique Centre-Ouest (FCMLACO);
- Fédération du Crédit Mutuel Centre (FCMC);
- Fédération du Crédit Mutuel Dauphiné-Vivarais (FCMDV);
- Fédération du Crédit Mutuel Méditerranée (FCMM);
- Fédération du Crédit Mutuel Normandie (FCMN);
- Fédération du Crédit Mutuel Anjou (FCMA);
- Fédération du Crédit Mutuel Massif Central (FCMMC);
- Fédération du Crédit Mutuel Antilles-Guyane (FCMAG);
- Caisse Fédérale de Crédit Mutuel (CF de CM);
- Caisse Régionale du Crédit Mutuel Sud-Est (CRCMSE);
- Caisse Régionale du Crédit Mutuel Île-de-France (CRCMIDF);
- Caisse Régionale du Crédit Mutuel de Savoie-Mont Blanc (CRCMSMB);
- Caisse Régionale du Crédit Mutuel Midi-Atlantique (CRCMMA);
- Caisse Régionale du Crédit Loire-Atlantique Centre-Ouest (CRCMLACO);
- Caisse Régionale du Crédit Mutuel Centre (CRCMC);
- Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais (CRCMDV);
- Caisse Régionale du Crédit Mutuel Méditerranée (CRCMM);
- Caisse Régionale du Crédit Mutuel Normandie (CRCMN);
- Caisse Régionale du Crédit Mutuel Anjou (CRMA);
- Caisse Régionale du Crédit Mutuel Massif Central (CRCMMC);
- Caisse Régionale du Crédit Mutuel Antilles-Guyane (CRCMAG);
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Centre Est Europe;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Sud-Est;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Île-de-France;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel de Savoie-Mont Blanc;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Midi-Atlantique;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Loire-Atlantique Centre-Ouest;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Centre;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Dauphiné-Vivarais;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Méditerranée;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Normandie;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Anjou;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Massif Central;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Antilles-Guyane.

Since December 31, 2019, the changes in the consolidation scope are as follows:

- Scope of consolidation entries: Fédération de Crédit Mutuel Massif Central (FCMMC), Fédération de Crédit Mutuel Antilles-Guyane (FCMAG), Caisse Régionale du Crédit Mutuel Massif Central (CRCMMC), Caisse Régionale du Crédit Mutuel Antilles-Guyane (CRCMAG), Caisses du Crédit Mutuel Massif Central, Caisses du Crédit Mutuel Antilles-Guyane.

		06/30/2020			12/31/2019		
	Country	Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
A. BANKING NETWORK							
Banque Européenne du Crédit Mutuel (BECM)	France	100	98	IG	100	98	IG
BECM Francfort (branch of BECM)	Germany	100	98	IG	100	98	IG
BECM Saint Martin (branch of BECM)	Saint Martin	100	98	IG	100	98	IG
Caisse Agricole du Crédit Mutuel	France	100	100	IG	100	100	IG
CIC Est	France	100	98	IG	100	98	IG
CIC Iberbanco	France	100	98	IG	100	98	IG
CIC Lyonnaise de Banque (LB)	France	100	98	IG	100	98	IG
CIC Nord Ouest	France	100	98	IG	100	98	IG
CIC Ouest	France	100	98	IG	100	98	IG
CIC Sud Ouest	France	100	98	IG	100	98	IG
Crédit Industriel et Commercial (CIC)	France	100	98	IG	100	98	IG
CIC Bruxelles (branch of CIC)	Belgium	100	98	IG			
CIC Grand Cayman (branch of CIC)**	Cayman Islands	100	98	IG	100	98	IG
CIC Hong-Kong (branch of CIC)	Hong Kong	100	98	IG	100	98	IG
CIC Londres (branch of CIC)	United Kingdom	100	98	IG	100	98	IG
CIC New York (branch of CIC)	United States	100	98	IG	100	98	IG
CIC Singapore (branch of CIC)	Singapore	100	98	IG	100	98	IG
Targobank AG	Germany	100	98	IG	100	98	IG
Targobank Spain	Spain	100	98	IG	100	98	IG
B. BANKING NETWORK - SUBSIDIARIES							
Bancas	France	50	49	ME	50	49	EM
Banque du Groupe Casino	France	50	49	ME	50	49	EM
Banque Européenne du Crédit Mutuel Monaco	Monaco	100	98	IG	100	98	IG
CCLS Leasing Solutions	France	100	98	IG	100	98	IG
Cofidis Belgique	Belgium	100	78	IG	100	69	IG
Cofidis France	France	100	78	IG	100	69	IG
Cofidis Espagne (branch of Cofidis France)	Spain	100	78	IG	100	69	IG
Cofidis Hongrie (branch of Cofidis France)	Hungary	100	78	IG	100	69	IG
Cofidis Portugal (branch of Cofidis France)	Portugal	100	78	IG	100	69	IG
Cofidis SA Pologne (branch of Cofidis France)	Poland	100	78	IG	100	69	IG
Cofidis SA Slovaquie (branch of Cofidis France)	Slovakia	100	78	IG	100	69	IG
Cofidis Italy	Italy	100	78	IG	100	69	IG
Cofidis République tchèque	Czech republic	100	78	IG	100	69	IG
Creatis	France	100	78	IG	100	69	IG
Crédit Mutuel Asset Management	France	90	92	IG	90	92	IG
Crédit Mutuel Caution Habitat	France	100	98	IG	100	98	IG
Crédit Mutuel Épargne Salariale	France	100	98	IG	100	98	IG
Crédit Mutuel Factoring	France	95	96	IG	95	96	IG
Crédit Mutuel Gestion	France	100	92	IG	100	92	IG
Crédit Mutuel Home Loan SFH	France	100	98	IG	100	98	IG
Crédit Mutuel Leasing	France	100	98	IG	100	98	IG
Crédit Mutuel Leasing Espagne (branch of Crédit Mutuel Leasing)	Spain	100	98	IG	100	98	IG

		06/30/2020			12/31/2019		
	Country	Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
Crédit Mutuel Leasing Benelux	Belgium	100	98	IG	100	98	IG
Crédit Mutuel Leasing Nederland (branch of Crédit Mutuel Leasing Benelux)	Netherlands	100	98	IG	100	98	IG
Crédit Mutuel Leasing Gmbh	Germany	100	98	IG	100	98	IG
Crédit Mutuel Real Estate Lease	France	100	98	IG	100	98	IG
Factofrance	France	100	98	IG	100	98	IG
FCT CM-CIC Home loans	France	100	98	IG	100	98	IG
Gesteurop	France	100	98	IG	100	98	IG
LYF SA	France	44	43	EM	44	43	EM
Monabanq	France	100	78	IG	100	69	IG
Paysurf	France	100	89	IG	100	89	IG
SCI La Tréflière	France	100	99	IG	100	99	IG
Targo Factoring GmbH	Germany	100	98	IG	100	98	IG
Targo Finanzberatung GmbH	Germany	100	98	IG	100	98	IG
Targo Leasing GmbH	Germany	100	98	IG	100	98	IG
C. CORPORATE BANKING AND CAPITAL MARKETS							
Banque Fédérative du Crédit Mutuel (BFCM)	France	98	98	IG	98	98	IG
Cigogne Management	Luxembourg	100	98	IG	100	98	IG
Satellite	France	100	98	IG	100	98	IG
D. PRIVATE BANKING							
Banque de Luxembourg	Luxembourg	100	98	IG	100	98	IG
Banque de Luxembourg Investments SA (BLI)	Luxembourg	100	98	IG	100	98	IG
Banque Transatlantique (BT)	France	100	98	IG	100	98	IG
Banque Transatlantique Londres (branch of BT)	United Kingdom						
Banque Transatlantique Belgium	Belgium						
Banque Transatlantique Luxembourg	Luxembourg	100	98	IG	100	98	IG
CIC Suisse	Switzerland	100	98	IG	100	98	IG
Dubly Transatlantique Gestion	France	100	98	IG	100	98	IG
E. PRIVATE EQUITY							
CIC Conseil	France	100	98	IG	100	98	IG
Crédit Mutuel Capital	France	100	98	IG	100	98	IG
Crédit Mutuel Equity	France	100	98	IG	100	98	IG
Crédit Mutuel Equity SCR	France	100	98	IG	100	98	IG
Crédit Mutuel Innovation	France	100	98	IG	100	98	IG
F. LOGISTICS AND HOLDING COMPANY SERVICES							
Actimut	France	100	100	IG	100	100	IG
Banque de Tunisie	Tunisia	35	35	EM	35	35	EM
Caisse Centrale du Crédit Mutuel	France	50	54	EM	50	53	EM
CIC Participations	France	100	98	IG	100	98	IG
Centre de conseil et de service (CCS)	France	100	100	IG	100	100	IG
Cofidis Participations	France	80	78	IG	71	69	IG
Euro Automatic Cash	Spain	50	40	EM	50	40	EM
Euro-Information	France	80	80	IG	80	80	IG
Euro-Information Développements	France	100	80	IG	100	80	IG
EIP	France	100	100	IG	100	100	IG
EI Télécom	France	100	80	IG	95	76	IG

		06/30/2020			12/31/2019		
	Country	Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
Euro Protection Surveillance	France	100	84	IG	100	84	IG
Groupe Républicain Lorrain Communication (GRLC)	France	100	98	IG	100	98	IG
L'Est Républicain	France	100	98	IG	100	98	IG
Lyf SAS	France	45	36	EM	45	36	EM
Mutuelles Investissement	France	100	98	IG	100	98	IG
SAP Alsace	France	100	98	IG	100	98	IG
Société d'Investissements Médias (SIM)	France	100	98	IG	100	98	IG
Société de Presse Investissement (SPI)	France	100	98	IG	100	98	IG
Targo Deutschland GmbH	Germany	100	98	IG	100	98	IG
Targo Dienstleistungs GmbH	Germany	100	98	IG	100	98	IG
Targo Technology GmbH	Germany	100	98	IG	100	98	IG
Targo Technology GmbH Singapore (branch of Targo Technology GmbH)	Singapore	100	98	IG	100	98	IG
G. INSURANCE COMPANIES							
ACM GIE	France	100	78	IG	100	78	IG
ACM IARD	France	97	76	IG	97	76	IG
ACM Services	France	100	78	IG	100	78	IG
ACM Vie SA	France	100	78	IG	100	78	IG
ACM Vie, Société d'Assurance Mutuelle	France	100	100	IG	100	100	IG
Agrupació AMCI d'Assegurances i Reassegurances S.A.	Spain	95	75	IG	95	75	IG
Targopensiones, entidad gestora de fondos de pensiones, S.A.	Spain	100	75	IG	100	75	IG
Agrupació serveis administratius	Spain	100	75	IG	100	75	IG
AMDIF	Spain	100	75	IG	100	75	IG
GACM Seguros, Compañía de Seguros y Reaseguros, SAU (formerly AMGEN)	Spain	100	78	IG	100	78	IG
Asesoramiento en Seguros y Previsión Atlantis SL	Spain	80	63	IG	80	63	IG
Asistencia Avançada Barcelona	Spain	100	75	IG	100	75	IG
ASTREE Assurances	Tunisia	30	23	EM	30	23	EM
Atlantis Asesores SL	Spain	80	63	IG	80	63	IG
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Spain	60	47	IG	60	47	IG
Atlantis Vida, Compañía de Seguros y Reaseguros SA	Spain	88	70	IG	88	70	IG
GACM España	Spain	100	78	IG	100	78	IG
Groupe des Assurances du Crédit Mutuel (GACM)	France	80	78	IG	80	78	IG
ICM Life	Luxembourg	100	78	IG	100	78	IG
Margem-Mediação Seguros, Lda	Portugal	100	78	IG	100	69	IG
MTRL	France	100	100	IG	100	100	IG
NELB (North Europe Life Belgium)	Belgium	100	78	IG	100	78	IG
Nord Europe Life Luxembourg (NELL)	Luxembourg	100	78	IG	100	78	IG
Partners	Belgium	100	78	IG	100	78	IG
Procourtage	France	100	78	IG	100	78	IG
Serenis Assurances	France	100	78	IG	100	78	IG
Targo seguros mediacion	Spain	90	70	IG	90	69	IG

		06/30/2020			12/31/2019		
	Country	Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
H. OTHER COMPANIES							
Affiches d'Alsace Lorraine	France	100	97	IG	100	97	IG
Alsacienne de Portage DNA	France	100	97	IG	100	97	IG
Crédit Mutuel Immobilier	France	100	98	IG	100	98	IG
EBRA events	France	100	98	IG	100	98	IG
EBRA Medias Alsace	France	100	97	IG	100	97	IG
EBRA Medias Lorraine Franche Comté	France	100	98	IG	100	98	IG
EBRA services	France	100	98	IG	100	98	IG
Est Bourgogne Médias	France	100	98	IG	100	98	IG
Foncière Massena	France	100	78	IG	100	78	IG
France Régie	France	100	97	IG	100	97	IG
GEIE Synergie	France	100	78	IG	100	69	IG
Groupe Dauphiné Media	France	100	98	IG	100	98	IG
Groupe Progrès	France	100	98	IG	100	98	IG
Groupe Républicain Lorrain Imprimeries (GRLI)	France	100	98	IG	100	98	IG
Journal de la Haute Marne	France	50	49	EM	50	49	EM
La Liberté de l'Est	France	97	95	IG	97	95	IG
La Tribune	France	100	98	IG	100	98	IG
Le Dauphiné Libéré	France	100	98	IG	100	98	IG
Le Républicain Lorrain	France	100	98	IG	100	98	IG
Les Dernières Nouvelles d'Alsace	France	99	97	IG	99	97	IG
Lumedia	Luxembourg	50	49	EM	50	49	EM
Médiaportage	France	100	98	IG	100	98	IG
NEWCO4	France	100	98	IG	100	98	IG
Presse Diffusion	France	100	98	IG	100	98	IG
Publiprint Province no. 1	France	100	98	IG	100	98	IG
Républicain Lorrain Communication	France	100	98	IG	100	98	IG
Républicain Lorrain – TV news	France	100	98	IG	100	98	IG
SCI ACM	France	100	78	IG	100	78	IG
SCI ACM Cotentin	France	100	78	IG	100	78	IG
SCI Le Progrès Confluence	France	100	98	IG	100	98	IG
SCI Provence Lafayette	France	100	78	IG	100	78	IG
SCI 14 Rue de Londres	France	100	78	IG	100	78	IG
SCI Saint Augustin	France	100	78	IG	100	78	IG
SCI Tombe Issoire	France	100	78	IG	100	78	IG
Société d'Édition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	France	100	98	IG	100	98	IG

* *Method: FC = Full Consolidation; EM = Equity Method; NC = Not Consolidated; MER = Merged.*

** *Entity included in the accounts of the New York branch, the sole purpose being to refinance the New York branch through borrowing transactions in dollars from money market funds*

3b Fully consolidated entities with significant non-controlling interests

	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities*			
06/30/2020	Percentage of interest/Percentage of voting rights	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Balance sheet total	Net profit/(loss)	Undisclosed reserves	NBI
Euro Information	20%	10	235	-1	1 675	41	0	675
Groupe des Assurances du Crédit Mutuel (GACM)	22%	45	2 091	0	123 223	205	1 373	640
Cofidis Belgique	22%	2	NA**	0	897	7	-1	48
Cofidis France	22%	15	NA**	0	9 231	19	-7	276

* *Montants avant élimination des comptes et opérations réciproques.*

** *Conformément à IAS32, le groupe a comptabilisé une dette au titre de l'engagement de porter sa participation dans COFIDIS Participation à 100%. La contrepartie a été constatée en diminution des intérêts minoritaires et en diminution de la part du groupe pour le montant excédent.*

	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities*			
12/31/2019	Percentage of interest/Percentage of voting rights	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Balance sheet total	Net profit/(loss)	Undisclosed reserves	NBI
Euro Information	20%	21	225	-1	1 659	135	0	1 394
Groupe des Assurances du Crédit Mutuel (GACM)	22%	192	1 923	-405	125 032	860	1 462	1 727
Cofidis Belgique	31%	4	221	0	904	13	-1	96
Cofidis France	31%	23	340	0	9 914	83	-6	555

* *Amounts before elimination of intercompany balances and transactions.*

3c Non-current assets and liabilities held for sale

	06/30/2020	12/31/2019
Non-current assets held for sale	205	726
Non-current liabilities held for sale	102	725

At 06/30/2020, the assets and liabilities of Euro Information Telecom (EIT) were classified as non-current assets and liabilities held for sale following the signature of an exclusivity agreement between Euro Information (EI) and Bouygues Telecom for the acquisition of the alternative operator Euro-Information Telecom.

These non-current assets and liabilities held for sale at 12/31/2019 include the sale of the NELL portfolio by our subsidiary Groupe des Assurances du Crédit Mutuel, which occurred in the first half of 2020.

Note 4 Cash, central banks (asset/liability)

	06/30/2020	12/31/2019
Cash, central banks – asset		
Due to central banks	94,557	69,797
of which mandatory reserves	*3,273*	*2,959*
Cash	1,287	1,374
Total	95,844	71,171
Central banks – liability	1	715

Note 5 Financial assets and liabilities at fair value through profit or loss

5a Financial assets at fair value through profit or loss

	06/30/2020				12/31/2019			
	Transaction	Fair value option	Other FVPL	Total	Transaction	Fair value option	Other FVPL	Total
Securities	14,510	517	4,519	19,546	11,378	437	4,721	16,536
▪ Government securities	1,886	0	0	1,886	941	0	0	941
▪ Bonds and other debt securities	11,765	517	141	12,423	9,788	437	150	10,375
Listed	11,765	88	25	11,878	9,788	97	25	9,910
Non-listed	0	429	116	545	0	340	125	465
of which UCIs	*124*		*0*	*124*	*133*		*1*	*134*
▪ Shares and other capital instruments	859		3,285	4,144	647		3,590	4,237
Listed	859		1,003	1,862	647		1,212	1,859
Non-listed	0		2,282	2,282	0		2,378	2,378
▪ Long-term investments			1,093	1,093			981	981
Equity investments			341	341			347	347
Other long-term investments			259	259			260	260
Investments in associates			468	468			349	349

Other long-term investments			25	25			25	25
Derivative instruments	3,260			3,260	3,011			3,011
Loans and receivables	12,295	0	0	12,295	12,360	0	0	12,360
of which pensions	*12,295*	*0*		*12,295*	*12,360*	*0*		*12,360*
TOTAL	30,064	517	4,519	35,100	26,749	437	4,721	31,907

5b Financial liabilities at fair value through profit or loss

	06/30/2020	12/31/2019
Financial liabilities held for trading	22,338	18,854
Financial liabilities at fair value through profit or loss	85	0
TOTAL	22,423	18,854

FINANCIAL LIABILITIES HELD FOR TRADING

	06/30/2020	12/31/2019
Short sales of securities	**1,433**	**979**
▪ Government securities	1	0
▪ Bonds and other debt securities	776	357
▪ Shares and other capital instruments	656	622
Debts in respect of securities sold under repurchase agreements	**17,958**	**15,084**
Trading derivatives	**2,942**	**2,786**
Other financial liabilities held for trading	**5**	**5**
TOTAL	22,338	18,854

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	06/30/2020			12/31/2019		
	Carrying amount	Amount due	Difference	Carrying amount	Amount due	Difference
Securities issued	0	0	0	0	0	0
Subordinated debt	0	0	0	0	0	0
Interbank debt	85	85	0	0	0	0
Due to customers	0	0	0	0	0	0
TOTAL	85	85	0	0	0	0

5c Analysis of trading derivatives

	06/30/2020			12/31/2019		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	259,763	2,062	1,800	284,884	1,735	1,534
Swaps	140,217	1,797	1,627	156,489	1,614	1,325
Other firm contracts	89,742	14	14	97,408	2	1
Options and conditional instruments	29,804	251	159	30,987	119	208
Foreign exchange derivatives	139,530	884	726	121,205	1,022	845
Swaps	104,518	43	41	87,027	40	38
Other firm contracts	9,573	744	588	9,460	915	740
Options and conditional instruments	25,439	97	97	24,718	67	67
Other derivatives	34,211	313	416	26,833	255	407
Swaps	11,084	96	130	11,057	112	171
Other firm contracts	13,463	32	104	11,014	12	101
Options and conditional instruments	9,664	185	182	4,762	131	135
TOTAL	433,504	3,258	2,942	432,922	3,011	2,786

Swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve. The difference resulting from the use of different valuation curves for the hedged items and the hedging instruments is accounted for as hedge ineffectiveness. Furthermore, the value of derivatives takes into account the counterparty risk.

Note 6 Hedging

6a Hedging derivatives

	06/30/2020			12/31/2019		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Fair Value Hedges	277,521	2,369	2,349	264,358	2,420	2,286
Swaps	44,795	2,370	2,348	49,722	2,422	2,285
Other firm contracts	232,099	0	0	213,866	0	0
Options and conditional instruments	627	(1)	1	770	(2)	1
Cash Flow Hedges	0	0	0	267	0	5
Swaps	0	0	0	267	0	5
Other firm contracts	0	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0	0
TOTAL	277,521	2,369	2,349	264,625	2,420	2,291

Swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve. The difference resulting from the use of different valuation curves for the hedged items and the hedging instruments is accounted for as hedge ineffectiveness. Furthermore, the value of derivatives takes into account the counterparty risk.

6b Revaluation adjustment on rate-hedged books

	06/30/2020	12/31/2019
FAIR VALUE OF PORTFOLIO INTEREST RATE RISK		
▪ in financial assets	2,585	2,079
▪ in financial liabilities	21	-4

Note 7 Financial assets at fair value through other comprehensive income

	06/30/2020	12/31/2019
Government securities	11,903	10,262
Bonds and other debt securities	24,195	19,577
▪ Listed	20,833	19,168
▪ Non-listed	3,362	409
Accrued interest	137	165
Debt securities subtotal, gross	36,235	30,004
of which impaired debt securities (S3)	1	2
Impairment of performing loans (S1/S2)	-15	-17
Other impairment (S3)	-1	-1
Debt securities subtotal, net	36,219	29,986
Shares and other capital instruments	8	26
▪ Listed	6	16
▪ Non-listed	2	10
Long-term investments	451	447
▪ Equity investments	46	44
▪ Other long-term investments	347	342
▪ Investments in associates	58	61
Subtotal, capital instruments	6	473
TOTAL	36,678	30,459
of which unrealized capital gains or losses recognized under equity	-99	46
of which listed equity investments.	-6	-6

Note 8 Fair value hierarchy of financial instruments carried at fair value

06/30/2020	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS IFRS 9				
Fair value through shareholders' equity	29,141	5,995	1,544	36,679
Government and equivalent securities	11,968	0	0	11,968
Bonds and other debt securities	16,975	5,993	1,283	24,251
Shares and other capital instruments	6	2	0	8
Investments and other long-term securities	191	0	202	394
Investments in subsidiaries and associates	0	0	58	58
Trading/Fair value option/Other	12,885	16,788	5,428	35,100
Government securities and similar instruments – Trading	1,431	353	103	1,886
Government securities and similar instruments – Fair value option	0	0	0	0
Government securities and similar instruments – Other FVPL	0	0	0	0
Bonds and other debt securities – Trading	9,321	1,707	737	11,765
Bonds and other debt securities – Fair value option	23	21	473	517
Bonds and other debt securities – Other FVPL	93	0	47	141
Shares and other equity instruments – Trading	859	0	0	859
Shares and other capital instruments – Other FVPL [1]	1,011	0	2,274	3,285
Investments and other long-term securities – Other FVPL	1	1	598	600
Investments in subsidiaries and associates – Other FVPL	0	0	493	493
Loans and receivables due from customers – Transaction	0	12,295	0	12,295
Loans and receivables due from customers – Other FVPL	0	0	0	0
Derivatives and other financial assets – Trading	145	2,412	704	3,260
Hedging derivatives	0	2,368	1	2,368
TOTAL	42,025	25,150	6,972	74,147
FINANCIAL ASSETS IAS 39 – INVESTMENTS OF THE INSURANCE BUSINESS LINE				
Fair value through profit or loss	19,578	6,714	0	26,292
Transaction	0	0	0	0
Fair value option – debt securities	1,478	2,506	0	3,985
Fair value option – capital instruments	18,099	4,208	0	22,307
Hedging derivatives	0	0	0	0
Available-for-sale assets	79,055	3,368	1,008	83,430
Government and equivalent securities	18,431	0	0	18,431
Bonds and other debt securities	49,392	345	0	49,737
Shares and other capital instruments	10,575	3,013	413	14,001
Equity investments, shares in subsidiaries and associates and other long-term investments	657	9	595	1,261
TOTAL	98,632	10,082	1,008	109,722
FINANCIAL LIABILITIES IFRS 9				
Trading/Fair value option	142	21,504	777	22,423
Due to credit institutions – Fair value option	0	85	0	85
Liabilities - Trading	0	17,959	0	17,959
Derivatives and other financial liabilities – Trading	142	3,460	777	4,379
Hedging derivatives	0	2,323	26	2,349
TOTAL	142	23,827	803	24,772
FINANCIAL LIABILITIES RELATED TO IAS 39 INSURANCE BUSINESS POLICIES				
Fair value through profit or loss	0	7,111	0	7,111
Transaction	0	0	0	0
Fair value option	0	7,111	0	7,111
Hedging derivatives	0	0	0	0
TOTAL	0	7,111	0	7,111

[1] Includes the equity investments held by the group's private equity companies.

- Level 1: price quoted in an active market.
- Level 2: prices quoted in active markets for similar instruments, and measurement method in which all significant inputs are based on observable market information.
- Level 3: measurement based on internal models containing significant unobservable inputs.

Instruments in the trading portfolio classified under levels 2 or 3 mainly consist of derivatives and securities considered as illiquid.

All of these instruments include uncertainties of valuation, which give rise to adjustments in value reflecting the risk premium that a market player would incorporate in establishing the price.

These valuation adjustments make it possible to integrate, in particular, risks that would not be captured by the model, liquidity risks associated with the instrument or the parameter concerned, specific risk premiums intended to offset certain surcharges that would elicit the dynamic management strategy associated with the model in certain market conditions, and the counterparty risk present in the fair value of over-the-counter derivatives. The methods used may change. The latter include the counterparty risk itself present in the fair value of over-the-counter derivatives.

When establishing valuation adjustments, each risk factor is considered individually and no effect of diversification between risks, parameters or models of a different nature are taken into account. A portfolio approach is most often used for a given risk factor.

12/31/2019	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS IFRS 9				
Fair value through shareholders' equity	26,203	3,004	1,253	30,459
Government and equivalent securities	10,342	0	0	10,342
Bonds and other debt securities	15,650	3,001	993	19,645
Shares and other capital instruments	24	2	0	26
Investments and other long-term securities	187	0	199	386
Investments in subsidiaries and associates	0	0	60	60
Trading/Fair value option/Other	10,870	16,471	4,566	31,907
Government securities and similar instruments – Trading	689	201	52	941
Government securities and similar instruments – Fair value option	0	0	0	0
Government securities and similar instruments – Other FVPL	0	0	0	0
Bonds and other debt securities – Trading	8,079	1,510	199	9,788
Bonds and other debt securities – Fair value option	33	0	404	437
Bonds and other debt securities – Other FVPL	102	0	48	150
Shares and other equity instruments – Trading	647	0	0	647
Shares and other capital instruments – Other FVPL [1]	1,203	0	2,388	3,591
Investments and other long-term securities – Other FVPL	2	0	604	606
Investments in subsidiaries and associates – Other FVPL	0	0	374	374
Loans and receivables due from credit institutions – Transaction	0	0	0	0
Loans and receivables due from credit institutions – Other FVPL	0	0	0	0
Loans and receivables due from customers – Transaction	0	12,360	0	12,360
Loans and receivables due from customers – Other FVPL	0	0	0	0
Derivatives and other financial assets – Trading	115	2,399	497	3,011
Hedging derivatives	0	2,418	2	2,420
TOTAL	**37,073**	**21,893**	**5,821**	**64,786**
FINANCIAL ASSETS IAS 39 – INVESTMENTS OF THE INSURANCE BUSINESS LINE				
Fair value through profit or loss	21,623	5,419	0	27,043
Transaction	0	0	0	0
Fair value option – debt securities	2,422	2,273	0	4,695
Fair value option – capital instruments	19,201	3,147	0	22,348
Hedging derivatives	0	0	0	0
Available-for-sale assets	79,714	3,227	633	83,574
Government and equivalent securities	18,256	205	0	18,461
Bonds and other debt securities	47,804	458	0	48,262
Shares and other capital instruments	12,716	2,564	1	15,281
Equity investments, shares in subsidiaries and associates and other long-term investments	937	0	632	1,570
TOTAL	**101,337**	**8,646**	**633**	**110,617**
FINANCIAL LIABILITIES IFRS 9				
Trading/Fair value option	125	18,282	448	18,854
Liabilities - Trading		15,085		15,085
Derivatives and other financial liabilities – Trading	125	3,197	448	3,770
Hedging derivatives	0	2,271	20	2,291
TOTAL	**125**	**20,553**	**468**	**21,146**
FINANCIAL LIABILITIES RELATED TO IAS 39 INSURANCE BUSINESS POLICIES				
Fair value through profit or loss	1	7,306	0	7,307
Transaction	1	0	0	1
Fair value option	0	7,306	0	7,306
Hedging derivatives	0	0	0	0
TOTAL	**1**	**7,306**	**0**	**7,307**

(1) Includes the equity investments held by the group's private equity companies.

Note 9 Details of securitization outstandings

As requested by the banking supervisor and the markets regulator, an analysis is provided below of sensitive exposures based on FSB recommendations.

The trading portfolios and the portfolios of securities at fair value through equity were valued at market price based on external data sourced from organized markets, leading brokers or, when no price was available, based on comparable securities quoted in the market.

SUMMARY

	Carrying amount 06/30/2020	Carrying amount 12/31/2019
RMBS	1,416	1,561
CMBS	7	662
CLO	3,600	3,561
Other ABS	1,966	2,185
Subtotal	6,989	7,969
ABCP program liquidity lines	0	0
TOTAL	6,989	7,969

Unless otherwise indicated, securities are not hedged by CDS.

EXPOSURES AT 06/30/2020

	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	401	0	64	452	917
Amortized cost	48	0	325	533	907
Fair value – Others	1	0	0	0	1
Fair value through shareholders' equity	966	7	3,210	980	5,163
TOTAL	1,416	7	3,600	1,966	6,989
France	457	0	557	527	1,542
Spain	102	0	0	299	402
United Kingdom	172	0	266	109	547
Europe excluding France, Spain, United Kingdom	502	0	267	630	1,399
USA	31	7	2,509	253	2,801
Other	151	0	0	148	298
TOTAL	1,416	7	3,600	1,966	6,989
US Branches	0	0	0	0	0
AAA	1,221	7	3,423	893	5,545
AA	162	0	114	539	815
A	15	0	51	0	66
BBB	8	0	0	25	33
BB	6	0	0	0	6
B or below	4	0	0	7	10
Not rated	0	0	11	502	514
TOTAL	1,416	7	3,600	1,966	6,989
Origination 2005 and earlier	21	0	0	0	21
Origination 2006-2008	49	0	0	13	62
Origination 2009-2011	46	7	0	0	53
Origination 2012-2020	1,300	0	3,600	1,953	6,852
TOTAL	1,416	7	3,600	1,966	6,989

EXPOSURES ON 12/31/2019

	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	487	-	65	506	1,059
Amortized cost	53	-	300	533	886
Fair value – Others	8	-	-	-	8
Fair value through shareholders' equity	1,013	662	3,196	1,145	6,016
TOTAL	1,561	662	3,561	2,185	7,969
France	334	-	571	606	1,511
Spain	112	-	-	188	301
United Kingdom	256	-	136	84	475
Europe excluding France, Spain, United Kingdom	470	-	247	774	1,490
USA	198	662	2,608	254	3,722
Other	190	-		279	468
TOTAL	1,561	662	3,561	2,185	7,969
US Branches	194	659	-	-	853
AAA	1,163	4	3,410	1,070	5,646
AA	168	-	96	582	846
A	17	-	44	-	60
BBB	7	-	-	25	31
BB	8	-	-	7	15
B or below	4	-	-	-	4
Not rated	-	-	11	502	513
TOTAL	1,561	662	3,561	2,185	7,969
Origination 2005 and earlier	39	51	-	-	90
Origination 2006-2008	94	-	-	20	114
Origination 2009-2011	65	4	-	-	69
Origination 2012-2019	1,362	607	3,561	2,165	7,696
TOTAL	1,561	662	3,561	2,185	7,969

Note 10 Financial assets at amortized cost

	06/30/2020	12/31/2019
Securities at amortized cost	2,900	2,813
Loans and receivables to credit institutions	55,429	40,825
Loans and receivables to customers	407,001	384,535
TOTAL	465,330	428,173

10a Securities at amortized cost

	06/30/2020	12/31/2019
Securities	3,050	2,969
▪ Government securities	1,830	1,663
▪ Bonds and other debt securities	1,220	1,306
Listed	508	497
Non-listed	712	809
Accrued interest	15	12
TOTAL GROSS	3,065	2,981
of which impaired assets (S3)	176	183
Impairment of performing loans (S1/S2)	0	-1
Other impairment (S3)	-165	-167
TOTAL NET	2,900	2,813

10b Loans and receivables due from credit institutions at amortized cost

	06/30/2020	12/31/2019
Performing loans (S1/S2)	55,271	40,534
Crédit Mutuel network accounts [1]	31,825	26,187
Other ordinary accounts	3,248	2,940
Loans	4,371	3,195
Other receivables	13,757	6,572
Pensions	2,070	1,641
Accrued interest	161	293
Impairment of performing loans (S1/S2)	-3	-2
Other impairment (S3)	0	0
TOTAL	55,429	40,825

(1) Mainly concerns outstanding CDC repayments (LEP, LDD, Livret bleu, Livret A).

