First amendment to the 2019 Universal Registration Document

including the **June 30, 2020** interim financial report

Building the future in a changing world

CONTENTS

Building the future in a changing world

FIRST AMENDMENT TO THE 2019 UNIVERSAL REGISTRATION DOCUMENT

INGLUDING THE INTERIM FINANCIAL REPORT

JUNE 30, 2020

**A leading bank both in France and abroad,
CIC promotes a universal banking model that combines businesses
covering all areas of finance and insurance,
financial solidity and a long-term growth strategy.**

A technologically advanced bank within reach of its customers,
CIC listens to its customers to provide products and services best tailored to their needs. Flexible tools and adaptable products and services combined with the proximity of the networks allow CIC to offer the responsiveness that customers expect, regardless of their location.

Through its commitment to the economy and society, and with a strong corporate governance system, CIC acts as a responsible bank in a rapidly changing world.
High entrepreneurial standards with operations built around five areas of activity:

RETAIL BANKING,

CORPORATE BANKING,

CAPITAL MARKETS,

PRIVATE BANKING,

PRIVATE EQUITY

Accounts have not been audited, but are subject to a limited review.
2019 Universal Registration Document filed with the Autorité des Marchés Financiers on April 27, 2020 under number D.20-0363.
First amendment to the 2019 Universal Registration Document filed with the Autorité des Marchés Financiers on August 11, 2020 under number D.20-0363-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.

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

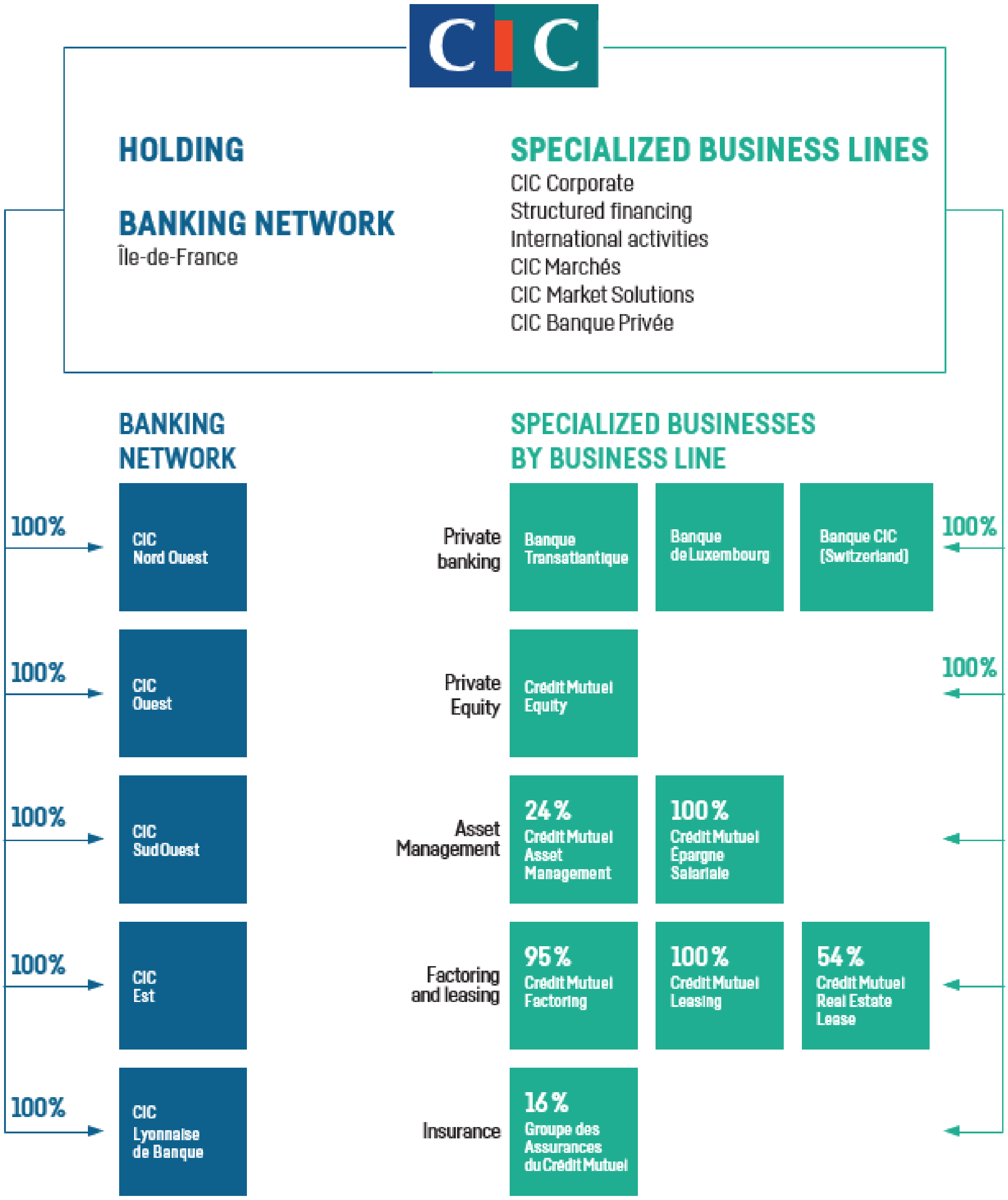
CREDIT INDUSTRIEL ET COMMERCIAL (CIC)– Société anonyme (public limited company) with capital of 608,439,888 euros - 6, avenue de Provence - 75009 Paris
Swift CMCIFRPP – Tel: +33 (0)1 45 96 96 96 – www.cic.fr – RCS Paris 542 016 381 – N° ORIAS 07 025 723 (www.orias.fr)
A bank governed by Article L.511-1 et seq. of the French Monetary and Financial Code for transactions carried out in its capacity as insurance broker

1 PRESENTATION OF CIC

CIC consists of:

- CIC (Crédit Industrial et Commercial), the holding and head-of-network bank, which is also a regional bank in Île-de-France, which carries out investment, financing and market activities for all of Crédit Mutuel Alliance Fédérale;
- 5 regional banks, each which conducts business within a fixed geographic area;
- Institutions specialized by business line and shared-service companies in the Crédit Mutuel Alliance Fédérale.

JUNE 2020 SIMPLIFIED ORGANIZATION CHART



This organization chart is simplified and incomplete.
The percentages indicate how much is controlled by CIC within the meaning of Article L.233-3 of the French Commercial Code.
Companies not controlled by CIC (less than 50%) are also held by Crédit Mutuel. They are therefore controlled within the meaning of the same article by Crédit Mutuel Alliance Fédérale.

2 INTERIM 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 epidemic 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 epidemic

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 epidemic 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 possibility of having 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 Q4 2020 and also impact the payment of compensation for the shares.

Within this set of measures, the measures that constitute the main risk factors for CIC are presented in the section "4. Risk Factors" of this document.

2.2 CIC ACTIVITIES AND CONSOLIDATED EARNINGS

2.2.1 Balance sheet and financial structure

(in € millions)	06/30/2020	06/30/2019
Financial structure and business activity		
Balance sheet total	350,684	313,229
Shareholders' equity (incl. profit/(loss) for the period before distribution)	14,718	14,947
Customer loans (including leases) [1]	202,370	187,944
Total savings	412,760	368,344
■ of which customer deposits [1]	195,154	159,180
■ of which insurance savings	34,977	35,083
■ of which financial savings (managed and held in custody)	182,629	174,080

(1) See methodology notes in 2.2.5

Outstanding deposits notched growth of 23.0% compared to June 30, 2019, at €195.2 billion, due in particular to considerable collections on demand accounts [+€25.8 billion] on ordinary passbook and Passbook A accounts (+€2.1 billion). Demand accounts continued to increase (+31.2%).

Outstanding loans stood at €202.4 billion. Equipment loans grew by 6.7% to €61.8 billion and home loans by 5.5% to €86.0 billion.

The "loan-to-deposit" ratio – the ratio of total net loans to bank deposits expressed as a percentage was 103.7% on June 30, 2020, compared to 118.1% a year earlier.

Bank financial savings reached €182.6 billion and outstanding insurance savings fell by -0.3% compared to June 30, 2019, at €35.0 billion.

At June 30, 2020, CIC's shareholders' equity totaled €14.7 billion versus €14.9 billion at June 30, 2019 (€15.7 billion at December 31, 2019).

At end-June 2020, CIC maintained a high level of solvency, with a Common Equity Tier 1 (CET1) ratio of 12.6%[1] compared with 12.9%[1] at December 31, 2019. The Tier 1 ratio also stood at 12.6%[1] at the end of June 2020 and the overall solvency ratio reached 14.6%[1].

Risk-weighted assets (RWA) totaled €111.6 billion at June 30, 2020 (versus €106 billion at end-December 2019). Risk-weighted assets in terms of credit risk accounted for 88% of the total, at €98.6 billion.

The leverage ratio [1] was 3.8% at June 30, 2020 versus 4.1% at end-December 2019.

[1] Without transitory measures.

2.2.2 Analysis of the consolidated income statement

(in € millions)	1st half-year 2020	1st half-year 2019	Change
Net banking income	**2,372**	**2,671**	**-11.2%**
General operating expenses	(1,687)	(1,688)	-0.1%
Gross operating income/(loss)	**685**	**983**	**-30.3%**
Cost of risk	(370)	(131)	+182.4%
Operating income	**315**	**852**	**-63.0%**
Net gains and losses on other assets and ECC [1]	29	91	-68.2%
Profit/(loss) before tax	**344**	**943**	**-63.5%**
Income tax	(114)	(208)	-45.3%
Net profit/(loss)	**230**	**735**	**-68.7%**
Non-controlling interests	(4)	4	ns
Net profit/(loss) attributable to the group	**235**	**731**	**-67.9%**

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

Net banking income

Net banking income for the first half of 2020 reached €2.4 billion, down 11.2% over the year. The unprecedented and brutal nature of the pandemic on the economic environment weighed on the revenue of all CIC activities except private banking.

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	**1,771**	**1,861**	**-4.8%**	**(90)**
Specialized business lines	**597**	**822**	**-27.4%**	**(225)**
Private banking	311	273	+13.8%	+38
Corporate banking	177	179	-1.1%	(2)
Capital markets	38	194	-80.6%	(157)
Private equity	71	176	-59.5%	(104)

Retail banking, which accounts for three quarters of CIC revenues, posted net banking income of €1.8 billion, down 4.8%, penalized by a decline in net interest income in a persistent environment of low interest rates and network commissions. The retail banking subsidiaries maintained their level of net banking income (€105 million) thanks to Crédit Mutuel Leasing.

Private banking's net banking income (13% 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.

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 accounting valuations of financial assets at fair value through profit or loss.

Net banking income from development capital activity was affected by the decline in fair value through profit or loss valuation of portfolio holdings and totaled €71 million in the first half of 2020, compared to €176 million in the first half of 2019.

General operating expenses

Net banking income for the first half of 2020 reached €2.4 billion, down 11.2% over the year. The unprecedented and brutal nature of the pandemic on the economic environment weighed on the revenue of all CIC activities except private banking.

Cost of risk

The cost of risk rose sharply to €370 million, compared to €131 million in 2019, for an increase of €239 million. For reasons of prudence, it includes an additional non-proven risk expense that was created in anticipation of a future deterioration in risks. As a result, the cost of non-proven risk came to €232 million, compared to €5 million one year earlier. The cost of proven risk, for its part, rose moderately by €12 million and stood at 13 basis points of outstanding loans and was stable compared to June 30, 2019.

The non-performing loans ratio was 2.6% at end-June 2020 and was stable compared to end-June 2019. It is a sign of the good quality of the assets.

The coverage rate was 44.9%, up 2.2 percentage points over one year.

Operating income was down 63.0% to €315 million in the first half of 2020 from €852 million a year earlier.

Profit/(loss) before tax

The profit before tax was €344 million. It includes the decrease (-€57 million) in the proportionate share of results of equity consolidated companies related to the earnings of Groupe des Assurances du Crédit Mutuel (GACM).

Net profit/(loss)

Net income for the first half of 2020 was €230 million, compared to €735 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.

2.2.3 Rating

CIC's ratings replicate those of Crédit Mutuel Alliance Fédérale - Banque Fédérative du Crédit Mutuel, which holds its equity.

	LT/ST counterparty **	Issuer of statements/ 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 Ratings.*

Standard & Poor's: Crédit Mutuel group rating.

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

Fitch Ratings: Crédit Mutuel Alliance Fédérale rating. / BFCM and CIC

2.2.4 Analysis of results by activity

2.2.4.1 Description of areas of activity

Retail banking, CIC's core business line, concentrates all banking or specialized activities whose products are marketed by the branches: life insurance and non-life insurance, equipment leasing and leasing with option to purchase, real estate leasing, factoring, collective management, employee savings, real estate. The branches network is organized into five regional divisions – the regional banks - and CIC in Île-de-France. The insurance business line – which is consolidated using the equity method – is included in this business segment.

Private banking develops expertise in financial management and wealth organization, serving families of entrepreneurs and private investors both in France and abroad.

Corporate banking includes financing of large companies and institutional clients, value-added financing (exports, projects and assets, etc.), international operations and foreign branches.

Capital markets include investments in interest rate, equity and credit activities as well as stock market intermediation.

Private equity combines equity investments, merger and acquisition advising and financial and stock market engineering.

Holding includes all specific structural costs/products not assignable to other activities.

Each consolidated company is included in only one business segment, corresponding to its core business in terms of contribution to the group's results, with the exception of CIC, whose individual accounts are allocated on a cost accounting basis.

2.2.4.2 Retail banking

(in € millions)	1st half-year 2020	1st half-year 2019	Change
Net banking income	**1,771**	**1,861**	**-4.8%**
General operating expenses	(1,211)	(1,212)	-0.0%
Gross operating income/(loss)	**559**	**649**	**-13.8%**
Cost of risk	(259)	(63)	+309.9%
Operating income	**300**	**586**	**-48.7%**
Net gains and losses on other assets and ECC [1]	29	89	-67.5%
Profit/(loss) before tax	**329**	**675**	**-51.2%**
Income tax	(131)	(198)	-33.6%
Net profit/(loss)	**198**	**477**	**-58.5%**

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

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 credit maturities and a very large number of State-guaranteed loans were processed (68,853 files for €13.1 billion at June 30, 2020).

Retail banking's outstanding loans rose 10.4% over one year to €167.8 billion and deposits increased by 23% to €147.5 billion.

Retail banking, which accounts for three-quarters of CIC revenues, posted net banking income of €1,771 million, down 4.8%, including a nearly 5.2% decline in net interest margin and a 3.3% decline in fees and commissions for the banking network.

General operating expenses were stable at €1,211 million.

Excluding the contribution to the Single Resolution Fund (+22%), the cost/income ratio for retail banking was 65.2%. Operating income was down 13.8% to €559 million from €649 million in the first half of 2019.

The cost of risk was €259 million, compared to €63 million a year earlier. The cost of non-proven risk was up sharply (+€154 million). It reflects the pandemic-related degradation of the economic environment. The cost of proven risk also rose +€42 million.

The decline in the proportionate share of net profit from equity consolidated companies was due to the decline in income from GACM, in which CIC holds a 16% stake.

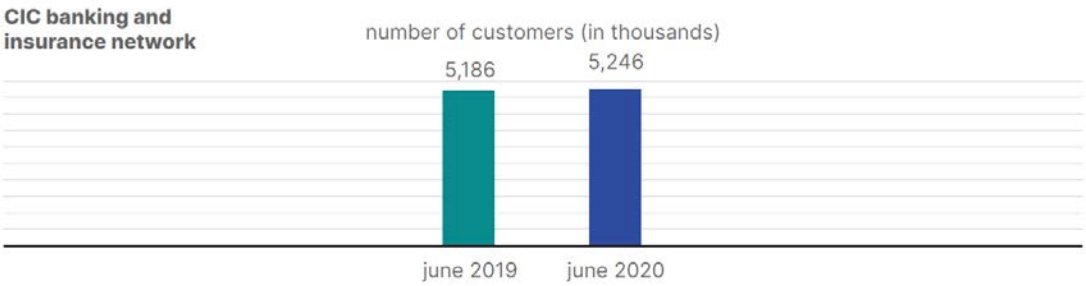
Net income from retail banking was €198 million in the first half of 2020, compared with €477 million in 2019.

2.2.4.2.1 Banking network

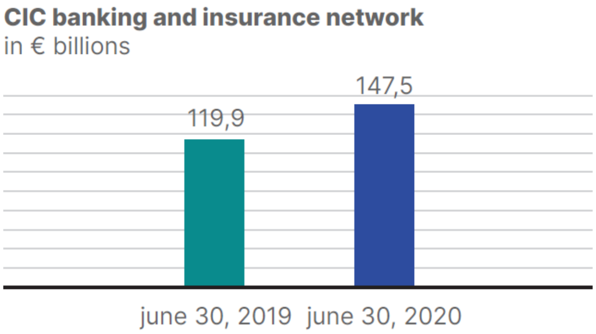
(in € millions)	1st half-year 2020	1st half-year 2019	Change
Net banking income	**1,665**	**1,755**	**-5.1%**
General operating expenses	(1,122)	(1,130)	-0.8%
Gross operating income/(loss)	**544**	**625**	**-12.9%**
Cost of risk	(224)	(70)	+222.1%
Operating income	**320**	**555**	**-42.4%**
Net gains and losses on other assets and ECC [1]	(3)	(1)	ns
Profit/(loss) before tax	**316**	**554**	**-43.0%**
Income tax	(128)	(186)	-31.2%
Net profit/(loss)	**188**	**369**	**-48.9%**

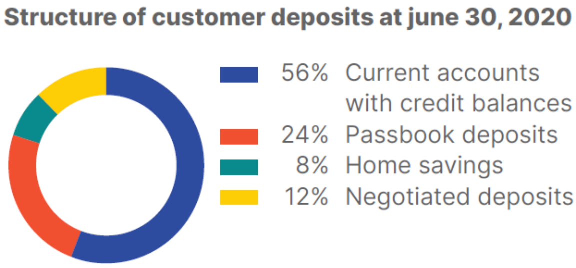
(1) ECC = Equity consolidated companies = proportionate share of the net profit (loss) from equity consolidated companies.

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%.



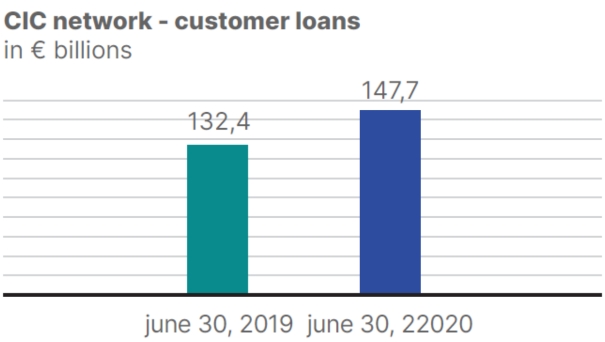
Outstanding deposits rose sharply by 23.0% over one year to €147.5 billion. Current accounts payable are the main cause of this increase with inflows of €21.2 billion in the first half of the year linked to the confinement period. The other components of deposits also grew: term deposits (+27.5%), passbook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

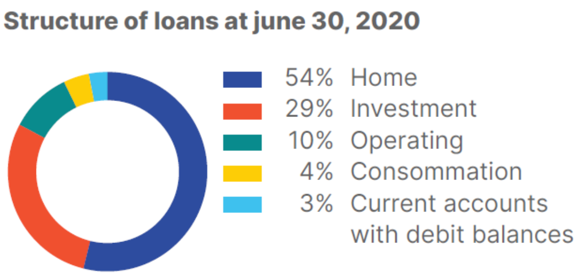




At end-June 2020, savings under management and in custody totaled €59.6 billion in assets under management. It was stable compared to June 30, 2019. Life insurance maintained a slight increase of 0.5% to €37.5 billion.

Outstanding loans grew by 11.6% to €147.7 billion. 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 unblocking, activity declined during the period.





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 (+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 €1,665 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 2019. The cost of proven risk increased by €31 million and the cost of non-proven risk by €123 million.

Net profit/(loss) fell 48.9% to €188 million.

2.2.4.2.2 Support services for retail banking

Support services for retail bank insurance activities generated net banking income of €105 million in the first half of 2020 and recorded a slight decline of 0.8%. The increase in equipment leasing offset factoring and real estate leasing.

Net income totaled €10 million after taking into account the proportionate share in the profit of Groupe des Assurances du Crédit Mutuel of €32 million.

2.2.4.3 Private banking

(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/(loss)	**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 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.

2.2.4.4 Corporate banking

(in € millions)	1st half-year 2020	1st half-year 2019	Change
Net banking income	**177**	**179**	**-1.1%**
General operating expenses	(68)	(62)	+10.6%
Gross operating income/(loss)	**109**	**117**	**-7.2%**
Cost of risk	(109)	(80)	+36.5%
Operating income	**(0)**	**38**	**ns**
Net gains and losses on other assets and ECC [1]	0	-	ns
Profit/(loss) before tax	**(0)**	**38**	**ns**
Income tax	(4)	6	ns
Net profit/(loss)	**(4)**	**43**	**ns**

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

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 1.1% and concentrated in "large corporates" activity, whereas new project financing business was good.

General operating expenses increased by 10.6%. The overall cost of risk was up €29 million. The cost of non-proven risk increased by €69 million and included provisions on performing loans and ex-ante sectoral provisions relating to sensitive sectors.

After income tax of €4 million (compared to a tax credit of €6 million in the first half of 2019), net income was -€4 million, compared to €43 million a year earlier.

2.2.4.5 Capital markets

(in € millions)	1st half-year 2020	1st half-year 2019	Change
Net banking income	**38**	**194**	**-80.6%**
General operating expenses	(130)	(126)	+2.7%
Gross operating income/(loss)	**(92)**	**68**	**ns**
Cost of risk	(1)	(0)	ns
Profit/(loss) before tax	**(93)**	**68**	**ns**
Income tax	27	(25)	ns
Net profit/(loss)	**(66)**	**43**	**ns**

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.

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.

The net incomes was -€66 million in the first half, compared to €43 million in the same period last year.

2.2.4.6 Private equity

(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)	**51**	**153**	**-67.1%**

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

As of June 30, 2020, the invested portfolio amounted to €2,744 million, of which nearly 90% is in unlisted companies. The portfolio consists of 329 non-fund holdings, the vast majority of which are in companies that are group's customers.

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 €51 million.

2.2.4.7 Holding company services

(in € millions)	1st half-year 2020	1st half-year 2019	Change
Net banking income	5	(11)	n.s.
General operating expenses	(46)	(61)	-24.6%
Gross operating income/(loss)	(41)	(72)	+43.4%
Cost of risk	(0)	1	ns
Operating income	(41)	(71)	+42.3%
Net gains and losses on other assets and ECC [1]	0	(0)	ns
Profit/(loss) before tax	(41)	(71)	+42.3%
Income tax Income before tax	15	23	-33.5%
Net profit/(loss)	(25)	(48)	+46.6%

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

Net banking income for the group's holding company stood at +€5 million compared to -€11 million on June 30, 2019.

General operating expenses amounted to €46 million compared to €61 million at the end of June 2019.

This resulted in a pre-tax loss of €41 million compared to a loss of €71 million in the first half of 2019.

€15 million was recorded in corporate income tax compared to €23 million on June 30, 2019.

In the end, net income totaled -€25 million versus -€48 million.

2.2.5 Methodology notes

Following the accounting reclassification in 2019 of certain repurchase agreements, changes in customer outstandings at amortized cost are calculated excluding repurchase agreements:

OUTSTANDING CUSTOMER LOANS

(in € millions)	06/30/2020	06/30/2019	Change in %	Change in €M
Loans and receivables to customers at amortized cost (A)	**202,370**	**187,944**	**+7.7%**	**+14,426**
o/w repos* (B)	1,424	4,378	ns	(2,954)
Customer loans excluding repos (A) - (B)	**200,946**	**183,566**	**+9.5%**	**+17,380**

OUTSTANDING CUSTOMER DEPOSITS

(in € millions)	06/30/2020	06/30/2019	Change in %	Change in €M
Due to customers at amortized cost (A)	**195,154**	**159,180**	**+22.6%**	**+35,974**
o/w repos* (B)	89	615	ns	(526)
Customer deposits excluding repos (A) - (B)	**195,065**	**158,565**	**+23.0%**	**+36,500**

** The change in the management model of part of the pensions resulted in the classification of transactions initiated as of January 1, 2019, in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost.*

2.2.6 Alternative performance indicators

2.2.6.1 Definitions of alternative performance indicators

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	"Cost of risk" item on the publishable consolidated income statement.	Measurement of the level of risk.
Customer loans	"Loans and receivables due from customers at amortized cost" item on the asset side of the consolidated balance sheet.	Measurement of customer loan activity.
Cost of non-proven risk	Expected losses at 12 months (S1) + expected losses at maturity (S2) see note "Cost of counterparty risk".	Measurement of the level of unrealized risk.
Customer deposits; Accounting deposits	"Amounts due to customers at amortized cost" item on the liabilities side of the consolidated balance sheet.	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).	Measurement representative of the activity in matters of off-balance-sheet resources (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; General operating expenses; Management expenses	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 items in the consolidated income statement: Difference between interest received and interest paid: ■ interest received = "interest and similar income" item from the publishable consolidated income statement; ■ interest paid = "interest and similar expenses" item from the publishable consolidated income statement;	Representative measurement of profitability.
Loan-to-deposit ratio; Coefficient of commitment	Ratio calculated using consolidated balance sheet items: ratio expressed as a percentage of total customer loans ("loans and receivables to customers at amortized cost" item of the asset side of the consolidated balance sheet) to customer deposits ("due to customers at amortized cost" item of the liabilities side of the consolidated balance sheet).	Measurement of dependence on external refinancing.
Coverage ratio	Determined by calculating the ratio of credit risk provisions (S3 impairments) to the gross outstandings identified as in default in accordance with regulations (gross receivables subject to an S3 individual impairment).	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).	Asset quality indicator.

2.2.6.2 Alternative performance indicators, reconciliation with the financial statements

Cost/income ratio for retail banking ex-SRF (in € millions)	1st half-year 2020	1st half-year 2019
General operating expenses for retail banking	(1,211)	(1,212)
Contribution to the single resolution fund for retail banking	(56)	(46)
General operating expenses for retail banking ex-SRF contribution	(1,155)	(1,166)
Net banking income for retail banking	1,771	1,861
COST/INCOME RATIO FOR RETAIL BANKING	**65.2%**	**62.7%**

Loans / deposits (in € millions)	06/30/2020	06/30/2019
Net customer loans	202,370	187,944
Customer deposits	195,154	159,180
LOANS/DEPOSITS	**103.7%**	**118.1%**

Coverage ratio (in € millions)	06/30/2020	06/30/2019
Customer write-downs	2,442	2,374
Irrevocable non-performing loans	5,444	5,038
COVERAGE RATIO	**44.9%**	**47.1%**

Rate of non-performing loans (in € millions)	06/30/2020	06/30/2019
Irrevocable non-performing loans	5,444	5,038
Gross loans to customers	205,616	190,862
RATE OF NON-PERFORMING LOANS	**2.6%**	**2.6%**

Cost of proven risk related to outstanding loans (in bps)	06/30/2020	06/30/2019
Cost of proven risk	(138)	(126)
Gross loans to customers	205,616	190,862
COST OF PROVEN RISK RELATED TO OUTSTANDING LOANS (in bps)*	**13**	**13**

** Annualized.*

2.3 - RELATED PARTIES

Information about operations between related parties that took place during the first six months of the current fiscal year appear in **Note 33** of the appendix to the consolidated financial statements of June 30, 2020.

2.4 – RECENT DEVELOPMENTS AND PROSPECTS

This health, economic and social crisis marks a moment of crystallization in which the CIC, through its ability to listen to society's expectations, responds in a relevant manner to the needs of its customers.

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 of Crédit Mutuel Fédérale, to which CIC belongs, called *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.

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3 CORPORATE GOVERNANCE

3.1 COMPOSITION OF MANAGEMENT BODIES AS OF JUNE 30, 2020

Board of directors

- Nicolas Théry, chariman;
- Éric Charpentier;
- Banque Fédérative du Crédit Mutuel, represented by Catherine Allonas-Barthe;
- Gérard Cormorèche;
- Étienne Grad;
- Catherine Millet.

Employee directors

- Ségolène Denavit;
- William Paillet.

Non-voting directors

- Luc Chambaud;
- Guy Cormier;
- Damien Lievens;
- Lucien Miara.

Other participants

- In accordance with Article L.2312-72 of the French Labor Code, a representative of the social and economic committee attends meetings of the board of directors in an advisory capacity.

Executive Management

- Daniel Baal, chief executive officer and effective manager;
- Philippe Vidal, deputy chief executive officer and effective manager;
- René Dangel, deputy chief executive officer;
- Claude Koestner, deputy chief executive officer.

3.2 POSITIONS AND FUNCTIONS HELD BY THE CORPORATE OFFICERS

3.2.1 Board of directors

Nicolas Théry

55 years old

Born December 22, 1965

Business address

Crédit Industriel et Commercial

6 avenue de Provence

75009 Paris

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 at 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 and Management – with a specialization in Business Law.

Chairman of CIC's board of directors
Appointed to the Board: 2014
Term expires: 2022

Other offices
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
Banque Fédérative du Crédit Mutuel
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

Offices held over the past five years
Chairman of the executive board
Groupe des Assurances du Crédit Mutuel
Member of the management board
Euro-Information
Member of the supervisory board
Cofidis
COFIDIS Participations
Chief executive officer
Banque CIC Est
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

Catherine Allonas Barthe

65 years old

Born January 18, 1955

Adresse professionnelle :

94/96, boulevard Haussmann

75008 Paris

Summary of main fields of expertise and experience

Catherine Allonas Barthe holds a master's degree in mathematics and is a graduate of the École Nationale de la Statistique et de l'Administration Économique (ENSAE).

Since 2015, she has been a member of the Executive board and deputy chief executive officer of Groupe des Assurances du Crédit Mutuel, a holding company for insurance companies.

She is also chief executive officer of ACM VIE SAM and deputy chief executive officer of ACM VIE SA, life insurance companies that operate mainly in France.

Within Groupe des Assurances du Crédit Mutuel, she also holds the positions of Finance and Real Estate director and chief risk officer.

Permanent representative of BFCM, Member of the board of directors

Appointed to the Board: 2017

Term expires: 2023

Other offices

Chairwoman
Foncière Massena
Mutuelles Investissement
Member of the executive board – deputy chief executive officer
Groupe des Assurances du Crédit Mutuel
Chief executive officer
Assurances du Crédit Mutuel Vie SAM
Chief operating officer
Assurances du Crédit Mutuel Vie SA
Permanent representative of ACM VIE SAM, Member of the board of directors
ACM GIE
Permanent representative of ACM VIE SA, Member of the board of directors
Serenis Assurances
Valinvest Gestion
Permanent representative of ACM Vie, Member of the board of directors
Covivio
Permanent representative of Placinvest, Member of the board of directors
Crédit Mutuel Asset Management
Permanent representative of Groupe des Assurances du Crédit Mutuel SA, member of the board of directors
GACM Spain
Permanent representative of CIC Associés, Member of the board of directors
Crédit Mutuel Investment Managers

Offices held over the past five years

Member of the board of directors
Crédit Industriel et Commercial
Permanent representative of ACM Vie SAM, director
Foncière de Paris
Permanent representative of ADEPI, Member of the board of directors
Crédit Mutuel Asset Management

Éric Charpentier

60 years old

Born October 6, 1960

Business address

Crédit Mutuel Nord Europe

4, place Richebé

59800 Lille

Summary of main fields of expertise and experience

Eric Charpentier is a graduate of the École Normale Supérieure with an agrégation in mathematics, a D.E.A. in operational research and a specialized master's degree in financial techniques from the ESSEC business school. He began his career in 1987 with the Société Financière des Sociétés de Développement Régional – Finansder, of which he became chief executive officer. He joined Crédit Mutuel Nord Europe in 1998 as deputy chief executive officer in charge of the finance and corporate division. Eric Charpentier has been chief executive officer of Crédit Mutuel Nord Europe since 2006.