10c Loans and receivables due from customers at amortized cost

	06/30/2020	12/31/2019
Performing loans (S1/S2)	388,125	365,602
Commercial loans	11,650	15,273
Other customer receivables	375,861	349,718
▪ home loans	198,854	191,365
▪ other loans and receivables, including repurchase agreements [1]	177,007	158,353
Accrued interest	614	610
Insurance and reinsurance receivables	0	0
Individually-impaired receivables, gross (S3)	12,152	11,589
Receivables, gross	400,277	377,191
Impairment of performing loans (S1/S2) [2]	-2,313	-1,866
Other impairment (S3)	-6,478	-6,281
Sub Total I	391,486	369,043
Finance leases (net investment)	15,334	15,298
▪ Equipment	10,986	10,802
▪ Real estate	4,348	4,496
Individually-impaired receivables, gross (S3)	517	490
Impairment of performing loans (S1/S2)	-138	-108
Other impairment (S3)	-198	-190
Sub Total II	15,515	15,491
TOTAL	407,001	384,535
of which subordinated loans	13	14
of which pensions	1,424	912

(1) Including a €12.7 billion increase in the first half of 2020 for state-guaranteed loans (SGL) granted within the context of the COVID-19 crisis.

(2) At June 30, 2020, the group has taken into account the effects of the COVID-19 crisis as part of the provisioning of performing loans – see Note 1-Accounting principles.

FINANCE LEASE TRANSACTIONS WITH CUSTOMERS

	12/31/2019	Increase	Decrease	other	06/30/2020
Gross carrying amount	15,788	2,085	-1,726	-296	15,851
Impairment of non-recoverable lease payments	-297	-90	51	1	-336
Net carrying amount	15,491	1,995	-1,675	-295	15,515

Note 11 Financial liabilities at amortized cost

11a Debt securities at amortized cost

	06/30/2020	12/31/2019
Certificates of deposit	132	137
Interbank certificates and negotiable debt instruments	64,795	56,396
Bonds	68,487	66,421
Non-preferred senior securities	3,117	1,044
Related debt	591	793
TOTAL	137,122	124,792

11b Due to credit institutions

	06/30/2020	12/31/2019
Crédit Mutuel network accounts	0	0
Other ordinary accounts	2,584	1,773
Borrowings	16,253	16,230
Other debt	6,684	5,156
Pensions [1]	21,408	13,257
Related debt	88	46
TOTAL	47,018	36,461

(1) The group participated in TLTRO II (Targeted Long Term Refinancing Operation) proposed by the ECB of €16,690 million at June 30, 2020.

11c Amounts due to customers at amortized cost

	06/30/2020	12/31/2019
Special savings accounts	139,869	132,863
▪ on demand	97,217	90,901
▪ in the future	42,652	41,962
Related liabilities on savings accounts	622	26
Subtotal	140,491	132,889
Demand accounts	184,253	148,568
Term deposits and borrowings	56,609	55,114
Pensions	89	3
Related debt	204	224
Other debt	8	8
Insurance and reinsurance debts	0	0
Subtotal	241,163	203,917
TOTAL	381,654	336,806

Note 12 Gross values and movements in impairment provisions

12a Gross values subject to impairment

	12/31/2019	Acquisition/production	Sale/repayment	Other [1]	06/30/2020
Financial assets at amortized cost – loans and receivables due from credit institutions, subject to	**40,827**	**43,444**	**-26,541**	**-2,298**	**55,432**
12-month expected losses (S1)	40,822	43,444	-26,540	-2,294	55,432
with expected losses at maturity (S2)	5	0	-1	-4	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at amortized cost – loans and receivables due from customers, subject to	**392,980**	**90,490**	**-69,183**	**1,842**	**416,128**
12-month expected losses (S1)	358,983	80,325	-62,928	-3,600	372,779
with expected losses at maturity (S2)	21,917	9,709	-5,880	4,933	30,680
of which customer receivables coming under IFRS 15	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	12,079	456	-375	509	12,669
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at amortized cost – securities	**2,981**	**563**	**-476**	**-3**	**3,065**
with 12-month expected losses (S1)	2,798	557	-471	5	2,889
with expected losses at maturity (S2)	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	183	6	-5	-8	176
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at fair value through other comprehensive income – debt securities	**30,004**	**10,578**	**-4,374**	**25**	**36,235**
12-month expected losses (S1)	29,897	10,578	-4,304	22	36,192
with expected losses at maturity (S2)	105	0	-65	0	40
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	2	0	-5	3	1
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
TOTAL	466,792	145,075	-100,574	-434	510,860

(1) includes merger flows including CMAG and CMMC membership for €2.8 billion in "Loans and receivables to customers", changes in flows not resulting in derecognition and transfers

12b Movements in impairment provisions

	12/31/2019	Addition	Reversal	other	06/30/2020
Loans and receivables due from credit institutions	**-2**	**-2**	**2**	**-1**	**-3**
of which originated credit-impaired assets (S3)	0	0	0	0	0
▪ 12-month expected losses (S1)	-2	-2	2	-1	-3
▪ expected losses at maturity (S2)	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Customer loans	**-8,445**	**-1,713**	**1,123**	**-92**	**-9,127**
of which originated credit-impaired assets (S3)	0	0	0	0	0
▪ 12-month expected losses (S1)	-917	-386	168	5	-1,130
▪ expected losses at maturity (S2)	-1,056	-574	320	-11	-1,321
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-6,471	-753	635	-87	-6,676
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at amortized cost – securities	**-168**	**-3**	**6**	**0**	**-165**
of which originated credit-impaired assets (S3)	0	0	0	0	0
▪ 12-month expected losses (S1)	-1	-3	3	1	0
▪ expected losses at maturity (S2)	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-167	0	3	-1	-165
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at FVOCI – debt securities	**-18**	**-3**	**6**	**-1**	**-16**
of which originated credit-impaired assets (S3)	0	0	0	0	0
▪ 12-month expected losses (S1)	-15	-3	4	-1	-15
▪ expected losses at maturity (S2)	-2	0	2	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-1	0	0	0	-1
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
TOTAL	-8,633	-1,721	1,137	-94	-9,311

CONCENTRATION OF CREDIT RISK ON SENSITIVE BUSINESS SEGMENTS

Business segment	Gross outstandings			Write-downs			Net
	S1	S2	S3	S1	S2	S3	outstandings
Specialized distribution	720	827	642	-3	-17	-411	1,757
Hotels, restaurants	1,856	2,314	340	-11	-52	-182	4,265
Automotive	682	843	91	-4	-18	-56	1,538
Vehicle hire	441	502	123	-2	-10	-44	1,010
Tourism, games, leisure	495	571	106	-2	-13	-79	1,078
Industrial transportation	155	181	99	0	-4	-50	381
Air transport	194	199	18	-1	-5	-4	402
TOTAL	4,543	5,438	1,418	-24	-120	-825	10,431

Note 13 Investments/assets and liabilities relative to contracts under the insurance business line

13a Short-term investments in the insurance business line and reinsurers' share of technical provisions

FINANCIAL ASSETS

	06/30/2020	12/31/2019
Fair value through profit or loss	26,292	27,043
▪ Transaction	0	0
▪ Fair value option – debt securities	3,985	4,695
▪ Fair value option – capital instruments	22,307	22,348
Hedging derivatives	0	0
Available-for-sale	83,427	83,575
▪ Government and equivalent securities	18,431	18,461
▪ Bonds and other debt securities	49,733	48,263
▪ Shares and other capital instruments	14,001	15,281
▪ Equity investments, shares in subsidiaries and associates and other long-term investments	1,261	1,570
Loans and receivables	5,599	5,914
Held-to-maturity	7,816	9,066
Sub-total financial assets	**123,134**	**125,598**
Investment properties	**2,773**	**3,476**
Shares of reinsurers in the technical provisions and other assets	**950**	**796**
TOTAL	126,857	129,870

13b Liabilities relative to contracts of the insurance business line

TECHNICAL PROVISIONS OF INSURANCE POLICIES

	06/30/2020	12/31/2019
Life	95,859	98,720
Non-life	4,627	4,409
Account units	13,500	13,695
other	359	314
Total	114,345	117,138
of which deferred profit sharing liabilities	**15,337**	**17,787**
Deferred profit-sharing assets	**0**	**0**
Share of reinsurers in the technical provisions	413	424
NET TECHNICAL PROVISIONS	113,932	116,714

FINANCIAL LIABILITIES

	06/30/2020	12/31/2019
Fair value through profit or loss	7,111	7,307
▪ Transaction	0	1
▪ Fair value option	7,111	7,306
Hedging derivatives	0	0
Liabilities to cred. inst.	160	153
Debt securities	0	0
Subordinated debt	300	300
Subtotal	7,571	7,760
Other liabilities	**474**	**391**
Total	8,045	8,151
TOTAL LIABILITIES RELATED TO INSURANCE BUSINESS POLICIES	122,390	125,289

Note 14 Income tax

14a Current tax

	06/30/2020	12/31/2019
Assets (through profit or loss)	1,635	1,611
Liabilities (through profit or loss)	847	787

14b Deferred tax

	06/30/2020	12/31/2019
Assets (through profit or loss)	1,328	1,271
Assets (through shareholders' equity)	258	258
Liabilities (through profit or loss)	600	659
Liabilities (through shareholders' equity)	514	636

Note 15 Accruals and other assets and liabilities

15a Accruals and other assets

	06/30/2020	12/31/2019
ACCRUALS		
Collection accounts	112	260
Currency adjustment accounts	74	385
Accrued income	599	558
Other accruals	1,373	3,886
Subtotal	2,158	5,089
OTHER ASSETS		
Securities settlement accounts	101	119
Miscellaneous receivables	4,765	4,039
Inventories and similar	34	51
Other	47	45
Subtotal	4,947	4,254
TOTAL	7,105	9,343

15b Accruals and other liabilities

	06/30/2020	12/31/2019
ACCRUALS		
Accounts unavailable due to recovery procedures	54	46
Currency adjustment accounts	680	137
Accrued expenses	1,622	1,536
Deferred income	1,270	1,393
Other accruals	3,228	5,695
Subtotal	6,855	8,807
OTHER LIABILITIES		
Lease obligations – Real estate	704	673
Lease obligations – Other	20	26
Securities settlement accounts	986	475
Outstanding amounts payable on securities	68	53
Sundry creditors	1,637	1,595
Subtotal	3,415	2,822
TOTAL	10,269	11,629

15c Lease obligations by residual term

06/30/2020	≤ 1 year	from 1 year to ≤3 years	from 3 years to ≤6 years	from 6 years to ≤9 years	> 9 years	Total
Lease obligations	51	128	228	156	161	724
▪ Real estate	38	121	228	156	161	704
▪ other	13	7	0	0	0	20

Note 16 Investments in equity consolidated companies

06/30/2020	Country	Share held	Value of equity consolidation	Share of net profit/(loss)	Dividends received	Fair value of the investment (if listed)
Entities under significant influence						
ASTREE Assurances	Tunisia	30.00 %	18	2	0	37
Banque de Tunisie	Tunisia	35.33 %	174	7	0	173
Caisse Centrale du Crédit Mutuel**	France	50.01 %	351	.0	5	NC*
LYF SA	France	43.75 %	7	0	0	NC*
Other equity investments			-14	-6		
Total [1]			537	3	5	
Joint venture						
Bancas	France	50.00 %	1	0	0	NC*
Euro Automatic Cash	Spain	50.00 %	6	-2	0	NC*
Banque du Groupe Casino	France	50.00 %	78	3	0	NC*
Total [2]			84	0	0	
TOTAL (1) + (2)			621	3	5	

* *NC: Not communicated.*

** *Caisse Centrale de Crédit Mutuel is accounted for using the equity method due to its significant influence, despite holding more than 50% of voting rights and taking into account the analysis of the governance rules specific to that entity of the Crédit Mutuel Group.*

12/31/2019	Country	Share held	Value of equity consolidation	Share of net profit/(loss)	Dividends received	Fair value of the investment (if listed)
Entities under significant influence						
ASTREE Assurances	Tunisia	30.00 %	17	5	1	25
Banque de Tunisie	Tunisia	35.33 %	172	9	5	195
Caisse Centrale du Crédit Mutuel**	France	53.48 %	349	5	2	NC*
LYF SA (formerly Fivory)	France	43.75 %	7	0	0	NC*
Royale Marocaine d'Assurance (formerly RMA Watanya)***	Morocco	NA	0	6	0	NC*
Other equity investments			-7	-13		
Total [1]			536	12	8	
Joint venture						
Bancas	France	50.00 %	1	0	0	NC*
Euro Automatic Cash	Spain	50.00 %	8	-11	0	NC*
Banque du Groupe Casino	France	50.00 %	75	7	0	NC*
Total [2]			84	-4	0	
TOTAL (1) + (2)			620	7	8	

* *NC: Not communicated.*

** *Caisse Centrale du Crédit Mutuel continued to be equity consolidated due to a notable influence despite the fact that the voting rights held exceeded 50% in 2019.*

*** *Exclusion of RMA from the consolidation scope in 2019 following the sale of shares held by GACM.*

Note 17 Investment property

	12/31/2019	Increase	Decrease	Other	06/30/2020
Historical cost	158	1	-2	-7	150
Depreciation and impairment	-69	-2	1	0	-70
Net amount	**89**	**-1**	**-1**	**-7**	**80**

Note 18 Property, plant and equipment and intangible assets

18a Property, plant and equipment

	12/31/2019	Increase	Decrease	Other	06/30/2020
HISTORICAL COST					
Operating sites	570	0	0	4	574
Operating buildings	5,088	62	-67	48	5,131
Usage rights – Real estate	800	101	-5	1	897
Usage rights – Other	38	1	0	0	39
Other property, plant and equipment	2,779	228	-100	-30	2,877
Total	9,275	392	-172	23	9,518
DEPRECIATION AND IMPAIRMENT					
Operating sites	-10	-1	0	0	-11
Operating buildings	-3,235	-87	41	-32	-3,313
Usage rights – Real estate	-133	-69	3	0	-199
Usage rights – Other	-13	-7	0	1	-19
Other property, plant and equipment	-2,216	-104	48	14	-2,258
Total	-5,607	-268	92	-17	-5,800
NET AMOUNT	3,669	124	-80	6	3,719

OF WHICH PROPERTIES RENTED UNDER FINANCE LEASES

	12/31/2019	Increase	Decrease	Other	06/30/2020
Operating sites	7				7
Operating buildings	104				104
TOTAL	111	0	0	0	111

18b Intangible assets

	12/31/2019	Increase	Decrease	Other	06/30/2020
HISTORICAL COST					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	2,154	58	-4	-9	2,199
▪ software	547	13	0	1	561
▪ other	1,607	45	-4	-10	1,638
Total	2,154	58	-4	-9	2,199
DEPRECIATION AND IMPAIRMENT					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	-1,418	-50	1	6	-1,461
▪ software	-493	-10	0	0	-503
▪ other	-925	-40	1	6	-958
Total	-1,418	-50	1	6	-1,461
NET AMOUNT	735	8	-3	-3	737

Note 19 Goodwill

	12/31/2019	Increase	Decrease	Variation in impairment	Other	06/30/2020
Gross goodwill	4,613				-78	4,535
Write-downs	-495			-1	-2	-498
NET GOODWILL	4,118			-1	-80	4,037

Cash generating units	Value of goodwill on 12/31/2019	Increase	Decrease	Variation in impairment	Other	Value of goodwill on 06/30/2020
Targobank in Germany	2,851					2,851
Crédit Industriel et Commercial (CIC)	497					497
Cofidis Participations	378					378
Cofidis France	79					79
EI Télécom	78				-78	-
Factofrance SA	68					68
GACM Seguros Generales Compañía de Seguros y Reaseguros SA (formerly AMGEN)	53			-1	-2	51
SIIC Foncière Massena	26					26
Crédit Mutuel Equity SCR	21					21
Banque de Luxembourg	13					13
Agrupació AMCI d'Assegurances i Reassegurances S.A.	12					12
Cofidis Italy	9					9
Banque Transatlantique	6					6
Dubly Transatlantique Gestion	5					5
other	22					22
TOTAL	4,118	0	0	-1	-80	4,038

The cash generating units to which the goodwill is assigned are subject to at least one test per year of their recoverable amount. Impairment is ascertained by depreciation of goodwill when the recoverable amount is less than the carrying amount.

The recoverable amount is determined according to two types of methods:

- *The fair value net of sales costs, which is based on observation of valuation multiples on comparable transactions or market parameters adopted by the analysts on entities with similar activities;*
- *Value in use, which is based on the discounting of expected future cash flows after taking into account capital requirements.*

To determine the value in use, the cash flows are based on business plans determined by the management over a maximum period of five years, then on projection of a flow to infinity according to a long-term growth rate. The latter is fixed at 2% for the whole of Europe, which is an assumption measured in comparison to inflation rates observed over a very long period.

The cash flow discount rates correspond to the cost of capital, which is determined from a long-term riskless rate, to which a risk premium is added. The risk premium is determined by observation of the sensitivity of the price in relation to the market in the case of a listed asset, or by analyst's estimate in non-listed assets. The context of the health crisis, its observed consequences on interim net profit at June 30, 2020, and the uncertain macroeconomic conditions for 2021 and beyond have led the group to identify potential indicators of impairment of goodwill. As a result, the group has updated the impairment tests for its main subsidiaries. In this context, the cost of capital was discounted on June 30, 2020 with:

- *7% for retail banking and leasing CGUs based in Germany.*
- *8% for retail banking, consumer credit and leasing CGUs located in France.*

The main sensitivity factors of the recoverable amount test based on the value in use are the discount rate and the expected level of future cash flows, which is itself impacted by the following sensitivity factors:

- *The achievement of business plans;*
- *The perpetual growth rate.*

When the value in use was used as an impairment test, the parameters and their sensitivity were as follows:

	Targobank Allemagne	Cofidis	CIC
	Network bank	Consumer loan	Network bank
Cost of capital	7.00%	8.00%	8.00%
Effect of a variation upwards of 50 basis points in the cost of capital	-9%	-8%	-7%
Effect of the 50 basis point drop in the growth rate to infinity	-7%	-6%	-5%

If the sensitivity assumptions below were used, goodwill would not be impaired.

Note 20 Provisions and contingent liabilities

20a Provisions

	12/31/2019	Additions for the year	Reversals for the year (utilized provisions)	Reversals for the year (surplus provisions)	Other changes	06/30/2020
Provisions for risks	389	151	-7	-140	-4	389
On guarantee commitments [2]	212	82	-2	-56	-1	235
▪ of which 12-month expected losses (S1)	37	22	0	-14	0	45
▪ of which expected losses at maturity (S2)	36	24	0	-16	-1	43
▪ of which provisions for execution of commitments upon signature	139	36	-2	-26	0	147
On financing commitments [2]	70	55	0	-52	0	73
▪ of which 12-month expected losses (S1)	58	39	0	-37	0	60
▪ of which expected losses at maturity (S2)	12	16	0	-15	0	13
Provisions for taxes	8	0	0	0	0	8
Provisions for claims and litigation	64	14	-5	-7	-7	59
Provision for risk on miscellaneous receivables	34	2	0	-25	2	13
other provisions	1,547	82	-20	-185	-3	1,421
▪ Provision for mortgage saving agreements	233	39	0	0	2	274
▪ Provisions for miscellaneous contingencies	943	12	-9	-168	-2	776
Other provisions [1]	371	31	-11	-17	-3	371
Provisions for retirement commitments	1,562	62	-14	-4	6	1,612
TOTAL	3,498	295	-41	-329	-1	3,422

(1) Other provisions mainly include provisions for French economic interest groups (GIE) totaling €316 million.

(2) At June 30, 2020, the group has taken into account the effects of the COVID-19 crisis as part of the provisioning of performing loans – see Note 1-Accounting principles.

20b Retirement and other employee benefits

	12/31/2019	Additions for the year	Reversals for the year	Other changes	06/30/2020
DEFINED-BENEFIT PLANS NOT COVERED BY PENSION FUNDS					
Retirement Benefits	1,218	58	-13	4	1,267
Supplementary pensions	159	4	-4	-1	158
Obligations for long service awards (other long-term benefits)	168	0	0	0	168
Sub-total recognized	1,545	62	-17	3	1,593
SUPPLEMENTARY DEFINED-BENEFIT PENSION PLANS INSURED BY GROUP PENSION FUNDS					
Commitments to employees and retirees [1]	17	0	0	1	18
Fair value of assets					
Sub-total recognized	17	0	0	1	18
TOTAL AMOUNT RECOGNIZED	1,562	62	-17	4	1,611

DEFINED-BENEFIT PLANS: MAIN ACTUARIAL ASSUMPTIONS

	06/30/2020	12/31/2019
Discount rate [2]	0.75%	0.75%
Expected increase in salaries [3]	Minimum 0.7%	Minimum 0.7%

(1) The provisions covering shortfalls in pension funds relate to entities located abroad.

(2) The discount rate, which is determined by reference to the long-term rate on private-sector borrowings, is based on the IBOXX index.

(3) The annual increase in salaries is the estimate of future inflation combined with the increase in salaries; it also depends on the age of the employee.

Note 21 Subordinated debt

	06/30/2020	12/31/2019
Subordinated debt	7,121	7,119
Participating loans	20	20
Perpetual subordinated debt	1,003	1,006
Other debt	0	0
Related debt	83	90
TOTAL	8,227	8,235

PRINCIPAL SUBORDINATED DEBT

(in € millions)	Type	Vesting date Issue	Amount Issue	Amount at year-end [1]	Rate	Term
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	10/22/2010	€1,000m	€921m	4.00	10/22/2020
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	05/21/2014	€1,000m	€1,000m	3.00	05/21/2024
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	09/11/2015	€1,000m	€1,000m	3.00	09/11/2025
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	03/24/2016	€1,000m	€1,000m	2.375	03/24/2026
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	11/04/2016	€700m	€700m	1.875	11/04/2026
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	03/31/2017	€500m	€500m	2.625	03/31/2027
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	11/15/2017	€500m	€500m	1.625	11/15/2027
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	05/28/2018	€500m	€500m	2.5	05/25/2028
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	06/18/2019	€1,000m	€1,000m	1.875	06/18/2029
Crédit Industriel et Commercial	Participatory	05/28/1985	€137m	€8m	(2)	(3)
Banque Fédérative du Crédit Mutuel	TSS	12/15/2004	€750m	€734m	(4)	TBD
Banque Fédérative du Crédit Mutuel	TSS	02/25/2005	€250m	€250m	(5)	TBD

(1) Net intra-group amounts.

(2) Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.

(3) Non-depreciable, but reimbursable at borrower's discretion as of 05/28/1997 at 130% of the nominal value revalued by 1.5% per year for future years.

(4) CMS 10 years ISDA CIC +10 basis points.

(5) CMS 10 years ISDA +10 basis points.

Note 22 Reserves related to capital and reserves

22a Shareholders' equity attributable to the group (excluding profit and loss and unrealized gains and losses)

	06/30/2020	12/31/2019
Capital and reserves related to capital	6,675	6,482
▪ Capital	6,675	6,482
▪ Issue premium, contribution, merger, split, conversion	0	0
Consolidated reserves	36,506	33,552
▪ Regulated reserves	6	6
▪ Other reserves (including effects related to initial application)	36,355	33,430
of which profit on disposal of capital instruments	-21	-24
▪ Retained earnings	145	116
TOTAL	43,181	40,034

The share capital of the Crédit Mutuel banks is composed of:

- A shares, non-transferable;
- B shares, transferable;
- P shares, with priority interests.

B shares may only be subscribed by those members holding at least one A share. The Articles of association of the local banks limit the subscription of B shares by any given member to €50,000 (with the exception of reinvestment of dividends paid in B shares). In accordance with the law of September 10, 1947, the capital cannot be lower, following withdrawal of contributions, than one-quarter of the highest amount achieved by the share capital in the past.

The redemption plan for B shares differs according to whether they were subscribed before or after December 31, 1988:

- units subscribed up to December 31, 1988 may be redeemed at the member's request on January 1 each year. This reimbursement, which is subject to compliance with the provisions governing the reduction of capital, is subject to a minimum notice period of three months;
- shares subscribed on or after January 1, 1989 may be redeemed at the member's request upon five years' notice, except in the event of marriage, death or unemployment. These operations are also subject to compliance with the provisions governing the reduction of capital.

By decision of the Board of Directors and in agreement with the Supervisory Board, the bank may refund all or part of the shares in this class under the same conditions.

P shares with priority interests are issued by the regional banks of Crédit Mutuel de Normandie and Midi-Atlantique, and by Crédit Mutuel's "Cautionnement Mutuel de l'Habitat" bank, a mutual guarantee company that since 1999 has issued members' shares with priority interests whose subscription is reserved for bonded credit distributors excluding Crédit Mutuel Alliance Fédérale.

As of June 30, 2020, the capital of the Crédit Mutuel banks breaks down as follows:

- €211.9 million for A shares;
- €6,459.7 million for B shares;
- €3.7 million for P shares.

22b Unrealized or deferred gains and losses

	06/30/2020	12/31/2019
UNREALIZED OR DEFERRED GAINS OR LOSSES* RELATING TO:		
▪ Translation adjustments	53	63
▪ Insurance business investments (assets available-for-sale)	1,183	1,264
▪ Financial assets at fair value through recyclable shareholders' equity – debt instruments	-151	-29
▪ Financial assets at fair value through non-recyclable shareholders' equity – capital instruments	35	42
▪ Hedging derivatives (CFH)	0	2
▪ Share of unrealized or deferred gains and losses of associates	-33	-31
▪ Actuarial gains and losses on defined benefit plans	-369	-349
▪ Internal credit risk on financial liabilities in FVO	0	0
TOTAL	718	961

* *Balances net of corporation tax and after shadow accounting treatment.*

22c Recycling of gains and losses directly recognized in shareholders' equity

	06/30/2020	12/31/2019
	Operations	Operations
Translation adjustments		
Reclassification in income	0	0
Other movement	-11	34
Subtotal	-11	34
Remeasurement of financial assets at FVOCI – debt instruments		
Reclassification in income	0	0
Other movement	-121	-5
Subtotal	-121	-5
Remeasurement of financial assets at FVOCI – capital instruments		
Reclassification in income	0	0
Other movement	-7	65
Subtotal	-7	65
Remeasurement of hedging derivatives		

Reclassification in income	0	0
Other movement	-2	-1
Subtotal	-2	-1
Revaluation of insurance business investments		
Reclassification in income	0	-59
Other movement	-81	529
Subtotal	-81	470
Actuarial gains and losses on defined benefit plans	-20	-109
Share of unrealized or deferred gains and losses of associates	-1	5
TOTAL	-243	459

22d Tax related to each category of gains and losses recognized directly in shareholders' equity

	06/30/2020			12/31/2019		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation adjustments	-11	0	-11	34	0	34
Remeasurement of financial assets at FVOCI – debt instruments	-167	46	-121	-9	4	-5
Remeasurement of financial assets at FVOCI – capital instruments	-3	-4	-7	64	1	65
Remeasurement of hedging derivatives	-3	1	-2	-1	0	-1
Revaluation of insurance business investments	-141	60	-81	652	-181	470
Actuarial gains and losses on defined benefit plans	-30	10	-20	-165	56	-109
Share of unrealized or deferred gains and losses of associates	-1	0	-1	5	0	5
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY TO EQUITY	-356	113	-243	579	-120	459

Note 23 Commitments given and received

COMMITMENTS GIVEN

	06/30/2020	12/31/2019
Funding commitments	74,840	69,882
Liabilities due to credit institutions	728	867
Commitments to customers	74,112	69,015
Guarantee commitments	22,330	22,816
Credit institution commitments	4,151	4,526
Customer commitments	18,179	18,290
Securities commitments	4,058	2,389
Other commitment given	4,058	2,389
Commitments pledged from the insurance business line	4,150	3,907

COMMITMENTS RECEIVED

	06/30/2020	12/31/2019
Funding commitments	24,712	13,257
Commitments received from credit Institutions	24,712	13,257
Guarantee commitments	92,297	75,830
Commitments received from credit Institutions	49,721	48,106
Commitments received from customers	42,576	27,724
Securities commitments	2,195	976
Other commitments received	2,195	976
Commitments received from the insurance business line	8,090	6,966

Note 24 Interest income and expense

	06/30/2020		6/30/2019 restated [2]		06/30/2019 published	
	Income	Expenses	Income	Expenses	Income	Expenses
Credit institutions and central banks [1]	112	-205	224	-314	224	-314
Customers	4,720	-986	4,839	-1,099	6,681	-2,941
▪ of which finance and operating leases [2]	273	-96	300	-126	2,142	-1,968
▪ of which lease obligations	0	-3	0	-4	0	-4
Hedging derivatives	1,299	-1,025	1,227	-1,245	1,227	-1,245
Financial instruments at fair value through profit or loss	374	-40	405	-65	405	-65
Financial assets at fair value through shareholders' equity	169	0	199	0	199	0
Securities at amortized cost	46	0	52	0	52	0
Debt securities	0	-863	0	-938	0	-938
Subordinated debt	0	-4	0	-6	0	-6
TOTAL	6,720	-3,123	6,946	-3,667	8,788	-5,509
of which interest income and expense calculated at the effective interest rate:	*5,047*	*-2,058*	*5,314*	*-2,357*	*7,156*	*-4,199*

(1) Including -€231 million impact of negative interest rates in income and +€101 million in expenses in the first half of 2020, of which -€162 million impact of negative interest rates in income and +€92 million in expenses in the first half of 2019.

(2) In 2019, the group reviewed the presentation of interest income from finance leases. This is now presented under net interest income. It was previously presented under "Interest income and expenses". Accordingly, and to ensure a comparison with interest income and expense as of June 30, 2020, the reported figures as of June 30, 2019 have been restated and are provided below.

Note 25 Commission income and expense

	06/30/2020		06/30/2019	
	Income	Expenses	Income	Expenses
Credit institutions	4	-4	4	-4
Customers	808	-17	849	-18
Securities	481	-39	428	-23
▪ of which activities managed on behalf of third parties	*320*	0	*319*	0
Derivative instruments	5	-6	3	-5
Currency transactions	11	-1	10	-1
Funding and guarantee commitments	41	-2	31	-1
Services provided	943	-455	961	-477
TOTAL	2,293	-523	2,286	-529

Note 26 Net gains on financial instruments at fair value through profit or loss

	06/30/2020	06/30/2019
Trading instruments	-174	226
Instruments accounted for under the fair value option	10	12
Ineffective portion of hedges	-24	-55
On fair value hedges (FVH)	-24	-55
▪ Change in the fair value of hedged items	307	735
▪ Change in fair value of hedging instruments	-331	-790
Foreign exchange gains/(losses)	-18	63
Other financial instruments at fair value through profit or loss [1]	-152	251
TOTAL CHANGES IN FAIR VALUE	-358	497

(1) Of which €47 million from private equity business in the first half of 2020, compared to €149 million in the first half of 2019, with the other changes corresponding to changes in fair value on the other portfolios at FVPL.