Director

Appointed to the Board: 2015

Term expires: 2021

Other offices

Chairman of the supervisory board

Groupe la Française

Chief executive officer

Caisse Fédérale du Crédit Mutuel Nord Europe

Chairman of the board of directors

Beobank NV

Banque de Tunisie

Director

Confédération Nationale du Crédit Mutuel

Caisse Centrale du Crédit Mutuel

Société Foncière et Immobilière Nord Europe

Euratechnologies

Director and Chairman of the management committee

CMNE Nord Europe

Crédit Mutuel Nord Europe Belgium

Permanent representative of CFCM Nord Europe, Member of the supervisory board

Groupe des Assurances du Crédit Mutuel

Euro-Information

Permanent representative of BFCM, Member of the board of directors

Astree Assurances

Offices held over the past five years

Chairman of the board of directors

BKCP Banque (SA-Belgium) – merger of Beobank

Permanent representative of Caisse Fédérale du Crédit Mutuel Nord Europe, director

Caisse Centrale du Crédit Mutuel

Gérard Cormorèche

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'Agriculture 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: 2019

Term expires: 2022

Other offices
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
Caisse Fédérale de Crédit Mutuel
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 CORMORECHE Jean-Gérard
SARL CORMORECHE

Offices held over the past five years
Non-voting director
Crédit Industriel et Commercial

Étienne Grad

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, Etienne Grad is the Chairman of Etienne 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
Appointment: 2019
Term expires: 2021

Other offices

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
Caisse Fédérale de Crédit Mutuel

Offices held over the past five years

Director
Banque Fédérative du Crédit Mutuel

Catherine Millet

60 years old

Born July 31, 1960

Business address

Centre de conseil et de service

CCS – 4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main fields of expertise and experience

A graduate of Hautes Études Commerciales, Catherine Millet began her career in 1983 with Banque Indosuez Paris. In 1990, she joined the trading room of Crédit Industriel d'Alsace Lorraine (now CIC Est) before becoming head of the Caisse Fédérale du Crédit Mutuel International Business Center in 2005. In 2009, she became head of the payment methods department at CM-CIC Services. Since 2013, she has been chief executive officer.

Director
Appointed to the Board: 2017
Term expires: 2023

Other offices

Chairwoman

Filaction

Member of the board of directors

Euro Automatic Cash

AXXES

Sole director/chief executive officer

Centre de conseil et de service – CCS

Permanent representative of BFCM, Member of the management board

Euro Information

Sofedis

Permanent representative of CCS, Member of the management board

Euro-Information Épithète

Permanent representative of Impex Finance, Member of the board of directors

CIC Est

Offices held over the past five years

Member of the supervisory board

COFIDIS Participations

Cofidis SA

Euro Information Production

Chairwoman of the management committee

CM-CIC Centre de Services et de Traitement

Chairwoman of the board of directors

Cemcice Servicios Espana (CSE)

Member of the management board

Euro Télé Services

Euro Information Développements

Member of the board of directors

Euro Automatic Cash

Employee directors

Ségolène Denavit

40 years old

Born July 27, 1980

Business address

CIC Lyonnaise de Banque

80, cours de la Liberté

69003 Lyon

Summary of main fields of expertise and experience

Ségolène Denavit holds a French Licence and a Master's degree in History from the University of Lyon 3. She has been in charge of professional affairs for the Lyon Guillotière Branch since June 2017. From 2008 to 2017, she worked as a private customer manager.

Since 2017, she has been a director representing employees on CIC's board of directors and was previously an employee representative from 2013 to 2017.

Director, representing employees
Appointed to the Board: 2017
Term expires: 2023

Other offices

None

Offices held over the past five years

None

William Paillet

62 years old

Born April 3, 1958

Business address

CIC Est

3, rue des Coutures

77200 Torcy

Summary of main fields of expertise and experience

A graduate of the Institut Technique de Banque, holder of a postgraduate degree in financial engineering law and a Diploma from the Centre d'Etudes Supérieures de Banque in asset management and advisory services, William Paillet is a Private Banker at CIC Est. Previously, he held the positions of Branch Manager and Financial Engineering Consultant.

Since 2009, he has been director representing employees on the board of directors of CIC Est and, since 2011, the director representing employees on the board of directors of CIC.

Director, representing employees
Appointed to the Board in 2011
Term expires: 2023

Other offices

None

Offices held over the past five years

None

3.2.2 Executive Management

Daniel Baal

63 years old

Born December 27, 1957

Business address

Crédit Industriel et Commercial

6 avenue de Provence

75009 Paris

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: 2021

Other offices
Chief executive officer
Fédération du Crédit Mutuel Centre Est Europe
Caisse Fédérale de Crédit Mutuel
Banque Fédérative du Crédit Mutuel
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

Offices held over the past five 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 Management AG (merged into TARGOBANK AG on May 9, 2018)
Targo Deutschland GmbH
Targobank AG
Director
Fivory SA
Fivory SAS
Permanent representative of Caisse régionale du Crédit Mutuel Île-de-France, Member of the management board
Euro-Information

Philippe Vidal

66 years old

Born August 26, 1954

Business address

Crédit Industriel et Commercial

6 avenue de Provence

75009 Paris

Summary of main fields of expertise and experience

Philippe Vidal began his career at SNVB bank in 1987, which became CIC Est, where he was appointed Chairman and chief executive officer in 1993, a position he held until 2012. He is a member of the board of directors of Saint-Gobain PAM and Lanson BCC.

A member of the executive board of Crédit Industriel et Commercial between 2002 and 2011, he has been deputy chief executive officer since 2012, in charge of corporate banking, capital markets, development capital, private banking and asset management. He serves as Chairman of the board of directors of several Crédit Mutuel Alliance Fédérale institutions, including CIC Lyonnaise de Banque, Banque de Luxembourg and CIC (Suisse).

Philippe Vidal is a graduate of École Polytechnique (1974) and École des Ponts et Chaussées de Paris (1979).

Deputy chief executive officer and effective manager
Appointed to the Board: 2017
Unlimited term of office

Other offices
Chairman of the board of directors
Lyonnaise de Banque
Crédit Mutuel Factoring
Crédit Mutuel Gestion
CIC Suisse
Banque de Luxembourg
Crédit Mutuel Investment Managers
Chairman of the supervisory board
Crédit Mutuel Equity
Permanent representative of CIC, director
Crédit Mutuel Asset Management
Director
Saint-Gobain PAM
Permanent representative of Crédit Mutuel Equity, director
Lanson BCC

Offices held over the past five years
Director
Batipart Invest

3.3 WORK OF THE BOARD DURING THE FIRST HALF-YEAR 2020

3.3.1 Work of the board

The board of directors meets at least three 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.

The board of directors met twice during the first half of 2020. The meeting attendance rate for directors was 88% on average.

Meeting of February 18, 2020

The board meeting of February 18, 2020 focused on the following topics in particular:

- Presentation of CIC's annual and consolidated financial statements as of December 31, 2019;
- Presentation of network activity;
- Presentation of specialized business line and market activities;
- Liquidity and interest rate risk management;
- Group audit and accounting committee report;
- Approval of CIC's annual and consolidated financial statements as of December 31, 2019;
- Presentation of the results of Crédit Mutuel Alliance Fédérale;
- Report from the group's risk monitoring committee;
- Relations with regulators and follow-up letters;
- Approval of 2020 bodies of rules: CIC Marchés, Group Treasury;
- Social and Mutualist Responsibility: Sectoral policies, actions to reduce the carbon footprint by 30%;

- Regulated agreements;
- Information on the acquisition by BFCM of shares in GACM held by CIC.

Meeting of April 2, 2020

- 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 report;
- Presentation of the annual LCB-FT internal control report;
- Preparation and convening of the ordinary shareholders' meeting of May 6, 2020;
- Closure of CIC's Grand Cayman branch;
- Merger of CIC Iberbanco.

3.3.3 Executive Management

Composition of Executive Management

CIC's Executive Management is comprised of:

Mr. Daniel Baal, chief executive officer and effective manager,

Mr. Philippe Vidal, deputy chief executive officer and effective manager,

Mr. René Dangel, deputy chief executive officer

Mr. Claude Koestner, deputy chief executive officer

Prerogatives of Executive Management

The board meetings of December 11, 2014 and May 24, 2017 did not limit the powers of the two effective managers as defined by law and the articles of association and by-laws.

4 RISK FACTORS

This section describes the principal risks to which CIC (hereinafter "the group") is exposed.

The group is exposed to a certain number of risks related to its retail banking activities, insurance business, corporate banking, private banking, capital markets activities and private equity activities. 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 degree of significance comes out of a gross risk rating system that uses risk indicators and the judgments of experts, factoring in the point in the business cycle and the outlook for growth as well as the group's risk appetite. The risk mapping is submitted for approval by the group's board of directors. Presented hereafter are the main factors that can have a significant influence on the main risks of the group.

The COVID-19 epidemic 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 AND COUNTERPARTY RISKS

Because of its business model, CIC's primary risk is credit risk. Gross exposures (on-balance sheet, off-balance sheet, derivatives and repos) to credit risk amounted to nearly €400 billion at June 30, 2020.

The COVID-19 epidemic 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 CIC's balance sheet 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. The risk of default would immediately take the form of more non-performing loans (NPL, an indicator of default risk) and also a major point of concern to European regulators and supervisors. It would also be reflected in a higher cost of risk due to the provisioning of those non-performing loans. At June 30, 2020, the NPL ratio (NPL/gross loans) of CIC was 2.6% and the cost of risk was €370 million (as a fraction of gross outstanding loans, the cost of customer risk was 0.13%). 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 ratio rose to 3.91% (at December 31, 2013), spiking the cost of proven risk to 0.70% of gross loans at the time – over a more restricted scope, given the acquisitions made by CIC since 2009.

1.2 The second impact would depend on the **method used to calculate weighted risks in the denominator of the solvency ratio**. Under the standard method, the change in credit quality has little impact on the calculation of weighted risks and therefore on the solvency ratio. But if the credit portfolios have been authorized by the supervisor to use internal models to calculate weighted risks, any deterioration of the affected portfolios increase the denominator of the solvency ratio. At CIC, nearly 73% (12/31/2019) of the total exposures to credit risk are given an internal rating[2], the quality of which affects the calculation of the credit risk-related capital requirements under Basel III and therefore the group's solvency ratio. Lower ratings on all or part of the portfolio would consequently entail lower solvency of the group in terms of risk of changed ratings. 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 real estate loan portfolio (€86 billion outstanding at June 30, 2020), the group is exposed to a **downturn in the real estate market**. A scenario of this type, for which the current pandemic could increase the probability of occurrence (following a fall in demand linked to a deterioration in the financial situation of households, the unemployment rate, etc.), would impact its cost of risk through an increase in defaults but also, in the case of mortgage-backed financing, if the value of the housing pledged as collateral were to be significantly and lastingly affected by a downturn in the property market. Following the crisis of 2008, the cost of risk on the network's portfolio of property loans reached 0.10% of the balance sheet commitments during two years (2009 and 2010). It reached 0.02% of home loans on the balance sheet in 2020.

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2 According to the level of estimated risk associated with a counterparty, an internal rating is assigned to it, which will influence the capital requirements for credit risk.

1.4 CIC has unitary exposure that is relatively high to certain states, to bank counterparties or to large groups, mainly French. **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 to banks represented €2.7 billion to four counterparties. For companies it represented €23.8 billion to 40 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 ASSOCIATED WITH THE MACROECONOMIC, REGULATORY 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 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 epidemic could have a significant impact on CIC's profitability. The exceptional measures implemented by the European and national authorities will therefore have an impact on CIC's long-term interest rate levels and profitability.

The net present value (or "NPV") sensitivity of the CIC balance sheet, determined according to six regulatory scenarios, is below the 15% threshold for Tier-1 capital. CIC is sensitive to an increase in short-term rates, with a NPV sensitivity of -13.60% relative to CET1 core capital at 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 scenario of a 100 bps drop in rates is the most unfavorable scenario for CIC, with an impact of -5.26%, i.e. -€274 million at June 30, 2020.

2.1.1 A prolonged low interest rate environment carries risks which could affect CIC's revenues or profitability.

As a large portion of CIC'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 CIC 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 CIC'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 CIC. 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. This environment could adversely affect CIC because 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, companies seeking to benefit from the low interest rates. CIC must also deal with a new production of loans with particularly low rates. In addition, in order to comply with its regulatory liquidity constraints, CIC 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 upswing in market rates could have a significant unfavorable effect on the net banking income and affect CIC's profitability.

The end of a prolonged period of low rates, especially if it comes as a result of a tightening of monetary policy, carries risks for the banking industry in general and for CIC in particular. An abrupt exit from these interest rate levels could have an unfavorable impact on the bank's revenues and profitability. In particular, such a rise in rates could significantly affect the cost of refinancing on the banking sector's markets in terms of issuing short- and medium-long-term debt. In addition, CIC could have difficulty in immediately passing on these higher interest rates in producing real estate loans and other fixed-rate loans for private individuals and businesses, whereas the cost of customer deposits would tend to increase more quickly. 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 Changes in the benchmark indexes such as EURIBOR and LIBOR could affect CIC in a variety of ways.

As regards the regulations pertaining to benchmark indexes, it should be noted that certain ones (LIBOR, EURIBOR and EONIA) will be considered non-compliant starting January 1, 2022 and not usable in new financial contracts and instruments. A number of points about the transition to the new indices need to be raised. The first relates to the level of the rates of substitution by which the structure (old index/new index) differs technically and requires putting in place an adjustment margin. The methodology for certain indexes has already been communicated, such as for EONIA, which is calibrated against ESTER + spread (Euro Short-Term Rate). By contrast, the methodologies for some other indexes still remain undefined 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

The regulatory environment in which CIC operates is described in the section above devoted to that topic [Section 2.1.2 "Regulatory environment" in 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 III" 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 III 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 €62 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 CIC'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 CIC financing capacity.

4.2.3 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 several business lines of the bank, including the capital market activities of CIC Marchés, the asset-liability management activity (see above) and the asset management activity performed by 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:

2.3.1 A worsening of economic prospects negatively affects 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 declines and the volatility of valuations increases. The effect on the activities of CIC Marchés is therefore negative.

The investments business line suffers from adverse conditions on the financial markets to the extent that this line is based on an assumption of improvement in the economy, betting on a rise in equity markets and greater creditworthiness of issuers of debt.

The commercial business line also suffers from poor market conditions. Fees for intermediation decline with transactions for lower amounts as valuations decrease. Also, the number of primary market transactions such as IPOs, equity funding and debt issues, show a downward trend, which implies less commissions.

2.3.2 Monetary policy is another factor with a strong impact on market risks (see the section on interest rate risk above). The easy monetary policy of the ECB influences the bank's net interest margin and consequently heavily impacts its profitability (i.e. keeping it low).

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). As a result, the CIC Marchés IFRS NBI in June 2020 was down sharply to €34.4 million and pre-tax income to -€72.9 million. Strongly impacted by the increase in market volatility, the 99%/1 day VaR of the trading portfolio amounted to €27.5 million at the end of the first half of 2020, up sharply compared to the end of 2019. The effects of the first half of the year do not allow us to conclude on 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 epidemic has created an unprecedented market situation that has required exceptional measures by European and national authorities. 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.