Note 27 Net gains or losses on financial assets at fair value through shareholders' equity

	06/30/2020	06/30/2019
Dividends	8	28
Realized gains and losses on debt instruments	7	47
TOTAL	15	75

Note 28 Net gains or losses resulting from derecognition of financial assets at amortized cost

	06/30/2020	06/30/2019
Financial assets at amortized cost		
Gains/(losses) on:	0	0
▪ Government securities	0	0
▪ Bonds and other fixed-income securities	0	0
TOTAL	0	0

Note 29 Net income from the insurance business line

	06/30/2020	06/30/2019
INSURANCE POLICIES		
Premiums earned	4,819	6,162
Service charges	-4,412	-4,386
Change in provisions	872	-3,106
Other technical and non-technical income and expenses	16	35
Net income from investments	-105	2,838
Net income on insurance policies	1,190	1,543
Interest margin/fees	-5	-5
Net income on financial assets	-5	-5
Other net income	-20	6
NET INCOME FROM INSURANCE ACTIVITIES	1,166	1,543

Note 30 Income/expenses generated by other activities

	06/30/2020	06/30/2019
INCOME FROM OTHER ACTIVITIES		
Investment property:	0	0
Rebilled expenses	23	18
Other income	1,047	891
Subtotal	**1,070**	**909**
EXPENSES ON OTHER ACTIVITIES		
Investment property:	-2	-2
▪ additions to provisions/depreciation	-2	-2
Other expenses	-400	-522
Subtotal	**-402**	**-524**
NET TOTAL OF OTHER INCOME AND EXPENSES	668	385

Note 31 General operating expenses

	06/30/2020	06/30/2019
Employee benefits expense	-2,607	-2,617
Other expenses	-1,945	-1,951
TOTAL	-4,552	-4,568

31a Employee benefits expense

	06/30/2020	06/30/2019
Wages and salaries	-1,714	-1,692
Social security contributions	-580	-572
Short-term employee benefits	-1	-1
Employee profit-sharing and incentive schemes	-104	-159
Payroll-based taxes	-208	-192
Other	0	-1
TOTAL	-2,607	-2,617

WORKFORCE

Average workforce	06/30/2020	06/30/2019**
Bank technical staff	38,723	38,606
Managers	26,683	26,143
TOTAL	65,406	64,749
France	53,254	52,460
Rest of the world	12,152	12,289
TOTAL	65,406	64,749
Registered workforce*	**71,794**	70,819

* *The registered workforce corresponds to the total number of employees at end-of-period for entities controlled by the group, which differs from the average full-time equivalent (so-called FTE) workforce, which focuses solely on full consolidation.*

*** Adjusted amount.*

31b Other operating expenses

	06/30/2020	06/30/2019
Taxes and duties [1]	-404	-358
Leases	-173	-154
▪ short-term asset leases [2]	-89	-88
▪ low value/substitutable asset leases [3]	-75	-60
▪ other leases	-9	-6
Other external services	-995	-1,084
Other miscellaneous expenses	-55	-61
TOTAL	-1,627	-1,657

(1) The entry "Taxes and duties" includes a -€197 million expense as part of the contribution to the Single Resolution Fund in 2020, compared to a -€155 million expense in 2019.

(2) Includes real estate by automatic renewal.

(3) Includes computer equipment.

31c Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets

	06/30/2020	06/30/2019
Amortizations	-315	-294
▪ property, plant and equipment	-265	-255
including usage rights	-75	
▪ intangible assets	-50	-39
Write-downs	-2	0
▪ property, plant and equipment	-2	0
▪ intangible assets	0	0
TOTAL	-317	-294

Note 32 Cost of counterparty risk

	06/30/2020	06/30/2019
12-month expected losses (S1)	-227	-52
Expected losses at maturity (S2)	-263	27
Impaired assets (S3)	-556	-437
TOTAL	-1,046	-462

At June 30, 2020, the group has taken into account the effects of the COVID-19 crisis as part of the provisioning of performing loans – see Note 1-Accounting principles.

06/30/2020	Allowances	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	Total
12-month expected losses (S1)	-455	228				-227
▪ Loans and receivables due from credit institutions at amortized cost	-2	2				0
▪ Customer loans at amortized cost	-386	168				-218
▪ of which finance leases	-18	12				-6
▪ Financial assets at amortized cost – securities	-3	3				0
▪ Financial assets at fair value through other comprehensive income – debt securities	-3	4				1
▪ Financial assets at fair value through other comprehensive income – Loans	0	0				0
▪ Commitments given	-61	51				-10
Expected losses at maturity (S2)	-615	354				-261
▪ Loans and receivables due from credit institutions at amortized cost	0	0				0
▪ Customer loans at amortized cost	-575	321				-254
▪ of which finance leases	-44	16				-28
▪ Financial assets at amortized cost – securities	0	0				0
▪ Financial assets at fair value through other comprehensive income – debt securities	0	2				2
▪ Financial assets at fair value through other comprehensive income – Loans	0	0				0
▪ Commitments given	-40	31				-9
Impaired assets (S3)	-768	641	-327	-155	53	-556
▪ Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
▪ Customer loans at amortized cost	-724	601	-308	-154	53	-532
▪ of which finance leases	-9	8	-4	-1	1	-5
▪ Financial assets at amortized cost – securities	0	3	0	0	0	3
▪ Financial assets at fair value through other comprehensive income – debt securities	-4	1	-17	0	0	-20
▪ Financial assets at fair value through other comprehensive income – Loans	0	0	0	0	0	0
▪ Commitments given	-40	36	-2	-1	0	-7
TOTAL	-1,838	1,222	-327	-155	53	-1,045

06/30/2019	Allowances	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	Total
12-month expected losses (S1)	-253	201				-52
▪ Loans and receivables due from credit institutions at amortized cost	-2	2				0
▪ Customer loans at amortized cost	-199	156				-43
▪ of which finance leases	-20	23				3
▪ Financial assets at amortized cost – securities	0	0				0
▪ Financial assets at fair value through other comprehensive income – debt securities	-3	2				-1
▪ Financial assets at fair value through other comprehensive income – Loans	0	0				0
▪ Commitments given	-49	41				-8
Expected losses at maturity (S2)	-332	360				28
▪ Loans and receivables due from credit institutions at amortized cost	0	0				0
▪ Customer loans at amortized cost*	-299	329				30
of which finance leases	-27	25				-2
▪ Financial assets at amortized cost – securities	0	0				0
▪ Financial assets at fair value through other comprehensive income – debt securities	0	0				0
▪ Financial assets at fair value through other comprehensive income – Loans	0	0				0
▪ Commitments given	-33	31				-2
Impaired assets (S3)	-741	708	-327	-147	70	-437
▪ Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
▪ Customer loans at amortized cost	-703	664	-324	-146	70	-439
▪ of which finance leases	-8	12	-4	-3	0	-3
▪ Financial assets at amortized cost – securities	0	0	0	0	0	0
▪ Financial assets at fair value through other comprehensive income – debt securities	-1	2	0	0	0	1
▪ Financial assets at fair value through other comprehensive income – Loans	0	0	0	0	0	0
▪ Commitments given	-37	42	-3	-1	0	1
TOTAL	-1,326	1,268	-327	-147	70	-462

Note 33 Net gains/(losses) on disposals of other assets

	06/30/2020	06/30/2019
Tangible and intangible assets	-2	1
▪ Capital losses on sale	-7	-8
▪ Capital gains on sale	5	9
Gains/(losses) on disposals of shares in consolidated entities	0	1
TOTAL	-2	2

Note 34 Changes in the value of goodwill

	06/30/2020	06/30/2019
Impairment of goodwill	-1	0
Negative goodwill stated in profit or loss	0	0
TOTAL	-1	0

Note 35 Income tax

BREAKDOWN OF INCOME TAX EXPENSE

	06/30/2020	06/30/2019
Current taxes	-510	-865
Deferred tax expense	105	-116
Adjustments in respect of prior years	2	82
TOTAL	-402	-899

Note 36 Related party transactions

BALANCE SHEET ITEMS PERTAINING TO RELATED PARTY TRANSACTIONS

	06/30/2020		12/31/2019	
	Associates (companies accounted for using the equity method)	Other establishments belonging to the National Confederation	Associates (companies accounted for using the equity method)	Other establishments belonging to the National Confederation
ASSETS				
Financial assets at fair value through profit or loss	56	208	24	246
Financial assets at FVOCI	0	0	0	40
Financial assets at amortized cost	10,434	4,385	3,486	3,625
Investments in insurance business line	0	818	0	555
Other assets	20	0	13	6
TOTAL	10,510	5,411	3,522	4,472
LIABILITIES				
Liabilities at fair value through profit or loss	0	28	0	36
Debt securities	0	86	0	22
Liabilities to cred. inst.	756	1,297	1,029	660
Due to customers	32	501	24	517
Liabilities relative to contracts of the insurance business line	0	173	0	173
Subordinated debt	0	31	0	0
Miscellaneous liabilities	0	6	0	5
TOTAL	787	2,122	1,053	1,413
Financing commitments given	112	0	67	0
Guarantees given	15	0	15	142
Financing commitments received	40	10	0	10
Guarantees received	0	674	0	682

PROFIT AND LOSS ITEMS PERTAINING TO RELATED PARTY TRANSACTIONS

	06/30/2020		06/30/2019	
	Associates (companies accounted for using the equity method)	Other establishments belonging to the National Confederation	Associates (companies accounted for using the equity method)	Other establishments belonging to the National Confederation
Interest income	1	27	(2)	64
Interest expense	0	(21)	0	(57)
Commission income	0	3	0	4
Commission expense	0	0	0	(1)
Net gains/(losses) on financial assets at FVOCI and FVPL	5	(5)	7	10
Net income from insurance activities	(11)	(106)	(8)	(114)
Other income and expenses	12	43	12	42
General operating expenses	0	(10)	1	(9)
TOTAL	8	(69)	11	(61)

5.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

PricewaterhouseCoopers France
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
S.A.R.L. with capital of €86,000

Statutory auditors
Member of the Compagnie
régionale de Versailles

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. with variable capital
438 476 913 R.C.S. Nanterre

Statutory auditors
Member of the Compagnie
régionale de Versailles

(Period from January 1 to June 30, 2020)

Report from the statutory auditors on interim financial information

Dear Shareholders,
CREDIT MUTUEL ALLIANCE FEDERALE
4 rue Frédéric-Guillaume Raiffeisen
67000 STRASBOURG

In accordance with the task entrusted us by your Shareholders' Meeting and pursuant to Article L. 451-1-2 III of the French Monetary and Financial Code, we have undertaken:

- a limited review of the condensed consolidated half-year statements for Crédit Mutuel Alliance Fédérale, pertaining to the period from January 1 to June 30, 2020, attached to this report;

- verification of the information given in the interim business report.

These condensed consolidated interim financial statements were prepared by your board of directors on July 30, 2020, based on the information available at that date, in the changing context of the COVID-19 health crisis and difficulties identifying its impacts and outlook. It is up to us, based on our limited review, to express our conclusion about these statements.

Conclusion about the financial statements

We conducted our limited review according to applicable professional standards in France.

A limited review consists essentially in working together with those members of management in charge of accounting and financial matters and implementing analytical procedures. This work is less extensive than that required for an audit conducted according to professional standards applicable in France. Consequently, assurance that the financial statements, taken as a whole, do not include any significant anomalies obtained in the context of a limited review is a moderate assurance, lower than that obtained in the context of an audit. Based on our limited review, we did not note any significant anomalies of a nature that would question compliance of the condensed consolidated interim financial statements with IAS 34 – the IFRS standard of reference such as it was adopted by the European Union pertaining to interim financial information.

Specific verification

We also undertook to verify the information given in the interim business report compiled on July 30, 2020, commenting on the condensed consolidated interim financial statements, of which we provided a limited review.

We have no comments to make as to the fair presentation and consistency of this information with the consolidated condensed interim financial statement.

Executed in Neuilly-sur-Seine and Paris-La Défense, August 6, 2020

The Statutory Auditors

PricewaterhouseCoopers France
Nicolas Montillot

ERNST & YOUNG et Autres
Hassan Baaj

6 BANQUE FÉDÉRATIVE DU CRÉDIT MUTUEL CONSOLIDATED FINANCIAL STATEMENTS

6.1 BFCM CONSOLIDATED FINANCIAL STATEMENTS

6.1.1 Balance sheet

Balance sheet (assets)

(in € millions)	06/30/2020	12/31/2019	Notes
Cash, central banks	95,425	64,764	4
Financial assets at fair value through profit or loss	35,049	31,819	5a
Hedging derivatives	3,916	3,440	6a
Financial assets at fair value through shareholders' equity	36,669	30,451	7
Securities at amortized cost	2,867	2,780	10a
Loans and receivables to credit institutions and similar at amortized cost	56,518	51,675	10b
Loans and receivables to customers at amortized cost	264,110	250,142	10c
Revaluation adjustment on rate-hedged books	1,052	897	6b
Short-term investments in the insurance business line and reinsurers' share of technical provisions	112,713	115,200	13a
Current tax assets	901	1,029	14a
Deferred tax assets	1,202	1,154	14b
Accruals and other assets	5,773	8,149	15a
Non-current assets held for sale	0	726	3c
Investments in equity consolidated companies	752	727	16
Investment properties	48	56	17
Property, plant and equipment [1]	2,431	2,381	18a
Intangible assets	513	509	18b
Goodwill	4,046	4,049	19
TOTAL ASSETS	623,984	569,947	

Balance sheet (liabilities)

(in € millions)	06/30/2020	12/31/2019	Notes
Due to central banks	1	715	4
Financial liabilities at fair value through profit or loss	22,685	18,854	5b
Hedging derivatives	2,349	2,291	6a
Debt securities at amortized cost	137,479	125,110	11a
Due to credit and similar institutions at amortized cost	53,289	39,919	11b
Amounts due to customers at amortized cost	247,063	217,103	11c
Revaluation adjustment on rate-hedged books	21	-4	6b
Current tax liabilities	587	575	14a
Deferred tax liabilities	1,019	1,190	14b
Deferred income, accrued charges and other liabilities	8,028	8,771	15b
Debt related to non-current assets held for sale	0	725	3c
Liabilities relative to contracts of the insurance business line	108,798	111,192	13b
Provisions	2,587	2,700	20
Subordinated debt at amortized cost	8,727	8,735	21
Total shareholders' equity	31,353	32,072	22
Shareholders' equity attributable to the group	27,499	27,802	22
Capital and related reserves	6,197	6,197	22a
Consolidated reserves	20,438	18,619	22a
Gains and losses recognized directly in equity	486	704	22b
Profit (loss) for the fiscal year	378	2,282	
Shareholders' equity – Non-controlling interests	3,854	4,269	
TOTAL LIABILITIES	623,984	569,947	

6.1.2 Income statement

Income statement

(in € millions)	06/30/2020	06/30/2019	Notes
Interest and similar income [1]	5,450	5,668	24
Interest and similar expenses [1]	-2,630	-3,157	24
Commissions (income)	1,697	1,735	25
Commissions (expenses)	-436	-476	25
Net gains on financial instruments at fair value through profit or loss	-376	477	26
Net gains or losses on financial assets at fair value through shareholders' equity	15	75	27
Net gains or losses resulting from derecognition of financial assets at amortized cost	0	0	28
Net income from insurance activities	855	1,236	29
Income from other activities	470	345	30
Expenses on other activities	-174	-284	30
Net banking income	**4,871**	**5,617**	
General operating expenses	-3,027	-3,038	31a,31b
Movements in depreciation, amortization and provisions for property and equipment and intangible assets	-142	-135	31c
Gross operating income/(loss)	**1,701**	**2,445**	
Cost of counterparty risk	-940	-460	32
Operating income	**761**	**1,985**	
Share of net profit/(loss) of equity consolidated companies	28	37	16
Net gains/(losses) on disposals of other assets	-4	0	33
Changes in the value of goodwill	-1	0	34
Profit/(loss) before tax	**784**	**2,023**	
Income tax	-310	-639	35
Post-tax gains/(losses) on discontinued operations	0	0	
Net profit/(loss)	**473**	**1,383**	
Net profit/(loss) – Non-controlling interests	96	206	
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**378**	**1,177**	

(1) In 2019, the group reviewed the presentation of interest income from finance leases. This is now presented under net interest income. It was previously presented under "Interest income and expenses". Accordingly, and to ensure a comparison with interest income and expense as of June 30, 2020, the reported figures as of June 30, 2019 have been restated in accordance with this definition in the financial statements and note 24.

Statement of net profit/(loss) and profits and losses recognized directly in equity

(in € millions)	06/30/2020	06/30/2019
Net profit/(loss)	480	1,383
Translation adjustments	-11	7
Remeasurement of financial assets at fair value through equity – capital instruments	-123	38
Revaluation of insurance business investments	-92	592
Remeasurement of hedging derivatives	-2	-3
Share of unrealized or deferred gains and losses of associates	-1	4
Total recyclable gains and losses recognized directly in equity	-229	638
Revaluation of financial assets at fair value through equity – capital instruments at closing	-7	31
Remeasurement of financial assets at fair value through equity – capital instruments sold during the fiscal year	0	29
Actuarial gains and losses on defined benefit plans	-16	-4
Share of non-recyclable gains and losses of equity consolidated companies	0	-1
Total non-recyclable gains and losses recognized directly in equity	-23	55
Net profit/(loss) and gains and (losses) recognized directly in equity	228	2,076
o/w attributable to the group	*164*	*1,666*
o/w percentage of non-controlling interests	*64*	*410*

The items relating to gains and losses recognized directly in equity are presented for the amount net of tax.

6.1.3 Changes in shareholders' equity

				Gains and losses recognized directly in equity							
(in millions)	Capital	Premiums	Reserves [1]	Translation adjustments	Financial assets at fair value through other comprehensive income	Hedging derivatives	Actuarial gains and losses	Net profit / (loss) - attributable to the group	Shareholders' equity attributable to the group	Non-controlling interests	Total consolidated shareholders' equity
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2018	1,689	4,509	16,662	-11	540	3	-185	2,084	25,290	4,364	29,654
Appropriation of earnings from previous year			2,084					-2,084	0		0
Capital increase	0								0		0
Distribution of dividends			-130						-130	-685	-815
Change in investments in subsidiaries without loss of control			0						0	0	0
Subtotal of movements related to relations with shareholders	0	0	1,954	0	0	0	0	-2,084	-130	-685	-815
Consolidated income for the period								1,177	1,177	206	1,383
Changes in the fair value of assets at fair value through shareholders' equity			-30	9	485	-2	-3		459	204	663
Subtotal	**0**	**0**	**-30**	**9**	**485**	**-2**	**-3**	**1,177**	**1,636**	**410**	**2,046**
Effects of acquisitions and disposals on non-controlling interests			0		0				0	0	0
Other changes		0	-2						-2	-2	-4
SHAREHOLDERS' EQUITY AT JUNE 30, 2019	1,689	4,509	18,584	-2	1,024	1	-187	1,177	26,794	4,086	30,881
Appropriation of earnings from previous year			0					0	0		0
Capital increase	0								0		0
Distribution of dividends			0						0	0	0
Change in investments in subsidiaries without loss of control			0						0	0	0
Subtotal of movements related to relations with shareholders	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Consolidated income for the period								1,105	1,105	175	1,279
Changes in gains and (losses) recognized directly in equity			1	30	-75	1	-87		-130	-20	-149
Subtotal	**0**	**0**	**1**	**30**	**-75**	**1**	**-87**	**1,105**	**975**	**155**	**1,130**
Effects of acquisitions and disposals on non-controlling interests			0		0				0	0	0
Other changes		0	33						33	28	61
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2019	1,689	4,509	18,619	28	949	2	-275	2,282	27,802	4,269	32,072
Appropriation of earnings from previous year			2,282					-2,282	0		0
Capital increase	0								0		0
Distribution of dividends			-301						-301	-1	-302
Change in investments in subsidiaries without loss of control			0						0		0
Subtotal of movements related to relations with shareholders	**0**	**0**	**1,981**	**0**	**0**	**0**	**0**	**-2,282**	**-301**	**-1**	**-302**

Consolidated income for the period								378	378	96	473
Changes in gains and (losses) recognized directly in equity			0	-12	-188	-2	-17		-218	-34	-252
Subtotal	**0**	**0**	**0**	**-12**	**-188**	**-2**	**-17**	**378**	**159**	**62**	**221**
Effects of acquisitions and disposals on non-controlling interests [2]			-163		0				-163	-498	-660
Other changes		0	1						1	21	22
SHAREHOLDERS' EQUITY AT JUNE 30, 2020	1,689	4,509	20,438	16	761	0	-292	378	27,499	3,854	31,353

(1) As of June 30, 2020 reserves are made up of the legal reserve for €169 million, statutory reserves for €5,127 million and other reserves for €15,142 million.

(2) The group acquired an additional 9.36% stake in the capital of Cofidis Participations. It is thus expected that BFCM will be able to increase its stake in Cofidis Participations to 100% by 2023-2024, and a debt has been recorded to that effect on the basis of the price of the last transaction made.

6.1.4 Statement of net cash flows

(in € millions)	06/30/2020	06/30/2019
Net profit/(loss)	473	1,383
Tax	310	639
Profit/(loss) before tax	**784**	**2,023**
+/- Net depreciation and amortization of property, plant and equipment and intangible assets	140	137
- Impairment of goodwill and other fixed assets	3	1
+/- Net provisions	546	159
+/- Share of income from companies consolidated using the equity method	-28	-37
+/- Net loss/gain from investing activities	4	27
+/- Other movements	-2,379	3,872
= Total non-monetary items included in net profit/(loss) before tax and other adjustments	**-1,715**	**4,159**
+/- Flows related to transactions with credit institutions	4,968	-9,534
+/- Flows related to client transactions	15,419	3,853
+/- Flows related to other transactions affecting financial assets or liabilities	6,890	1,391
+/- Flows related to other transactions affecting non-financial assets or liabilities	5	1,618
Taxes paid	-318	-205
= Net decrease in assets and liabilities from operating activities	**26,964**	**-2,877**
Total net cash flow generated by operating activity	26,033	3,304
+/- Flows related to financial assets and investments	26	229
+/- Flows related to investment property	-221	-2
+/- Flows related to property, plant and equipment and intangible assets	-198	-96
Total net cash flow related to investment activities	-393	130
+/- Cash flow to or from shareholders	-302	-815
+/- Other net cash flows from financing activities	1,928	3,281
Total net cash flow related to financing transactions	1,626	2,466
Effect of foreign exchange rate changes on cash and cash equivalents	27	31
Net increase of cash and cash equivalents	**27,294**	**5,931**
Net cash flow generated by operating activities	26,033	3,304
Net cash flow related to investment activities	-393	130
Net cash flow related to financing transactions	1,626	2,466
Effect of foreign exchange rate changes on cash and cash equivalents	27	31
Cash and cash equivalents at opening	**58,312**	**43,077**
Cash, central banks, CCP	64,050	55,169
Accounts and demand loans/borrowing with credit institutions	-5,738	-12,092
Cash and cash equivalents at closing	**85,606**	**49,008**
Cash, central banks, CCP	95,426	61,975
Accounts and demand loans/borrowing with credit institutions	-9,820	-12,967
CHANGE IN NET CASH POSITION	27,294	5,931

6.2 NOTES TO THE BFCM CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Accounting policies and principles

1.1 Accounting basis

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards, and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements have been drawn up in accordance with IFRS as adopted by the European Union on June 30, 2020.
The entire framework is available on the European Commission's website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.

The financial statements are presented in the format advised by the Autorité des normes comptables (ANC – French Accounting Standards Authority) in its Recommendation No. 2017-02 relating to IFRS summary statements. They comply with the international accounting standards as adopted by the European Union.

Information relating to risk management is included in the group's management report.

Since January 1, 2020, the group has applied the amendments adopted by the EU without any significant impact on the group's financial statements:

- Amendment to IAS 1 and IAS 8

It aims to modify the definition of the term "significance" in order to clarify and align it with the conceptual framework and IFRS standards. According to that amendment, information is of a significant nature (that is to say, it is relatively important) if it is reasonable to expect that its omission, inaccuracy or obfuscation would influence decisions made by primary users based on these financial statements in the general usage of such statements, which contain financial information on a given accounting entity.

- Amendment to IFRS 3

This amendment clarifies the definition of an activity. It introduces a two-step analysis approach, which aims to facilitate the distinction between an acquisition of a business and an acquisition of a group of assets (the latter being accounted for in accordance with the standard applicable to it).
This amendment would have an impact on the group in the event of a change of control or the acquisition of an interest in a joint venture. The group has not carried out any such operations since January 1, 2020.

COVID-19 health crisis

The Crédit Mutuel group is fully mobilized to deal with the COVID-19 health crisis. As a credit institution, it is fully involved in providing close support to its customers, including professionals and companies, that could face difficulties, especially VSEs/SMEs.

The group is committed to the government's plan to support the economy. It offers state-guaranteed loans[1] to support the cash flow of its business and corporate customers.

This financing represents 12-month bullet loans with grace periods of one to five years.

In its initial offer, its interest rate is 0%, plus the cost of the state guarantee (rebelled via a commission paid by the customer, ranging from 0.25% to 0.50% over the first year, depending on the size of the company).
In the event of an extension, its interest rate will be reset. It may not exceed the group's market refinancing rate for the maturity selected, plus the guarantee premium set by decree.

Held for the purpose of collecting cash flows and meeting the basic loan criteria, they are accounted for at amortized cost using the interest rate method.

At June 30, 2020, outstanding state-guaranteed loans issued by the BFCM consolidated scope totaled €10.4 billion.

The valuation of the expected credit losses for these loans takes into account the effect of the State guarantee (implemented by the Banque Publique d'Investissement) for 70% to 90% of the outstanding capital and interest.

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[1] *The main characteristics of State-guaranteed loans and the mechanism for triggering the guarantee are summarized in Article 2 of the Order of March 23, 2020 granting State guarantees to credit institutions and financing companies and to the lenders mentioned in Article L. 548-1 of the French Monetary and Financial Code.*

The Crédit Mutuel group is committed to concrete measures to support businesses and individuals. It has granted deferrals of loan repayments mainly to companies for up to six months (suspension of interest payments and/or deferment of capital repayments).

At the end of these periods, a final adjustment of the contracts will be made if the suspended maturities have not been repaid. These will be reintegrated on a rescheduled basis over the remaining term of the loan or carried forward beyond the original maturity date.

At June 30, 2020, Crédit Mutuel Alliance Fédérale had no significant cash flow losses for the loans that benefit from these easing measures. The extended and modified maturities amount to €3.1 billion.

The group has reviewed the publications issued at the end of March 2020[1] by the IASB, EBA and ESMA.
It uses judgment in accounting for expected credit losses in the exceptional context of the COVID-19 crisis.
In particular, the maturity extension measures were granted on a general basis without specific conditions. They form part of a market mechanism at the initiative of French banks, in line with the EBA's guidelines on moratoria.
These measures are not automatically an indicator of a significant deterioration in the credit risk of the financial assets in question or of reclassification as restructured assets.
The transfer to Status 2 or 3 or to a restructured asset could, however, take place in compliance with group rules.

As part of the provisioning of performing loans, the group took into account the unprecedented and brutal nature of the COVID-19 crisis on the macro-economic environment:

- the weighting of the pessimistic scenario has been increased to calibrate the probabilities of forward-looking defaults on all portfolios using the internal ratings-based method. In addition to its direct impact on the amount of impairments, this increase also results in an increase in Status 2 transfers linked to the increase in the probability of default at the balance sheet date. The impact as of June 30, 2020 is estimated at approximately €180 million;
- in accordance with the recommendations of the authorities, a lump-sum provision was made to anticipate the increase in the proven claims rate in the sectors considered to be the most vulnerable to the health crisis (tourism, gaming, leisure, hotels, restaurants, automobile industry excluding manufacturers, clothing, beverage trade, light vehicle rentals, industrial passenger transport, air carriers). The impact as of June 30, 2020 is estimated at approximately €70.5 million.

Finally, the group's financial strength enables it to cope with this unprecedented crisis situation, thanks to the level of its shareholders' equity and the resulting ratios.

1.2 Scope and methods of consolidation

Consolidating entity

The parent company of the group is Banque Fédérative du Crédit Mutuel.

Consolidation scope

The general principles governing whether an entity is included in the consolidation scope are defined by IFRS 10, IFRS 11 and IAS 28R.

Entities that are controlled or under significant influence that do not have a significant character in relation to the consolidated financial statements are excluded from the consolidation scope. This situation is assumed when the balance sheet total or the profit or loss of a company has no impact greater than 1% on the consolidated or sub-consolidated equivalent (in case of consolidation by level). This quantitative criterion is but relative; an entity may be included within the scope of consolidation regardless of this threshold when its business or its expected development afford it the status of strategic investment.

The consolidation scope comprises:

[1] They refer to:
- the March 27, 2020 IASB statement on IFRS 9 and COVID-19,
- the EBA statement on the application of the prudential framework for default, forbearance and IFRS 9 with regard to COVID-19 measures (dated March 25, 2020) and the guidance issued on legislative and non-legislative moratoria on loan repayments applied as a result of the COVID-19 pandemic (dated April 2, 2020),
- the ESMA statement on the accounting implications of the COVID-19 crisis on the calculation of expected credit losses under IFRS 9 (dated March 25, 2020).

- **controlled entities:** control is deemed to exist when the group has power over the entity, is exposed to or is entitled to variable returns from its involvement with the entity, and has the ability to use its power over the entity to affect the returns it obtains. The financial statements of controlled entities are fully consolidated;
- **entities under joint control:** joint control is the contractually-agreed sharing of control over an entity, which exists only in the case where decisions concerning key activities require the unanimous consent of the parties sharing control. Two or more parties that exercise joint control constitute a partnership, which is either a jointly-controlled operation or a joint venture:
  - a jointly-controlled operation is a partnership in which the parties exercising joint control have rights over the assets and obligations pursuant to liabilities relative to the entity: this involves recognizing the assets, liabilities, income and expenses relative to interests held in the entity,
  - a joint venture is a partnership in which the parties who exercise joint control have rights over the net assets of the entity: the joint venture is accounted for according to the equity method.

  All entities under joint control of the group are joint ventures according to the meaning of IFRS 11;
- **entities over which the group has significant influence**: these are entities that are not controlled by the consolidating entity, which may, however, participate in these entities' financial and operating policy decisions. Shareholdings in entities over which the group has significant influence are accounted for using the equity method.

Investments held by private equity companies and over which joint control or significant influence is exercised are recognized at fair value through profit or loss.

Consolidation methods

The consolidation methods used are the following:

Full consolidation

This method involves replacing the value of the shares held in the subsidiary concerned with each of the assets and liabilities of said subsidiary and showing separately the interests of non-controlling interests in equity and net profit. This is the method used for all controlled entities, including those with a different account structure, regardless of whether the business concerned is an extension of that of the consolidating entity.

Consolidation using the equity method

This method involves replacing the value of the shares held with the equity attributable to the group and net profit of the entities concerned. It is applied to all entities under joint control, classified as joint ventures or for all entities under significant influence.

Non-controlling interests

Non-controlling interests correspond to interests that do not confer control as defined by IFRS 10 and include partnership interests that entitle their holders to a share in net assets in the event of liquidation and other capital instruments issued by subsidiaries that are not held by the group.
In accordance with IAS 32, the group recognized a liability for the commitment to increase its stake in COFIDIS Participation to 100%. The counterparty was recorded as a reduction of minority interests and a reduction of the group's share for the excess amount.

Reporting date

The reporting date for all of the group's consolidated companies is December 31.

Elimination of intercompany transactions

Intercompany transactions and balances, as well as profits on intercompany sales that have a material impact on the consolidated financial statements, are eliminated.

Conversion of foreign currency accounts

Concerning the accounts of foreign entities expressed in foreign currencies, the balance sheet is converted based on the official exchange rate at the reporting date. Differences arising from exchange rate fluctuations impacting the share capital, reserves and retained earnings are recorded as a separate component of equity, under "Cumulative translation adjustments". The income statements of foreign subsidiaries are translated into euros at the average exchange rate for the fiscal year. The resulting translation differences are recorded under "Cumulative translation adjustments". On liquidation or disposal of some or all of the interests held in a foreign entity, these amounts are recognized through the income statement.

Goodwill

Fair value adjustments

On the date of acquisition of a controlling interest in a new entity, said entity's assets, liabilities and contingent operating liabilities are measured at fair value as at that date. Fair value adjustments correspond to the difference between the carrying amount and fair value.

Goodwill

In accordance with IFRS 3R, when CIC acquires a controlling interest in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at fair value as at the acquisition date, with the exception of non-current assets classified as assets held for sale (IFRS 5), which are recognized at the lower of fair value net of selling costs and their net carrying amount. Goodwill corresponds to the amount of the consideration transferred and non-controlling interests less the net amount recognized (generally at fair value) as identifiable assets acquired and liabilities assumed. IFRS 3R permits the recognition of full goodwill or partial goodwill and the choice of method is made separately for each business combination. In the case of full goodwill, non-controlling interests are measured at fair value, whereas in the case of partial goodwill, they are measured based on their share of the values attributed to the assets and liabilities of the acquired entity. If the goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under “Changes in value of goodwill”.

If the group’s stake in an entity it already controls, increases/decreases, the difference between the share acquisition cost/selling price and the portion of consolidated equity that said shares represent on the acquisition/sale date is recognized within equity.

Goodwill is presented on a separate line of the balance sheet when it relates to fully-consolidated companies, and under the heading “Investments in associates” when it relates to equity consolidated companies.

Goodwill not including direct costs related to acquisitions according to IFRS 3R is recognized in profit/loss.

Goodwill is tested for impairment regularly by the group (at least once a year). The tests are designed to identify whether the goodwill has suffered a decline in value. Goodwill from a business combination is allocated to cash generating units (CGUs) or groups of CGUs likely to benefit from the synergies generated by the business combination. The recoverable amount from a CGU or group of CGUs is the value in use or the fair value less selling costs, whichever is the highest. The value in use is measured in relation to estimated future cash flows, discounted at the interest rate that reflects the current market evaluation of the time value of money and specific risks to the asset of the CGU. If the recoverable amount of the cash-generating unit (CGU) to which the goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. These losses – which are recognized through the income statement – cannot be reversed. In practice, cash-generating units are defined on the basis of the group’s business lines.

When goodwill concerns a related company or a joint venture, it is included in the carrying amount of the value of consolidation using the equity method. In this event, it is not subject to impairment testing apart from the value of consolidation using the equity method. When the recoverable amount of this (namely the higher of the values between the value in use and the fair value less selling costs) is less than its carrying amount, a loss in value is recognized and not allocated to a specific asset. Any reversal of this impairment loss is recognized to the extent that the recoverable amount of consolidation using the equity method increases at a later date.

1.3 Accounting policies and principles

1.3.1 Financial instruments under IFRS 9

1.3.1.1 Classification and measurement of financial instruments

Under IFRS 9, the classification and measurement of financial instruments depend on the business model and contractual terms of the financial instruments.

Loans, receivables and debt securities acquired

The asset is classified:

- at amortized cost, if it is held in order to collect contractual cash flows and if its characteristics are similar to those of a “basic” contract, see the section below “Characteristics of cash flows” (hold to collect model);
- at fair value through other comprehensive income if the instrument is held with a view to collecting contractual cash flows and selling it when the opportunity arises, yet without holding it for trading, and if its characteristics are similar to those of a basic contract implicitly entailing a high predictability of associated cash flows (“hold to collect and sell” model);
- at fair value through profit or loss:
  - if it is not eligible for the two aforementioned categories (as it does not meet the “basic” criterion and/or is managed in accordance with the “other” business model, or
  - if the group initially opts to classify it as such, in an irrevocable way. This option is used to reduce accounting mismatch in relation to another associated instrument.

Cash flow characteristics

Contractual cash flows which solely represent repayments of principal and the payment of interest on outstanding principal are compatible with a “basic” contract.
In a basic contract, interest mainly represents the consideration for the time value of money (including in the event of negative interest) and credit risk. Interest may also include the liquidity risk, administrative fees to manage the asset and a profit margin.

All contractual clauses must be analyzed, in particular those that could alter the timing or amount of contractual cash flows. The option, under the agreement, for the borrower or lender to repay the financial instrument early is compatible with the SPPI (*Solely Payments of Principal and Interest)* criterion of contractual cash flows, provided that the amount repaid essentially represents the outstanding principal and accrued interest, as well as, where applicable, early repayment compensation of a reasonable amount.

The compensation for early repayment[1] is deemed reasonable if, for example:

- it is expressed as a percentage of the principal repaid and is below 10% of the nominal amount repaid; or
- it is determined according to a formula aimed at compensating the difference in the benchmark interest rate between the date on which the loan was granted and its early repayment date.

The analysis of contractual cash flows may also require their comparison with those of a reference instrument when the time value of money included in the interest is likely to change due to the contractual clauses of the instrument. Such is the case, for example, if the interest rate of the financial instrument is revised periodically, but the frequency of such revisions is unrelated to the period for which the interest rate was established (e.g. monthly revision of an annual interest rate), or if the interest rate of the financial instrument is revised periodically based on an average interest rate.

If the difference between the non-discounted contractual cash flows of the financial asset and those of the reference instrument is significant, or may become so, the financial asset cannot be considered as basic.

Depending on the case, the analysis is either qualitative or quantitative. The materiality or immateriality of the difference is assessed for each fiscal year and cumulatively over the life of the instrument. The quantitative analysis takes into account a range of reasonably possible scenarios. To this effect, the group has used yield curves going back to the year 2000.

Moreover, a specific analysis is conducted in the case of securitization where there is priority of payment among holders and credit risk concentrations in the form of tranches. In that case, the analysis requires the examination of the contractual characteristics of the tranches in which the group has invested and of the underlying financial instruments, as well as the credit risk of the tranches in relation to the credit risk of the underlying financial instruments.

Note that:

- embedded derivatives are no longer recognized separately, which means that the entire hybrid instrument is then considered as non-basic and recognized at fair value through profit or loss;
- units in UCITS or UCIs are not basic instruments and are recognized at fair value through profit or loss.

Business models

The business model represents the way in which the instruments are managed to generate cash flows and revenues. It is based on observable facts and not simply on management's intention. It is not assessed at the entity level, or on an instrument-by-instrument basis, but rather on a higher level of aggregation which reflects the way in which groups of financial assets are managed collectively. It is determined at initial recognition and may be reassessed in the event of a change in model (exceptional cases).

To determine the business model, it is necessary to consider all available information, including the following:

- how the activity's performance is reported to decision-makers;
- how managers are compensated;
- the frequency, timing and volumes of sales in previous periods;
- the reason for the sales;
- future sales forecasts;
- the way in which risk is assessed.

For the "hold-to-collect" business model, certain examples of authorized sales are explicitly set out in the standard:

- in response to an increase in credit risk;
- close to maturity and for an amount near the par amount;
- exceptional (e.g. linked to a liquidity stress).

Such "authorized" sales are not included in the analysis of the significant and frequent nature of the sales made out of a portfolio. Frequent and/or significant sales would not be compatible with this business model. Moreover, sales related to changes in the regulatory or fiscal framework will be documented on a case-by-case basis to demonstrate the "infrequent" nature of such sales.

For other sales, thresholds have been defined based on the maturity of the securities portfolio, for example 2% for an average maturity of eight years (the group does not sell its loans).

The group has mainly developed a model based on the collection of contractual cash flows from financial assets, which applies in particular to the customer financing activities.

It also manages financial assets according to a model based on the collection of contractual cash flows from financial assets and the sale of these assets, as well as a model for other financial assets, in particular financial assets held for trading.

Within the group, the "hold-to-collect-and-sell" model applies primarily to proprietary cash management and liquidity portfolio management activities.

[1] *The group has made early application of the amendment to IFRS 9 on the clauses on early repayment specifying negative compensation, adopted by the EU in March 2018.*

Financial assets held for trading consist of securities originally acquired with the intention of reselling them in the near future, as well as securities that are part of a portfolio of securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets at amortized cost

These mainly include:

- cash and cash equivalents, which comprise cash accounts, deposits, and demand loans and borrowings with central banks and credit institutions;
- other loans to credit institutions and loans to customers (granted directly, or the share in syndicated loans), not measured at fair value through profit or loss;
- a portion of the securities held by the group.

The financial assets classified in this category are initially recognized at their fair value, which is generally the net amount disbursed. The interest rates applied to loans granted are deemed to represent market rates, since they are constantly adjusted in line with the interest rates applied by the vast majority of competitor banks.

At subsequent reporting dates, the assets are measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts future cash payments or receipts over the estimated life of the financial instrument to obtain the net carrying amount of the financial asset or liability. It takes account of estimated cash flows without taking account of future losses on loans and includes commissions paid or received when these are treated as interest, as well as directly-related transaction costs and all premiums and discounts.

For securities, the amortized cost takes account of the amortization of premiums and discounts, as well as acquisition costs, if significant. Purchases and sales of securities are recognized at the settlement date.

The income received is shown in the income statement under “Interest and similar income”.

Commissions received or paid, which are directly linked to the arrangement of a loan and are treated as a component of interest, are spread over the term of the loan using the effective interest rate method and are recorded in the income statement under “Interest”.

Commissions received in connection with the commercial renegotiation of loans are also spread over the term of the loan.

The restructuring of a loan following financial difficulties by the debtor leads to novation of the contract. Following the definition of this concept by the European Banking Authority, the group included it in the information systems in order to harmonize the accounting and prudential definitions.

The fair value of assets at amortized cost is disclosed in the notes to the financial statements at the end of each reporting period. It corresponds to the net present value of future cash flows estimated using a zero-coupon yield curve that includes an issuer cost inherent to the debtor.

Financial assets at fair value through shareholders' equity

Since the group does not sell its loans, this category solely consists of securities. They are recognized at fair value in the balance sheet at the time of their acquisition, on the settlement date and at subsequent reporting dates until their disposal. Changes in fair value are shown on the “Unrealized or deferred gains and losses” line within a specific equity account, excluding accrued income. These unrealized gains or losses recognized as shareholders' equity are recognized in the income statement only in the event of disposal or impairment (see § "1.3.1.7. Derecognition of financial assets and liabilities" and "1.3.1.8. “Measurement of credit risk”).

Income accrued or received is recognized in profit or loss under “Interest and similar income”, using the effective interest method.

Financial assets at fair value through profit or loss

These assets are recognized at fair value upon their initial recognition in the balance sheet and at subsequent reporting dates until their disposal (see Section “1.3.1.7. Derecognition of financial assets and liabilities"). Changes in fair value are taken to the income statement under “Net gains/ (losses) on financial instruments at fair value through profit or loss”.

Since the 2018 fiscal year income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). Before, this interest was recognized under “Net gains/(losses) on financial instruments at fair value through profit or loss”. This change was made for the sake of consistency with the regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on the interest received and paid.

In 2019, in order to better reflect the interest income and expenses of the transaction instruments, the group also revised the recognition and presentation scheme in the net banking income of the interest income and expenses of some of these financial instruments at fair value through profit or loss and notably proceeded with the following restatements: (i) recording of interest as overall offsets on the lending and borrowing legs of transaction swaps, and (ii) reclassification of interest from hedging derivatives in the “Income and expenses from hedging derivatives” section.

Purchases and sales of securities measured at fair value through profit or loss are recognized on the settlement date. Changes in fair value between the transaction date and the settlement date are recognized in profit or loss.

Equity instruments acquired

Equity instruments acquired (shares, in particular) are classified as follows:

- at fair value through profit or loss; or

- optionally, at fair value through other non-recyclable equity at the initial recognition and in an irrevocable manner when they are not held for trading.

Financial assets at fair value through shareholders' equity

Shares and other equity instruments are recognized in the balance sheet at their fair value at the time of their acquisition and at subsequent reporting dates until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account. These unrealized or deferred gains and losses booked to equity are never recognized in the income statement, even when they are sold (see section "1.3.1.7 Derecognition of financial assets and liabilities"). Only dividends received on variable-income securities are recognized in the income statement, under "Net gains/(losses) on financial assets at fair value through equity". Purchases and sales of securities are recognized at the settlement date.

Financial assets at fair value through profit or loss

Equity instruments are recognized in the same way as debt instruments at fair value through profit or loss.

1.3.1.2 Classification and measurement of financial liabilities

Financial liabilities are classified in one of the following two categories:

Financial liabilities measured at fair value through profit or loss

- those incurred for trading purposes including, by default, derivatives with a negative fair value which do not qualify as hedging instruments; and
- non-derivative financial liabilities that the group originally classified as measured at fair value through profit or loss (fair value option). These include:
  - financial instruments containing one or more separable embedded derivatives,
  - instruments for which, were the fair value option is not applied, the accounting treatment would be inconsistent with that applied to another related instrument,
  - instruments belonging to a pool of financial instruments measured and managed at fair value.

The recognition of changes in fair value resulting from own credit risk concerning debts optionally designated at fair value through profit or loss is recognized in unrealized or deferred profit or loss in non-reclassifiable equity. The group is marginally concerned by the problem of own credit risk.

Financial liabilities at amortized cost

These consist of other non-derivative financial liabilities. These include amounts due to customers and to credit institutions, debt securities (certificates of deposit, interbank market securities, bonds, etc.), as well as dated and undated subordinated debt for which measurement at fair value through profit or loss was not opted for.

Subordinated debt is separated from other debt securities since, in the event of liquidation of the debtor's assets, it is repaid only after claims by other creditors have been extinguished. Debt securities include the non-preferred senior debt instruments created by the Sapin 2 Act.

These liabilities are initially recognized at fair value in the balance sheet. At subsequent reporting dates, they are measured at amortized cost using the effective interest rate method. The initial fair value of issued securities is their issue price less transaction costs, where applicable.

Regulated savings contracts

Amongst the liabilities at amortized cost are the comptes épargne logement (CEL – mortgage saving accounts) and plans épargne logement (PEL – mortgage saving plans), which are regulated French products accessible to customers (natural persons). In the initial savings phase, account holders receive interest on amounts paid into these accounts, which subsequently entitle them to a mortgage loan (second phase). They generate two types of obligation for the distributing establishment:

- an obligation to pay interest on paid-in amounts at a fixed rate (in the case of PEL accounts only, as interest on CEL accounts is regularly revised on the basis of an indexation formula and is therefore treated as variable-rate interest);
- an obligation to grant loans to customers under predetermined terms (both PEL and CEL).

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data. A provision is made as a liability on the balance sheet to cover future expenses relating to the potentially unfavorable conditions of these products, compared to the interest rates offered to individual customers for similar products, but which are not regulated in terms of compensation. This approach is implemented through the creation of PEL and CEL savings products that are similar in terms of their regulated conditions. The impacts on profit (loss) are recorded as interest paid to customers.

1.3.1.3 Debt-equity distinction

According to the IFRIC 2 interpretation, members' shares are shareholders' equity if the entity has an unconditional right to refuse redemption or if there are legal or statutory provisions prohibiting or significantly limiting redemption. Due to the existing statutory and legal provisions, the members' shares issued by structures composing the Crédit Mutuel group's consolidating entity are recognized in shareholders' equity.

Other financial instruments issued by the group are classified as debt instruments in the group's accounts when the group has a contractual obligation to deliver cash to holders of the instruments. Such is the case with subordinated notes issued by the group.

1.3.1.4 Foreign currency transactions

Assets and liabilities denominated in a currency other than the local currency are translated at the exchange rates prevailing on the balance sheet date.

Monetary financial assets and liabilities

Foreign currency gains and losses on the translation of such items are recognized in the income statement under "Net gains/(losses) on portfolio at fair value through profit or loss".

Non-monetary financial assets and liabilities

Foreign currency gains or losses arising from such translations are recognized in the income statement under "Net gains/(losses) at fair value through profit or loss" if measured at fair value through profit or loss, or recognized under "Unrealized or deferred capital gains/(losses)" if they are financial assets measured at fair value through other comprehensive income.

1.3.1.5 Derivatives and hedge accounting

IFRS 9 allows entities to choose, on first-time application, whether to apply the new provisions concerning hedge accounting or to retain those of IAS 39.

The group has elected to continue to apply the provisions of IAS 39. However, in accordance with IFRS 7 (revised), additional information on the management of risks and the impacts of hedge accounting on the financial statements is provided in the notes or in the management report.

Moreover, the provisions of IAS 39 concerning the fair value hedge of the interest rate risk associated with a portfolio of financial assets or financial liabilities, as adopted by the European Union, continue to apply.

Derivatives are financial instruments which have the following three characteristics:

- their value fluctuates with the change in the underlying items (interest rates, exchange rates, share prices, indices, commodities, credit ratings, etc.);
- their initial cost is low or nil;
- their settlement takes place at a future date.

The Crédit Mutuel group deals in simple derivative instruments (swaps and vanilla options), mainly of rates and classified essentially in level 2 of the value hierarchy.

All financial derivative instruments are recognized at fair value under financial assets or financial liabilities. They are recognized by default as trading instruments unless they can be classified as hedging instruments.

Determining the fair value of derivatives

Most over-the-counter derivatives, swaps, forward rate agreements, *caps*, floors and vanilla options are valued using standard, generally accepted models (discounted cash flow method, Black and Scholes model or interpolation techniques), based on observable market data such as yield curves. The valuations given by these models are adjusted to take into account the liquidity risk and the credit risk associated with the instrument or parameter concerned and specific risk premiums intended to offset any additional costs resulting from a dynamic management strategy associated with the model in certain market conditions, as well as the counterparty risk captured by the positive fair value of over-the-counter derivatives. The latter includes the own counterparty risk present in the negative fair value of over-the-counter derivatives.

When establishing valuation adjustments, each risk factor is considered individually and no effect of diversification between risks, parameters or models of a different nature are taken into account. A portfolio approach is most often used for a given risk factor.

Derivatives are recognized as financial assets when their market value is positive and as financial liabilities when their market value is negative.

Classification of derivatives and hedge accounting

Derivatives classified as financial assets or financial liabilities at fair value through profit or loss

By default, all derivatives not designated as hedging instruments under IFRS are classified as "Financial assets or financial liabilities at fair value through profit or loss", even if they were contracted for the purpose of hedging one or more risks.

- Embedded derivatives

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, meets the definition criteria for a derivative. It has the effect, notably, of changing certain cash flows in the same way as a stand-alone derivative.

The derivative is detached from the host contract and recognized separately as a derivative instrument at fair value through profit or loss only if all of the following conditions are satisfied:

- it meets the definition criteria of a derivative;
- the hybrid instrument hosting the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics of the derivative and the associated risks are not considered as being closely related to those of the host contract;

- separate measurement of the embedded derivative is sufficiently reliable to provide relevant information.

For financial instruments under IFRS 9, only those derivatives embedded in financial liabilities may be detached from the host contract for separate recognition.

- Recognition

Realized and unrealized gains and losses are recognized in the income statement under "Net gains/(losses) on financial instruments at fair value through profit or loss".

Hedge accounting

- Risks hedged

In its accounts, the group only recognizes interest rate risk through micro-hedging or on a broader scope through macro-hedging.

Micro-hedging is partial hedging of the risks incurred by an entity on its assets and liabilities. It specifically applies to one or more assets or liabilities for which the entity covers the risk of an unfavorable change in a type of risk, through derivatives.

Macro-hedging aims to cover all of the group's assets and liabilities against any unfavorable changes, particularly in interest rates.

The overall management of the interest rate risk is described in the management report, along with the management of all other risks (foreign exchange, credit, etc.) that may be hedged through the natural backing of assets to liabilities or the recognition of trading derivatives.

Micro-hedging is particularly done through asset swaps, usually in the aim of transforming fixed-rate instruments into variable-rate instruments.

Three types of hedging relationship are possible. The choice of the hedging relationship depends on the nature of the risk being hedged.

- A fair value hedge hedges the exposure to changes in the fair value of financial assets or financial liabilities.
- A cash flow hedge is a hedge of the exposure to variability in cash flows relating to financial assets or financial liabilities, firm commitments or forward transactions.
- The hedging of net investments in foreign currencies is recognized in the same way as cash flow hedging. The group has not used this form of hedging.

Hedging derivatives must meet the criteria stipulated by IAS 39 to be designated as hedging instruments for accounting purposes. In particular:

- the hedging instrument and the hedged item must both qualify for hedge accounting;
- the relationship between the hedged item and the hedging instrument must be documented formally immediately upon inception of the hedging relationship. This documentation sets outs the risk management objectives determined by management, the nature of the risk hedged, the underlying strategy, and the methods used to measure the effectiveness of the hedge;
- the effectiveness of the edge must be demonstrated upon inception of the hedging relationship, subsequently throughout its life, and at the very least at each balance sheet date. The ratio of the change in value or gain/loss on the hedging instrument to that of the hedged item must be within a range of 80% to 125%.

Where applicable, hedge accounting is discontinued prospectively.

- Fair value hedge of identified financial assets or liabilities

In a fair value hedging relationship, derivatives are remeasured at fair value through profit or loss under "Net gains/(losses) on financial instruments at fair value through profit or loss" symmetrically with the remeasurement of the hedged items to reflect the hedged risk. This rule also applies if the hedged item is recognized at amortized cost or is a debt instrument classified under "Financial assets at fair value through equity". Changes in the fair value of the hedging instrument and the hedged risk component offset each other partially or totally; only the ineffective portion of the hedge is recognized in profit or loss. It may be due to:

- the "counterparty risk" component integrated in the value of the derivatives;
- the different value curve between the hedged items and hedging instruments. Indeed, swaps *are* valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve.

The portion corresponding to the rediscounting of the derivative financial instrument is recognized in the income statement under "Interest income/(expense)". The same treatment is applied to the interest income or expense relating to the hedged item.

If the hedging relationship is interrupted or the effectiveness criteria are not met, hedge accounting is discontinued on a prospective basis. The hedging derivatives are transferred to "Financial assets or financial liabilities at fair value through profit or loss" and are accounted for in accordance with the principles applicable to this category. The carrying amount of the hedged item is subsequently no longer adjusted to reflect changes in fair value. In the case of interest rate instruments initially identified as hedged, the remeasurement adjustment is amortized over their remaining life. If the hedged item has been derecognized in the balance sheet, due notably to early repayment, the cumulative adjustments are recognized immediately in the income statement.

- Macro-hedging derivatives

The group has availed itself of the possibilities offered by the European Commission as regards accounting for macro-hedging transactions. In fact, the changes made by the European Union to IAS 39 (carve*-out*) allow the inclusion of customer demand deposits in portfolios of hedged fixed-rate liabilities with no measurement of ineffectiveness in case of under-hedging. Demand deposits are included based on the run-off rules defined for asset-liability management purposes.

For each portfolio of fixed-rate financial assets or liabilities, the maturity schedule of the hedging derivatives is reconciled with that of the hedged items to ensure that there is no over-hedging.

The accounting treatment of fair value macro-hedging derivatives is similar to that used for fair value hedging derivatives.

Changes in the fair value of the hedged portfolios are recorded in the balance sheet under "Remeasurement adjustment on interest-rate hedged portfolios", the counterpart being an income statement line item.

- Cash flow hedges

In the case of a cash flow hedging relationship, derivatives are remeasured at fair value in the balance sheet, with the effective portion recognized in equity. The portion considered as ineffective is recognized in the income statement under "Net gains/(losses) on financial instruments at fair value through profit or loss".

Amounts recognized in equity are reclassified to profit or loss under "Interest income/(expense)" at the same time as the cash flows attributable to the hedged item affect profit or loss.

The hedged items continue to be recognized in accordance with the rules specific to their accounting category. If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued. The cumulative amounts recorded in shareholders' equity for the remeasurement of the hedging derivative are maintained in shareholders' equity until such time as the hedged transaction itself impacts profit or loss or until the transaction is no longer expected to occur. At this point, said amounts are transferred to profit or loss.

If the hedged item no longer exists, the cumulative amounts recorded in equity are immediately transferred to profit or loss.

- Benchmark rate reform

The reform of IBOR rates forms part of the response to the weaknesses found in methodologies for the construction of indices and interbank rates, these being based on the declared data of banks and on a volume of underlying transactions that is significantly down.

In Europe, it is expressed by the "BMR" Benchmark regulation published in 2016 and applicable from the beginning of 2018. The major element of this reform is based on a calculation of rates based on actual transactions, to secure and improve the reliability of the indices used by the market.

The indices created from January 1, 2018 should now be compliant with the BMR regulation and be validated by the regulator. The existing indices may continue to be used until December 31, 2021. Eventually, it will no longer be possible to use the former benchmark indices (LIBOR, EONIA, EURIBOR, etc.) unless they are compliant with the new regulations.

In order to ensure a smooth transition, the group has listed the impacts in the legal, commercial, organizational, tools and financial/accounting areas. It therefore began the work in project mode from the first quarter of 2019.

Concerning the accounting aspects, the group monitors all of the IASB's work on the effects of the reform of benchmark rates. Stakeholders were informed of the relaxation measures proposed in the Phase 2 exposure draft published in April 2020.

Since January 1, 2019, the group has applied the Phase 1 amendment to IAS 39, IFRS 9 and IFRS 7, published by the IASB, meaning that existing hedging relationships could be maintained during this exceptional and temporary situation and until the uncertainty created by the reform of IBOR rates is resolved concerning the choice of a new index and the effective date of this change.

The group considers that uncertainty remains on the EONIA rate (date of switchover to the €STER not known), on the EURIBOR rate (in the absence of contractual modifications of indexed financial instruments, including the fallback clause) and on the LIBOR rate (uncertainties on replacement rates).

1.3.1.6 Financial guarantees and financing commitments

Financial guarantees are treated like an insurance policy when they provide for specified payments to be made to reimburse the holder for a loss incurred because a specified debtor fails to make payment on a debt instrument on the due date.

In accordance with IFRS 4, such financial guarantees continue to be measured using French accounting standards, i.e. they are treated as off-balance sheet items, until such time as the current standards are revised. Accordingly, they are subject to a provision for liabilities if an outflow of resources is likely.

By contrast, financial guarantees that provide for payments in response to changes in a financial variable (price, credit rating, index, etc.) or a non-financial variable (provided that this variable is not specific to one of the parties to the agreement) fall within the scope of IFRS 9. These guarantees are thus treated as derivatives.

Financing commitments that are not considered as derivatives within the meaning of IFRS 9 are not shown on the balance sheet. However, they give rise to provisions in accordance with the requirements of IFRS 9.

1.3.1.7 Derecognition of financial assets and liabilities

The group partly or fully derecognizes a financial asset (or a group of similar assets) when the contractual rights to the asset's cash flows expire (in the case of commercial renegotiation), or when the group has transferred the contractual rights to the financial asset's cash flows, as well as most of the risks and advantages linked with ownership of the asset.

Upon derecognition of:

- a financial asset or liability at amortized cost or at fair value through profit or loss: a gain or loss on disposal is recognized in the income statement in an amount equal to the difference between the carrying amount of the asset or liability and the amount of the consideration received/paid;
- a debt instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under equity are taken to the income statement, as well as any capital gains/losses on disposal;
- an equity instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under other comprehensive income, as well as any capital gains/losses on disposal are recognized in consolidated reserves without going through the income statement.

The group derecognizes a financial liability when the contractual obligation is extinguished, is canceled or expires. A financial liability may also be derecognized in the event of a material change in its contractual terms and conditions, or an exchange with the lender for an instrument whose contractual terms and conditions are substantially different.

1.3.1.8 Measurement of credit risk

The IFRS 9 impairment model is based on an "expected loss" approach while that of IAS 39 was based on an "incurred credit losses", for which the accounting of credit losses at the time of the financial crisis was considered too little too late.

Under the IFRS 9 model, financial assets for which no objective evidence of impairment exists on an individual basis are impaired on the basis of observed losses as well as reasonable and justifiable future cash flow forecasts.

The IFRS 9 impairment model thus applies to all debt instruments measured at amortized cost or at fair value through equity, as well as to financing commitments and financial guarantees. These are divided into three categories:

- status 1 – non-downgraded performing loans: provisioning on the basis of 12-month expected credit losses (resulting from default risks over the following 12 months) as from initial recognition of the financial assets, provided that the credit risk has not increased significantly since initial recognition;
- status 2 – downgraded performing loans: provisioning on the basis of the lifetime expected credit losses (resulting from default risks over the entire remaining life of the instrument) if the credit risk has increased significantly since initial recognition; and
- status 3 – non-performing receivables: category comprising the financial assets for which there is objective evidence of impairment related to an event that has occurred since the loan was granted. The scope of this category is the same as that for loans impaired individually under IAS 39.

For Statuses 1 and 2, the basis of calculation of interest income is the gross value of the asset before impairment while, for Status 3, it is the net value after impairment.

Governance

The models for compartment allocation, forward-looking scenarios and parameter calculation methods constitute the methodological basis for impairment calculations. They are validated at the group's top level and are applicable to all entities according to the portfolios involved. The entire methodological base and any subsequent modification in terms of method, weighting of the scenarios, parameter calculation or provision calculation must be validated by the Crédit Mutuel group's governance bodies.

These bodies consist of the Supervisory and Executive Board as defined by Article 10 of the French Decree of November 3, 2014 relative to internal control. Given the specificities of the Crédit Mutuel group's decentralized organizational structure, the supervisory and Management body are divided into two levels – the national level and the regional level.

The principle of subsidiarity, applied across the Crédit Mutuel group, governs the breakdown of roles between national and regional levels, both on a project basis and for the ongoing implementation of the asset impairment calculation methodology.

- at the national level, the Basel III Working group approves the national procedures, models and methodologies to be applied by the regional groups;
- at the regional level, regional groups are tasked with the calculation of the IRFS 9 provisions within their entities, under the responsibility and control of their respective executive and supervisory bodies.

Definition of the boundary between Status 1 and Status 2

The group uses the models developed for prudential purposes and has therefore applied a similar breakdown of its outstanding loans:

- low default portfolios (LDP), for which the rating model is based on an expert assessment: large accounts, banks, local governments, sovereigns, specialized financing. These portfolios are composed of products such as operating loans, short-term operating loans, current accounts;
- high default portfolios (HDP) for which the default data is sufficient to establish a statistical rating model: mass corporate and retail. These portfolios include products such as home loans, consumer credit, revolving loans, current accounts,

A significant increase in credit risk, which entails transferring a loan out of Status 1 into Status 2, is assessed by:

- taking into account all reasonable and justifiable information; and

- comparing the risk of default on the financial instrument at the reporting date with the risk of default at the initial recognition date.

For the group, this involves measuring the risk at the level of the borrower, where the counterparty rating system is common to the entire group. All of the group's counterparties eligible for internal approaches are rated by the system. This system is based on:

- statistical algorithms or "mass ratings" based on one or more models, using a selection of representative and predictive risk variables (HDP); or
- rating grids developed by experts (LDPs).

The change in risk since initial recognition is measured on a contract-by-contract basis. Unlike Status 3, transferring a customer's contract into Status 2 does not entail transferring all of the customer's outstanding loans or those of related parties (absence of contagion).

Note that the group immediately puts into Status 1 any performing exposure that no longer meets the criteria for Status 2 classification (both qualitative and quantitative).

The group has demonstrated that a significant correlation exists between the probabilities of default at 12 months and at termination, which allows it to use 12-month credit risk as a reasonable approximation of the change in risk since initial recognition, as the standard permits.

Quantitative criteria

For LDP portfolios, the boundary is based on an allocation matrix that relates the internal ratings at origination and at the reporting date. Thus, the riskier the rating at origination, the lower the group's relative tolerance to a significant risk deterioration.

For HDP portfolios, a continuous and growing boundary curve relates the probability of default at origination and the probability of default at the reporting date. The group does not use the operational simplification offered by the standard, which allows outstanding loans with low risk at the reporting date to be maintained in Status 1.