CIC is part of the centralized cash management system and is fully incorporated into the Crédit Mutuel Alliance Fédérale system. One good way to assess CIC's liquidity risk is the regulatory Liquid Coverage Ratio (LCR), which shows highly liquid assets against net cash outflows for 30 days under a stress scenario. CIC's average LCR was 138.2% in the first half of 2020, representing an average surplus of €15.6 billion over the minimum regulatory requirements. The liquidity reserve managed at the Crédit Mutuel Alliance Fédérale level consists of deposits at central banks and available debt securities and receivables on central banks eligible for 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 103.7% 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 and CIC'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 CIC 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 Claim) **type transactions could reduce the level of the Crédit Mutuel Alliance Fédérale and CIC'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 large 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 of deposits could affect CIC's liquidity and adversely impact its loan/deposit ratio.

3.4 A significant deterioration of BFCM's and CIC's ratings could have a large impact on CIC's cost of financing, profitability and business continuity.

BFCM, as the refinancing center of the group, is the principal issuer of bonds, from which CIC benefits as a subsidiary. CIC also issues, through its London branch, certificates of deposit whose ratings are linked to that of BFCM, by which it is over 95% owned. Accordingly, BFCM obtains ratings on behalf of 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). A substantial reduction in these credit ratings and in particular a deterioration in the factors that go into the rating could have a major impact on CIC's refinancing. This situation could limit access to refinancing, increase costs and diminish the group's ability to expand. A significant deterioration could have a large impact on the group's liquidity situation, results and profitability.

4.4 RISKS RELATED TO THE CONDUCTING OF BUSINESS

4.4.1 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:

4.1.1 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.

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

4.1.3 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 deontological standards, instructions or ethics in professional behavior. The adoption by different countries of multiple and sometimes divergent legal or regulatory requirements exacerbates this risk.

4.1.4 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, €787 million of equity 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 49 (representing €787 million of equity capital allocated for proven loss of €16 million). The main risks of potential loss are (i) fraud (external and internal) and (ii) risks related to the policy towards customers, products and commercial practices (including legal risk). The risks with the greatest impact on proven loss in the first half of 2020 were (i) fraud, (ii) errors and (iii) policy towards customers, products and commercial practices.

Process execution, delivery and management accounted for 35% of CIC's proven claims experience in the first half of 2020, higher than fraud (31% and no internal fraud). CIC's total loss experience (excluding any insurance recoveries) at June 30, 2020 represented about 0.31% of the group's net banking income.

Lastly, in the past there have been no instances of risk to reputation or risk of failure of, or attack against, the IT system affecting profitability, the image of the group or the quality of the customer protection system.

4.4.2 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 epidemic 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 epidemic cannot be ruled out, and new constraints on demand and the continuation of activities could affect Crédit Mutuel Alliance Fédérale.

4.4.3 Climate risks

As agents of regional development, Crédit Mutuel Alliance Fédérale and its subsidiary CIC are committed to considering climate imperatives in the conduct of all their business activities.

The recognition of environmental, economic and social issues is one of the major thrusts of the 2019-2023 strategic plan ("ensemble#nouveaumonde") and has been factored into 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 and CIC's risk mapping.

The risk management related to climate change (physical risk and transition risk) is incorporated into Crédit Mutuel Alliance Fédérale's and CIC'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.

As stated elsewhere, Crédit Mutuel Alliance Fédérale and CIC face 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.

Apart from the impact on their own functioning, the risks identified are as follows:

- risk of default by borrowers: in retail banking and corporate finance banking (Large Corporates, project financing);
- risk of asset depreciation for investment banking, market transactions (bond issues), asset management and property and health insurance activities;
- liability risk from lack of legal counsel, litigation related to fiduciary responsibility (asset management, insurance activities).

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 assess the monitoring of climate risks and will be subject to changes depending on the progress made on related projects carried out within Crédit Mutuel Alliance Fédérale and CIC.

Elements relating to climate risks are discussed further in Chapter 3 "Corporate social responsibility" of the 2019 Universal Registration Document filed on April 27, 2020.

5 CONDENSEDCONSOLIDATED FINANCIAL STATEMENTS

5.1 FINANCIAL STATEMENTS

5.1.1 Balance sheet (assets)

(in € millions)	Notes	06/30/2020	12/31/2019
Cash, central banks	4	54,976	38,811
Financial assets at fair value through profit or loss	5a	35,983	31,641
Hedging derivatives	6a	903	635
Financial assets at fair value through shareholders' equity	7a	13,303	12,190
Securities at amortized cost	8a	2,579	2,544
Loans and receivables to credit institutions and similar, at amortized cost	8b	30,509	28,679
Loans and receivables to customers at amortized cost	8c	202,370	188,523
Revaluation adjustment on rate-hedged books	6b	944	803
Current tax assets	10a	650	687
Deferred tax assets	10b	401	333
Accruals and other assets	11	4,605	5,568
Non-current assets held for sale		0	0
Investments in equity consolidated companies	12	1,594	1,577
Investment properties	13	47	49
property, plant and equipment	14a	1,604	1,578
intangible assets	14b	183	179
Goodwill	15	33	33
TOTAL ASSETS		**350,684**	**313,830**

5.1.2 Balance sheet (liabilities)

(in € millions)	Notes	06/30/2020	12/31/2019
Due to central banks	17a	0	4
Financial liabilities at fair value through profit or loss	16	24,803	19,178
Hedging derivatives	6a	1,866	1,658
Due to credit and similar institutions at amortized cost	17a	73,830	68,374
Amounts due to customers at amortized cost	17b	195,154	169,306
Debt securities at amortized cost	17c	32,222	29,684
Revaluation adjustment on rate-hedged books	6b	4	(22)
Current tax liabilities	10a	274	290
Deferred tax liabilities	10b	239	246
Deferred income, accrued charges and other liabilities	18	4,327	6,237
Debt related to non-current assets held for sale		0	0
Provisions	19a	1,014	979
Subordinated debt at amortized cost	20	2,233	2,233
Total shareholders' equity		**14,718**	**15,663**
Shareholders' equity attributable to the group		**14,685**	**15,616**
Subscribed capital, unpaid capital		608	608
Additional paid-in capital		1,088	1,088
Consolidated reserves		12,826	12,410
Gains and losses recognized directly in equity	21a	(72)	53
Profit (loss) for the fiscal year		235	1,457
Shareholders' equity – Non-controlling interests		**33**	**47**
TOTAL LIABILITIES		**350,684**	**313,830**

5.1.3 Income statement

(in € millions)	Notes	06/30/2020	06/30/2020 restated [1]
Interest and similar income	23	2,661	2,817
Interest and similar expenses	23	(1,214)	(1,700)
Commissions (income)	24	1,298	1,302
Commissions (expenses)	24	(256)	(272)
Net gains on financial instruments at fair value through profit or loss	25	(136)	471
Net gains or losses on financial assets at fair value through shareholders' equity	26	13	37
Net gains or losses resulting from derecognition of financial assets at amortized cost		0	**0**
Income from other activities	27	53	54
Expenses on other activities	27	(47)	(38)
Net banking income		**2,372**	**2,671**
Employee benefits expense	28a	(894)	(924)
Other general operating expenses	28c	(710)	(681)
Movements in depreciation, amortization and provisions for property and equipment and intangible assets	28d	(83)	(83)
Gross operating income/(loss)		**685**	**983**
Cost of counterparty risk	29	(370)	(131)
Operating income		**315**	**852**
Share of net profit/(loss) of equity consolidated companies	12	32	90
Net gains/(losses) on disposals of other assets	30	(3)	1
Profit/(loss) before tax		**344**	**9 43**
Income tax	31	(114)	(208)
Post-tax gains/(losses) on discontinued operations		0	**0**
Net profit		**230**	**735**
Net profit/(loss) – Non-controlling interests		(5)	4
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP		**235**	**731**
Earnings per share (in €)	32	6.21	19.33
Diluted earnings per share (in €)	32	6.21	19.33

(1) *In 2019, the group revised the presentation of interest income on finance leases. This is presented from now on as net interest Income, whereas previously it was split into interest income and expense.*
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.

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

in € millions	06/30/2020	06/30/2019
Net profit	**230**	**735**
Translation adjustments	(11)	6
Remeasurement of financial assets at fair value through equity – capital instruments	(88)	17
Remeasurement of hedging derivatives	0	(1)
Share of unrealized or deferred gains and losses of associates	11	91
Total recyclable gains and losses recognized directly in equity	**(88)**	**113**
Revaluation of financial assets at fair value through equity – capital instruments at closing	(11)	(8)
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	0	(10)
Share of non-recyclable gains and losses of equity consolidated companies	(25)	18
Total non-recyclable gains and losses recognized directly in equity	**(36)**	**29**
Net profit/(loss) and gains and (losses) recognized directly in equity	**106**	**877**
o/w attributable to the group	*111*	*873*
o/w percentage of non-controlling interests	*(5)*	*4*

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

5.1.5 Changes in shareholders' equity

	Shareholders' equity, attributable to the group											
					Gains and losses recognized directly in equity							
(in € millions)	Capital	Premiums	Elimination Treasury stock	Reserves [1]	Translation adjustments	Assets at FVOCI [2]	Instr. for hedging	Actuarial gains and losses	Net profit/loss	Total	Non-controlling interests	Total consolidated shareholders' equity
BALANCE ON 12/31/2018	608	1,088	(56)	12,057	31	(12)		(49)	1,385	15,052	49	15,101
BALANCE ON 01/01/2019	608	1,088	(56)	12,057	31	(12)	0	(49)	1,385	15,052	49	15,101
Appropriation of earnings from previous year				1,385					(1,385)	0		0
Distribution of dividends				(994)						(994)	(6)	(1,000)
Subtotal of movements related to relations with shareholders	**0**	**0**	**0**	**391**	**0**	**0**	**0**	**0**	**(1,385)**	**(994)**	**(6)**	**(1,000)**
Consolidated income for the period									731	731	4	735
Changes in gains and (losses) recognized directly in equity				(30)	6	147		(10)		113		113
Subtotal	**0**	**0**	**0**	**(30)**	**6**	**147**	**0**	**(10)**	**731**	**844**	**4**	**848**
Effects of acquisitions and disposals on non-controlling interests												0
Other changes				(2)						(2)		(2)
BALANCE ON 06/30/2019	608	1,088	(56)	12,416	37	135	0	(59)	731	14,900	47	14,947
BALANCE ON 07/01/2019	608	1,088	(56)	12,416	37	135	0	(59)	731	14,900	47	14,947
Distribution of dividends										0	(7)	(7)
Acquisition of additional shareholdings or partial disposals				36		(36)						0
Subtotal of movements related to relations with shareholders	**0**	**0**	**0**	**36**	**0**	**(36)**	**0**	**0**	**0**	**0**	**(7)**	**(7)**
Consolidated income for the period									726	726	7	733
Changes in gains and (losses) recognized directly in equity					27	(44)		(7)		(24)		(24)
Subtotal	**0**	**0**	**0**	**0**	**27**	**(44)**	**0**	**(7)**	**726**	**702**	**7**	**709**

	Shareholders' equity, attributable to the group											
					Gains and losses recognized directly in equity							
(in € millions)	Capital	Premiums	Elimination Treasury stock	Reserves [1]	Translation adjustments	Assets at FVOCI [2]	Instr. for hedging	Actuarial gains and losses	Net profit/loss	Total	Non-controlling interests	Total consolidated shareholders' equity
Effects of acquisitions and disposals on non-controlling interests										0		0
Other changes				14						14		14
BALANCE ON 12/31/2019	608	1,088	(56)	12,466	64	55	0	(66)	1,457	15,616	47	15,663
BALANCE ON 01/01/2020	608	1,088	(56)	12,466	64	55	0	(66)	1,457	15,616	47	15,663
Appropriation of earnings from previous year				1,457					(1,457)	0		0
Distribution of dividends				(1,044)						(1,044)	(10)	(1,054)
Subtotal of movements related to relations with shareholders	**0**	**0**	**0**	**413**	**0**	**0**	**0**	**0**	**(1,457)**	**(1,044)**	**(10)**	**(1,054)**
Consolidated income for the period									**235**	**235**	**(5)**	**230**
Changes in gains and (losses) recognized directly in equity				**3**	**(10)**	**(114)**				**(121)**		**(121)**
Subtotal	**0**	**0**	**0**	**3**	**(10)**	**(114)**	**0**	**0**	**235**	**114**	**(5)**	**109**
Effects of acquisitions and disposals on non-controlling interests										**0**		**0**
Other changes					**(1)**					**(1)**	**1**	**0**
BALANCE ON 06/30/2020	**608**	**1,088**	**(56)**	**12,882**	**53**	**(59)**	**0**	**(66)**	**235**	**14,685**	**33**	**14,718**

(1) At June 30, 2020, the reserves consisted of the statutory reserve (€60,844 thousand), the special reserves for long-term capital gains (€286,503 thousand), retained earnings (€154,408 thousand), other CIC reserves for (€6,320,091 thousand) and consolidated reserves (€6,060,368 thousand).

(2) FVOCI: Fair value through other comprehensive income.

CIC capital as at June 30, 2020 consisted of 38,027,493 shares of a nominal value of €16, of which 231,711 were treasury shares.

5.1.6 Statement of net cash flows

in € millions	1st half-year 2020	1st half-year 2019
Net profit / (loss)	230	735
Tax	114	208
Profit/(loss) before tax	**344**	**943**
+/- Net depreciation and amortization of property, plant and equipment and intangible assets	83	83
- Impairment of goodwill and other fixed assets	0	0
+/- Net provisions and impairments	261	29
+/- Share of income from companies consolidated using the equity method	(32)	(90)
+/- Net loss/gain from investing activities	3	28
+/- (Income)/expenses from financing activities		
+/- Other movements	(371)	(860)
Total non-monetary items included in profit/(loss) before tax and other adjustments	**(56)**	**(810)**
+/- Flows related to transactions with credit institutions	1,666	(10,435)
+/- Flows related to client transactions	11,728	7,603
+/- Flows related to other transactions affecting financial assets or liabilities	2,766	4,874
+/- Flows related to other transactions affecting non-financial assets or liabilities	(1,703)	352
- taxes paid	(172)	(68)
Net decrease/(increase) in assets and liabilities from operating activities	**14,285**	**2,326**
TOTAL NET CASH FLOW GENERATED BY OPERATING ACTIVITY (A)	**14,573**	**2,459**
+/- Flows related to financial assets and investments	(33)	112
+/- Flows related to investment property	0	(3)
+/- Flows related to property, plant and equipment and intangible assets	(116)	(64)
TOTAL NET CASH FLOW GENERATED FROM INVESTING ACTIVITIES (B)	**(149)**	**45**
+/- Cash flow to or from shareholders [1]	(1,052)	(652)
+/- Other net cash flows from financing activities [2]	497	870
TOTAL NET CASH FLOW GENERATED FROM FINANCING TRANSACTIONS (C)	**(555)**	**218**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (D)	**26**	**31**
Net increase/(decrease) in cash and cash equivalents (A + B+ C + D)	**13,895**	**2,753**
Net cash flow generated by operating activities (A)	14,573	2,459
Net cash flow generated from investing activities (B)	(149)	45
Net cash flow related to financing transactions (C)	(555)	218
Effect of foreign exchange rate changes on cash and cash equivalents (D)	26	31
Cash and cash equivalents at opening	**45,504**	**38,118**
Cash, central banks (assets & liabilities)	38,807	31,710
Accounts (assets and liabilities) with and demand loans/borrowings from credit institutions	6,697	6,408
Cash and cash equivalents at closing	**59,399**	**40,871**
Cash, central banks (assets & liabilities)	54,977	37,172
Accounts (assets and liabilities) with and demand loans/borrowings from credit institutions	4,422	3,699
CHANGE IN NET CASH POSITION	**13,895**	**2,753**

(1) *Cash flow to or from shareholders includes:*

- dividends paid by CIC to its shareholders for -€1,044 million for 2019;
- dividends paid to non-controlling interests for -€9 million;
- dividends received from companies consolidated using the equity method for €1 million.

(2) *Other net cash flows from financing activities include:*

- issues and repayments of bonds for a net amount of €497 million.

5.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The figures in the notes are presented in millions of euros.

Note 1a Accounting principles, methods of assessment and presentation

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards and Regulation (EC) 1126/2008 on their adoption of said standards, the consolidated financial statements have drawn up in accordance with IFRS as adopted by the European Union[1].

These interim financial statements are prepared in accordance with IAS 34 on interim financial reporting which allows for the publication of condensed financial statements. They supplement the financial statements for the year ended December 31, 2019, presented in the 2019 Universal Registration Document.

The group's activities are not subject to seasonal or cyclical fluctuations. Estimates and assumptions may have been made in the measurement of certain balance sheet items.

Since January 1, 2020, the group has been applying the following standards:

- 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 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 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.

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. As of June 30, 2020, the amount of impairment is not material.

The group is committed to concrete measures to support businesses and individuals. It has granted automatic deferrals of loan repayments mainly to companies for up to six months (suspension of interest payments and/or deferral of capital repayments), with no additional charges or interest.

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 to the final maturity date, with interest charged.

[1] *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*

At June 30, 2020, the group does not anticipate any significant cash flow losses for the loans that benefit from these easing measures.

The group has reviewed the publications issued at the end of March 2020 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 (forbone).

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 Stage 2 transfers linked to the increase in the probability of default at the balance sheet date.
- 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).

1. Consolidation scope

Principles for inclusion in the 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 controlled exclusively by the group are included in the consolidation scope when their full consolidation, taken individually, has an impact of at least 1% on the main items of the consolidated balance sheet and consolidated income statement. Moreover, all non-consolidated subsidiaries taken together must account for less than 5% of the main items of the consolidated balance sheet and consolidated income statement. However, smaller entities may be included in the consolidation scope in the following cases: if the group considers that they represent a strategic investment; if they are engaged in an activity which is one of the group's core business lines; or if they hold shares in consolidated companies.

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 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. Companies that are owned by private equity companies and over which joint control or significant influence is exercised are excluded from the scope of consolidation and accounted for under the fair value through profit or loss option.

2. Consolidation methods and principles

2.1 Consolidation methods

The consolidation methods used are the following:

2.1.1. 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.

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.

2.1.2 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.

2.2 Reporting date

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

2.3 Intercompany transactions and balances

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

2.4 Foreign currency translation

The balance sheets of foreign subsidiaries are translated into euros at the official reporting date exchange rate. 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. As allowed by IFRS 1, the balance of cumulative translation adjustments was reset to zero in the opening balance sheet at January 1, 2004.

2.5 Goodwill

2.5.1 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.

2.5.2 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 either at the fair value net of selling costs or their net carrying amount, whichever is the lowest. Goodwill corresponds to the sum 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, and which it continues to control, 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 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. This depreciation – which is recognized in 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.

3. Accounting policies and principles

3.1 Financial instruments under IFRS 9

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.

3.1.1.1 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 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 in financial assets 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 “OPCIs” (property investment mutual funds) 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.

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 8 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.

Loan restructuring due to a borrower’s financial problems – as defined by the European Banking Authority – has been integrated in the IT systems to ensure consistency between 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 in equity are transferred to the income statement only in the event of their disposal or impairment (see Section 3.1.7 “Derecognition of financial assets and liabilities” and 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 are recognized at fair value upon their initial recognition in the balance sheet and at subsequent reporting dates until their disposal (see Section 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, interest 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 regulatory reports sent to the ECB as part of the Short-Term Exercise (STE) and for more clarity on interest received and paid.

In 2019, in order to better reflect interest income and expenses of 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) re-categorization of interest from hedging derivatives in the "Income and expenses from hedging derivatives" section. As a result, for the purposes of comparability with the interest income and expenses as of December 31, 2019 presented using this definition, the figures published on December 31, 2018 have been restated in note 24.

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.

3.1.1.2 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.

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.
- 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

Liabilities at amortized cost include mortgage savings accounts (CEL) and mortgage savings plans (PEL). These are government-regulated retail products sold in France to 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 recognized in liabilities to cover the future costs relating to the risk that the terms of such products may be potentially unfavorable, compared to the interest rates offered to retail customers on similar, but unregulated, products. 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.

3.1.3 Debt-equity distinction

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.

3.1.4 Foreign currency transactions

Financial 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 exchange gains or losses arising from such translations are recognized in the income statement under "Net gains/(losses) on portfolio 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 equity.

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.

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.

3.1.5.1 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 counterparty risk itself present in the negative fair value of over-the-counter derivatives (see 3.1.9.3 “Fair value hierarchy”).

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.

3.1.5.2 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 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.

Under IFRS 9, only embedded derivatives relating to financial liabilities may be separated from the host contract to be recognized separately.

- 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 senior 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 other comprehensive income". 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 on information: 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).

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.

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.

3.1.8 Measurement of credit risk

The IFRS 9 impairment model is based on an "expected credit loss" approach while that of IAS 39 was based on an "incurred credit loss" approach, whose recognition 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 3 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 loans: 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.

3.1.8.1 Governance

As a subsidiary of Crédit Mutuel Alliance Fédérale, CIC has the same organizational structure as the Crédit Mutuel's other regional groups.

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 executive bodies 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 IFRS 9 provisions within their entities, under the responsibility and control of their respective executive and supervisory bodies.

3.1.8.2 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, etc.;
- high default portfolios (HDPs) 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, etc.

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
- manual rating grids developed by experts (LDP).

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 of the loan, the less the relative tolerance of the group towards significant deterioration of the risk.

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 this qualitative data the group adds qualitative criteria 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.

3.1.8.3 Status 1 and Status 2 – Calculating expected credit losses

Expected credit losses are measured by multiplying the outstanding balance present-discounted by the contract rate by its probability of default (PD) and by the loss given default (LGD) ratio. 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, 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 aspect for maturities other than one year is derived from the forward-looking aspect for the one-year maturity.

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.

3.1.8.4 Status 3 – Non-performing loans

In Status 3, impairment is recognized whenever there is objective proof of impairment due to one or more events occurring after a loan or group of loans have been made that might 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 group has applied the new definition of prudential default in accordance with EBA guidelines and regulatory technical standards on applicable materiality thresholds.

The main changes relating to the implementation of this new definition are as follows:

- 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 days are counted from the moment that thresholds of absolute materiality (€100 Retail, €500 Corporate) and relative materiality (over 1% for past due balance sheet commitments) are crossed simultaneously. 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 group chose to roll out the new definition of default across IRB entities in line with 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 thus aligned the definitions of default in accounting terms (Status 3) and regulatory terms.

3.1.8.5 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.

3.1.8.6 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 Sections 3.1.6 "Financial guarantees and financing commitments" and 3.2.2 "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.

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.

3.1.9.1 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.

3.2.9.2 Financial instruments traded in an inactive 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.

3.1.9.3 Fair value hierarchy

A three-level hierarchy is used for fair value measurement of financial instruments:

- Level 1: quoted prices in active markets for identical assets or liabilities; this notably concerns debt securities quoted by at least three contributors and derivatives quoted 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.

3.2 Non-financial instruments

3.2.1. 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.

3.2.1.1. Finance lease transactions – Lessor

In accordance with IAS 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.

And so, 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 for existing temporary differences throughout the life of the finance lease;
- 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 3.1.8. "Measurement of credit risk").

3.2.1.2 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 (see Section 3.2.4.2 entitled "Non-current assets of which the group is the lessee").

3.2.2 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;
- employee obligations (see Section "3.2.3 Employee benefits");
- execution risk on signature commitments;
- litigation risk and guarantee commitments given;
- tax risks;
- risks related to mortgage saving agreements (see Section "3.1.2. Classification and measurement of financial liabilities").

3.2.3 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 and losses, which is recognized in unrealized or deferred gains and losses, under equity.

3.2.3.1 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 salary increase rate, assessed in accordance with age brackets and employee categories;
- 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 3-year average for the ratio of resignations 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 Act 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. Any plan curtailments or terminations generate a change in the obligation, which is recognized in the income statement when it occurs.

In France, retirement benefits in the group's banks are at least 60% covered by insurance from ACM Vie – an insurance company which is part of the Crédit Mutuel group and is consolidated under the equity method.

3.2.3.2 Supplementary pensions within the pension funds

The AFB interim agreement dated September 13, 1993, modified pension plans for 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.

3.2.3.3 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. The charges are recognized in the period in which the contribution is due.

3.2.3.4 Other 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 measured using the projected unit credit method. However, actuarial gains and losses are recognized immediately in profit or loss.

Commitments in respect of long service awards give rise to a provision.

3.2.3.5 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.

3.2.3.6 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.

A charge is recognized in respect of short-term benefits in the period in which the services giving rise to the entitlement to the benefit are provided to the entity.

3.2.4 Non-current assets

3.2.1.4 Non-current assets of which the group is owner

Non-current assets reported on the balance sheet include property, plant and equipment and intangible assets used in operations as well as investment property. 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. Non-current 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 or depreciated historical cost, i.e. their cost less accumulated amortization or 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."

The fair value of investment property is disclosed in the notes to the financial statements at the end of each reporting period. It is based on the buildings' market value as appraised by independent valuers (Level 2).

3.2.1.4 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 primarily includes its real estate leases, with the exception of those with an automatic renewal clause (taking into account the 6-month prior notice for termination). Computer and safety equipment were not included due to the fact that they are replaceable, in accordance with the standard.

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 9 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's a rate that is depreciable/amortizable 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

3.2.5 Commissions

Fees and commissions in respect of services are recorded as income and expenses according to the nature of the services involved. 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.

3.2.6 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.

The Territorial Economic Contribution (Contribution économique territoriale – CET), which is composed of the Business Real Estate Contribution (Cotisation foncière des entreprises – CFE) and the Business Contribution on Added Value (Cotisation sur la valeur ajoutée des entreprises – CVAE), is treated as an operating expense and, accordingly, the group does not recognize any deferred taxes in the consolidated financial statements.

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 rate known at the end of the fiscal year and applicable to subsequent 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.

3.2.7 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".

3.3 Judgements 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 judgement. See Section 3.1.9 "Determination of fair value of financial instruments";
- 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.

4. Related-party information

CIC group's subsidiaries and associates are consolidated companies, including companies consolidated using the equity method.

Transactions carried out between CIC and its subsidiaries and associates are carried out under normal market conditions, at the time these transactions are completed.

The list of the group's consolidated companies is presented in note 2a of quantified data, hereinafter. 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.

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 group is not impacted by these measures.

The group applies the provisions of IFRS 9 for any rent concessions granted as lessor.

- 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 2a Consolidation scope

			06/30/2020			12/31/2019		
			Percentage			Percentage		
Companies	Currency	Country	Control	Interest	Method [1]	Control	Interest	Method [1]
Consolidated company: Crédit Industriel et Commercial – CIC								
CIC Bruxelles (branch)		Belgium	100	100	FC	100	100	FC
CIC Grand Cayman (branch)	USD	Cayman Islands	100	100	FC	100	100	FC
CIC Hong Kong (branch)	USD	Hong Kong	100	100	FC	100	100	FC
CIC London (branch)	GBP	UK	100	100	FC	100	100	FC
CIC New York (branch)	USD	United States	100	100	FC	100	100	FC
CIC Singapore (branch)	USD	Singapore	100	100	FC	100	100	FC
A. Banking network								
CIC Est		France (i)	100	100	FC	100	100	FC
CIC Lyonnaise de Banque		France (i)	100	100	FC	100	100	FC
CIC Nord Ouest		France (i)	100	100	FC	100	100	FC
CIC Ouest		France (i)	100	100	FC	100	100	FC
CIC Sud Ouest		France (i)	100	100	FC	100	100	FC
B. Banking network - subsidiaries								
Crédit Mutuel Asset Management		France	24	24	EM	24	24	EM
Crédit Mutuel Épargne Salariale		France (i)	100	100	FC	100	100	FC
Crédit Mutuel Factoring		France (i)	95	95	FC	95	95	FC
Crédit Mutuel Leasing		France (i)	100	100	FC	100	100	FC
Crédit Mutuel Leasing Benelux		Belgium	100	100	FC	100	100	FC
Crédit Mutuel Leasing Spain (branch)		Spain	100	100	FC	100	100	FC
Crédit Mutuel Leasing GmbH		Germany	100	100	FC	100	100	FC
Crédit Mutuel Leasing Nederland (branch) [2]		Netherlands	100	100	FC	100	100	FC
Crédit Mutuel Real Estate Lease		France	54	54	FC	54	54	FC
Gesteurop		France (i)	100	100	FC	100	100	FC
C. Corporate banking and capital markets								
Cigogne Management		Luxembourg	60	60	FC	60	60	FC
Satellite		France	100	100	FC	100	100	FC
D. Private banking								
Banque CIC (Switzerland)	CHF	Switzerland	100	100	FC	100	100	FC
Banque de Luxembourg		Luxembourg	100	100	FC	100	100	FC
Banque de Luxembourg Investments SA		Luxembourg	100	100	FC	100	100	FC
Banque Transatlantique		France (i)	100	100	FC	100	100	FC
Banque Transatlantique London (branch)	GBP	UK	100	100	FC	100	100	FC
Banque Transatlantique Belgium		Belgium	100	100	FC	100	100	FC
Banque Transatlantique Luxembourg		Luxembourg	100	100	FC	100	100	FC
Dubly Transatlantique Gestion		France (i)	100	100	FC	100	100	FC
E. Private equity								
CIC Conseil		France (i)	100	100	FC	100	100	FC
Crédit Mutuel Capital		France (i)	100	100	FC	100	100	FC
Crédit Mutuel Innovation		France	100	100	FC	100	100	FC
Crédit Mutuel Equity		France (i)	100	100	FC	100	100	FC
Crédit Mutuel Equity SCR		France	100	100	FC	100	100	FC
F. Structure and logistics								
CIC Participations		France (i)	100	100	FC	100	100	FC
G. Insurance companies								
Groupe des Assurances du Crédit Mutuel (GACM) [3]		France	16	16	EM	16	16	EM

(1) Method: MER = merger; FC = full consolidation; EM = equity method; NC = not consolidated.

(2) Based on the consolidated financial statements.

(i)Members of the tax consolidation group set up by CIC.

Information on the group's presence and activities in non-cooperative countries and territories included in the list established by the Order of January 6, 2020

The group has no operations that meet the criteria defined by the Order of October 6, 2009.

Note 2b Fully consolidated entities with significant non-controlling interests

	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully consolidated entities [1]			
06/30/2020	Percentage of interest	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	OCI	NBI	Net profit/(loss)
Crédit Mutuel Real Estate Lease	46%	(6)	24	(3)	4,970	(0)	13	(10)
Cigogne Management	40%	1	6	(6)	42	0	9	4
Crédit Mutuel Factoring	5%	(0)	7	(1)	6,574	(1)	44	(3)

(1) Amounts before elimination of intercompany balances and transactions.

	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully consolidated entities [1]			
12/31/2019	Percentage of interest	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	OCI	NBI	Net profit
Crédit Mutuel Real Estate Lease	46%	4	23	(6)	5,038	(0)	34	9
Cigogne Management	40%	6	7	(6)	59	0	26	14
Crédit Mutuel Factoring	5%	1	6	(1)	8,180	(1)	100	17

(1) Amounts before elimination of intercompany balances and transactions.

Note 3 Analysis of the balance sheet and income statement by business segment and geographic area

Business segment analysis principles

- Retail banking includes a) the branch network consisting of the regional banks and CIC network in Ile-de-France, and b) the specialized activities whose product marketing is performed by the network: real estate and equipment leasing, factoring, collective investment for third parties, employee savings plans and real estate. The insurance business line – which is consolidated using the equity method – is included in this business segment.
- Corporate banking and capital markets include

  a) the financing of large companies and institutional clients, specialized finance and the international market and

  b) capital markets, which include investments in interest rate, equity and credit activities (ITAC) as well as stock market intermediation.
- Private banking comprises all companies engaged primarily in wealth management, both within and outside France.
- Private equity includes proprietary trading and financial engineering services via dedicated entities. The entire portfolio is accounted for under the fair value option.
- The holding company covers all activities not assigned to another business.

Each consolidated company is included in only one business segment, corresponding to its core business in terms of contribution to the group's results, with the exception of CIC, whose individual accounts are allocated on a cost accounting basis.