Qualitative criteria

To these quantitative criteria the group adds qualitative ones such as installments unpaid or late by more than 30 days, the fact that a loan has been restructured, etc.

Methods based exclusively on qualitative criteria are used for entities or small portfolios that are classified for prudential purposes under the standardized approach and do not have a rating system.

Statuses 1 and 2 – Calculating expected credit losses

Expected credit losses are measured by multiplying the outstanding amount of the loan at the contract rate by its probability of default (PD) and by the loss given default (LGD). The off-balance-sheet exposure is converted into a balance sheet equivalent based on the probability of a drawdown. The one-year probability of default is used for Status 1, while the probability of default at termination (1 to 10 year curve) is used for Status 2.

These parameters are based on the same values as prudential models and adapted to meet IFRS 9 requirements. They are used both for assigning loans to a status and for calculating expected losses.

Probability of default

This is based:

- for high default portfolios, on the models approved under the IRB-A approach;
- for low default portfolios, on an external probability of default scale based on a history dating back to 1981.

Loss given default

This is based:

- for high default portfolios, on the collection flows observed over a long period of time, discounted at the interest rates of the contracts, segmented according to types of products and types of guarantees;
- for low default portfolios, on fixed ratios (60% for sovereign and 40% for the rest).

Conversion factors

For all products, including revolving loans, they are used to convert off-balance-sheet exposure to a balance sheet equivalent and are mainly based on prudential models.

Forward-looking aspect

To calculate expected credit losses, the standard requires taking reasonable and justifiable information into account, including forward-looking information. The development of the forward-looking aspect requires anticipating changes in the economy and relating these anticipated changes to the risk parameters. This forward-looking aspect is determined at the group level and applies to all the parameters.

For high default portfolios, the forward-looking aspect included in the probability of default takes into account three *scenarios* (optimistic, neutral or pessimistic), which will be weighted based on the group's view of changes in the economic cycle over five years. The group mainly relies on macroeconomic data (GDP, unemployment rate, inflation rate, short-term and long-term interest rates, etc.) available from the OECD.

The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

- they are recent, meaning they occurred a few weeks before the reporting date;
- they cannot be included in a scenario: for example, regulatory changes that will certainly have a significant effect on the risk parameters and whose impact can be measured by making certain assumptions.

The forward-looking dimension over different time horizons other than one year will largely be a function of the one-year dimension.

The forward-looking aspect is also included in the LGD by incorporating information observed over a period close to current conditions.

For low default portfolios, forward-looking information is incorporated into large corporates/bank models, and not into local governments, sovereigns and specialized financing models. The approach is similar to that used for high default portfolios.

Status 3 – Non-performing loans

An impairment is recorded when there is objective proof, as a result of an event occurring after a loan or group of loans has been granted, that it is likely to generate a loss. The impairment is equal to the difference between the carrying amount and the estimated future cash flows, allowing for collateral or other guarantees, present-discounted at the interest rate of the original loan. In the event of a variable rate, it is the most recent contractual rate that is booked.

Since November 2019, the Crédit Mutuel group has been applying the new definition of prudential default in accordance with the guidelines of the EBA and with the technical standards for the regulations on the concepts of the applicable materiality thresholds.

The main developments related to the implementation of this new definition are the following:

- the analysis of default is now done during daily processing at the level of the borrower and no longer at the level of the contract;
- the number of days of delay is assessed at the level of a borrower (obligor) or a group of borrowers (joint obligor) having a common commitment;
- default is triggered when 90 consecutive days of arrears are recorded by a borrower/group of borrowers. The count of the number of days begins at the simultaneous crossing of the absolute materiality threshold (€100 Retail, €500 Corporate) and the relative materiality threshold (more than 1% of balance sheet commitments in arrears). The borrower arrears are reinitialized as soon as one of these two thresholds are crossed in a downwards direction;
- the default contagion scope extends to all receivables of the borrower, and all individual commitments of borrowers participating in a joint credit obligation;
- there is a minimum three-month probationary period before non-restructured assets can return to healthy status.

The Crédit Mutuel group has chosen to use the new definition of default on the IRB entities according to the two-step approach proposed by the EBA:

- Step 1 – Consists of submitting a self-assessment and request for authorization from the supervisor. Authorization for use was obtained by the group in October 2019;
- Step 2 – Consists of implementing the new definition of default within systems and then, where necessary, recalibrating models after a 12-month period of observing the new defaults.

The group believes that the new definition of default, as required by the EBA, is representative of objective proof of impairment in an accounting sense of the word. The group has aligned its definitions of accounting (Status 3) and prudential default. This change constitutes a change of estimation, for which the non-material impact is booked to profit (loss) during the period of the change.

Initially impaired financial assets

These are contracts for which the counterparty is non-performing on the date of initial recognition or acquisition. If the borrower is non-performing at the reporting date, the contracts are classified into Status 3; otherwise, they are classified as performing loans, identified in an "originated credit-impaired assets" category, and provisioned based on the same method used for exposures in Status 2, i.e. an expected loss over the residual maturity of the contract.

Recognition

Impairment charges and provisions are recorded in "Net provision allocations/reversals for loan losses". Reversals of impairment charges and provisions are recorded in "Net provision allocations/reversals for loan losses" for the portion relating to the change in risk and in "Net interest" for the portion relating to the passage of time. For loans and receivables, impairment is deducted from assets, and for financing and guarantee commitments, the provision is recorded in liabilities under "Provisions" (see section "1.3.1.6 Financial guarantees and financing commitments" and "1.3.3.2. "Provisions"). For assets at fair value through equity, the impairment recognized in the cost of risk is offset under "Unrealized or deferred gains and losses".

Loan losses are written off and the corresponding impairments and provisions are reversed.

1.3.1.9 Determination of fair value of financial instruments

Fair value is the amount for which an asset could be sold, or a liability transferred, between knowledgeable willing parties in an arm's length transaction.

The fair value of an instrument upon initial recognition is generally its transaction price.

The fair value must be calculated for subsequent measurements. The calculation method to be applied varies depending on whether the instrument is traded on a market deemed to be active or not.

Financial instruments traded in an active market

When financial instruments are traded in an active market, fair value is determined by reference to their quoted price as this represents the best possible estimate of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available (from a stock exchange, dealer, broker or pricing service) and those prices represent actual market transactions regularly occurring on an arm's length basis.

Financial instruments not traded in an active market

Observable market data are used provided they reflect the reality of a transaction at arm's length on the valuation date and there is no need to make an excessive adjustment to said value. In other cases, the group uses non-observable data (mark-to-model).

When observable data is not available or when market price adjustments require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, comprising adjustments linked to the risks the market would factor in. Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions.

When establishing valuation adjustments, each risk factor is considered individually and no effect of diversification between risks, parameters or models of a different nature are taken into account. A portfolio approach is most often used for a given risk factor.

In all cases, adjustments are made by the group in a reasonable and appropriate manner, based on judgment.

Fair value hierarchy

A three-level hierarchy is used for fair value measurement of financial instruments:

- level 1: prices listed on active markets for identical assets or liabilities. This applies in particular to debt securities listed by at least three contributors and derivatives listed on an organized market;
- level 2: data other than the level 1 quoted prices, which are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. data derived from prices). Included, in particular, in level 2 are interest rate swaps whose fair value is generally determined with the help of yield curves based on market interest rates observed at the end of the reporting period;
- level 3: data relating to the asset or liability that are not observable market data (non-observable data). The main constituents of this category are investments in non-consolidated companies held in venture capital entities or otherwise and, in the capital markets activities, debt securities quoted by a single contributor and derivatives using mainly non-observable parameters. The instrument is classified at the same hierarchical level as the lowest level of the input having an important bearing on fair value considered as a whole. Given the diversity and volume of the instruments measured at level 3, the sensitivity of the fair value to a change in parameters would be immaterial.

1.3.2 Insurance business line

The insurance departments falling within the Conglomerate Directive benefit from the deferred application of IFRS 9 until 2022, as scheduled by the amendment to IFRS 4 adopted by the European Union. As such, their financial instruments remain valued and recognized in accordance with IAS 39. In terms of presentation, the group chose to adopt an "IFRS audit" approach that allows all financial instruments under IAS 39 to be grouped together under the dedicated asset or liability items rather than by applying ANC recommendation 2017-02 strictly speaking, which entails the presentation of instruments under certain items pursuant to IAS 39 and IFRS 9. Thus, all the financial instruments of the insurance departments are grouped in assets under "Investments in insurance business and shares of reinsurers in technical provisions", and in liabilities under "Liabilities related to insurance business policies", also including technical provisions. Investment property is also affected by the reclassification. The impact in the income statement of financial instruments and technical provisions is included under "Net income from insurance activities". Other assets/liabilities and income statement items are included under the "banking insurance" joint entries. Where relevant, the disclosures required by IFRS 7 are given separately for the insurance business lines.

In accordance with the adoption regulation of November 3, 2017, the group ensures there is no transfer of financial instruments with a derecognition effect, between the insurance and other sectors of the conglomerate, other than those recognized at fair value through profit or loss in both sectors.

The accounting principles and valuation rules specific to assets and liabilities generated by the issue of insurance policies are drafted in accordance with IFRS 4. This also applies to reinsurance contracts issued or subscribed, and to financial contracts incorporating a discretionary profit-sharing clause.

Except in the cases outlined above, the other assets held and liabilities issued by the insurance companies follow the rules common to all the group's assets and liabilities.

1.3.2.1 Insurance business line – Financial instruments

Under IAS 39, insurers' financial instruments may be classified in one of the following categories:

- financial assets/liabilities at fair value through profit or loss;
- available-for-sale financial assets;
- held-to-maturity financial assets;
- loans and receivables;
- financial liabilities at amortized cost.

They are grouped in assets under "Investments in insurance business and shares of reinsurers in technical provisions", and in liabilities under "Liabilities related to insurance business policies".

The classification in one or other of these categories reflects the management intention and determines the recognition rules for instruments.

The fair value of these instruments follows the general principles outlined in section 1.3.1.9.

Financial assets and liabilities at fair value through profit or loss

Classification criteria

The classification of instruments in this category is a result either of a genuine intention to trade, or the use of the fair value option.

a) Instruments held for trading:

Held-for-trading securities consist of securities originally acquired with the intention of reselling them in the near future, as well as securities that are part of a portfolio of securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

b) Instruments at fair value on option:

Financial instruments may be classified by choice, from the outset and on an irrevocable basis, at fair value through profit or loss in the following circumstances:

a. financial instruments containing one or more separable embedded derivatives;
b. instruments for which the accounting treatment would be inconsistent with that applied to another related instrument, were the fair value option not applied;
c. instruments belonging to a pool of financial assets measured and managed at fair value.

This option is specifically used in connection with unit-linked contracts for insurance activities, to ensure consistency with the treatment of liabilities.

Basis of valuation and recognition of income and expenses

Assets classified as "*Assets at fair value through profit* or loss" are recognized when they are entered on the balance sheet at their fair value, and at subsequent closing dates, until disposal. Changes in fair value and the income received or accrued on these assets are recognized on the income statement under "Net income from insurance activities".

Available-for-sale financial assets

Classification criteria

Available-for-sale financial assets include those financial assets not classified as "*loans and receivables*", or "*financial assets held-to-maturity*" *or "fair* value through *profit or loss*".

Basis of valuation and recognition of income and expenses

They are recognized on the balance sheet at their fair value at the time of their acquisition, and at subsequent reporting dates, until their disposal. Changes in fair value are shown on the "*Unrealized or deferred gains and losses*" line within a specific equity account, excluding accrued income. These unrealized gains or losses in shareholders' equity are only recognized on the income statement in the event of disposal or sustainable impairment. On disposal, these unrealized gains or losses previously recognized in shareholders' equity are recognized in the income statement, along with capital gains and losses on disposal.

Income accrued or acquired from fixed-income securities is recognized in profit or loss, using the effective interest rate method. They are presented in "Net income from insurance activities", along with dividends received on variable-income securities.

Credit risk and impairment

a) Sustainable impairment, specific to shares and other capital instruments

Impairment is recognized on variable-income available-for-sale financial assets in the event of a prolonged or significant fall in fair value, compared to cost.

In the case of variable-income securities, the group considers that a fall in the security's value of at least 50% compared to its acquisition cost or over a period of more than 36 consecutive months shall result in an impairment. The analysis is carried out on a line-by-line basis. Judgment is also used when reviewing those securities that do not meet the above criteria, but for which Management believes the recoverability of the amount invested may not reasonably be expected in the near future. The loss is recognized in income under "Net income from insurance activities".

Any subsequent fall is also recognized on the income statement.

Long-term impairment losses on shares or other capital instruments posted in income are irreversible as long as the instrument appears on the balance sheet. In the event of subsequent appreciation, this will be recognized in shareholders' equity under "*unrealized or deferred gains or losses*".

b) Impairment due to credit risk

Impairment losses on fixed-income available-for-sale financial assets (specifically bonds) are recognized under "*Cost of risk*". In fact, only the existence of credit risk may lead to the impairment of these fixed-income instruments, since impairment in the event of loss due to a simple rate increase is not permitted. In the event of impairment, all combined unrealized losses in shareholders' equity must be recognized in profit or loss. These impairments are reversible; any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "*Cost of risk*", in case of improvement of the issuer's credit situation.

Held-to-maturity financial assets

Classification criteria

This category includes determinable or fixed-income securities with a maturity date that the entity intends and is able to hold until maturity.

Any interest-rate hedging operations performed on this category of securities are not eligible for hedge accounting as set out in IAS 39.

Furthermore, the possibilities to dispose of or transfer securities of this portfolio are extremely limited, given the provisions of IAS 39, on pain of downgrading the entire portfolio at group level in the "available-for-sale financial assets" category, and forbidding access to this category for two years.

Basis of valuation and recognition of income and expenses

Securities classified in this category are initially recognized at fair value, then valued at amortized cost according to the effective interest rate method, which incorporates amortization of premiums and discounts, as well as acquisition expenses, if these are material.

Income received on these securities is given in "Net income from insurance activities" on the income statement.

Credit risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). An analysis is performed at each closing, on a security-by-security basis. Impairment is assessed by comparing the carrying amount and the present value at the original interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "*Cost of risk*". Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "*Cost of risk*".

Loans and receivables

Classification criteria

Loans and receivables are determinable or fixed-income financial assets not quoted on an active market and not intended for sale upon acquisition or grant. They are recognized at their fair value when they initially appear on the balance sheet which is generally the net amount disbursed. These outstandings are then valued on subsequent closing dates at amortized cost using the effective interest-rate method (except for those recognized using the fair value option method).

Credit risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). Impairment is assessed by comparing the carrying amount and the present value at the effective interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "*Cost of risk*". Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "*Cost of risk*".

Financial liabilities at amortized cost

These include amounts due to customers and to credit institutions, debt securities (certificates of deposit, interbank market securities, bonds, etc.), as well as dated and undated subordinated debt for which measurement at fair value through profit or loss was not opted for.

These liabilities are initially recognized at fair value in the balance sheet. At subsequent reporting dates, they are measured at amortized cost using the effective interest rate method. The initial fair value of issued securities is their issue price less transaction costs, where applicable.

1.3.2.2 Insurance business line – Non-financial assets

Investment property and fixed assets follow the accounting methods outlined elsewhere.

1.3.2.3 Insurance business line – Non-financial liabilities

Insurance liabilities, representing commitments to subscribers and beneficiaries, are included under "technical provisions of insurance policies". They remain valued, recognized and consolidated according to French standards.

The technical provisions of life insurance policies consist primarily of mathematical provisions, which generally correspond to the redemption values of the contracts. The risks covered are primarily death, disability and incapacity for work (for borrower insurance).

Technical provisions for unit-linked contracts are valued on the reporting date based on the realizable value of the assets used to support these contracts.

Provisions for non-life insurance contracts correspond to unearned premiums (portion of premiums issued relating to subsequent fiscal years) and to claims payable.

Those insurance contracts benefiting from a discretionary profit-sharing clause are subject to "shadow accounting". The resulting deferred profit-sharing provision represents the portion of asset capital gains and losses, which accrues to the insured parties. These provisions for deferred profit-sharing appear as liabilities or assets, by legal entity and without offset between entities within the scope of consolidation. On the asset side, they appear as a separate item.

At the reporting date, a liability adequacy test recognized on these contracts (net of other related assets or liabilities, such as deferred acquisition costs and portfolio securities acquired) is conducted: the recognized liability is audited to ensure it is sufficient to hedge the estimated future cash flows on that date. Any shortfall in the technical provisions is recognized in profit or loss for the period (and may subsequently be reversed if necessary).

1.3.3 Non-financial instruments

1.3.3.1 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Ownership may or may not eventually be transferred.

An operating lease is any lease that is not a finance lease.

Finance lease transactions – Lessor

In accordance with IFRS 16, finance lease transactions with non-group companies are reported in the consolidated balance sheet at their financial accounting amount. Finance lease transactions transfer substantially all the risks and rewards incidental to ownership of the leased asset to lessees.

Thus, the analysis of the economic substance of the transaction results in:

- the leased asset exiting the balance sheet;
- the recognition of a receivable in "Financial assets at amortized cost", for a present value, at the implicit contract rates, of the rental payments to be received under the finance lease contract, increased by any residual value not guaranteed returning to the lessor;
- the recognition of deferred taxes pursuant to the time differences existing throughout the life of the finance lease transaction;
- the recognition as net interest margin, of net revenue from the lease, this being representative of the constant periodic rate of return on the amounts outstanding.

Credit risk related to financial receivables is measured and recognized under IFRS 9 (see section "1.3.1.8 Measurement of credit risk").

Finance lease transactions – Lessee

In accordance with IFRS 16, fixed assets are recorded on the balance sheet to offset a liability in "other liabilities". Lease payments are broken down between interest expense and repayment of principal.

1.3.3.2 Provisions

Provisions and reversals of provisions are classified by type under the corresponding item of income or expenditure.

A provision is recognized whenever it is probable that an outflow of resources representing economic benefits will be necessary to extinguish an obligation arising from a past event and when the amount of the obligation can be estimated accurately. Where applicable, the net present value of this obligation is calculated to determine the amount of the provision to be set aside.

The provisions constituted by the group cover, in particular:

- operating risks;
- social commitments;
- execution risk on signature commitments;
- litigation risk and guarantee commitments given;
- tax risks;
- risks related to mortgage saving agreements.

1.3.3.3 Employee benefits

Where applicable, provisions in respect of employee obligations are recognized under "Provisions". Any movements in this provision are recognized in the income statement under "Employee benefits expense" except for the portion resulting from actuarial gains/(losses), which is recognized in unrealized or deferred gains and losses, under equity.

Post-employment benefits under a defined benefit plan

These comprise the pension plans, early pension plans, and supplementary pension plans under which the group has a formal or implicit obligation to provide employees with predefined benefits.

These obligations are calculated using the projected unit credit method, which involves allocating entitlement to benefits to periods of service by applying the contractual formula for calculating plan benefits. Such entitlements are then discounted using demographic and financial assumptions such as:

- a discount rate, determined by reference to the long-term rate on private-sector borrowings consistent with the term of the commitments;
- the rate of increase in wages, assessed according to age group, manager/non-manager position and regional characteristics;
- inflation rates, estimated by comparing French treasury bond rates and inflation-linked French treasury bond rates at different maturities;
- staff turnover rates, determined by age bracket, using the three-year average for the ratio of resignations and dismissals relative to the year-end number of employees under permanent contracts;
- retirement age: estimated on a case-by-case basis using the actual or estimated date of commencement of full-time employment and the assumptions set out in the law reforming pensions, with a ceiling set at 67 years of age;
- mortality according to the INSEE TH/TF 00-02 table.

Differences arising from changes in these assumptions and from differences between previous assumptions and actual experience constitute actuarial gains or losses. When the plan has assets, these are valued at fair value and their expected return impact profit (loss). Differences between actual and expected yields also constitute actuarial gains or losses.

Actuarial gains and losses are recognized in equity, within unrealized or deferred gains and losses. Curtailments and settlements of the plan produce a change in the commitment, which is recognized in the profit (loss) for the period.

Supplementary pensions within the pension funds

The AFB transitional agreement dated September 13, 1993, modified the pension plans of banking institutions. Since January 1, 1994, banks affiliate with the national plans, Arrco and Agirc. The four pension funds to which the group's banks contributed were merged. They pay the various benefits covered by the transitional agreement. In the event that fund assets are not sufficient to cover these benefit obligations, the banks are required to make additional contributions. The average contribution rate for the next ten years is capped at 4% of the payroll. The pension fund resulting from the mergers was converted into an IGRS (a French supplementary pension management institution) in 2009. It does not have an asset shortfall.

Other post-employment benefits under a defined benefit plan

Retirement benefits and supplementary pensions, including special schemes, are provisioned. They are assessed on the basis of the rights acquired for all active employees, based in particular on the turnover rate of the staff specific to the consolidated entities and the estimated future salary that the beneficiary will earn upon retirement plus social security contributions, where applicable. In France, retirement benefits in the banking network in France are at least 60% covered by insurance from ACM Vie – an insurance company which is part of the Crédit Mutuel group and is fully consolidated.

Post-employment benefits under a defined contribution plan

Group entities contribute to various retirement plans managed by independent organizations, to which they have no formal or implicit obligation to make supplementary payments in the event, notably, that the fund's assets are insufficient to meet its commitments.

Since such plans do not represent a commitment for the group they are not subject to a provision. Expenses are recognized in the fiscal year in which the contribution must be paid.

Long-term benefits

These represent benefits other than post-employment benefits and termination benefits expected to be paid more than 12 months after the end of the fiscal year in which the staff rendered the corresponding service. They include, for example, long service awards.

The group's commitment in respect of other long-term benefits is quantified using the projected unit credit method. However, actuarial gains and losses are recognized immediately in profit or loss.

Commitments for long service awards are sometimes covered by insurance policies. Only the unhedged portion of this commitment is subject to a provision.

Supplemental pension plan for employees

In addition to the mandatory pension plans, the employees of the entities covered by the group collective agreement also benefit from a supplementary defined contribution pension plan provided by ACM VIE SA.

Termination benefits

These are benefits granted by the group when an employment contract is terminated before the usual retirement age or following the employee's decision to leave the group voluntarily in exchange for an indemnity. The related provisions are discounted if payment is expected to take place more than 12 months after the reporting date.

Short-term benefits

These are benefits, other than termination benefits, payable within 12 months following the reporting date. They include salaries, social security contributions and certain bonuses.

An expense is recognized for these short-term benefits in the fiscal year in which the services granting entitlement to these benefits were rendered to the business.

1.3.3.4 Non-current assets

Non-current assets of which the group is owner

Fixed assets included in the balance sheet include property, plant and equipment and intangible assets, as well as investment properties. Operating assets are used for the production of services or for administrative purposes. Investment property consists of real estate assets held to generate rental income and/or capital gains. The historical cost method is used to recognize both operating and investment properties.

Fixed assets are initially recognized at acquisition cost plus any directly attributable costs necessary to make them operational and usable. They are subsequently measured at amortized historical cost, i.e. their cost less accumulated depreciation and any impairment.

When a non-current asset comprises several components likely to be replaced at regular intervals, with different uses or providing economic benefits over differing lengths of time, each component is recognized separately from the outset and is depreciated or amortized in accordance with its own depreciation schedule. The component approach was retained for operating buildings and investment properties.

The depreciable or amortizable amount of a non-current asset is determined after deducting its residual value, net of disposal costs. As the useful life of non-current assets is generally equal to their expected economic life, no residual value is recognized.

Non-current assets are depreciated or amortized over their estimated useful life at rates reflecting the estimated consumption of the assets' economic benefits by the entity. Intangible assets with an indefinite useful life are not amortized.

Depreciation and amortization charges on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement.

Depreciation charges on investment property are recognized under "Expenses on other activities" in the income statement.

The following depreciation and amortization periods are used:

Property, plant and equipment

- Land and network improvements: 15-30 years.
- Buildings – shell: 20-80 years (depending on type of building).
- Buildings – equipment: 10-40 years.
- Fixtures and fittings: 5-15 years.
- Office furniture and equipment: 5-10 years.
- Safety equipment: 3-10 years.
- Rolling stock: 3-5 years.
- Computer equipment: 3-5 years.

Intangible assets

- Software purchased or developed in-house: 1-10 years.
- Business goodwill acquired: 9-10 years (if customer contract portfolio acquired).

Depreciable and amortizable assets are tested for impairment when evidence exists at the reporting date that the items may be impaired. Non-amortizable non-current assets such as lease rights are tested for impairment once a year.

If an indication of impairment exists, the recoverable amount of the asset is compared to its net carrying amount. In the event of loss of value, a write-down is recognized on the income statement; it changes the depreciable or amortizing amount of the asset prospectively. The write-down is repaid in the event of changes to the estimated recoverable amount or if the indications of impairment disappear. The net carrying amount following the reversal of an impairment provision cannot exceed the net carrying amount that would have been calculated if no impairment had been recognized.

Impairment charges and reversals on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement.

Impairment charges and reversals on investment property are recognized in the income statement under “Expenses on other activities” and “Income from other activities”, respectively.

Capital gains or losses on disposals of operating assets are recorded in the income statement on the line “Net gains/(losses) on other assets”.

Gains and losses on the disposal of investment property are recorded on the income statement on the line “Income from other activities” or “Expenses from other activities”.

Non-current assets of which the group is the lessee

For a contract to qualify as a lease, there must be both the identification of an asset and control by the lessee of the right to use said asset.

In respect of the lessee, operating leases and finance leases will be recorded in a single model, with recognition of:

- an asset representing the right to use the leased property during the lease term;
- offset by a liability in respect of the lease payment obligation;
- straight-line depreciation of the asset and an interest expense in the income statement using the diminishing balance method.

The group mainly activates its real estate contracts, with the exception of those in a situation of automatic renewal (taking into account the 6-month prior notice for termination). The automotive fleet was only restated where it was locally significant and computer and security equipment were precluded on the grounds of their substitutable nature, in accordance with standards. Only a limited number of IT contracts, deemed to be significant, was deemed to be activated.

Other underlying assets were precluded through short-term or low value exemptions (set at €5,000). The group has no leases that give rise to recognition of intangible assets or investment properties.

Therefore, usage rights are recorded as “Property, plant and equipment”, and lease obligations as “Other liabilities”. Leasehold rights are reclassified as property, plant and equipment when they concern contracts that are not automatically renewable. Rights of use and lease obligations are the subject of deferred tax assets or liabilities for the net amount of taxable and deductible temporary differences.

On the income statement, interest charges appear in “Interest margin” while depreciation/amortization is presented under the heading dedicated to general operating expenses.

For calculating the lease obligation, we use:

- the contractual term. The group follows the ANC position on commercial leases, pursuant to contractual provisions: any new lease of this type will be capitalized for a term of nine years. Indeed, from an accounting standpoint, there is no lease term renewal option and consequently, the period for which the contract is enforceable is generally 9 years, taking into account the group’s choice of location;
- the discount rate is the marginal rate of indebtedness corresponding to the chosen duration. It is a rate that is depreciable by the group’s refinancing headquarters;
- the lease payment, excluding taxes. The group is marginally affected by variable lease payments.

1.3.3.5 Commissions

Fees and commissions in respect of services are recorded as income and expenses according to the nature of the services involved. Thus, fees considered as an additional interest are an integral part of the effective interest rate. These fees and commissions are thus recognized either as interest income or expense.

Fees and commissions linked directly to the grant of a loan are spread using the effective interest method.

Fees and commissions remunerating a service provided on a continuous basis are recognized over the period during which the service is provided.

Fees and commissions remunerating a significant service are recognized in full in the income statement upon execution of the service.

1.3.3.6 Income tax expense

The income tax expense includes all tax, both current and deferred, payable in respect of the income for the period under review.

The income tax payable is determined in accordance with applicable tax regulations.

Deferred taxes

As required by IAS 12, deferred taxes are recognized in respect of temporary differences between the carrying amount of an asset or liability on the consolidated balance sheet and its taxable value, with the exception of goodwill.

Deferred taxes are calculated using the liability method, applying the income tax rates known at the end of the fiscal year, and applicable in subsequent fiscal years.

Deferred tax assets net of deferred tax liabilities are recognized only when there is a high probability that they will be utilized. Current or deferred tax is recognized as income or an expense, except for that relating to unrealized or deferred gains or losses recognized in equity, for which the deferred tax is allocated directly to equity.

Deferred tax assets and liabilities are netted if they arise in the same entity or in the same tax group, are subject to the same tax authority and when there is a legal right to do so.

Deferred tax is not discounted.

Uncertainties over income tax treatment

In accordance with IFRIC 23, the group is assessing the probability of the tax authority accepting the tax position taken. It is assessing the likely effects on the result for tax purposes, tax bases, tax loss carryforwards, unused tax credits and rates of taxation.
In the event of an uncertain tax position, the amounts payable are estimated on the basis of the most likely amount or the expected amount according to the method that reflects the best estimate of the amount to be paid or received.

1.3.3.7 Interest borne by the State for certain loans

Pursuant to measures to support the agricultural and rural sector, as well as the purchase of housing, some group entities grant loans at reduced rates, which are set by the State. Consequently, these entities receive a subsidy from the government equal to the interest rate differential existing between the rate granted to customers and a predefined benchmark rate. As a result, no discounting occurs on loans that benefit from these grants.

The arrangements governing this offset mechanism are periodically reviewed by the State.

The government subsidies received are recognized under "Interest and similar income" and allocated over the life of the corresponding loans, in accordance with IAS 20.

1.3.3.8 Non-current assets held for sale and discontinued operations

Non-current assets, or groups of assets, are classified as held for sale if they are available for sale and there is a high probability that their sale will take place within the next 12 months.

The related assets and liabilities are shown separately in the balance sheet, on the lines "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale". They are recognized at the lower of their carrying amount and their fair value less selling costs, and are no longer depreciated or amortized.

Any impairment loss on such assets and liabilities is recognized in the income statement.

Discontinued operations consist of businesses held for sale or which have been discontinued, or subsidiaries acquired exclusively with a view to resale. All gains and losses related to discontinued operations are shown separately in the income statement, on the line "Post-tax gain/(loss) on discontinued operations and assets held for sale".

1.3.4 Judgments and estimates used in the preparation of the financial statements

Preparation of the group's financial statements requires the use of assumptions for the purpose of the necessary measurements, which entails risks and uncertainties as to whether these assumptions will materialize in the future, in particular, within the context of the COVID-19 pandemic.

The future outcome of such assumptions may be influenced by several factors, in particular:

- the activities of national and international markets;
- fluctuations in interest rates and foreign exchange rates;
- economic and political conditions in certain business sectors or countries;
- regulatory and legislative changes.

Accounting estimates requiring the formulation of assumptions are mainly used for the measurement of the following:

- the fair value of financial instruments not quoted on an active market, the definition of a forced transaction and the definition of observable data require the exercise of judgment;
- pension plans and other future employee benefits;
- impairment of assets, in particular expected credit losses;
- provisions;
- impairment of intangible assets and goodwill;
- deferred tax assets.

1.4 Related-party information

Parties related to the group are companies consolidated at the level of the Crédit Mutuel group as a whole, including the other establishments affiliated to the Confédération Nationale du Crédit Mutuel and companies accounted for by the equity method.

Transactions carried out between the group and its subsidiaries and associates are done so under normal market conditions, at the time these transactions are conducted.

The list of consolidated companies is presented in note 3. As transactions carried out and outstandings that exist at the end of the period between the group's fully consolidated companies are totally eliminated in consolidation, data pertaining to these reciprocal transactions is included in the attached tables only when concerning companies over which the group exercises joint control or significant influence, and is consolidated using the equity method.

1.5 Standards and interpretations adopted by the European Union and not yet applied

Amendment to IFRS 16 – COVID-19-related rent concessions

Adopted by the IASB at the end of May, this amendment introduces a simplification measure for lessees receiving concessions within the context of the COVID-19 crisis.

It offers the option to dispense with analysis of lease amendments made within this context, if the following conditions have been met:

- amended rents are materially identical to, or lower than, rents set by the initial lease;
- the reduction in lease payments only applies to payments due until June 30, 2021;
- there is no material change to the other terms and conditions of the contract

Should the lessee opt for this exemption, rent concessions will generally be recognized in the same way as negative variable rents, not recognized in the initial measurement of the liability.

The Crédit Mutuel group is not significantly affected by these provisions.

The group applies the provisions of IFRS 9 for any rent concessions granted as lessor with respect to leases.

IFRS 17 – Insurance Contracts

This standard will replace IFRS 4, which allows insurance companies to conserve their local accounting principles for their insurance contracts and other contracts within the scope of IFRS 4. This is detrimental to the comparability of financial statements of entities in the sector.

As part of the amendments to IFRS 17 published by the IASB in June 2020, the date of application of IFRS 17 initially scheduled for 2021 has been postponed by two years to January 1, 2023. The application of IFRS 9 for insurance entities that have opted for deferral (as the group did) was also covered by an amendment by the IASB for an extension until 2023. These amendments (as well as the other provisions of IFRS 17 as published in 2017) are awaiting adoption by the European authorities.

The aim of IFRS 17 is to harmonize the recognition of the various types of insurance contracts and to base their valuation on a prospective assessment of insurers' commitments. This requires increasing use of complex models and concepts similar to those of Solvency 2. Financial communication will also have to be broadly adapted.

The group's Insurance divisions are continuing their work of analysis and preparation for the implementation of the provisions of IFRS 17.

The group has also begun studies on financial communication at the conglomerate level in line with the studies of the IASB on primary financial statements.

Amendments to IFRS 3 – Reference to the conceptual framework

This amendment updates IFRS 3 so that it refers to the updated 2018 version of the Conceptual framework (replacing the reference to its previous 1989 version).

It introduces an exception so as not to create discrepancies with the current consequences in terms of the recognition of assets and liabilities in business combinations.

This exception specifies that acquirers must refer to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 - Levies, instead of to those provided in the new Conceptual framework.

Acquirers must not recognize any assets acquired in a business combination.

Amendments to IAS 37 - cost of fulfilling a contract

Clarifies the concept of "unavoidable costs" used to define an onerous contract.

Unavoidable costs include costs directly related to the contract. They include both incremental costs and an allocation of other costs directly related to the fulfillment of the contract.

It applies to contracts for which the group would not have met its obligations on January 1, 2022.

Amendments to IAS 16 - Proceeds before intended use

Prohibits deducting from the cost of an item of property, plant or equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The proceeds from selling such items must be recognized immediately in profit or loss. The cost of such items must be measured in accordance with IAS 2, Inventories.

Improvements to IFRS – 2018-2020 cycle

Amendments modify the following standards:

- IFRS 1 – First-time adoption of IFRS: simplifies the application of IFRS 1 for a subsidiary adopting IFRS after its parent;
- IFRS 9 – Financial instruments: specifies the fees and costs to be included in the 10% test for derecognition of financial liabilities. These only include fees and costs paid, or received, by borrowers and lenders, including those paid, or received, on behalf of others.
- IFRS 16 – Leases: amends illustrative example 13 to avoid any confusion regarding the treatment of benefits received by lessors;
- IAS 41 – Agriculture: makes it possible to align the measurement of fair value under IAS 41 with that of other IFRS.

Note 2 Analysis of the balance sheet and income statement by business segment and geographic area

The businesses are as follows:

- retail banking comprises CIC's regional banks, Targobank in Germany and Spain, Cofidis and all specialized businesses whose products are marketed by the network: real estate and equipment leasing, factoring, collective management, employee savings, real estate;
- the insurance business line is composed of Groupe des Assurances du Crédit Mutuel;
- the financing and market activities are composed of:

a) the financing of large companies and institutional customers, specialized financing, international business and foreign branches,

b) capital markets, which are composed of investments in interest rate, currency and equities activities, including stock market brokering;

- private banking brings together companies whose main business occurs in France and abroad;
- private equity consists of proprietary trading and financial engineering services;
- the holding structure brings together those items that cannot be assigned to another business (holding company) as well as the press and logistics structures: intermediary holdings, non-controlling interests, operating real estate hosted in specific entities, press and IT entities.

Consolidated entities are fully allocated to their core business based on their contribution to the consolidated financial statements. Only two entities are an exception, CIC and BFCM because of their presence in several businesses. In this case, the contribution to the consolidated income statements and balance sheets of these two entities is broken down based on the different business sectors to which they contribute.

2a Balance sheet breakdown by business

06/30/2020	Retail banking	Insurance	Financing and markets	Private banking	Private equity	Logistics and holding	Inter activities	Total
Net banking income	3,611	647	223	311	71	42	-33	4,871
General operating expenses	-2,224	-319	-200	-208	-25	-228	33	-3,169
Gross operating income/(loss)	1,387	329	23	103	47	-186	0	1,701
Cost of counterparty risk	-832		-109	-4	2	3		-940
Gains on other assets*	-1	1				23		23
Profit/(loss) before tax	553	330	-86	99	49	-160	0	784
Income tax	-256	-125	20	-22	2	70		-311
Post-tax gains and losses on discontinued assets								0
Net profit/(loss)	**298**	**205**	**-66**	**77**	**50**	**-91**	**0**	473
Non-controlling interests								96
Net profit/(loss) attributable to the group								**378**

* *Includes net profit/(loss) of entities accounted for using the equity method and impairment losses on goodwill (Notes 16 and 19).*

06/30/2019	Retail banking	Insurance	Financing and markets	Private banking	Private equity	Logistics and holding	Inter activities	Total
Net banking income	3,713	1,037	383	273	176	70	-34	5,617
General operating expenses	-2,226	-312	-196	-204	-23	-245	34	-3,173
Gross operating income/(loss)	1,487	726	187	68	152	-175	0	2,445
Cost of counterparty risk	-390		-81	11	0	1		-459
Gains on other assets*	3	15		2		17		37
Profit/(loss) before tax	1,100	741	106	81	152	-157		2,023
Income tax	-376	-254	-19	-16	1	25		-639
Post-tax gains and losses on discontinued assets	0							0
Net profit/(loss)	**724**	**487**	**87**	**65**	**153**	**-132**		**1,384**
Non-controlling interests								206
Net profit/(loss) attributable to the group								**1,177**

* *Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.*

2b Breakdown of income statement items by geographic area

	06/30/2020				06/30/2019			
	France	Europe outside France	Other countries*	Total	France	Europe outside France	Other countries*	Total
Net banking income**	3,212	1,546	112	4,871	3,998	1,505	115	5,618
General operating expenses	-2,242	-878	-49	-3,169	-2,243	-883	-47	-3,173
Gross operating income/(loss)	970	667	63	1,701	1,755	622	68	2,445
Cost of counterparty risk	-507	-427	-6	-940	-257	-203	1	-460
Gains on other assets***	15	-1	9	23	17	2	18	37
Profit/(loss) before tax	478	239	67	784	1,516	420	87	2,023
Total net profit/(loss)	258	161	54	473	1,011	295	77	1,383
NET INCOME ATTRIBUTABLE TO THE GROUP	172	153	53	378	832	274	71	1,177

* *USA, Singapore, Hong Kong, Saint Martin, Tunisia and Morocco.*

** *34% of NBI (excluding the logistics and holding business line) was generated abroad in the first half of 2020 (versus 29% of NBI in the first half of 2019).*

*** *Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.*

Note 3 Consolidation scope

3a Composition of the consolidation scope

The parent company of the group is Banque Fédérative du Crédit Mutuel.

		06/30/2020			12/31/2019		
	Country	Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
A. BANKING NETWORK							
Banque Européenne du Crédit Mutuel (BECM)	France	96	96	FC	96	96	FC
BECM Francfort (branch of BECM)	Germany	100	96	FC	100	96	FC
BECM Saint Martin (branch of BECM)	Saint Martin	100	96	FC	100	96	FC
CIC Est	France	100	99	FC	100	99	FC
CIC Iberbanco	France	100	100	FC	100	100	FC
CIC Lyonnaise de Banque (LB)	France	100	99	FC	100	99	FC
CIC Nord Ouest	France	100	99	FC	100	99	FC
CIC Ouest	France	100	99	FC	100	99	FC
CIC Sud Ouest	France	100	99	FC	100	99	FC
Crédit Industriel et Commercial (CIC)	France	100	99	FC	100	99	FC
CIC Bruxelles (branch of CIC)	Belgium	100	99	FC	100	99	FC
CIC Hong-Kong (branch of CIC)	Hong Kong	100	99	FC	100	99	FC
CIC Londres (branch of CIC)	United Kingdom	100	99	FC	100	99	FC
CIC New York (branch of CIC)	United States	100	99	FC	100	99	FC
CIC Singapore (branch of CIC)	Singapore	100	99	FC	100	99	FC
CIC Grand Cayman (branch of CIC)**	Cayman Islands	100	99	FC	100	99	FC
Targobank AG	Germany	100	100	FC	100	100	FC
Targobank Spain	Spain	100	100	FC	100	100	FC
B. BANKING NETWORK - SUBSIDIARIES							
Bancas	France	50	50	EM	50	50	EM
Banque du Groupe Casino	France	50	50	EM	50	50	EM
Banque Européenne du Crédit Mutuel Monaco	Monaco	100	96	FC	100	96	FC
CCLS Leasing Solutions	France	100	100	FC	100	100	FC
Cofidis Belgique	Belgium	100	80	FC	100	71	FC
Cofidis France	France	100	80	FC	100	71	FC
Cofidis Espagne (branch of Cofidis France)	Spain	100	80	FC	100	71	FC
Cofidis Hongrie (branch of Cofidis France)	Hungary	100	80	FC	100	71	FC
Cofidis Portugal (branch of Cofidis France)	Portugal	100	80	FC	100	71	FC
Cofidis SA Pologne (branch of Cofidis France)	Poland	100	80	FC	100	71	FC
Cofidis SA Slovaquie (branch of Cofidis France)	Slovakia	100	80	FC	100	71	FC
Cofidis Italy	Italy	100	80	FC	100	71	FC

		06/30/2020			12/31/2019		
	Country	Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
Cofidis République tchèque	Czech republic	100	80	FC	100	71	FC
Creatis	France	100	80	FC	100	71	FC
Crédit Mutuel Asset Management	France	74	74	FC	74	74	FC
Crédit Mutuel Caution Habitat	France	100	100	FC	100	100	FC
Crédit Mutuel Épargne Salariale	France	100	99	FC	100	99	FC
Crédit Mutuel Factoring	France	95	95	FC	95	95	FC
Crédit Mutuel Gestion	France	100	74	FC	100	74	FC
Crédit Mutuel Home Loan SFH	France	100	100	FC	100	100	FC
Crédit Mutuel Leasing	France	100	99	FC	100	99	FC
Crédit Mutuel Leasing Espagne (branch of Crédit Mutuel Leasing)	Spain	100	99	FC	100	99	FC
Crédit Mutuel Leasing Benelux	Belgium	100	99	FC	100	99	FC
Crédit Mutuel Leasing Nederland (branch of Crédit Mutuel Leasing Benelux)***	Belgium	100	99	FC	100	99	FC
Crédit Mutuel Leasing Gmbh	Germany	100	99	FC	100	99	FC
Crédit Mutuel Real Estate Lease	France	100	100	FC	100	100	FC
Factofrance SA	France	100	100	FC	100	100	FC
FCT CM-CIC Home loans	France	100	100	FC	100	100	FC
Gesteurop	France	100	99	FC	100	99	FC
LYF SA (formerly Fivory)	France	44	44	EM	44	44	EM
Monabanq	France	100	80	FC	100	71	FC
Paysurf	France	51	64	FC	51	51	FC
SCI La Tréflière	France	46	46	EM	46	46	EM
Targo Factoring GmbH	Germany	100	100	FC	100	100	FC
Targo Finanzberatung GmbH	Germany	100	100	FC	100	100	FC
Targo Leasing GmbH	Germany	100	100	FC	100	100	FC
C. CORPORATE BANKING AND CAPITAL MARKETS							
Cigogne Management	Luxembourg	100	100	FC	100	100	FC
Satellite	France	100	99	FC	100	99	FC
D. PRIVATE BANKING							
Banque de Luxembourg	Luxembourg	100	99	FC	100	99	FC
Banque de Luxembourg Investments SA (BLI)	Luxembourg	100	99	FC	100	99	FC
Banque Transatlantique (BT)	France	100	99	FC	100	99	FC
Banque Transatlantique Londres (branch of BT)	United Kingdom	100	99	FC	100	99	FC
Banque Transatlantique Belgium	Belgium	100	99	FC	100	99	FC
Banque Transatlantique Luxembourg	Luxembourg	100	99	FC	100	99	FC
CIC Suisse	Switzerland	100	99	FC	100	99	FC
Dubly Transatlantique Gestion	France	100	99	FC	100	99	FC
E. PRIVATE EQUITY							
CIC Conseil	France	100	99	FC	100	99	FC
Crédit Mutuel Capital	France	100	99	FC	100	99	FC
Crédit Mutuel Equity	France	100	99	FC	100	99	FC
Crédit Mutuel Equity SCR	France	100	99	FC	100	99	FC
Crédit Mutuel Innovation	France	100	99	FC	100	99	FC
F. LOGISTICS AND HOLDING COMPANY SERVICES							
Banque de Tunisie	Tunisia	35	35	EM	35	35	EM
CIC Participations	France	100	99	FC	100	99	FC
Cofidis Participations	France	80	80	FC	71	71	FC
Euro-Information	France	26	26	EM	26	26	EM
Euro Protection Surveillance	France	25	25	EM	25	25	EM
Groupe Républicain Lorrain Communication (GRLC)	France	100	100	FC	100	100	FC
L'Est Républicain	France	100	100	FC	100	100	FC
Mutuelles Investissement	France	90	90	FC	90	90	FC
SAP Alsace	France	100	100	FC	100	100	FC
Société d'Investissements Médias (SIM)	France	100	100	FC	100	100	FC
Société de Presse Investissement (SPI)	France	100	100	FC	100	100	FC
Targo Deutschland GmbH	Germany	100	100	FC	100	100	FC
Targo Dienstleistungs GmbH	Germany	100	100	FC	100	100	FC
Targo Technology GmbH	Germany	100	100	FC	100	100	FC
Targo Technology GmbH Singapore (branch of Targo Technology GmbH)	Singapore	100	100	FC	100	100	FC
G. INSURANCE COMPANIES							
ACM GIE	France	100	66	FC	100	66	FC

		06/30/2020			12/31/2019		
	Country	Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
ACM IARD	France	97	64	FC	96	64	FC
ACM Services	France	100	66	FC	100	66	FC
ACM Vie SA	France	100	66	FC	100	66	FC
Agrupació AMCI d'Assegurances i Reassegurances S.A.	Spain	95	63	FC	95	63	FC
Targopensiones, entidad gestora de fondos de pensiones, S.A. (formerly Agrupación pensiones)	Spain	100	63	FC	100	63	FC
Agrupació serveis administratius	Spain	100	63	FC	100	63	FC
AMDIF	Spain	100	63	FC	100	63	FC
GACM Seguros, Compañía de Seguros y Reaseguros, SAU (formerly AMGEN)	Spain	100	66	FC	100	66	FC
Asesoramiento en Seguros y Previsión Atlantis SL	Spain	80	53	FC	80	53	FC
Asistencia Avançada Barcelona	Spain	100	63	FC	100	63	FC
ASTREE Assurances	Tunisia	30	20	EM	30	20	EM
Atlantis Asesores SL	Spain	80	53	FC	80	53	FC
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Spain	60	40	FC	60	40	FC
Atlantis Vida, Compañía de Seguros y Reaseguros SA	Spain	88	59	FC	88	59	FC
GACM España	Spain	100	66	FC	100	66	FC
Groupe des Assurances du Crédit Mutuel (GACM)	France	66	66	FC	66	66	FC
ICM Life	Luxembourg	100	66	FC	100	66	FC
Margem-Mediação Seguros, Lda	Portugal	100	80	FC	100	71	FC
NELB (North Europe Life Belgium)	Belgium	100	66	FC	100	66	FC
Nord Europe Life Luxembourg (NELL)	Luxembourg	100	66	FC	100	66	FC
Partners	Belgium	100	66	FC	100	66	FC
Procourtage	France	100	66	FC	100	66	FC
Royale Marocaine d'Assurance (ex RMA Watanya)	Morocco	0	0	NC	0	0	NC
Serenis Assurances	France	100	66	FC	100	66	FC
Targo seguros mediacion (formerly Voy Mediación)	Spain	90	59	FC	90	58	FC

	Country	06/30/2020 Percentage Control	06/30/2020 Percentage Interest	06/30/2020 Method*	12/31/2019 Percentage Control	12/31/2019 Percentage Interest	12/31/2019 Method*
H. OTHER COMPANIES							
Affiches d'Alsace Lorraine	France	100	99	FC	100	99	FC
Alsacienne de Portage DNA	France	100	99	FC	100	99	FC
Crédit Mutuel Immobilier	France	100	100	FC	100	100	FC
EBRA events	France	100	100	FC	100	100	FC
EBRA services	France	100	100	FC	100	100	FC
EBRA Medias Alsace	France	100	98	FC	100	98	FC
EBRA Medias Lorraine Franche Comté	France	100	98	FC	100	98	FC
Est Bourgogne Médias	France	100	100	FC	100	100	FC
Foncière Massena	France	100	66	FC	100	66	FC
France Régie	France	100	99	FC	100	99	FC
GEIE Synergie	France	100	80	FC	100	71	FC
Groupe Dauphiné Media	France	100	100	FC	100	100	FC
Groupe Progrès	France	100	100	FC	100	100	FC
Groupe Républicain Lorrain Imprimeries (GRLI)	France	100	100	FC	100	100	FC
Journal de la Haute Marne	France	50	50	EM	50	50	EM
La Liberté de l'Est	France	97	97	FC	97	97	FC
La Tribune	France	100	100	FC	100	100	FC
Le Dauphiné Libéré	France	100	100	FC	100	100	FC
Le Républicain Lorrain	France	100	100	FC	100	100	FC
Les Dernières Nouvelles d'Alsace	France	99	99	FC	99	99	FC
Lumedia	Luxembourg	50	50	EM	50	50	EM
Médiaportage	France	100	100	FC	100	100	FC
NEWCO4	France	100	100	FC	100	100	FC
Presse Diffusion	France	100	100	FC	100	100	FC
Publiprint Province n°1	France	100	100	FC	100	100	FC
Républicain Lorrain Communication	France	100	100	FC	100	100	FC
Républicain Lorrain – TV news	France	100	100	FC	100	100	FC
SCI ACM	France	80	53	FC	78	51	FC
SCI Le Progrès Confluence	France	100	100	FC	100	100	FC
SCI Provence Lafayette	France	90	59	FC	90	59	FC
SCI 14 Rue de Londres	France	90	59	FC	90	59	FC
SCI Saint Augustin	France	88	58	FC	88	58	FC
SCI Tombe Issoire	France	100	66	FC	100	66	FC
Société d'Édition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	France	100	100	FC	100	100	FC

* *Method: FC = Full Consolidation; EM = equity method; NC = not consolidated; MER = Merged.*

** *Entity included in the accounts of the New York branch, the sole purpose being to refinance the New York branch through borrowing transactions in dollars from money market funds.*

3b Fully consolidated entities with significant non-controlling interests

06/30/2020	Percentage of non-controlling interests in the consolidated financial statements: Percentage of interest/Percentage of voting rights	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Financial information regarding fully-consolidated entities*: Balance sheet total	Net profit/(loss)	Undisclosed reserves	NBI
Groupe des Assurances du Crédit Mutuel (GACM)	34%	72	3,593	-12	123,272	205	1,373	647
Cofidis Belgique	20%	1	NA**	0	897	7	-1	48
Cofidis France	20%	14	NA**	0	9,231	19	-7	276

* *Amounts before elimination of intercompany balances and transactions.*

** *In accordance with IAS 32, the group recognized a liability for the commitment to increase its stake in COFIDIS Participation to 100%. The counterparty was recorded as a reduction of minority interests and a reduction of the group's share for the excess amount.*

12/31/2019	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities*			
	Percentage of interest/Percentage of voting rights	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Balance sheet total	Net profit/(loss)	Undisclosed reserves	NBI
Groupe des Assurances du Crédit Mutuel (GACM)	34%	304	3,299	-663	125,068	860	1,462	1,723
Cofidis Belgique	29%	4	211	0	904	13	-1	96
Cofidis France	29%	22	325	0	9,914	83	-6	555

* *Amounts before elimination of intercompany balances and transactions.*

3c Non-current assets and liabilities held for sale

	06/30/2020	12/31/2019
Non-current assets held for sale	0	726
Non-current liabilities held for sale	0	725

These non-current assets and liabilities held for sale at 12/31/2019 include the sale of the NELL portfolio by our subsidiary Groupe des Assurances du Crédit Mutuel, which occurred in the first half of 2020.

Note 4 Cash, central banks (asset/liability)

	06/30/2020	12/31/2019
Cash, central banks – asset		
Due to central banks	94,557	63,822
of which mandatory reserves	2,304	2,118
Cash	868	942
Total	95,425	64,764
Central banks – liability	1	715

Note 5 Financial assets and liabilities at fair value through profit or loss

5a Financial assets at fair value through profit or loss

	06/30/2020				12/31/2019			
	Transaction	Fair value option	Other FVPL	Total	Transaction	Fair value option	Other FVPL	Total
Securities	14,510	517	4,106	19,133	11,376	437	4,326	16,139
▪ Government securities	1,886	0	0	1,886	941	0	0	941
▪ Bonds and other debt securities	11,765	517	141	12,423	9,788	437	150	10,375
Listed	*11,765*	*88*	*25*	*11,878*	*9,788*	*97*	*25*	*9,910*
Non-listed	*0*	*429*	*116*	*545*	*0*	*340*	*125*	*465*
of which UCIs	124		0	124	133		1	134
▪ Shares and other capital instruments	859		3,188	4,047	647		3,492	4,139
Listed	*859*		*941*	*1,800*	*647*		*1,151*	*1,798*
Non-listed	*0*		*2,247*	*2,247*	*0*		*2,341*	*2,341*
▪ Long-term investments			777	777			684	684
Equity investments			*173*	*173*			*193*	*193*
Other long-term investments			*259*	*259*			*260*	*260*
Investments in associates			*344*	*344*			*230*	*230*
Other long-term investments			*1*	*1*			*1*	*1*
Derivative instruments	3,260			3,260	3,190			3,190
Loans and receivables	*12,656*	0	0	12,656	12,490	0	0	12,490
of which pensions	*12,656*	*0*		*12,656*	*12,490*	*0*		*12,490*
TOTAL	30,426	517	4,106	35,049	27,056	437	4,326	31,819

5b Financial liabilities at fair value through profit or loss

	06/30/2020	12/31/2019
Financial liabilities held for trading [1]	22,600	18,854
Financial liabilities at fair value through profit or loss	85	0
TOTAL	22,685	18,854

FINANCIAL LIABILITIES HELD FOR TRADING

	06/30/2020	12/31/2019
Short sales of securities	**1,433**	**979**
▪ Government securities	1	0
▪ Bonds and other debt securities	776	357
▪ Shares and other capital instruments	656	622
Debts in respect of securities sold under repurchase agreements	**18,221**	**15,085**
Trading derivatives	**2,942**	**2,785**
Other financial liabilities held for trading	**4**	**5**
TOTAL	22,600	18,854

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	06/30/2020			12/31/2019		
	Carrying amount	Amount due	Difference	Carrying amount	Amount due	Difference
Securities issued	0	0	0	0	0	0
Subordinated debt	0	0	0	0	0	0
Interbank debt	85	85	0	0	0	0
Due to customers	0	0	0	0	0	0
TOTAL	85	0	85	0	0	0

5c Analysis of trading derivatives

	06/30/2020			12/31/2019		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	*259,810*	*2,062*	*1,800*	*287,911*	*1,914*	*1,534*
Swaps	140,266	1,797	1,627	159,519	1,793	1,325
Other firm contracts [1]	89,742	14	14	97,408	2	1
Options and conditional instruments	29,802	251	159	30,984	119	208
Foreign exchange derivatives	*139,530*	*884*	*726*	*121,205*	*1,022*	*845*
Swaps	104,518	43	41	87,027	40	38
Other firm contracts	9,573	744	588	9,460	915	740
Options and conditional instruments	25,439	97	97	24,718	67	67
Other derivatives	*34,211*	*313*	*416*	*26,833*	*255*	*407*
Swaps	11,084	96	130	11,057	112	171
Other firm contracts	13,463	32	104	11,014	12	101
Options and conditional instruments	9,664	185	182	4,762	131	135
TOTAL	433,551	3,260	2,942	435,949	3,191	2,786

Swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve. The difference resulting from the use of different valuation curves for the hedged items and the hedging instruments is accounted for as hedge ineffectiveness. Furthermore, the value of derivatives takes into account the counterparty risk.

Note 6 Hedging

6a Hedging derivatives

	06/30/2020			12/31/2019		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Fair Value Hedges	306,016	3,917	2,348	290,347	3,440	2,285
Swaps	72,947	3,918	2,348	75,288	3,442	2,285
Other firm contracts	232,099	0	0	213,866	0	0
Options and conditional instruments	970	(1)	0	1,193	(2)	0
Cash Flow Hedges	0	0	0	267	0	5
Swaps	0	0	0	267	0	5
TOTAL	306,016	3,917	2,348	290,614	3,440	2,290

Swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve. The difference resulting from the use of different valuation curves for the hedged items and the hedging instruments is accounted for as hedge ineffectiveness. Furthermore, the value of derivatives takes into account the counterparty risk.

6b Revaluation adjustment on rate-hedged books

	06/30/2020	12/31/2019
FAIR VALUE OF PORTFOLIO INTEREST RATE RISK		
▪ in financial assets	1,052	897
▪ in financial liabilities	21	-4

Note 7 Financial assets at fair value through shareholders' equity

	06/30/2020	12/31/2019
Government securities	11,903	10,262
Bonds and other debt securities	24,193	19,575
▪ Listed	20,831	19,166
▪ Non-listed	3,362	409
Accrued interest	137	165
Debt securities subtotal, gross	36,233	30,002
of which impaired debt securities (S3)	1	2
Impairment of performing loans (S1/S2)	-15	-17
Other impairment (S3)	-1	-1
Debt securities subtotal, net	36,217	29,984
Shares and other capital instruments	1	19
▪ Listed	-1	9
▪ Non-listed	2	10
Long-term investments	450	447
▪ Equity investments	62	60
▪ Other long-term investments	267	263
▪ Investments in associates	121	124
Subtotal, capital instruments	**451**	**466**
TOTAL	36,669	30,451
of which unrealized capital gains or losses recognized under equity	-139	3
of which listed equity investments.	-1	-1

Note 8 Fair value hierarchy of financial instruments carried at fair value

06/30/2020	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS IFRS 9				
Fair value through shareholders' equity	29,133	5,994	1,542	36,669
Government and equivalent securities	11,968	0	0	11,968
Bonds and other debt securities	16,973	5,993	1,283	24,249
Shares and other capital instruments	0	1	0	2
Investments and other long-term securities	191	0	138	329
Investments in subsidiaries and associates	0	0	121	121
Trading/Fair value option/Other	12,849	17,148	5,051	35,049
Government securities and similar instruments – Trading	1,431	353	103	1,886
Government securities and similar instruments – Fair value option	0	0	0	0
Government securities and similar instruments – Other FVPL	0	0	0	0
Bonds and other debt securities – Trading	9,321	1,707	737	11,765
Bonds and other debt securities – Fair value option	23	21	473	517
Bonds and other debt securities – Other FVPL	93	0	47	141
Shares and other equity instruments – Trading	859	0	0	859
Shares and other capital instruments – Other FVPL [1]	976	0	2,212	3,188
Investments and other long-term securities – Other FVPL	1	0	431	432
Investments in subsidiaries and associates – Other FVPL	0	0	345	345
- Loans and receivables due from credit institutions – Fair value option	0	0	0	0
Loans and receivables due from credit institutions – Transaction	0	0	0	0
- Loans and receivables due from credit institutions – Other FVPL	0	0	0	0
Loans and receivables due from customers – Transaction	0	12,656	0	12,656
Loans and receivables due from customers – Other FVPL	0	0	0	0
Derivatives and other financial assets – Trading	145	2,412	704	3,260
Hedging derivatives	0	3,916	0	3,916
TOTAL	41,982	27,058	6,594	75,634
FINANCIAL ASSETS IAS 39 – INVESTMENTS OF THE INSURANCE BUSINESS LINE				
Fair value through profit or loss	18,372	6,423	0	24,794
Transaction	0	0	0	0
Fair value option – debt securities	1,462	2,419	0	3,881
Fair value option – capital instruments	16,909	4,004	0	20,913
Hedging derivatives	0	0	0	0
Available-for-sale assets	68,823	2,926	1,007	72,756
Government and equivalent securities	16,309	0	0	16,309
Bonds and other debt securities	42,663	231	0	42,893
Shares and other capital instruments	9,196	2,686	391	12,273
Equity investments, shares in subsidiaries and associates and other long-term investments	657	9	616	1,281
TOTAL	87,195	9,349	1,007	97,551
FINANCIAL LIABILITIES IFRS 9				
Trading/Fair value option	142	21,766	777	22,685
Due to credit institutions – Fair value option	0	85	0	85
- Amounts due to customers – Fair value option	0	0	0	0
- Debt securities – Fair value option	0	0	0	0
- Subordinated debt – Fair value option	0	0	0	0
Liabilities – Trading	0	18,221	0	18,221
Derivatives and other financial liabilities – Trading	142	3,460	777	4,379
Hedging derivatives	0	2,323	25	2,349
TOTAL	142	24,089	802	25,033
FINANCIAL LIABILITIES RELATED TO IAS 39 INSURANCE BUSINESS POLICIES				
Fair value through profit or loss	0	6,331	0	6,331
Transaction	0	0	0	0
Fair value option	0	6,331	0	6,331
Hedging derivatives	0	0	0	0
TOTAL	0	6,331	0	6,331

(1) Includes the equity investments held by the group's private equity companies.

- Level 1: price quoted in an active market.
- Level 2: prices quoted in active markets for similar instruments, and measurement method in which all significant inputs are based on observable market information.
- Level 3: measurement based on internal models containing significant unobservable inputs.

Instruments in the trading portfolio classified under levels 2 or 3 mainly consist of derivatives and securities considered as illiquid.
All of these instruments include uncertainties of valuation, which give rise to adjustments in value reflecting the risk premium that a market player would incorporate in establishing the price.
These valuation adjustments make it possible to integrate, in particular, risks that would not be captured by the model, liquidity risks associated with the instrument or the parameter concerned, specific risk premiums intended to offset certain surcharges that would elicit the dynamic management strategy associated with the model in certain market conditions, and the counterparty risk present in the fair value of over-the-counter derivatives. The methods used may change. The latter include the counterparty risk itself present in the fair value of over-the-counter derivatives.
When establishing valuation adjustments, each risk factor is considered individually and no effect of diversification between risks, parameters or models of a different nature are taken into account. A portfolio approach is most often used for a given risk factor.