ANALYSIS OF INCOME STATEMENT BY BUSINESS SEGMENT

06/30/2020	Retail banking	Corporate banking and capital markets	Private banking	Private Equity	Holding company services	Total
Net banking income	1,771	215	310	71	5	2,372
General operating expenses	(1,211)	(198)	(207)	(25)	(46)	(1,687)
Gross operating income/(loss)	**560**	**17**	**103**	**46**	**(41)**	**685**
Cost of counterparty risk	(259)	(109)	(4)	2		(370)
Gains on other assets [1]	29					29
Profit/(loss) before tax	**330**	**(92)**	**99**	**48**	**(41)**	**344**
Income tax	(132)	22	(22)	2	16	(114)
Net profit/(loss)	**198**	**(70)**	**77**	**50**	**(25)**	**230**

(1) Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.

06/30/2019	Retail banking	Corporate banking and capital markets	Private banking	Private Equity	Holding company services	Total
Net banking income	1,860	373	273	176	(11)	2,671
General operating expenses	(1,212)	(188)	(204)	(23)	(61)	(1,688)
Gross operating income/(loss)	**648**	**185**	**69**	**153**	**(72)**	**983**
Cost of counterparty risk	(64)	(79)	11		1	(131)
Gains on other assets [1]	89		2			91
Profit/(loss) before tax	**673**	**106**	**82**	**153**	**(71)**	**943**
Income tax	(197)	(19)	(16)	1	23	(208)
Net profit/(loss)	**476**	**87**	**66**	**154**	**(48)**	**735**

(1) Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.

BREAKDOWN OF INCOME STATEMENT 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	1,983	280	109	2,372	2,313	247	111	2,671
General operating expenses	(1,459)	(182)	(46)	(1,687)	(1,469)	(175)	(44)	(1,688)
Gross operating income/(loss)	**525**	**98**	**63**	**685**	**844**	**72**	**67**	**983**
Cost of counterparty risk	(343)	(22)	(5)	(370)	(135)	3	1	(131)
Gains on other assets [1]	29	0	0	29	89	2	0	91
Profit/(loss) before tax	**211**	**76**	**58**	**344**	**798**	**77**	**68**	**943**
Income tax	(87)	(14)	(13)	(114)	(186)	(12)	(10)	(208)
Total net profit/(loss)	**123**	**62**	**45**	**230**	**612**	**65**	**58**	**735**

(1) Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.

NOTES TO THE BALANCE SHEET - ASSETS

Note 4 Cash and central banks

	06/30/2020	12/31/2019
Cash, central banks		
Due to central banks	54,669	38,458
of which mandatory reserves	*1,531*	*1,402*
Cash	307	*353*
TOTAL	**54,976**	**38,811**

Note 5 Financial assets and liabilities at fair value through profit or loss

Note 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**	**496**	**3,180**	**18,186**	**11,356**	**437**	**3,129**	14,922
Government securities	1,886	0	0	1,886	941	0	0	941
Bonds and other debt securities	11,765	496	129	12,390	9,768	437	133	10,338
■ Listed	11,765	88	25	11,878	9,768	97	25	9,890
■ Non-listed	0	408	104	512	0	340	108	448
of which UCIs	*0*		*113*	*113*	*1*		*116*	*117*
Shares and other capital instruments	859		2,549	3,408	647		2,619	3,266
■ Listed	859		372	1,231	647		335	982
■ Non-listed	0		2,177	2,177	0		2,284	2,284
Long-term investments			502	502			377	377
■ Equity investments			47	47			47	47
■ Other long-term investments			109	109			109	109
■ Investments in associates			345	345			220	220
■ Other long-term investments			1	1			1	1
Derivative instruments	**2,928**			**2,928**	**2,850**			2,850
Loans and receivables	**14,869**	**0**	**0**	**14,869**	**13,869**	**0**	**0**	13,869
■ *of which pensions*	*14,869*	*0*		*14,869*	*13,869*	*0*		*13,869*
TOTAL	**32,307**	**496**	**3,180**	**35,983**	**28,075**	**437**	**3,129**	**31,641**

Note 5b Analysis of trading derivatives

	06/30/2020			12/31/2019		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Trading derivatives						
Rate instruments	172,263	1,830	1,607	194,071	1,694	1,352
Swaps	53,819	1,673	1,521	66,539	1,655	1,240
Other firm contracts [1]	88,642	14	14	96,648	2	1
Options and conditional instruments	29,802	143	72	30,884	37	111
Foreign exchange instruments	90,166	762	690	85,982	884	798
Swaps	55,182	43	41	51,825	40	37
Other firm contracts	9,545	621	552	9,439	777	694
Options and conditional instruments	25,439	98	97	24,718	67	67
Other derivatives	34,329	336	447	27,078	272	427
Swaps	11,084	96	130	11,057	112	171
Other firm contracts	13,463	32	104	11,014	12	101
Options and conditional instruments	9,782	208	213	5,007	148	155
TOTAL	**296,758**	**2,928**	**2,744**	**307,131**	**2,850**	**2,577**

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

Note 6a Hedging derivatives

	06/30/2020			12/31/2019		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Hedging derivatives						
Fair Value Hedges	118,369	903	1,866	119,654	635	1,654
Swaps	51,243	905	1,866	51,945	637	1,654
Other firm contracts	66,156	0	0	66,516	0	0
Options and conditional instruments	970	(2)	0	1,193	(2)	0
Cash Flow Hedges	0	0	0	267	0	4
Swaps	0	0	0	267	0	4
Other firm contracts	0	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0	0
TOTAL	**118,369**	**903**	**1,866**	**119,921**	**635**	**1,658**

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.

Hedging derivatives consist solely of interest rate instruments.

Note 6b - Remeasurement adjustment on interest-risk hedged portfolios

	06/30/2020	12/31/2019
Fair value of portfolio interest rate risk		
■ in financial assets	944	803
■ in financial liabilities	4	(22)

Note 7 Financial assets at fair value through other comprehensive income

Note 7a Financial assets at fair value through shareholders' equity, by type of product

	06/30/2020	12/31/2019
Government securities	2,761	2,351
Bonds and other debt securities	10,353	9,619
Listed	10,016	9,211
Non-listed	337	408
Accrued interest	30	41
Debt securities subtotal, gross	**13,144**	**12,011**
Of which impaired debt securities (S3)	*0*	*1*
Impairment of performing loans (S1/S2)	(10)	(9)
Other impairment (S3)	0	0
Debt securities subtotal, net	**13,134**	**12,002**
Loans	0	0
Accrued interest	0	0
Loans and receivables subtotal, gross	**0**	**0**
Impairment of performing loans (S1/S2)	0	0
Other impairment (S3)	0	0
Loans and receivables subtotal, net	**0**	**0**
Shares and other capital instruments	6	24
Listed	6	16
Non-listed	0	8
Long-term investments	163	164
Equity investments	47	45
Other long-term investments	64	64
Investments in associates	52	55
Loaned securities	0	0
Non-performing current account advances to non-trading real estate company	0	0
Accrued interest	0	0
Subtotal, capital instruments	**169**	**188**
TOTAL	**13,303**	**12,190**
Of which unrealized capital gains or losses recognized under equity	*(227)*	*(117)*
Of which listed equity investments.	*0*	*0*

Note 7b Fair Value Hierarchy of financial instruments carried at fair value on the balance sheet

06/30/2020	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Fair value through shareholders' equity	8,925	2,932	1,446	13,303
■ Government and equivalent securities	2,769	0	0	2,769
■ Bonds and other debt securities	6,150	2,932	1,283	10,365
■ Shares and other capital instruments	6	0	0	6
■ Investments and other long-term securities	0	0	111	111
■ Investments in subsidiaries and associates	0	0	52	52
Trading/Fair value option/Other	12,230	19,168	4,585	35,983
■ Government securities and similar instruments – Trading	1,431	352	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	0	473	496
■ Bonds and other debt securities – Other FVPL	82	0	47	129
■ Shares and other equity instruments – Trading	859	0	0	859
■ Shares and other capital instruments – Other FVPL	345	0	2,204	2,549
■ Investments and other long-term securities – Other FVPL	1	0	155	156
■ Investments in subsidiaries and associates – Other FVPL	0	0	346	346
■ Loans and receivables due from credit institutions – Fair value option	0	0	0	0
■ Loans and receivables due from credit institutions – Other FVPL	0	0	0	0
■ Loans and receivables due from customers – Fair value option	0	0	0	0
■ Loans and receivables due from customers – Other FVPL	0	0	0	0
■ Loans and receivables – Trading	0	14,869	0	14,869
■ Derivatives and other financial assets – Trading	168	2,240	520	2,928
Hedging derivatives	0	903	0	903
TOTAL	**21,155**	**23,003**	**6,031**	**50,189**
FINANCIAL LIABILITIES				
Trading/Fair value option	173	24,027	603	24,803
■ Due to credit institutions – Fair value option	0	485	0	485
■ 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	20,138	0	20,138
■ Derivatives and other financial liabilities – Trading	173	3,404	603	4,180
Hedging derivatives	0	1,866	0	1,866
TOTAL	**173**	**25,893**	**603**	**26,669**

There is no transfer between levels 1 and 2 whose amount exceeds 10% of the amount of the "Total" line for the concerned category of assets or liabilities.

Description of levels:

- 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.

FAIR VALUE HIERARCHY – LEVEL 3

12/31/2019	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Fair value through shareholders' equity	8,138	2,888	1,164	12,190
■ Government and equivalent securities	2,366	0	0	2,366
■ Bonds and other debt securities	5,748	2,888	1,000	9,636
■ Shares and other capital instruments	24	0	0	24
■ Investments and other long-term securities	0	0	109	109
■ Investments in subsidiaries and associates	0	0	55	55
Trading/Fair value option/Other	9,955	17,965	3,721	31,641
■ Government securities and similar instruments – Trading	689	201	52	942
■ 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	1,489	199	9,767
■ Bonds and other debt securities – Fair value option	33	0	404	437
■ Bonds and other debt securities – Other FVPL	85	0	48	133
■ Shares and other equity instruments – Trading	647	0	0	647
■ Shares and other capital instruments – Other FVPL	288	0	2,330	2,618
■ Investments and other long-term securities – Other FVPL	1	0	156	157
■ Investments in subsidiaries and associates – Other FVPL	0	0	221	221
■ Loans and receivables due from credit institutions – Fair value option	0	0	0	0
■ Loans and receivables due from credit institutions – Other FVPL	0	0	0	0
■ Loans and receivables due from customers – Fair value option	0	0	0	0
■ Loans and receivables due from customers – Other FVPL	0	0	0	0
■ Loans and receivables – Trading	0	13,869	0	13,869
■ Derivatives and other financial assets – Trading	133	2,406	311	2,850
Hedging derivatives	0	635	0	635
TOTAL	**18,093**	**21,488**	**4,885**	**44,466**
FINANCIAL LIABILITIES				
Trading/Fair value option	144	18,751	283	19,178
■ Due to credit institutions – Fair value option	0	179	0	179
■ 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	15,437	0	15,437
■ Derivatives and other financial liabilities – Trading	144	3,135	283	3,562
Hedging derivatives	0	1,658	0	1,658
TOTAL	**144**	**20,409**	**283**	**20,836**

There is no transfer between levels 1 and 2 whose amount exceeds 10% of the amount of the "Total" line for the concerned category of assets or liabilities.

Note 7c 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.

Trading and fair value securities portfolios through other comprehensive income were valued at market price from external data coming from organized markets, primary brokers, or when no other price is available, from comparable securities listed on the market.

Summary	06/30/2020	12/31/2019
RMBS	1,416	1,561
CMBS	7	662
CLO	3,600	3,561
Other ABS	1,966	2,185
RMBS hedged by CDS	0	0
CLO hedged by CDS	0	0
Other ABS hedged by CDS	0	0
ABCP program liquidity lines	0	0
TOTAL	**6,989**	**7,969**

Unless otherwise indicated, securities are not hedged by CDS.

EXPOSURES TO RMBS, CMBS, CLO AND OTHER ABS

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**
UK	172	0	266	109	**547**
Europe excluding France, Spain and the UK	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**

12/31/2019	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	487		65	507	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	113			188	301
UK	256		136	84	476
Europe excluding France, Spain and the UK	470		246	774	1,490
USA	198	662	2,608	254	3,722
Other	190			279	469
TOTAL	**1,561**	**662**	**3,561**	**2,185**	**7,969**
US Branches	194	659			853
AAA	1,163	3	3,410	1,069	5,645
AA	168		96	582	846
A	17		44		61
BBB	7			25	32
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	1,363	607	3,561	2,165	7,696
TOTAL	**1,561**	**662**	**3,561**	**2,185**	**7,969**

Note 8 Financial assets at amortized cost

	06/30/2020	12/31/2019
Securities at amortized cost	2,579	2,544
Loans and receivables to credit institutions	30,509	28,679
Loans and receivables to customers	202,370	188,523
TOTAL	**235,458**	**219,746**

Note 8a Securities at amortized cost

	06/30/2020	12/31/2019
Securities	2,723	2,693
Government securities	1,528	1,452
Bonds and other debt securities	1,195	1,241
■ Listed	524	513
■ Non-listed	671	728
Accrued interest	15	12
TOTAL, GROSS	**2,738**	**2,705**
of which impaired assets (S3)	*169*	*176*
Impairment of performing loans (S1/S2)	0	0
Other impairment (S3)	(159)	(161)
TOTAL, NET	**2,579**	**2,544**

Note 8b Loans and receivables to credit institutions at amortized cost

	06/30/2020	12/31/2019
Performing loans (S1/S2)	30,481	28,645
Current accounts	14,250	14,684
Loans	9,517	8,518
Other receivables	5,141	4,374
Pensions	1,573	1,069
Individually-impaired receivables, gross (S3)	0	0
Accrued interest	30	36
Impairment of performing loans (S1/S2)	(2)	(2)
Other impairment (S3)	0	0
TOTAL	**30,509**	**28,679**

Note 8c Loans and receivables due from customers at amortized cost

	06/30/2020	12/31/2019
Performing loans (S1/S2)	187,761	173,940
Commercial loans	5,057	6,861
Other customer receivables	182,474	166,856
■ home loans	85,930	83,830
■ other loans and receivables [1]	95,120	82,114
■ pensions	1,424	912
Accrued interest	230	223
Individually-impaired receivables, gross (S3)	5,071	4,849
Receivables, gross	**192,832**	**178,789**
Impairment of performing loans (S1/S2)	(721)	(530)
Other impairment (S3)	(2,316)	(2,297)
SUB Total I	**189,795**	**175,962**
Finance leases (net investment)	12,411	12,388
Equipment	8,108	7,917
Real estate	4,303	4,471
Individually-impaired receivables, gross (S3)	373	358
Impairment of performing loans (S1/S2) [1]	(83)	(61)
Other impairment (S3)	(126)	(124)
SUB Total II	**12,575**	**12,561**
TOTAL	**202,370**	**188,523**
of which equity loans	*1*	*2*
of which subordinated loans	*13*	*13*

(1) Including a 9.4 billion increase in the first half of 2020 for state-guaranteed loans (SGL) granted within the context of the COVID-19 crisis.

(2) After readjustment of impairment following the COVID-19 crisis, see note 1 - Accounting principles.