12/31/2019	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS IFRS 9				
Fair value through shareholders' equity	**26,174**	**3,017**	**1,261**	**30,452**
Government and equivalent securities	10,342	0	0	10,342
Bonds and other debt securities	15,627	3,014	1,000	19,642
Shares and other capital instruments	18	2	0	20
Investments and other long-term securities	187	0	136	323
Investments in subsidiaries and associates	0	0	124	124
Trading/Fair value option/Other	**10,832**	**16,749**	**4,236**	**31,818**
Government securities and similar instruments – Trading	689	201	52	941
Government securities and similar instruments – Fair value option	0	0	0	0
Government securities and similar instruments – Other FVPL	0	0	0	0
Bonds and other debt securities – Trading	8,079	1,510	199	9,788
Bonds and other debt securities – Fair value option	33	0	404	437
Bonds and other debt securities – Other FVPL	102	0	48	150
Shares and other equity instruments – Trading	647	0	0	647
Shares and other capital instruments – Other FVPL [1]	1,166	0	2,326	3,492
Investments and other long-term securities – Other FVPL	1	0	451	452
Investments in subsidiaries and associates – Other FVPL	0	0	230	230
Loans and receivables due from customers – Transaction	0	12,489	0	12,489
Loans and receivables due from customers – Other FVPL	0	0	0	0
Derivatives and other financial assets – Trading	115	2,548	526	3,190
Hedging derivatives	**0**	**3,438**	**2**	**3,440**
TOTAL	37,006	23,204	5,499	65,709
FINANCIAL ASSETS IAS 39 – INVESTMENTS OF THE INSURANCE BUSINESS LINE				
Fair value through profit or loss	**20,194**	**5,263**	**0**	**25,457**
Transaction	0	0	0	0
Fair value option – debt securities	2,321	2,273	0	4,594
Fair value option – capital instruments	17,872	2,990	0	20,862
Hedging derivatives	0	0	0	0
Available-for-sale assets	**69,090**	**2,916**	**633**	**72,639**
Government and equivalent securities	16,127	169	0	16,296
Bonds and other debt securities	40,951	448	0	41,399
Shares and other capital instruments	11,075	2,282	1	13,357
Equity investments, shares in subsidiaries and associates and other long-term investments	937	17	632	1,586
TOTAL	89,283	8,179	633	98,095
FINANCIAL LIABILITIES IFRS 9				
Trading/Fair value option	125	18,281	447	18,854
Liabilities – Trading		15,084	0	15,084
Derivatives and other financial liabilities – Trading	125	3,197	447	3,769
Hedging derivatives	0	2,271	19	2,291
TOTAL	125	20,553	467	21,144
FINANCIAL LIABILITIES RELATED TO IAS 39 INSURANCE BUSINESS POLICIES				
Fair value through profit or loss	1	6,435	0	6,436
Transaction	1	0	0	1
Fair value option	0	6,435	0	6,435
Hedging derivatives	0	0	0	0
TOTAL	1	6,435	0	6,436

[1] Includes the equity investments held by the group's private equity companies.

Note 9 Details of securitization outstandings

As requested by the banking supervisor and the markets regulator, an analysis is provided below of sensitive exposures based on FSB recommendations.

The trading portfolios and the portfolios of securities at fair value through equity were valued at market price based on external data sourced from organized markets, leading brokers or, when no price was available, based on comparable securities quoted in the market.

SUMMARY

	Carrying amount 06/30/2020	Carrying amount 12/31/2019
RMBS	1,416	1,561
CMBS	7	662
CLO	3,600	3,561
Other ABS	1,966	2,185
Subtotal	6,989	7,969
TOTAL	6,989	7,969

Unless otherwise indicated, securities are not hedged by CDS.

EXPOSURES AT 06/30/2020

	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	401	0	64	452	917
Amortized cost	48	0	325	533	907
Fair value – Others	1	0	0	0	1
Fair value through shareholders' equity	966	7	3,210	980	5,163
TOTAL	1,416	7	3,600	1,966	6,989
France	457	0	557	527	1,542
Spain	102	0	0	299	402
United Kingdom	172	0	266	109	547
Europe excluding France, Spain, United Kingdom	502	0	267	630	1,399
USA	31	7	2,509	253	2,801
Other	151	0	0	148	298
TOTAL	1,416	7	3,600	1,966	6,989
US Branches	0	0	0	0	0
AAA	1,221	7	3,423	893	5,545
AA	162	0	114	539	815
A	15	0	51	0	66
BBB	8	0	0	25	33
BB	6	0	0	0	6
B or below	4	0	0	7	10
Not rated	0	0	11	502	514
TOTAL	1,416	7	3,600	1,966	6,989
Origination 2005 and earlier	21	0	0	0	21
Origination 2006-2008	49	0	0	13	62
Origination 2009-2011	46	7	0	0	53
Origination 2012-2020	1,300	0	3,600	1,953	6,852
TOTAL	1,416	7	3,600	1,966	6,989

EXPOSURES ON 12/31/2019

	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	487	0	65	506	1,059
Amortized cost	53	0	300	533	886
Fair value – Others	8	0	0	0	8
Fair value through shareholders' equity	1,013	662	3196	1,145	6,016
TOTAL	1,561	662	3,561	2,185	7,969
France	334	0	571	606	1,511
Spain	112	0	0	188	301
United Kingdom	256	0	136	84	475
Europe excluding France, Spain, United Kingdom	470	0	247	774	1,490
USA	198	662	2608	254	3,722
Other	190	0		279	468
TOTAL	1,561	662	3,561	2,185	7,969
US Branches	194	659	0	0	853
AAA	1,163	4	3410	1,070	5,646
AA	168	0	96	582	846
A	17	0	44	0	60
BBB	7	0	0	25	31
BB	8	0	0	7	15
B or below	4	0	0	0	4
Not rated	0	0	11	502	513
TOTAL	1,561	662	3,561	2,185	7,969
Origination 2005 and earlier	39	51	0	0	90
Origination 2006-2008	94	0	0	20	114
Origination 2009-2011	65	4	0	0	69
Origination 2012-2019	1362	607	3561	2,165	7,696
TOTAL	1,561	662	3,561	2,185	7,969

Note 10 Financial assets at amortized cost

	06/30/2020	12/31/2019
Securities at amortized cost	2,867	2,780
Loans and receivables to credit institutions	56,518	51,675
Loans and receivables to customers	264,110	250,142
TOTAL	323,495	304,597

10a Securities at amortized cost

	06/30/2020	12/31/2019
Securities	3,017	2,936
▪ Government securities	1,830	1,663
▪ Bonds and other debt securities	1,187	1,273
Listed	508	497
Non-listed	679	776
Accrued interest	15	12
TOTAL GROSS	3,032	2,947
of which impaired assets (S3)	176	183
Impairment of performing loans (S1/S2)	0	-1
Other impairment (S3)	-165	-167
TOTAL NET	2,867	2,780

10b Loans and receivables due from credit institutions at amortized cost

	06/30/2020	12/31/2019
Performing loans (S1/S2)	56,348	51,448
Crédit Mutuel network accounts [1]	8,911	7,171
Other ordinary accounts	3,230	2,933
Loans	36,463	35,030
Other receivables	5,675	4,674
Pensions	2,070	1,641
Accrued interest	173	229
Impairment of performing loans (S1/S2)	-3	-2
Other impairment (S3)	0	0
TOTAL	**56 518**	**51 675**

(1) Mainly concerns outstanding CDC repayments (LEP, LDD, Livret bleu, Livret A).

10c Loans and receivables due from customers at amortized cost

	06/30/2020	12/31/2019
Performing loans (S1/S2)	245,999	231,929
Commercial loans	11,621	15,240
Other customer receivables	233,958	216,275
▪ home loans	89,555	87,384
▪ other loans and receivables, including repurchase agreements [1]	144,403	128,891
Accrued interest	421	413
Insurance and reinsurance receivables	0	0
Individually-impaired receivables, gross (S3)	10,009	9,618
Receivables, gross	**256,008**	**241,547**
Impairment of performing loans (S1/S2) [2]	-1,907	-1,529
Other impairment (S3)	-5,506	-5,372
Sub Total I	**248,595**	**234,646**
Finance leases (net investment)	15,334	15,304
▪ Equipment	10,986	10,802
▪ Real estate	4,348	4,502
Individually-impaired receivables, gross (S3)	517	490
Impairment of performing loans (S1/S2)	-138	-108
Other impairment (S3)	-198	-190
Sub Total II	**15,515**	**15,496**
TOTAL	**264,110**	**250,142**
of which subordinated loans	13	13
of which pensions	1,424	912

(3) Including a €10.2 billion increase in the first half of 2020 for state-guaranteed loans (SGL) granted within the context of the COVID-19 crisis.

(4) At June 30, 2020, the group has taken into account the effects of the COVID-19 crisis as part of the provisioning of performing loans – see Note 1-Accounting principles.

FINANCE LEASE TRANSACTIONS WITH CUSTOMERS

	12/31/2019	Increase	Decrease	Other	06/30/2020
Gross carrying amount	15,794	2,085	-1,726	-302	15,851
Impairment of non-recoverable lease payments	-298	-90	51	1	-336
Net carrying amount	15,496	1,995	-1,675	-301	15,515

Note 11 Financial liabilities at amortized cost

11a Debt securities at amortized cost

	06/30/2020	12/31/2019
Certificates of deposit	41	42
Interbank certificates and negotiable debt instruments	64,795	56,396
Bonds	68,930	66,833
Non-preferred senior securities	3,117	1,044
Related debt	596	795
TOTAL	137,479	125,110

11b Due to credit institutions

	06/30/2020	12/31/2019
Other ordinary accounts	10,032	6,770
Borrowings	15,491	15,478
Other debt	6,359	4,458
Pensions [1]	21,326	13,172
Related debt	81	42
TOTAL	53,289	39,920

(1) The group participated in TLTRO II (Targeted Long Term Refinancing Operation) proposed by the ECB of €16,690 million at June 30, 2020.

11c Amounts due to customers at amortized cost

	06/30/2020	12/31/2019
Special savings accounts	60,154	58,072
▪ on demand	44,315	42,386
▪ in the future	15,839	15,686
Related liabilities on savings accounts	209	1
Subtotal	60,363	58,072
Demand accounts	139,242	112,105
Term deposits and borrowings	47,266	46,813
Pensions	89	3
Related debt	96	102
Other debt	7	7
Subtotal	*186,700*	*159,030*
TOTAL	247,063	217,102

Note 12 Gross values and movements in impairment provisions

12a Gross values subject to impairment

	12/31/2019	Acquisition/production	Sale/repayment	Other [1]	06/30/2020
Financial assets at amortized cost – loans and receivables due from credit institutions, subject to	**51,677**	**23,883**	**-16,964**	**-2,076**	**56,521**
12-month expected losses (S1)	51,672	23,883	-16,963	-2,072	56,521
with expected losses at maturity (S2)	5	0	-1	-4	0
Financial assets at amortized cost – loans and receivables due from customers, subject to	**257,341**	**71,410**	**-56,369**	**-522**	**271,859**
12-month expected losses (S1)	232,221	63,062	-50,124	-5,505	239,654
with expected losses at maturity (S2)	15,012	7,951	-5,880	4,597	21,679
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	10,108	397	-365	386	10,526
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at amortized cost – securities	**2,948**	**530**	**-443**	**-3**	**3,032**
with 12-month expected losses (S1)	2,765	524	-438	5	2,856
with expected losses at maturity (S2)	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	183	6	-5	-8	176
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at fair value through other comprehensive income – debt securities	**30,002**	**10,578**	**-4,374**	**23**	**36,233**
12-month expected losses (S1)	29,895	10,578	-4,304	23	36,192
with expected losses at maturity (S2)	105	0	-65	0	40
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	2	0	-5	3	1
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
TOTAL	341,968	106,401	-78,150	-2,578	367,645

12b Movements in impairment provisions

	12/31/2019	Addition	Reversal	Other	06/30/2020
Loans and receivables due from credit institutions	**-2**	**-2**	**2**	**-1**	**-3**
of which originated credit-impaired assets (S3)	0	0	0	0	0
▪ 12-month expected losses (S1)	-2	-2	2	-1	-3
▪ expected losses at maturity (S2)	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Customer loans	**-7,199**	**-1,391**	**859**	**-18**	**-7,749**
of which originated credit-impaired assets (S3)	0	0	0	0	0
▪ 12-month expected losses (S1)	-824	-334	125	8	-1,025
▪ expected losses at maturity (S2)	-812	-407	199	0	-1,020
Of which customer receivables coming under IFRS 15	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-5,562	-650	535	-27	-5,704
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at amortized cost – securities	**-168**	**-3**	**6**	**0**	**-165**
of which originated credit-impaired assets (S3)	0	0	0	0	0
▪ 12-month expected losses (S1)	-1	-3	3	1	0
▪ expected losses at maturity (S2)	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-167	0	3	-1	-165
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at FVOCI – debt securities	**-18**	**-3**	**6**	**-1**	**-16**
of which originated credit-impaired assets (S3)	0	0	0	0	0
▪ 12-month expected losses (S1)	-15	-3	4	-1	-15
▪ expected losses at maturity (S2)	-2	0	2	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-1	0	0	0	-1
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
TOTAL	-7,387	-1,399	873	-20	-7,933

CONCENTRATION OF CREDIT RISK ON SENSITIVE BUSINESS SEGMENTS

Business segment	Gross outstandings			Write-downs			Net
	S1	S2	S3	S1	S2	S3	outstandings
Specialized distribution	676	767	511	-3	-16	-341	1,594
Hotels, restaurants	1,456	1,812	236	-8	-41	-129	3,325
Automotive	569	703	71	-4	-15	-45	1,280
Vehicle hire	430	489	116	-2	-10	-41	983
Tourism, games, leisure	382	425	90	-2	-10	-71	815
Industrial transportation	143	166	83	0	-4	-41	346
Air transport	194	199	17	-1	-5	-3	401
TOTAL	3,850	4,561	1,123	-20	-101	-671	8,743

Note 13 Investments/assets and liabilities relative to contracts under the insurance business line

FINANCIAL ASSETS

	06/30/2020	12/31/2019
Fair value through profit or loss	24,794	25,457
▪ Transaction	0	0
▪ Fair value option – debt securities	3,881	4,594
▪ Fair value option – capital instruments	20,913	20,863
Available-for-sale	72,752	72,638
▪ Government and equivalent securities	16,309	16,296
▪ Bonds and other debt securities	42,889	41,399
▪ Shares and other capital instruments	12,273	13,357
▪ Equity investments, shares in subsidiaries and associates and other long-term investments	1,281	1,586
Loans and receivables	4,805	5,125
Held-to-maturity	6,793	7,877
Sub-total financial assets	**109,144**	**111,097**
Investment properties	**2,632**	**3,313**
Shares of reinsurers in the technical provisions and other assets	**937**	**789**
TOTAL	112,712	115,199

13b Liabilities relative to contracts of the insurance business line

TECHNICAL PROVISIONS OF INSURANCE POLICIES

	06/30/2020	12/31/2019
Life	83,654	86,101
Non-life	4,625	4,408
Account units	12,914	13,093
Other	359	314
Total	101,552	103,916
of which deferred profit sharing liabilities	12,956	15,128
Deferred profit-sharing assets	0	0
Share of reinsurers in the technical provisions	413	424
NET TECHNICAL PROVISIONS	101,139	103,492

FINANCIAL LIABILITIES

	06/30/2020	12/31/2019
Fair value through profit or loss	6,331	6,436
▪ Transaction	0	1
▪ Fair value option	6,331	6,435
Liabilities to cred. inst.	159	153
Subordinated debt	300	300
Subtotal	**6,790**	**6,889**
Other liabilities	**456**	**389**
Total	**7,246**	**7,278**
TOTAL LIABILITIES RELATED TO INSURANCE BUSINESS POLICIES	108,797	111,194

Note 14 Income tax

14a Current tax

	06/30/2020	12/31/2019
Assets (through profit or loss)	901	1,029
Liabilities (through profit or loss)	587	575

14b Deferred tax

	06/30/2020	12/31/2019
Assets (through profit or loss)	946	896
Assets (through shareholders' equity)	257	258
Liabilities (through profit or loss)	549	612
Liabilities (through shareholders' equity)	470	578

Note 15 Accruals and other assets and liabilities

15a Accruals and other assets

	06/30/2020	12/31/2019
ACCRUALS		
Collection accounts	43	136
Currency adjustment accounts	73	385
Accrued income	494	503
Other accruals	1,021	3,468
Subtotal	1,631	4,492
OTHER ASSETS		
Securities settlement accounts	101	117
Miscellaneous receivables	3,984	3,478
Inventories and similar	27	32
Other	30	31
Subtotal	4,142	3,658
TOTAL	5,773	8,150

15b Accruals and other liabilities

	06/30/2020	12/31/2019
ACCRUALS		
Accounts unavailable due to recovery procedures	53	45
Currency adjustment accounts	680	137
Accrued expenses	979	961
Deferred income	502	602
Other accruals	2,954	4,761
Subtotal	5,168	6,506
OTHER LIABILITIES		
Lease obligations – Real estate	617	582
Lease obligations – Other	2	2
Securities settlement accounts	986	475
Outstanding amounts payable on securities	68	52
Sundry creditors	1,187	1,155
Subtotal	2,860	2,266
TOTAL	8,028	8,772

15c Lease obligations by residual term

06/30/2020	≤ 1 year	from 1 year to ≤3 years	from 3 years to ≤6 years	from 6 years to ≤9 years	> 9 years	Total
Lease obligations	34	108	189	131	157	619
▪ Real estate	33	107	189	131	157	617
▪ Other	1	1	0	0	0	2

Note 16 Investments in equity consolidated companies

06/30/2020	Country	Share held	Value of equity consolidation	Share of net profit/(loss)	Dividends received	Fair value of the investment (if listed)
Entities under significant influence						
ASTREE Assurances	Tunisia	30.00%	18	2	0	37
Banque de Tunisie	Tunisia	35.33%	174	7	0	173
Euro Information	France	26.36%	417	12	1	NC*
Euro Protection Surveillance	France	25.00%	46	5	0	NC*
LYF SA (formerly Fivory)	France	43.75%	7	0	0	NC*
SCI La Tréflière	France	46.09%	10	0	0	NC*
Other equity investments			1	0		NC*
Total [1]			673	25	1	
Joint venture						
Bancas	France	50.00%	0	0	0	NC*
Banque du Groupe Casino	France	50.00%	78	3	0	NC*
Total [2]			78	2	0	
TOTAL (1) + (2)			752	28	1	

* NC: Not communicated.

12/31/2019	Country	Share held	Value of equity consolidation	Share of net profit/(loss)	Dividends received	Fair value of the investment (if listed)
Entities under significant influence						
ASTREE Assurances	Tunisia	30.00%	17	5	1	25
Banque de Tunisie	Tunisia	35.33%	172	9	5	195
Euro Information	France	26.36%	404	41	1	NC*
Euro Protection Surveillance	France	25.00%	41	6	0	NC*
LYF SA (formerly Fivory)	France	43.75%	7	0	0	NC*
Royale Marocaine d'Assurance (formerly RMA Watanya)**	Morocco	NA	0	6	0	NC*
SCI La Tréflière	France	46.09%	10	0	0	NC*
Other equity investments			1	0		NC*
Total [1]			651	66	7	
Joint venture						
Bancas	France	50.00%	1	0	0	NC*
Banque du Groupe Casino	France	50.00%	75	7	0	NC*
Total [2]			76	7	0	
TOTAL (1) + (2)			727	74	7	

* NC: Not communicated.

** Exclusion of RMA from the consolidation scope in 2019 following the sale of shares held by GACM.

Note 17 Investment property

	12/31/2019	Increase	Decrease	Other	06/30/2020
Historical cost	89	1	-1	-7	82
Depreciation and impairment	-34	-1	0	1	-34
Net amount	**55**	**0**	**-1**	**-6**	**48**

Note 18 Property, plant and equipment and intangible assets

18a Property, plant and equipment

	12/31/2019	Increase	Decrease	Other	06/30/2020
HISTORICAL COST					
Operating sites	483	0	0	0	483
Operating buildings	3,094	19	-42	1	3,071
Usage rights – Real estate	687	95	-5	0	777
Usage rights – Other	2	1	0	0	3
Other property, plant and equipment	1,158	89	-25	0	1,222
Total	5,424	204	-72	1	5,556
DEPRECIATION AND IMPAIRMENT					
Operating sites	-10	-1	0	0	-11
Operating buildings	-2,019	-44	36	0	-2,027
Usage rights – Real estate	-110	-56	2	-1	-165
Usage rights – Other	-1	0	0	0	-1
Other property, plant and equipment	-902	-29	13	-1	-919
Total	-3,042	-130	51	-2	-3,123
NET AMOUNT	2,382	74	-21	-1	2,431

18b Intangible assets

	12/31/2019	Increase	Decrease	Other	06/30/2020
HISTORICAL COST					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	1,452	15	-4	1	1,464
▪ software	547	13	0	1	561
▪ other	905	2	-4	0	903
Total	1,452	15	-4	1	1,464
DEPRECIATION AND IMPAIRMENT					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	-942	-11	1	2	-950
▪ software	-493	-10	0	0	-503
▪ other	-449	-1	1	2	-447
Total	-942	-11	1	2	-950
NET AMOUNT	510	4	-3	3	514

Note 19 Goodwill

	12/31/2019	Increase	Decrease	Variation in impairment	Other	06/30/2020
Gross goodwill	4,544				0	4,544
Write-downs	-495			-1	-2	-498
NET GOODWILL	4,049				-2	4,046

Cash generating units	Value of goodwill on 12/31/2019	Increase	Decrease	Variation in impairment	Other	Value of goodwill on 06/30/2020
Targobank in Germany	2,851					2,851
Crédit Industriel et Commercial (CIC)	506					506
Cofidis Participations	378					378
Cofidis France	79					79
Factofrance SA	68					68
GACM Seguros Generales Compañía de Seguros y Reaseguros SA (formerly AMGEN)	53			-1	-2	50
SIIC Foncière Massena	26					26
Crédit Mutuel Equity SCR	21					21
Banque de Luxembourg	13					13
Agrupació AMCI d'Assegurances i Reassegurances S.A.	12					12
Cofidis Italy	9					9
Banque Transatlantique	6					6
Dubly Transatlantique Gestion	5					5
Other	22					22
TOTAL	4,049	0	0	-1	-2	4,046

The cash generating units to which the goodwill is assigned are subject to at least one test per year of their recoverable amount. Impairment is ascertained by depreciation of goodwill when the recoverable amount is less than the carrying amount.

The recoverable amount is determined according to two types of methods:

- *The fair value net of sales costs, which is based on observation of valuation multiples on comparable transactions or market parameters adopted by the analysts on entities with similar activities;*
- *The value in use, which is based on converting future expected cash flows to current value.*

To determine the value in use, the cash flows are based on business plans determined by the management over a maximum period of five years, then on projection of a flow to infinity according to a long-term growth rate. The latter is fixed at 2% for the whole of Europe, which is an assumption measured in comparison to inflation rates observed over a very long period.

The cash flow discount rates correspond to the cost of capital, which is determined from a long-term riskless rate, to which a risk premium is added. The risk premium is determined by observation of the sensitivity of the price in relation to the market in the case of a listed asset, or by analyst's estimate in non-listed assets. The context of the health crisis, its observed consequences on interim net profit at June 30, 2020, and the uncertain macroeconomic conditions for 2021 and beyond have led the group to identify potential indicators of impairment of goodwill. As a result, the group has updated the impairment tests for its main subsidiaries. In this context, the cost of capital was discounted on June 30, 2020 with:

- *7% for retail banking and leasing CGUs based in Germany.*
- *8% for retail banking, consumer credit and leasing CGUs located in France.*

The main sensitivity factors of the recoverable amount test based on the value in use are the discount rate and the expected level of future cash flows, which is itself impacted by the following sensitivity factors:

- *The achievement of business plans;*
- *The perpetual growth rate.*

When the value in use was used as an impairment test, the parameters and their sensitivity were as follows:

	Targobank Allemagne	Cofidis	CIC
	Network bank	Consumer loan	Network bank
Cost of capital	7.00%	8.00%	8.00%
Effect of a variation upwards of 50 basis points in the cost of capital	-9%	-8%	-7%
Effect of the 50 basis point drop in the growth rate to infinity	-7%	-6%	-5%

If the sensitivity assumptions below were used, goodwill would not be impaired.

Note 20 Provisions and contingent liabilities

20a Provisions

	12/31/2019	Additions for the year	Reversals for the year (utilized provisions)	Reversals for the year (surplus provisions)	Other changes	06/30/2020
Provisions for risks	358	134	-6	-128	-5	353
On guarantee commitments [2]	*195*	*73*	*-2*	*-51*	*1*	*216*
▪ of which 12-month expected losses (S1)	36	21	0	-13	0	44
▪ of which expected losses at maturity (S2)	33	22	0	-16	1	40
▪ of which provisions for execution of commitments upon signature	126	30	-2	-22	0	132
On financing commitments [2]	*63*	*47*	*0*	*-46*	*0*	*64*
▪ of which 12-month expected losses (S1)	53	34	0	-33	0	54
▪ of which expected losses at maturity (S2)	10	13	0	-13	0	10
On country risks	*0*	*0*	*0*	*0*	*0*	*0*
Provisions for taxes	*10*	*0*	*0*	*0*	*0*	*10*
Provisions for claims and litigation	*57*	*13*	*-4*	*-7*	*-6*	*53*
Provision for risk on miscellaneous receivables	*32*	*1*	*0*	*-24*	*2*	*11*
other provisions	1,320	49	-17	-185	-4	1,163
▪ Provision for mortgage saving agreements	77	12	0	0	0	89
▪ Provisions for miscellaneous contingencies	872	6	-6	-168	-1	703
Other provisions [1]	371	31	-11	-17	-3	371
Provisions for retirement commitments	1,022	61	-14	-4	6	1,071
TOTAL	2,700	244	-37	-317	-3	2,587

(1) Other provisions mainly include provisions for French economic interest groups (GIE) totaling €316 million.

(2) At June 30, 2020, the group has taken into account the effects of the COVID-19 crisis as part of the provisioning of performing loans – see Note 1-Accounting principles.

20b Retirement and other employee benefits

	12/31/2019	Additions for the year	Reversals for the year	Other changes	06/30/2020
DEFINED-BENEFIT PLANS NOT COVERED BY PENSION FUNDS					
Retirement Benefits	839	58	-13	4	888
Supplementary pensions	85	4	-4	0	85
Obligations for long service awards (other long-term benefits)	81	0	0	1	82
Sub-total recognized	1,005	62	-17	5	1,055
SUPPLEMENTARY DEFINED-BENEFIT PENSION PLANS INSURED BY GROUP PENSION FUNDS					
Commitments to employees and retirees [1]	17	0	0	0	17
Fair value of assets					
Sub-total recognized	17	0	0	0	17
TOTAL AMOUNT RECOGNIZED	1,022	62	-17	5	1,072

DEFINED-BENEFIT PLANS: MAIN ACTUARIAL ASSUMPTIONS

	06/30/2020	12/31/2019
Discount rate [2]	0.75%	0.75%
Expected increase in salaries [3]	Minimum 0.7%	Minimum 0.7%

(1) The provisions covering shortfalls in pension funds relate to entities located abroad.

(2) The discount rate, which is determined by reference to the long-term rate on private-sector borrowings, is based on the IBOXX index.

(3) The annual increase in salaries is the estimate of future inflation combined with the increase in salaries; it also depends on the age of the employee.

Note 21 Subordinated debt

	06/30/2020	12/31/2019
Subordinated debt	7,121	7,119
Participating loans	20	20
Perpetual subordinated debt	1,503	1,506
Other debt	0	0
Related debt	83	90
TOTAL	8,727	8,735

PRINCIPAL SUBORDINATED DEBT

(in € millions)	Type	Vesting date Issue	Amount Issue	Amount at year-end [1]	Rate	Term
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	10/22/2010	€1,000m	€921m	4.00	10/22/2020
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	05/21/2014	€1,000m	€1,000m	3.00	05/21/2024
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	09/11/2015	€1,000m	€1,000m	3.00	09/11/2025
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	03/24/2016	€1,000m	€1,000m	2.375	03/24/2026
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	11/04/2016	€700m	€700m	1.875	11/04/2026
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	03/31/2017	€500m	€500m	2.625	03/31/2027
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	11/15/2017	€500m	€500m	1.625	11/15/2027
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	05/28/2018	€500m	€500m	2.500	05/25/2028
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	06/18/2019	€1,000m	€1,000m	1.875	06/18/2029
CIC	Participatory	05/28/1985	€137m	€8m	(2)	(3)
Banque Fédérative du Crédit Mutuel	Borrowings	12/28/2005	€500m	€500m	(4)	TBD
Banque Fédérative du Crédit Mutuel	TSS	12/15/2004	€750m	€734m	(5)	TBD
Banque Fédérative du Crédit Mutuel	TSS	02/25/2005	€250m	€250m	(6)	TBD

(1) Net intra-group amounts.

(2) Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.

(3) Non-depreciable, but reimbursable at borrower's discretion as of 05/28/1997 at 130% of the nominal value revalued by 1.5% per year for future years.

(4) Euribor 1 year +0.3 basis points.

(5) CMS 10 years ISDA CIC +10 basis points.

(6) CMS 10 years ISDA +10 basis points

Note 22 Reserves related to capital and reserves

22a Shareholders' equity attributable to the group (excluding profit and loss and unrealized gains and losses)

	06/30/2020	12/31/2019
Capital and reserves related to capital	6,198	6,198
▪ Capital	1,689	1,689
▪ Issue premium, contribution, merger, split, conversion	4,509	4,509
Consolidated reserves	20,438	18,619
▪ Regulated reserves	9	9
▪ Other reserves (including effects related to initial application)	20,428	18,609
of which profit on disposal of capital instruments	-21	-25
▪ Retained earnings	1	1
TOTAL	26,635	24,817

22b Unrealized or deferred gains and losses

	06/30/2020	12/31/2019
UNREALIZED OR DEFERRED GAINS OR LOSSES* RELATING TO:		
▪ Translation adjustments	53	64
▪ Insurance business investments (assets available-for-sale)	910	969
▪ Financial assets at fair value through recyclable shareholders' equity – debt instruments	-156	-33
▪ Financial assets at fair value through non-recyclable shareholders' equity – capital instruments	7	14
▪ Hedging derivatives (CFH)	0	2
▪ Internal credit risk on financial liabilities in FVO	0	0
▪ Share of unrealized or deferred gains and losses of associates	-37	-36
▪ Actuarial gains and losses on defined benefit plans	-292	-274
▪ Other	0	0
TOTAL	486	704

* *Balances net of corporation tax and after shadow accounting treatment.*

22c Recycling of gains and losses directly recognized in shareholders' equity

	06/30/2020	12/31/2019
	Operations	Operations
Translation adjustments		
Reclassification in income	0	0
Other movement	-11	35
Subtotal	-11	35
Remeasurement of financial assets at FVOCI – debt instruments		
Reclassification in income	0	0
Other movement	-122	-4
Subtotal	-122	-4
Remeasurement of financial assets at FVOCI – capital instruments		
Reclassification in income	0	0
Other movement	-7	67
Subtotal	-7	67
Revaluation of insurance business investments		
Reclassification in income	0	0
Other movement	-59	348
Subtotal	-59	348
Remeasurement of hedging derivatives		
Reclassification in income	0	0
Other movement	-2	-1
Subtotal	-2	-1
Actuarial gains and losses on defined benefit plans	-17	-90
Share of unrealized or deferred gains and losses of associates	-1	4
TOTAL	-218	358

22d Tax related to each category of gains and losses recognized directly in shareholders' equity

	06/30/2020			12/31/2019		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation adjustments	-11	0	-11	35	0	35
Remeasurement of financial assets at FVOCI – debt instruments	-168	46	-122	-8	3	-4
Remeasurement of financial assets at FVOCI – capital instruments	-3	-4	-7	66	1	67
Revaluation of insurance business investments	-98	39	-59	483	-135	348
Remeasurement of hedging derivatives	-2	0	-2	-1	0	-1
Actuarial gains and losses on defined benefit plans	-27	9	-17	-137	46	-90
Share of unrealized or deferred gains and losses of associates	-1	0	-1	4	0	4
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY TO EQUITY	-310	91	-218	442	-84	358

Note 23 Commitments given and received

COMMITMENTS GIVEN

	06/30/2020	12/30/2019
Funding commitments	56,252	52,932
Liabilities due to credit institutions	728	867
Commitments to customers	55,524	52,065
Guarantee commitments	26,010	26,187
Credit institution commitments	4,129	4,511
Customer commitments	21,881	21,676
Securities commitments	4,056	2,377
Other commitment given	4,056	2,377
Commitments pledged from the insurance business line	3,726	3,514

COMMITMENTS RECEIVED

	06/30/2020	12/31/2019
Funding commitments	24,671	13,257
Commitments received from credit Institutions	24,671	13,257
Commitments received from customers	0	0
Guarantee commitments	80,899	69,121
Commitments received from credit Institutions	48,354	46,623
Commitments received from customers	32,545	22,498
Securities commitments	2,193	964
Securities sold with option to repurchase	0	0
Other commitments received	2,193	964
Commitments received from the insurance business line	7,046	6,184

Note 24 Interest income and expense

	06/30/2020		06/30/2019 restated		06/30/2019 published	
	Income	Expenses	Income	Expenses	Income	Expenses
Credit institutions and central banks [1]	124	-214	244	-323	244	-323
Customers	3,340	-478	3,454	-571	5,296	-2,413
▪ of which finance and operating leases [2]	271	-96	301	-126	2,143	-1,968
▪ of which lease obligations	0	-3	0	-3	0	-3
Hedging derivatives	1,397	-1,029	1,314	-1,251	1,314	-1,251
Financial instruments at fair value through profit or loss	374	-40	405	-65	405	-65
Financial assets at fair value through shareholders' equity/Assets available-for-sale	169	0	199	0	199	0
Securities at amortized cost	46	0	52	0	52	0
Debt securities	0	-866	0	-941	0	-941
Subordinated debt	0	-4	0	-6	0	-6
TOTAL	5,450	-2,631	5,668	-3,157	7,510	-4,999
of which interest income and expense calculated at the effective interest rate:	*3,679*	*-1,562*	*3,949*	*-1,841*	*5,791*	*-3,683*

(1) Including -€226 million impact of negative interest rates in income and +€111 million in expenses in the first half of 2020, of which -€156 million impact of negative interest rates in income and +€107 million in expenses in the first half of 2019.

(2) In 2019, the group reviewed the presentation of interest income from finance leases. This is now presented under net interest income. It was previously presented under "Interest income and expenses". Accordingly, and to ensure a comparison with interest income and expense as of June 30, 2020, the reported figures as of June 30, 2019 have been restated and are provided below.

Note 25 Commission income and expense

	06/30/2020		06/30/2019	
	Income	Expenses	Income	Expenses
Credit institutions	2	-4	1	-3
Customers	543	-8	579	-9
Securities	447	-42	404	-31
▪ of which activities managed on behalf of third parties	304	0	306	0
Derivative instruments	5	-6	3	-5
Currency transactions	10	-1	9	-1
Funding and guarantee commitments	15	-2	20	-1
Services provided	675	-373	718	-426
TOTAL	1,698	-436	1,735	-476

Note 26 Net gains on financial instruments at fair value through profit or loss

	06/30/2020	06/30/2019
Trading instruments	-175	225
Instruments accounted for under the fair value option	10	12
Ineffective portion of hedges	-24	-52
On fair value hedges (FVH)	-24	-52
▪ Change in the fair value of hedged items	-42	-184
▪ Change in fair value of hedging instruments	18	132
Foreign exchange gains/(losses)	-26	56
Other financial instruments at fair value through profit or loss [1]	-162	236
TOTAL CHANGES IN FAIR VALUE	-376	477

(1) Of which €47 million from private equity business in the first half of 2020, compared to €149 million in the first half of 2019, with the other changes corresponding to changes in fair value on the other portfolios at FVPL.

Note 27 Net gains or losses on financial assets at fair value through shareholders' equity

	06/30/2020	06/30/2019
Dividends	8	28
Realized gains and losses on debt instruments	7	47
TOTAL	15	75

Note 28 Net gains or losses resulting from derecognition of financial assets at amortized cost

	06/30/2020	06/30/2019
Financial assets at amortized cost		
Gains/(losses) on:	0	0
▪ Government securities	0	0
▪ Bonds and other fixed-income securities	0	0
TOTAL	0	0

Note 29 Net income from the insurance business line

	06/30/2020	06/30/2019
INSURANCE POLICIES		
Premiums earned	4,766	5,645
Service charges	-4,093	-4,096
Change in provisions	661	-2,675
Other technical and non-technical income and expenses	17	36
Net income from investments	-472	2,326
Net income on insurance policies	879	1,236
Interest margin/fees	-5	-5
Net income on financial assets	-5	-5
Other net income	-19	6
NET INCOME FROM INSURANCE ACTIVITIES	855	1,237

Note 30 Income/expenses generated by other activities

	06/30/2020	06/30/2019
INCOME FROM OTHER ACTIVITIES		
Rebilled expenses	16	14
Other income	454	331
Subtotal	470	345
EXPENSES ON OTHER ACTIVITIES		
Investment property:	-1	-1
▪ additions to provisions/depreciation	-1	-1
▪ capital losses on disposals	0	0
Other expenses	-173	-283
Subtotal	-174	-284
NET TOTAL OF OTHER INCOME AND EXPENSES	296	61

Note 31 General operating expenses

	06/30/2020	06/30/2019
Employee benefits expense	-1,648	-1,673
Other expenses	-1,522	-1,500
TOTAL	-3,169	-3,173

31a Employee benefits expense

	06/30/2020	06/30/2019
Wages and salaries	-1,120	-1,118
Social security contributions	-366	-369
Short-term employee benefits	-1	-1
Employee profit-sharing and incentive schemes	-53	-81
Payroll-based taxes	-108	-103
Other	0	-1
TOTAL	-1,648	-1,673

AVERAGE WORKFORCE

	06/30/2020	06/30/2019**
Bank technical staff	24,421	25,083
Managers	16,383	16,577
TOTAL	40,804	41,660
France	28,652	28,956
Rest of the world	12,152	12,704
TOTAL	40,804	41,660
Registered workforce*	**46,296**	**46,756**

* *The registered workforce corresponds to the total number of employees at end-of-period for entities controlled by the group, which differs from the average full-time equivalent (so-called FTE) workforce, which focuses solely on full consolidation.*

** *Adjusted amount.*

31b Other operating expenses

	06/30/2020	06/30/2019
Taxes and duties [1]	-307	-272
Leases	-109	-110
▪ short-term asset leases [2]	-59	-65
▪ low value/substitutable asset leases [3]	-43	-40
▪ other leases	-7	-5
Other external services	-975	-993
Other miscellaneous expenses	12	9
TOTAL	-1,379	-1,366

(1) *The entry "Taxes and duties" includes an expense of -€159 million as part of the contribution to the Single Resolution Fund in the first half of 2020, compared to -€124 million in the first half of 2019.*

(2) *Includes real estate by automatic renewal.*

(3) *Includes computer equipment.*

31c Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets

	06/30/2020	06/30/2019
Amortizations	-141	-134
▪ property, plant and equipment	-129	-121
including usage rights	-57	-49
▪ intangible assets	-12	-13
Write-downs	-2	0
▪ property, plant and equipment	-2	0
▪ intangible assets	0	0
TOTAL	-142	-134

Note 32 Cost of counterparty risk

	06/30/2020	06/30/2019
12-month expected losses (S1)	-219	-50
Expected losses at maturity (S2)	-214	13
Impaired assets (S3)	-509	-421
TOTAL	-940	-458

At June 30, 2020, the group has taken into account the effects of the COVID-19 crisis as part of the provisioning of performing loans – see Note 1-Accounting principles.

06/30/2020	Allowances	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	Total
12-month expected losses (S1)	-399	180				-219
▪ Loans and receivables due from credit institutions at amortized cost	-2	2				0
▪ Customer loans at amortized cost	-335	125				-210
of which finance leases	-18	12				-6
▪ Financial assets at amortized cost – securities	-3	3				0
▪ Financial assets at fair value through other comprehensive income – debt securities	-3	4				1
▪ Financial assets at fair value through other comprehensive income – Loans	0	0				0
▪ Commitments given	-56	46				-10
Expected losses at maturity (S2)	-444	230				-214
▪ Loans and receivables due from credit institutions at amortized cost	0	0				0
▪ Customer loans at amortized cost	-409	199				-210
of which finance leases	-44	16				-28
▪ Financial assets at amortized cost – securities	0	0				0
▪ Financial assets at fair value through other comprehensive income – debt securities	0	2				2
▪ Financial assets at fair value through other comprehensive income – Loans	0	0				0
▪ Commitments given	-35	29				-6
Impaired assets (S3)	-657	545	-297	-151	51	-509
▪ Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
▪ Customer loans at amortized cost	-624	510	-279	-150	51	-492
of which finance leases	-9	8	-4	-1	1	-5
▪ Financial assets at amortized cost – securities	0	3	0	0	0	3
▪ Financial assets at fair value through other comprehensive income – debt securities	0	0	-17	0	0	-17
▪ Financial assets at fair value through other comprehensive income – Loans	0	0	0	0	0	0
▪ Commitments given	-33	32	-1	-1	0	-3
TOTAL	-1,500	956	-297	-151	51	-941

06/30/2019	Allowances	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	Total
12-month expected losses (S1)	-209	159				-50
▪ Loans and receivables due from credit institutions at amortized cost	-2	2				0
▪ Customer loans at amortized cost	-160	118				-42
▪ of which finance leases	-20	23				3
▪ Financial assets at amortized cost – securities	0	0				0
▪ Financial assets at fair value through other comprehensive income – debt securities	-3	2				-1
▪ Financial assets at fair value through other comprehensive income – Loans	0	0				0
▪ Commitments given	-44	37				-7
Expected losses at maturity (S2)	-233	246				13
▪ Loans and receivables due from credit institutions at amortized cost	0	0				0
▪ Customer loans at amortized cost*	-203	218				15
▪ of which finance leases	-27	25				-2
▪ Financial assets at amortized cost – securities	0	0				0
▪ Financial assets at fair value through other comprehensive income – debt securities	0	0				0
▪ Financial assets at fair value through other comprehensive income – Loans	0	0				0
▪ Commitments given	-30	28				-2
Impaired assets (S3)	-654	589	-282	-141	67	-421
▪ Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
▪ Customer loans at amortized cost	-622	554	-282	-140	67	-423
▪ of which finance leases	-8	12	-4	-3	0	-3
▪ Financial assets at amortized cost – securities	0	0	0	0	0	0
▪ Financial assets at fair value through other comprehensive income – debt securities	0	0	0	0	0	0
▪ Financial assets at fair value through other comprehensive income – Loans	0	0	0	0	0	0
▪ Commitments given	-32	35	0	-1	0	2
TOTAL	-1,096	992	-282	-141	67	-460

Note 33 Net gains/(losses) on disposals of other assets

	06/30/2020	06/30/2019
Tangible and intangible assets	-4	0
▪ Capital losses on sale	-4	-4
▪ Capital gains on sale	0	4
Gains/(losses) on disposals of shares in consolidated entities	0	0
TOTAL	-4	0

Note 34 Changes in the value of goodwill

	06/30/2020	06/30/2019
Impairment of goodwill	-1	0
Negative goodwill stated in profit or loss	0	0
TOTAL	-1	0

Note 35 Income tax

BREAKDOWN OF INCOME TAX EXPENSE

	06/30/2020	06/30/2019
Current taxes	-417	-631
Deferred tax expense	107	-88
Adjustments in respect of prior years	0	80
TOTAL	-310	-639

Note 36 Profit (loss) per share

	06/30/2020	06/30/2019
Net income attributable to the group	378	1,177
Number of shares at beginning of year	33,770,590	33,770,590
Number of shares at end of year	33,770,590	33,770,590
Weighted average number of shares	33,770,590	33,770,590
Basic earnings per share	11.19	34.85
Weighted average number of shares that may be issued	0	0
Diluted earnings per share	11.19	34.85

Note 37 Related party transactions

BALANCE SHEET ITEMS PERTAINING TO RELATED PARTY TRANSACTIONS

	06/30/2020			12/31/2019		
	Associates (companies accounted for using the equity method)	Other establishments belonging to the National Confederation	Crédit Mutuel Alliance Fédérale parent companies	Associates (companies accounted for using the equity method)	Other establishments belonging to the National Confederation	Crédit Mutuel Alliance Fédérale parent companies
ASSETS						
Financial assets at fair value through profit or loss	20	244	0	0	270	179
Hedging derivatives	0	0	1,549	0	0	1,020
Financial assets at FVOCI	0	0	0	0	40	0
Financial assets at amortized cost	1,188	2,859	32,428	1,246	1,600	32,068
Investments in insurance business line	0	728	0	0	465	0
Other assets	1	0	0	1	1	0
TOTAL	1,208	3,830	33,976	1,246	2,376	33,267
LIABILITIES						
Liabilities at fair value through profit or loss	0	28	0	0	36	0
Debt securities	0	86	0	0	22	0
Liabilities to cred. inst.	13	259	9,190	7	372	5,800
Due to customers	488	501	25	525	517	25
Liabilities relative to contracts of the insurance business line	0	173	0	0	173	0
Subordinated debt	0	31	500	0	0	500
Miscellaneous liabilities	32	6	0	65	5	0
TOTAL	533	1,084	9,715	597	1,125	6,325
Financing commitments given	112	0	0	67	0	0
Guarantees given	0	0	4,245	0	27	3,967
Financing commitments received	0	10	0	0	10	0
Guarantees received	0	674	2,303	0	682	2,196

PROFIT AND LOSS ITEMS PERTAINING TO RELATED PARTY TRANSACTIONS

	06/30/2020			06/30/2019		
	Associates (companies accounted for using the equity method)	Other establishments belonging to the National Confederation	Crédit Mutuel Alliance Fédérale parent companies	Associates (companies accounted for using the equity method)	Other establishments belonging to the National Confederation	Crédit Mutuel Alliance Fédérale parent companies
Interest income	3	24	196	7	56	197
Interest expense	0	(21)	(23)	0	(57)	(23)
Commission income	0	0	1	7	0	1
Commission expense	(16)	0	(7)	(19)	(1)	(17)
Net gains/(losses) on financial assets at FVOCI and FVPL	1	(5)	0	6	10	(0)
Net income from insurance activities	(11)	(106)	(257)	(8)	(114)	(245)
Other income and expenses	(2)	0	0	(5)	0	0
General operating expenses	(315)	0	(54)	(301)	0	(25)
TOTAL	(340)	(108)	(145)	(313)	(107)	(112)

6.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
63, rue de Villiers	Tour First
92208 Neuilly-sur-Seine Cedex	TSA 14444
S.A.R.L. with capital of €86,000	92037 Paris-La Défense Cedex
	S.A.S. with variable capital
	438 476 913 R.C.S. Nanterre
Statutory auditors	Statutory auditors
Member of the Compagnie	Member of the Compagnie
régionale de Versailles	régionale de Versailles

(Period from January 1 to June 30, 2020)

Report from the statutory auditors on interim financial information

Dear Shareholders,

BANQUE FEDERATIVE DU CREDIT MUTUEL - BFCM
4 rue Frédéric-Guillaume Raiffeisen
67000 STRASBOURG

In accordance with the task entrusted us by your Shareholders' Meeting and pursuant to Article L. 451-1-2 III of the French Monetary and Financial Code, we have undertaken:

- a limited review of the condensed consolidated half-year financial statements for BFCM, pertaining to the period from January 1 to June 30, 2020, attached to this report;

- verification of the information given in the interim business report.

These condensed consolidated interim financial statements were prepared by your board of directors on July 30, 2020, based on the information available at that date, in the changing context of the COVID-19 health crisis and difficulties identifying its impacts and outlook. It is up to us, based on our limited review, to express our conclusion about these statements.

Conclusion about the financial statements

We conducted our limited review according to applicable professional standards in France.

A limited review consists essentially in working together with those members of management in charge of accounting and financial matters and implementing analytical procedures. This work is less extensive than that required for an audit conducted according to professional standards applicable in France. Consequently, assurance that the financial statements, taken as a whole, do not include any significant anomalies obtained in the context of a limited review is a moderate assurance, lower than that obtained in the context of an audit.

Based on our limited review, we did not note any significant anomalies of a nature that would question compliance of the condensed consolidated interim financial statements with IAS 34 – the IFRS standard of reference such as it was adopted by the European Union pertaining to interim financial information.

Specific verification

We also undertook to verify the information given in the interim business report compiled on July 30, 2020, commenting on the condensed consolidated interim financial statements, of which we provided a limited review.

We have no comments to make as to the fair presentation and consistency of this information with the consolidated condensed interim financial statements.

Neuilly-sur-Seine and Paris-La Défense, on August 6, 2020

The statutory auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Nicolas Montillot	Hassan Baaj

7 ADDITIONAL INFORMATION TO THE INFORMATION PUBLISHED IN THE 2019 UNIVERSAL REGISTRATION DOCUMENT

The following tables supersede the ones published in the 2019 Universal Registration Document filed on April 27, 2020.

Page 48: 2.2.2.5.6 IT, logistics, press & Holding Company

(in € millions)	2019	2018	change
Net banking income	**1,652**	**1,330**	**+24.2%**
General operating expenses	(1,850)	(1,722)	+7.4%
Gross operating income/(loss)	**(198)**	**(392)**	**+49.5%**
Cost of risk	(13)	(30)	ns
Operating income	**(210)**	**(422)**	**+50.1%**
Net gains and losses on other assets and ECC (1)	(9)	50	ns
Profit/(loss) before tax	**(219)**	**(372)**	**+41.0%**
Income tax	(39)	25	ns
Post-tax gains/(losses) on discontinued operations			
NET PROFIT/(LOSS)	**(258)**	**(346)**	**+25.4%**

(1) ECC = Equity consolidated companies = proportionate share of the net profit (loss) from equity consolidated companies.

Page 62: 2.3.1.5.6 IT, logistics, press & Holding Company

(in € millions)	2019	2018	change
Net banking income	**223**	**(60)**	**ns**
General operating expenses	(530)	(529)	+0.2%
Gross operating income/(loss)	**(307)**	**(589)**	**+47.9%**
Cost of risk	(7)	(22)	ns
Operating income	**(314)**	**(611)**	**+48.5%**
Net gains and losses on other assets and ECC (1)	55	107	ns
Profit/(loss) before tax	**(260)**	**(503)**	**+48.4%**
Income tax	42	83	ns
Post-tax gains/(losses) on discontinued operations			
NET PROFIT/(LOSS)	**(217)**	**(420)**	**+48.3%**

(1) ECC = Equity consolidated companies = proportionate share of the net profit (loss) from equity consolidated companies.

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12a - Gross values subject to impairment

	12/31/2018 restated [1]	Acquisition/ production	Sales/repayments	Change in flows [2]	Transfer [3]	Other	12/31/2019
Financial assets at amortized cost – loans and receivables due from credit institutions, subject to	**44,171**	**66,104**	**-69,457**	**9**	**0**	**0**	**40,827**
- 12-month expected losses (S1)	44,158	66,096	-69,444	9	3	0	40,822
- expected losses at maturity (S2)	13	8	-13	0	-3	0	5
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0	0	0
Financial assets at amortized cost – loans and receivables due from customers, subject to [1]	**378,995**	**147,023**	**-133,480**	**440**	**1**	**0**	**392,980**
- 12-month expected losses (S1)	354,982	126,626	-121,185	54	-1,494	0	358,983
- expected losses at maturity (S2)	12,436	19,259	-9,194	64	-648	0	21,917
- of which customer receivables coming under IFRS 15	0	0	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	11,532	1,137	-3,055	322	2,143	0	12,079
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	45	1	-46	0	0	0	0
Financial assets at amortized cost – securities	**3,203**	**3,313**	**-3,649**	**0**	**115**	**0**	**2,981**
- 12-month expected losses (S1)	2,810	3,305	-3,426	0	109	0	2,798
- expected losses at maturity (S2)	0	0	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	392	8	-223	0	6	0	183
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income – debt securities	**26,811**	**12,260**	**-8,955**	**0**	**-112**	**0**	**30,004**
- 12-month expected losses (S1)	26,702	12,189	-8,921	0	-73	0	29,897
- expected losses at maturity (S2)	107	38	0	0	-40	0	105
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	2	33	-34	0	1	0	2
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income – Loans	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- 12-month expected losses (S1)	0	0	0	0	0	0	0
- expected losses at maturity (S2)	0	0	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0	0	0
TOTAL	453,180	228,700	-215,541	449	4	0	466,792

(1) Amounts in Financial assets at amortized cost – loans and receivables to customers, restated at December 31, 2018, primarily to better reflect the economic reality of finance leases outstanding.
(2) Changes in flows not giving rise to derecognition.
(3) Of which Buckets transfers.

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16a - Share of net profit/(loss) of equity consolidated companies

12/31/2019	Country	Share held	Value of equity consolidation	Share of net profit/(loss)	Dividends received	Fair value of the investment (if listed)
Entities under significant influence						
ASTREE Assurances	Tunisia	30.00%	17	5	1	25
Banque de Tunisie	Tunisia	35.33%	172	9	5	195
Caisse Centrale du Crédit Mutuel**	France	53.48%	349	5	2	NC*
LYF SA (formerly Fivory)	France	43.75%	7	0	0	NC*
Royale Marocaine d'Assurance (formerly RMA Watanya)***	Morocco	NA	0	6	14	NC*
Other equity investments			-7	-13		
Total (1)			**536**	**12**	**22**	
Joint venture						
Bancas	France	50.00%	1	0	0	NC*
Euro Automatic Cash	Spain	50.00%	8	-11	0	NC*
Banque du Groupe Casino	France	50.00%	75	7	0	NC*
Total (2)			**84**	**-4**	**0**	
Total (1)+(2)			620	7	22	

** NC: Not communicated*

*** Caisse Centrale du Crédit Mutuel continued to be equity consolidated due to a notable influence despite the fact that the voting rights held exceeded 50% in 2019.*

**** Exclusion of RMA from the consolidation scope in 2019 following the sale of shares held by GACM.*

8 BFCM SHARE CAPITAL

The share capital stands at €1,688,529,500.00. It is divided into 33,770,590 shares each of €50.00 nominal, all of the same class. There were no changes in BFCM's share capital in the last three fiscal years.

BFCM has no unissued authorized capital or exchangeable or redeemable convertible bonds granting access to capital.

Shares of Banque Fédérative du Crédit Mutuel are not listed or traded on any market.

The main shareholders of Crédit Mutuel Alliance Fédérale do not hold different voting rights.

9 ADDITIONAL INFORMATION

9.1 DOCUMENTS AVAILABLE TO THE PUBLIC

During the validity of the universal registration document, the following documents (or copy of these documents) can be viewed:

Digitally on BFCM's website

http://www.bfcm.creditmutuel.fr

- Historical financial information of the BFCM and Crédit Mutuel Alliance Fédérale for each of the two fiscal years preceding the publication of the universal registration document.
- This universal registration document and those of the two previous fiscal years.

The information provided on the website does not form part of the universal registration document.

Regarding physical media

- The issuer's charter and articles of association.
- All reports, letters and other documents, historical financial information, valuations and statements prepared by an expert at the request of the issuer, a part of which is included or referred to in the universal registration document.
- The historical financial information of the subsidiaries of the BFCM for each of the two financial years preceding the publication of the universal registration document.

By sending a request by mail to:

Banque Fédérative du Crédit Mutuel

Legal department

4 rue Frédéric-Guillaume Raiffeisen 67913 STRASBOURG Cedex 9

+ 33 (0)3 88 14 88 14

9.2 DIRECTOR OF INFORMATION

Mr. Alexandre Saada

Deputy Chief Executive Officer of the BFCM

Email: alexandre.saada@creditmutuel.fr

Mrs. Annie Gain

Financial Director of Crédit Mutuel Alliance Fédérale

Email: annie.gain@creditmutuel.fr

9.3 PERSON RESPONSIBLE

Mr. Daniel Baal

Chief executive officer of Caisse Fédérale de Crédit Mutuel.

Declaration by the person responsible

After having taken all reasonable measures to that effect, I hereby declare that, to the best of my knowledge, the information contained in this amendment to the registration document is accurate and contains no omissions that could adversely affect its scope.

I certify, to the best of my knowledge, that the condensed financial statements for the half-year just ended were prepared in accordance with applicable accounting standards and present an accurate picture of the assets, financial position and net profit and loss of the company and of all of the companies included in the consolidation, and that the half-year activity report made up of sections indicated in the cross-reference table located at the end of this document presents an accurate picture of the important events that occurred in the first six months of the fiscal year, their impact on the financial statements, the principal transactions between related parties as well as a description of the main risks and uncertainties for the remaining six months of the fiscal year.

Strasbourg, August 11, 2020

9.4 STATUTORY AUDITORS

Principal statutory auditors

Ernst & Young et Autres, member of the Regional Association of Auditors of Versailles (Compagnie Régionale de Versailles) – represented by Mr. Hassan Baaj – 1-2 Place des Saisons, 92400 Courbevoie Paris la Défense 1.

Start date of first term of office: September 29, 1992.

Current term of office: six fiscal years with effect from May 11, 2016.

Renewal: the shareholders' meeting of May 11, 2016 renewed the term of office of the Ernst & Young et Autres firm as principal statutory auditors for a period of six years, i.e. until the end of the Shareholders' Meeting called to rule on the financial statements of fiscal year 2021.

PricewaterhouseCoopers France, member of the Compagnie Régionale de Versailles – represented by Mr. Jacques Lévi – 63 Rue de Villiers, 92200 Neuilly-sur-Seine.

Start date of first term of office: May 11, 2016.

Current term of office: six fiscal years with effect from May 11, 2016.

The shareholders' meeting of May 11, 2016 appointed PricewaterhouseCoopers France, principal statutory auditors for a period of six years, i.e. until the end of the shareholders' meeting called to rule on the annual financial statements of fiscal year 2021, for the company and consolidated financial statements.

Alternate statutory auditors

Cabinet Picarle & Associés, Jean-Baptiste Deschryver.

9.5 CROSS-REFERENCE TABLES

9.5.1 Cross-reference table for the Crédit Mutuel Alliance Fédérale universal registration document

Sections of Appendix 1 of Delegated Regulation (EU) 2019/980: "Registration document for equity securities"	Page no. of the universal registration document filed with AMF on August 11, 2020	Page no. of the universal registration document filed with AMF on April 27, 2020
1. Persons responsible	**210**	**540**
2. Statutory auditors	**211**	**541**
3. Risk factors	**66-73**	**195-201**
4. Information about the issuer	**216**	**535-536**
5. Business overview		
5.1 Main activities	9-29	20 ; 6-7
5.2 Main markets	9-29	21 ; 6-7
5.3 Significant events in business development	NA	55 ; 65
5.4 Strategy and objectives	2-3	8-9
5.5 Degree of dependence with respect to patents or licenses, industrial, commercial or financial agreements or new manufacturing processes	NA	536
5.6 Elements on which the declarations of the issuer concerning its competitive position are based	NA	21
5.7 Investments	NA	NA
6. Organizational structure		
6.1 Description of the group	4	11-34
6.2 Main subsidiaries	4	11-34
7. Review of the financial position and of net profit or loss		
7.1 Financial position	9-29	37-69
7.2 Operating income	9-29	37-69
8. Cash and equity		
8.1 Information on the issuer's equity	78-79 ; 143-144	330 ; 412
8.2 Source and amount of the issuer's cash flows	80 ; 145	331 ; 413
8.3 Information on the borrowing conditions and the issuer's financing structure	22-24	50-52
8.4 Information concerning any restrictions on the use of equity that noticeably influences or may noticeably influence the issuer's transactions	NA	NA
8.5 Information on the expected financing sources necessary to honor the commitments set out in point 5.7.2	NA	NA
9. Regulatory environment	**8-9**	**39**
10. Information on trends	**27 ; 29**	**55 ; 65**
11. Profit forecasts or estimates	**NA**	**NA**
12. Administrative, management, supervisory and executive bodies		
12.1 Information concerning the members of BFCM's administrative and management bodies	30-65	144-155 ; 163-174
12.2 Conflicts of interest concerning the administrative, management, supervisory and executive bodies	NA	156-157 ; 175-176
13. Compensation and benefits	**NA**	**159-160 ; 184-185**
14. Operation of the administrative and management bodies		
14.1 Expiration date of current terms of office	31-44 ; 47-62	144-151 ; 154-155 ; 163-171; 173-174
14.2 Service agreements binding the members of the administrative bodies to the issuer or to one of its subsidiaries		
14.3 Information on the auditing committee and the remuneration committee	65-65	158 ; 178-181
14.4 Declaration indicating whether or not the issuer is in compliance with the legal corporate governance framework in force in its country of origin	NA	142 ; 161
14.5 Potentially significant impacts on corporate governance	NA	200

Sections of Appendix 1 of Delegated Regulation (EU) 2019/980: "Registration document for equity securities"	Page no. of the universal registration document filed with AMF on August 11, 2020	Page no. of the universal registration document filed with AMF on April 27, 2020
15. Employees		
15.1 Number of employees	133 ; 199	394 ; 475 ; 516
15.2 Interests in the issuer's share capital and directors' stock-options	NA	NA
15.3 Agreement providing for employee ownership of the issuer's shares	NA	NA
16. Major shareholders		
16.1 Shareholders holding more than 5% of the share capital or voting rights	NA	528
16.2 Existence of different voting rights of the aforementioned shareholders	209	528
16.3 Control of the issuer	NA	529
16.4 Knowledge by the issuer of an agreement likely to result in a change in control at a later date	NA	528
17. Related-party transactions	**137 ; 203**	**399 ; 479**
18. Financial information on the issuer's assets and liabilities, financial position and results		
18.1 Historical financial information	74-137 ; 139-204 ; 213	325-405 ; 407-487 ; 489-524 ; 543
18.2 Interim and other financial information	74-137 ; 139-204	NA
18.3 Verification of the annual historical financial information	138 ; 205	403-405 ; 483-487 ; 522-524
18.4 Pro forma financial information	NA	NA
18.5 Dividend distribution policy	NA	529
18.6 Legal and arbitration proceedings	NA	536
18.7 Material change in the financial position	NA	536
19. Additional information		
19.1 Share capital	209	528
19.2 Charter and articles of association	NA	528
20. Major contracts	**NA**	**536**
21. Documents available to the public	**210**	**540**

Sections of Appendix 2 of Delegated Regulation (EU) 2019/980: "Universal registration document"	Page no. of the universal registration document filed with AMF on August 11, 2020	Page no. of the universal registration document filed with AMF on April 27, 2020
1. Information to be disclosed about the issuer		
1.1 Information required pursuant to Appendix 1 of Delegated Regulation (EU) 2019/980	See cross-reference table above	See cross-reference table above
1.2 Issuer's statement	1	1

Pursuant to Article 19 of European Regulation No. 2017/1129 of June 14, 2017, the following items are included by way of reference:

- the consolidated financial statements, management report as well as the statutory auditors' report on the consolidated financial statements as of December 31, 2018, presented respectively for Crédit Mutuel Alliance Fédérale on pages 108 to 183, 68 to 107 and 184 to 186 of the registration document of Crédit Mutuel Alliance Fédérale – 2018 fiscal year, registered with the AMF on April 18, 2019 under number D.19-0359;
- the consolidated financial statements, management report as well as the statutory auditors' report on the consolidated financial statements as of December 31, 2018, the extract of the annual financial statements including the management report for the fiscal year ended December 31, 2018 presented respectively for Banque Fédérative du Crédit Mutuel on pages 328 to 400, 312 to 327 and 401 to 406 of the registration document of Crédit Mutuel Alliance Fédérale – 2018 fiscal year, registered with the AMF on April 18, 2019 under number D.19-0359;
- the consolidated financial statements, management report as well as the statutory auditors' reports on the consolidated financial statements as of December 31, 2017, presented respectively for the Crédit Mutuel CM11 group on pages 112 to 169, 68 to 111 and 170 to 171 of the registration document of the Crédit Mutuel CM11 group – 2017 fiscal year, registered with the AMF on April 20, 2018 under number D.18-0354;
- the consolidated financial statements, management report as well as the statutory auditors' reports on the consolidated financial statements as of December 31, 2017, the extract of the annual financial statements including the management report for the fiscal year ended December 31, 2017 presented respectively for Banque Fédérative du Crédit Mutuel on pages 274 to 331, 251 to 272, 332 to 333 and 338 to 368 of the registration document of the Crédit Mutuel CM11 group – Fiscal year 2017, registered with the AMF on April 20, 2018 under number D.18-0354.

9.5.2 Cross-reference table of BFCM's half-year financial report

Pursuant to Article 212-13 of the AMF general regulations, this universal registration document includes the information from the half-year financial report mentioned in Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-4 of the AMF general regulations.

Interim financial report	Filed on August 11, 2020
1. Interim business report	
- Important events that occurred during the first 6 months of the fiscal year and their impact on the interim financial statements	9-29
- Description of the main risks and uncertainties for the remaining 6 months of the fiscal year	29
- Principal transactions that occurred between related parties	203
2. Financial statements on June 30, 2020	139-204
3. Declaration by the person responsible	211
4. Statutory auditors' report on the interim financial statements	205

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Banque Fédérative du Crédit Mutuel

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