FINANCE LEASE TRANSACTIONS WITH CUSTOMERS

	12/31/2019	Increase	Decrease	Other	06/30/2020
Gross carrying amount	12,746	1,784	(1,429)	(317)	12,784
Impairment of non-recoverable lease payments	(185)	(62)	38	0	(209)
Net carrying amount	12,561	1,722	(1,391)	(317)	12,575

Note 9 Gross values and movements in impairment provisions

Note 9a 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	**28,681**	**24,838**	**(21,898)**	**(1,110)**	**30,511**
■ 12-month expected losses (S1)	28,677	24,838	(21,898)	(1,106)	30,511
■ expected losses at termination (S2)	4	0	0	(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	**191,535**	**48,576**	**(34,040)**	**(455)**	**205,616**
■ 12-month expected losses (S1)	175,899	43,742	(31,135)	(4,320)	184,186
■ expected losses at termination (S2)	10,429	4,594	(2,851)	3,814	15,986
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	5,207	240	(54)	51	5,444
■ 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	**2,705**	**438**	**(402)**	**(3)**	**2,738**
■ with 12-month expected losses (S1)	2,529	432	(397)	5	2,569
■ with expected losses at termination (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	176	6	(5)	(8)	169
■ 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	**12,011**	**4,010**	**(2,900)**	**23**	**13,144**
■ 12-month expected losses (S1)	11,955	4,010	(2,884)	23	13,104
■ expected losses at termination (S2)	55	0	(15)	0	40
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	1	0	(1)	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 fair value through other comprehensive income – Loans	**0**	**0**	**0**	**0**	**0**
■ 12-month expected losses (S1)	0	0	0	0	0
■ expected losses at termination (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
TOTAL	**234,932**	**77,862**	**(59,240)**	**(1,545)**	**252,009**

(1) Of which Buckets transfers.

CONCENTRATION OF CREDIT RISK BY BUSINESS SEGMENT

In line with the authorities' recommendations, the group recorded a segment impairment in relation to the cost of counterparty risk of €65 million on the segments deemed to be the most vulnerable to the COVID-19 crisis.

Outstandings, as well as impairments for these segments are presented by status.

	Gross amount			Write-downs			Net
Segments	S1	S2	S3	S1	S2	S3	amount
Specialized distribution	560	640	494	(2)	(13)	(308)	1,371
Hotels, restaurants	1,424	1,765	232	(8)	(40)	(127)	3,246
Automotive	541	667	65	(4)	(15)	(40)	1,215
Vehicle hire	385	444	101	(2)	(9)	(39)	881
Tourism, games, leisure	346	389	61	(2)	(9)	(45)	740
Industrial transportation	137	160	83	(0)	(3)	(41)	335
Air transport	166	172	16	(1)	(5)	(1)	347
TOTAL	**3,559**	**4,237**	**1,052**	**(18)**	**(94)**	**(601)**	**8,134**

Note 9b Movements in impairment provisions

	12/31/2019	Addition	Reversal	Other	06/30/2020
Loans and receivables due from credit institutions	**(2)**	**(1)**	**1**	**0**	**(2)**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	(2)	(1)	1	0	(2)
■ expected losses at termination (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	**(3,012)**	**(723)**	**483**	**6**	**(3,246)**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	(244)	(142)	98	1	(287)
■ expected losses at termination (S2)	*(347)*	*(329)*	*159*	*0*	(517)
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	(2,421)	(252)	226	5	(2,442)
■ 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	**(161)**	**0**	**2**	**0**	**(159)**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	(0)	(0)	0	(0)	(0)
■ expected losses at termination (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	(161)	0	2	0	(159)
■ 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	**(9)**	**(2)**	**1**	**0**	**(10)**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	(9)	(2)	1	0	(10)
■ expected losses at termination (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
Financial assets at FVOCI – Loans	**0**	**0**	**0**	**0**	**0**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	0	0	0	0	0
■ expected losses at termination (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
TOTAL	**(3,184)**	**(726)**	**487**	**6**	**(3,417)**

Note 10 Taxes

Note 10a Current tax

	06/30/2020	12/31/2019
Assets (through profit or loss)	650	687
Liabilities (through profit or loss)	274	290

Note 10b Deferred tax

	06/30/2020	12/31/2019
Assets (through profit or loss)	321	279
Assets (through shareholders' equity)	80	54
Liabilities (through profit or loss)	233	241
Liabilities (through shareholders' equity)	6	5

Note 11 Accruals and other assets

	06/30/2020	12/31/2019
Accruals		
Collection accounts	29	108
Currency adjustment accounts	72	46
Accrued income	377	409
Other accruals	708	1,924
Subtotal	**1,186**	**2,487**
Other assets		
Securities settlement accounts	66	102
Miscellaneous receivables	3,321	2,943
Inventories and similar	21	26
Other	11	10
Subtotal	**3,419**	**3,081**
TOTAL	**4,605**	**5,568**

Accruals and miscellaneous receivables consist mainly of suspense accounts relating to interbank payment systems.

Expense accounts payable and receivables concern employee benefit expenses and general operating expenses and do not concern lending or borrowing for which accrued interest not yet due constitutes debts or related debt obligations.

Note 12 Investments in equity consolidated companies

06/30/2020	Country	% interest	Value of equity consolidation [1]	Share of net profit/(loss)	Dividends received
Groupe ACM	France	16.06%	1,581	32	0
Crédit Mutuel Asset Management	France	23.54%	13	0	1
TOTAL			**1,594**	**32**	**1**

12/31/2019	Country	% interest	Value of equity consolidation [1]	Share of net profit/(loss)	Dividends received
Groupe ACM	France	16.06%	1,563	156	348
Crédit Mutuel Asset Management	France	23.54%	14	2	0
TOTAL			**1,577**	**158**	**348**

(1) Comprises goodwill of €52 million for Groupe ACM.

Note 13 Investment property

	12/31/2019	Increase	Decrease	other	06/30/2020
Historical cost	82	1	(2)	(0)	81
Depreciation and impairment	(33)	(1)	0	0	(34)
NET AMOUNT	**49**	**(0)**	**(2)**	**(0)**	**47**

The fair value of investment property carried at amortized cost is comparable to its carrying amount.

Note 14 Property, plant and equipment and intangible assets

Note 14a Property, plant and equipment

	12/31/2019	Increase	Decrease	other	06/30/2020
Historical cost					
Operating sites	332	0	0	0	332
Operating buildings	2,635	16	(41)	(0)	2,610
Usage rights – Real estate	368	81	(4)	0	445
Other property, plant and equipment	518	20	(12)	0	526
TOTAL	**3,853**	**117**	**(57)**	**0**	**3,913**
Depreciation and impairment					
Operating sites	0	0	0	0	0
Operating buildings	(1,791)	(39)	35	0	(1,795)
Usage rights – Real estate	(53)	(27)	2	(1)	(79)
Other property, plant and equipment	(431)	(10)	6	0	(435)
TOTAL	**(2,275)**	**(76)**	**43**	**(1)**	**(2,309)**
NET AMOUNT	**1,578**	**41**	**(14)**	**(1)**	**1,604**

Note 14b Intangible fixed assets

	12/31/2019	Increase	Decrease	other	06/30/2020
Historical cost					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	355	11	(0)	1	367
■ software	125	11	(0)	1	137
■ other	230	0	(0)	0	230
TOTAL	**355**	**11**	**(0)**	**1**	**367**
Depreciation and impairment					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	(176)	(7)	0	(1)	(184)
■ software	(88)	(6)	0	(1)	(95)
■ other	(88)	(1)	0	0	(89)
TOTAL	**(176)**	**(7)**	**0**	**(1)**	**(184)**
NET AMOUNT	**179**	**4**	**(0)**	**(0)**	**183**

Note 15 Goodwill

	12/31/2019	Increase	Decrease	Other	06/30/2020
Gross goodwill	33	0	0	0	33
Write-downs	0	0	0	0	0
NET GOODWILL	**33**	**0**	**0**	**0**	**33**

Subsidiaries	12/31/2019	Increase	Decrease	Other	06/30/2020
Banque Transatlantique	6				6
Dubly Transatlantique Gestion	6				6
Crédit Mutuel Equity SCR	21				21
TOTAL	**33**	**0**	**0**	**0**	**33**

NOTES TO THE BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY

Note 16 Financial liabilities at fair value through profit or loss

	06/30/2020	12/31/2019
Financial liabilities held for trading	24,318	18,999
Financial liabilities at fair value through profit or loss	485	179
TOTAL	**24,803**	**19,178**

Note 16a Financial liabilities held for trading

	06/30/2020	12/31/2019
Short sales of securities	1,433	980
■ Government securities	1	0
■ Bonds and other debt securities	776	357
■ Shares and other capital instruments	656	623
Debts in respect of securities sold under repurchase agreements	20,137	15,437
Trading derivatives	2,744	2,577
Other financial liabilities held for trading	4	5
TOTAL	**24,318**	**18,999**

Note 16b Financial liabilities at fair value through profit or loss on option

	06/30/2020			12/31/2019		
	Value (book)	Amount due	Difference	Value (book)	Amount due	Difference
Securities issued	0	0	0	0	0	0
Subordinated debt	0	0	0	0	0	0
Interbank debt	485	485	0	179	179	0
Due to customers	0	0	0	0	0	0
TOTAL	**485**	**485**	**0**	**179**	**179**	**0**

Note 17 Financial liabilities at amortized cost

Note 17a Due to central banks and credit institutions

	06/30/2020	12/31/2019
Due to central banks	**0**	**4**
Liabilities to cred. inst.	**73,830**	**68,374**
Current accounts	2,659	1,507
Borrowings	64,695	62,144
Other debt	2,009	1,687
Pensions	4,402	2,960
Related debt	65	76

Note 17b Amounts due to customers at amortized cost

	06/30/2020	12/31/2019
Special savings accounts	50,743	48,734
■ on demand	37,144	35,204
■ in the future	13,599	13,530
Related liabilities on savings accounts	205	1
Subtotal	**50,948**	**48,735**
Demand accounts	110,919	88,403
Term deposits and borrowings	33,121	32,081
Pensions	89	3
Other debt	6	7
Related debt	71	77
Subtotal	**144,206**	**120,571**
TOTAL	**195,154**	**169,306**

Note 17c Debt securities at amortized cost

	06/30/2020	12/31/2019
Certificates of deposit	41	42
Interbank certificates and negotiable debt instruments	25,532	23,422
Bonds	6,556	6,060
Non-preferred senior securities	0	0
Related debt	93	160
TOTAL	**32,222**	**29,684**

Note 18 Accruals and other liabilities

	06/30/2020	12/31/2019
Accruals		
Accounts unavailable due to recovery procedures	52	43
Currency adjustment accounts	142	104
Accrued expenses	762	783
Deferred income	376	406
Other accruals	2,108	4,058
Subtotal	**3,440**	**5,394**
Other liabilities		
Lease obligations – Real estate	369	318
Securities settlement accounts	113	124
Outstanding amounts payable on securities	68	52
Sundry creditors	338	349
Subtotal	**888**	**843**
TOTAL	**4,327**	**6,237**

Note 18a Lease obligations by residual term

06/30/2020	D ≤ 1 year	1 year < D < 3 years	3 years < D ≤ 6 years	6 years < D ≤ 9 years	D > 9 years	Total
Lease obligations						
■ Real estate	18	45	79	90	137	369

12/31/2019	D ≤ 1 year	1 year < D < 3 years	3 years < D ≤ 6 years	6 years < D ≤ 9 years	D > 9 years	Total
Lease obligations						
■ Real estate	20	60	69	85	84	318

Note 19 Provisions and contingent liabilities

Note 19a 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	**234**	**93**	**(2)**	**(76)**	**2**	**251**
On guarantee commitments	163	66	0	(46)	0	184
of which 12-month expected losses (S1)	*29*	*19*	*0*	*(11)*	*(0)*	*37*
of which expected losses at termination (S2)	*31*	*21*	*0*	*(15)*	*0*	*37*
On financing commitments	35	21	0	(19)	0	37
of which 12-month expected losses (S1)	*29*	*17*	*0*	*(15)*	*(0)*	*31*
of which expected losses at termination (S2)	*6*	*4*	*0*	*(4)*	*(0)*	*6*
Provisions for taxes	10	0	0	0	0	10
Provisions for claims and litigation	12	5	(2)	(5)	(0)	10
Provision for risk on miscellaneous receivables	14	1	(0)	(6)	2	10
other provisions	**528**	**47**	**(0)**	**(25)**	**(5)**	**545**
Provision for mortgage saving agreements	76	12	0	0	0	88
Provisions for miscellaneous contingencies	147	4	(0)	(8)	(1)	141
Other provisions [1]	305	31	(0)	(17)	(4)	316
Provisions for retirement commitments	**217**	**4**	**(0)**	**(3)**	**0**	**218**
TOTAL	**979**	**144**	**(2)**	**(104)**	**(3)**	**1,014**

(1) Other provisions relate to provisions for French economic interest groups (GIE) totaling €316 million.

Note 19b - 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	107	1	(0)	0	108
Supplementary pensions	31	3	(3)	0	31
Obligations for long service awards (other long-term benefits)	62	0	0	0	62
Total amount recognized	**200**	**4**	**(3)**	**(0)**	**201**
Supplementary defined-benefit pensions covered by pension funds					
Commitments to employees and retirees [1]	17	0	0	(0)	17
Total amount recognized	**17**	**0**	**0**	**(0)**	**17**
TOTAL	**217**	**4**	**(3)**	**0**	**218**

(1) The provisions covering shortfalls in pension funds relate to entities located abroad.

Defined-benefit plans: Main actuarial assumptions	06/30/2020	12/31/2019
Discount rate [1]	0.75%	0.75%

(1) The discount rate, which is determined by reference to the long-term rate on private-sector borrowings, is based on the Iboxx index.

Note 20 Subordinated debt at amortized cost

	06/30/2020	12/31/2019
Participating loans	153	153
Perpetual subordinated debt	26	26
Other debt	2,051	2,052
Related debt	3	2
TOTAL	**2,233**	**2,233**

SUBORDINATED DEBT REPRESENTING MORE THAN 10% OF TOTAL SUBORDINATED DEBTS

	Vesting date Issue	Amount Issue	Currency	Rate	Term
Participating loan	5/28/1985	€137 million	EUR	[1]	[2]
redeemable subordinated notes	3/24/2016	€414 million	EUR	EURIBOR 3 months +2.05%	03/24/2016
redeemable subordinated notes	11/4/2016	€700 million	EUR	EURIBOR 3 months +1.70%	11/04/2026

(1) *Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.*

(2) *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.*

Note 21 Unrealized or deferred gains and losses

Note 21a Unrealized or deferred gains and losses

	06/30/2020	12/31/2019
Unrealized or deferred gains or losses [1] relating to:		
■ translation adjustments	53	64
■ financial assets at fair value through recyclable other comprehensive income – debt instruments	(154)	(65)
■ financial assets at fair value through non-recyclable other comprehensive income – equity instruments	(127)	(116)
■ hedging derivatives (CFH)	(0)	0
■ share of unrealized or deferred gains and losses of associates	221	235
■ actuarial gains and losses on defined benefit plans	(65)	(65)
TOTAL	**(72)**	**53**

(1) *Balance net of corporation tax.*

Note 21b Recycling of gains and losses directly recognized in shareholders' equity

	06/30/2020 Operations	12/31/2019 Operations
Translation adjustments		
Reclassification in income	0	0
Other movement	(11)	33
Subtotal	**(11)**	**33**
Revaluation of financial assets at FVOC		
Reclassification in income	0	0
Other movement	(99)	5
Subtotal	**(99)**	**5**
Remeasurement of hedging derivatives		
Reclassification in income	0	0
Other movement	(0)	(0)
Subtotal	**(0)**	**(0)**
Remeasurement of non-current assets	0	0
Actuarial gains and losses on defined benefit plans	(0)	(16)
Share of unrealized or deferred gains and losses of associates	(14)	61
TOTAL	**(124)**	**83**

Note 21c 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)	33	0	33
Revaluation of financial assets at FVOC	(125)	26	(99)	(0)	5	5
Remeasurement of hedging derivatives	(0)	(0)	(0)	(0)	0	(0)
Remeasurement of non-current assets	0	0	0	0	0	0
Actuarial gains and losses on defined benefit plans	0	(0)	(0)	(17)	1	(16)
Share of unrealized or deferred gains and losses of associates	(24)	10	(14)	87	(26)	61
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY TO EQUITY	**(160)**	**36**	**(124)**	**103**	**(20)**	**83**

Note 22 Commitments given and received

Commitments given	06/30/2020	12/31/2019
Funding commitments	**43,298**	**40,399**
Liabilities due to credit institutions	390	364
Commitments to customers	42,908	40,035
Guarantee commitments	**17,086**	**17,136**
Credit institution commitments	2,306	2,366
Customer commitments	14,780	14,770
Securities commitments	**3,958**	**2,362**
Securities acquired with option to repurchase	0	0
Other commitment given	3,958	2,362

Commitments received	06/30/2020	12/31/2019
Funding commitments	**202**	**464**
Commitments received from credit Institutions	202	464
Commitments received from customers	0	0
Guarantee commitments	**80,752**	**69,392**
Commitments received from credit Institutions	51,351	49,431
Commitments received from customers	29,401	19,961
Securities commitments	**2,193**	**964**
Securities sold with option to repurchase	0	0
Other commitments received	2,193	964

NOTES TO THE INCOME STATEMENT

Note 23 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]	96	(235)	215	(424)	215	(424)
Customers	1,844	(345)	1,953	(399)	3,459	(1,905)
■ of which finance leasing	143	(25)	142	(23)	1,648	(1,529)
■ of which lease obligations		(2)		(3)		(3)
Hedging derivatives	372	(398)	212	(528)	212	(528)
Financial assets at fair value through profit or loss	247	(40)	316	(65)	316	(65)
Financial assets at fair value through shareholders' equity	89	0	104	0	104	0
Securities at amortized cost	13	0	17	0	17	0
Debt securities	0	(196)	0	(284)	0	(284)
Subordinated debt	0	(0)	0	(0)	0	(0)
TOTAL	**2,661**	**(1,214)**	**2,817**	**(1,700)**	**4,323**	**(3,206)**
of which interest income and expense calculated at effective interest rate	*2,042*	*(776)*	*2,289*	*(1,108)*	*3,795*	*(2,614)*

(1) Including -€165 million impact of negative interest rates in income and €57 million in expenses at June 30, 2020, compared to -€109 million impact of negative interest rates in income and €57 million in expenses at June 30, 2019.

In 2019, the group revised the presentation of interest income on finance leases. This is presented from now on as net interest income, whereas previously it was split into interest income and expense.

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 24 Commission income and expense

	06/30/2020		06/30/2019	
	Income	Expenses	Income	Expenses
Credit institutions	2	(3)	1	(2)
Customers	426	(6)	462	(7)
Securities	292	(13)	269	(15)
Derivative instruments	5	(5)	3	(4)
Currency transactions	9	(0)	8	(1)
Funding and guarantee commitments	3	(1)	3	(1)
Services provided	561	(228)	556	(242)
TOTAL	**1,298**	**(256)**	**1,302**	**(272)**

Note 25 Net gains on financial instruments at fair value through profit or loss

	06/30/2020	06/30/2019
Trading instruments	(195)	221
Instruments accounted for under the fair value option	11	11
Ineffective portion of hedges	(3)	(4)
On cash flow hedges (CFH)	0	0
On fair value hedges (FVH)	(3)	(4)
■ Change in the fair value of hedged items	295	520
■ Change in fair value of hedging instruments	(298)	(524)
Foreign exchange gains/(losses)	(11)	59
Other financial instruments at fair value through profit or loss [1]	62	184
TOTAL CHANGES IN FAIR VALUE	**(136)**	**471**

(1) of which €47 million came from private equity business as at June 30, 2020, compared to €149 million as at June 30, 2019.

Note 26 Net gains or losses on financial assets at fair value through shareholders' equity

	06/30/2020	06/30/2019
Dividends	8	9
Realized gains and losses on debt instruments	5	28
TOTAL	**13**	**37**

Note 27 Income/expenses generated by other activities

	06/30/2020	06/30/2019
Income from other activities		
investment property:	0	0
■ reversal of provisions/depreciation	0	0
■ Capital gains on sale	0	0
Rebilled expenses	14	14
Other income	39	40
Subtotal	**53**	**54**
Expenses on other activities		
investment property:	(1)	(1)
■ additions to provisions/depreciation	(1)	(1)
■ capital losses on sale	0	0
Other expenses	(46)	(37)
Subtotal	**(47)**	**(38)**
NET TOTAL OF OTHER INCOME AND EXPENSES	**6**	**16**

Note 28 General operating expenses

	06/30/2020	06/30/2019
Employee benefits expense	(894)	(924)
Other general operating expenses	(710)	(681)
Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets	(83)	(83)
TOTAL	**(1,687)**	**(1,688)**

Note 28a Employee benefits expense

	06/30/2020	06/30/2019
Wages and salaries	(566)	(565)
Social security contributions	(216)	(223)
Short-term employee benefits	(0)	(0)
Employee profit-sharing and incentive schemes	(33)	(58)
Payroll-based taxes	(79)	(78)
Other	0	(0)
TOTAL	**(894)**	**(924)**

Note 28b Average workforce

	06/30/2020	06/30/2019
Bank technical staff	10,448	10,501
Managers	9,406	9,418
TOTAL	**19,854**	**19,919**
France	18,102	18,223
Rest of the world	1,752	1,696

Note 28c Other general operating expenses

	06/30/2020	06/30/2019
Taxes and duties [1]	(190)	(158)
Leases		
■ Short-term asset leases [2]	(28)	(29)
■ Low value/substitutable asset leases [3]	(29)	(28)
■ other leases	(4)	(2)
Other external services	(475)	(477)
Other miscellaneous expenses	16	13
TOTAL	**(710)**	**(681)**

(1) *The entry "Taxes and duties" includes an expense of -€122 million as part of the contribution to the Single Resolution Fund on June 30, 2020, compared to -€95 million on June 30, 2019.*

(2) Includes real estate by automatic renewal.

(3) Includes computer equipment.

NOTE 28d Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets

	06/30/2020	06/30/2019
Depreciation and amortization:	(83)	(83)
■ property, plant and equipment	(76)	(77)
including usage rights	*(27)*	*(27)*
■ intangible assets	(7)	(6)
Write-downs:	0	0
■ property, plant and equipment	0	0
■ intangible assets	0	0
TOTAL	**(83)**	**(83)**

Note 29 Cost of counterparty risk

	06/30/2020	06/30/2019
■ 12-month expected losses (S1)	(56)	(12)
■ Expected losses at termination (S2)	(176)	7
■ Impaired assets (S3)	(138)	(126)
TOTAL	**(370)**	**(131)**

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)	**(182)**	**126**				**(56)**
■ Loans and receivables due from credit institutions at amortized cost	(2)	1				(1)
■ Customer loans at amortized cost	(142)	98				(44)
of which finance leases	*(13)*	*12*				*(1)*
■ Financial assets at amortized cost – securities	(0)	0				0
■ Financial assets at fair value through other comprehensive income – debt securities	(2)	1				(1)
■ Financial assets at fair value through other comprehensive income – Loans	0	0				0
■ Commitments given	(36)	26				(10)
Expected losses at termination (S2)	**(355)**	**178**				**(176)**
■ Loans and receivables due from credit institutions at amortized cost	0	0				0
■ Customer loans at amortized cost	(329)	159				(170)
of which finance leases	*(37)*	*16*				*(21)*
■ 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	(25)	19				(6)
Impaired assets (S3)	**(264)**	**237**	**(105)**	**(9)**	**4**	**(138)**
■ Loans and receivables due from credit institutions at amortized cost	(0)	0	0	(0)	0	(0)
■ Customer loans at amortized cost	(236)	208	(88)	(9)	3	(122)
of which finance leases	*(2)*	*2*	*(1)*	*(0)*	*0*	*(1)*
■ 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	(28)	26	0	(0)	0	(2)
TOTAL	**(800)**	**541**	**(105)**	**(9)**	**3**	**(370)**

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)	**(132)**	**120**				**(12)**
■ Loans and receivables due from credit institutions at amortized cost	(2)	1				(1)
■ Customer loans at amortized cost	(105)	99				(6)
of which finance leases	*(17)*	*22*				*5*
■ Financial assets at amortized cost – securities	(0)	0				(0)
■ Financial assets at fair value through other comprehensive income – debt securities	(1)	1				(0)
■ Financial assets at fair value through other comprehensive income – Loans	0	0				0
■ Commitments given	(24)	19				(5)
Expected losses at termination (S2)	**(172)**	**179**				**7**
■ Loans and receivables due from credit institutions at amortized cost	0	0				0
■ Customer loans at amortized cost	(152)	160				8
of which finance leases	*(23)*	*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	(20)	19				(1)
Impaired assets (S3)	**(306)**	**278**	**(94)**	**(10)**	**6**	**(126)**
■ Loans and receivables due from credit institutions at amortized cost	0	0	0	(0)	0	(0)
■ Customer loans at amortized cost	(284)	251	(94)	(10)	6	(131)
of which finance leases	*(2)*	*3*	*(2)*	*(1)*	*0*	*(2)*
■ 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	(22)	27	0	(0)	0	5
TOTAL	**(611)**	**578**	**(94)**	**(10)**	**6**	**(131)**

Note 30 Net gains/(losses) on disposals of other assets

	06/30/2020	06/30/2019
Tangible and intangible assets	(3)	1
■ Capital losses on sale	(3)	(2)
■ Capital gains on sale	0	3
Gains/(losses) on disposals of shares in consolidated entities	0	0
TOTAL	**(3)**	**1**

Note 31 Income tax

	06/30/2020	06/30/2019
Current taxes	(163)	(247)
Deferred tax expense/income	49	(41)
Adjustments in respect of prior years	0	80
TOTAL	**(114)**	**(208)**
France	*(87)*	*(186)*
Non-France	*(27)*	*(22)*

Note 32 Profit (loss) per share

	06/30/2020	06/30/2020
Net income attributable to the group	235	731
Number of shares at beginning of year	37,795,782	37,795,782
Number of shares at end of year	37,795,782	37,795,782
Weighted average number of shares	37,795,782	37,795,782
BASIC EARNINGS PER SHARE *(in €)*	**6.21**	**19.33**
Weighted average number of shares that may be issued	0	0
DILUTED EARNINGS PER SHARE *(in €)*	**6.21**	**19.33**

CIC's share capital amounts to 608,439,888 euros made up of 38,027,493 shares with a par value of 16 euros each, including 231,711 treasury shares.

Note 33 Related party transactions

	06/30/2020		12/31/2019	
	Associates (companies accounted for using the equity method)	Parent company	Associates (companies accounted for using the equity method)	Parent company
Assets				
■ Financial assets at fair value through profit or loss	2,224	386	1,391	324
■ Financial assets at FVOCI	0	0	0	0
■ Financial assets at amortized cost	61	12,548	25	14,333
■ Other assets	4	0	6	15
Liabilities				
■ Liabilities to cred. inst.	39	59,216	51	54,877
■ Liabilities at fair value through profit or loss	1,917	695	353	200
■ Due to customers	117	225	69	195
■ Debt securities	1,565	1,466	1,304	1,657
■ Subordinated debt	0	2,190	0	2,188
■ Financing commitments given	0	0	0	0
■ Guarantees given	0	13	0	128
■ Financing commitments received	0	0	0	7
■ Guarantees received	0	5,774	0	4,770
	06/30/2020		06/30/2019	
■ Interest income	0	147	1	153
■ Interest expense	(2)	(179)	(3)	(244)
■ Commission income	242	(3)	238	7
■ Commission expense	0	(34)	0	(52)
■ Net gains/(losses) on financial assets at FVOCI and FVPL	1	(0)	347	0
■ Other income and expenses	0	(1)	0	(2)
■ General operating expenses	(31)	(238)	(31)	(214)

The parent company consists of BFCM, majority shareholder of CIC, of Caisse Fédérale Crédit Mutuel, entity controlling BFCM and all their subsidiaries.

Relations with the parent company consist primarily of loans and borrowing as part of cash flow management, BFCM being the body for the group's refinancing and IT services invoiced with the Euro-Information entities.

Companies accounted for using the equity method comprise Crédit Mutuel Asset Management and Groupe des Assurances du Crédit Mutuel.

5.3 STATUTORY AUDITORS' REPORT ON THE LIMITED REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PricewaterhouseCoopers Audit	KPMG S.A.	ERNST & YOUNG et Autres
63, rue de Villiers	Tour EQHO	Tour First
92208 Neuilly-sur-Seine Cedex	2, avenue Gambetta	TSA 14444
S.A.S. with capital of €2,510,460	CS 60055	92037 Paris-La Défense Cedex
672.006.483 R.C.S. Nanterre	92066 Paris-La Défense Cedex	S.A.S. with variable capital
	S.A. with capital of €5,497,100	438,476,913 R.C.S. Nanterre
Statutory auditors	Statutory auditors	Statutory auditors
Member of the Compagnie	Member of the Compagnie	Member of the Compagnie
régionale de Versailles	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,

In accordance with the task entrusted us by your shareholders' meetings 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 interim financial statements for Crédit Industriel et Commerciale (CIC), 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 29, 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 29, 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.

The statutory auditors

PricewaterhouseCoopers Audit	KPMG S.A.	ERNST & YOUNG et Autres
Nicolas Montillot	Sophie Sotil-Forgues	Hassan Baaj

6 SHARE CAPITAL

On June 30, 2020, CIC's capital stood at €608,439,888 and was comprised of 38,027,493 fully paid up shares at a par value of €16.

The share capital has seen no changes over the last three fiscal years.

CIC has no unissued authorized capital or exchangeable or redeemable convertible bonds granting access to capital.

CIC shares are not listed or traded on any market.

Delegations of authority to the board of directors: There are no delegations of authority to the board of directors currently in use concerning capital increases.

CIC's articles of association include no stipulation that would delay, defer, impede or prevent a change of control, nor that would impose conditions more stringent than those required by law on changes in share capital.

The main shareholders of CIC do not hold different voting rights.

7 ADDITIONAL INFORMATION

7.1 DOCUMENTS AVAILABLE TO THE PUBLIC

This amendment to the universal registration document is available on CIC's website (www.cic.fr) and the AMF's website. The same holds true for all reports and historical financial information. The information provided on the website does not form part of the universal registration document or this amendment.

Any person wishing to obtain additional information on CIC may, with no commitment, request the documents:

- by postal mail: CIC – Relations extérieures 6, avenue de Provence – 75009 Paris;
- by email: frederic.monot@cic.fr

The charter, the articles of association, the minutes of the Shareholders' Meetings and the reports may be accessed at the registered office: 6, avenue de Provence à Paris 9e (General Secretariat).

7.2 PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

Person with overall responsibility for the universal registration document

Mr. Daniel BAAL
Chief executive officer

Declaration by the person responsible for the interim financial report

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

7.3 STATUTORY AUDITORS

The statutory auditors, PricewaterhouseCoopers Audit and Ernst & Young et Autres, and KPMG S.A., belong to the regional association of independent auditors of Versailles *(la compagnie régionale des commissaires aux comptes de Versailles).*

Principal statutory auditors

PricewaterhouseCoopers Audit
63, rue de Villiers - 92208 Neuilly-sur-Seine Cedex
Represented by Jacques Lévi
Start date of first term of office: May 25, 1988
Current term of office: 6 fiscal years with effect from May 4, 2018
Expiration of current term of office: at the end of the Shareholders' Meeting called to rule on the financial statements for the fiscal year ending December 31, 2023.

Ernst & Young et Autres
Tour First - 1, place des Saisons, 92400 Courbevoie
Represented by Hassan Baaj
Start date of first term of office: May 26, 1999
Current term of office: 6 fiscal years with effect from May 24, 2017
Expiration of current term of office: at the end of the Shareholders' Meeting called to rule on the financial statements for the fiscal year ending December 31, 2022.

KPMG S.A.
Tour Eqho - 2 avenue Gambetta,
92066 Paris La Défense Cedex
Represented by Sophie Sotil-Forgues
Start date of first term of office: May 25, 2016.
Current term of office: 6 fiscal years with effect from May 25, 2016
Expiration of current term of office: at the end of the Shareholders' Meeting called to rule on the financial statements for the fiscal year ending December 31, 2021.

Alternate statutory auditors

KPMG AUDIT FS I.

7.4 CROSS-REFERENCE TABLES

7.4.1 Cross-reference table of the 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	87	414
2. Statutory auditors	87-88	415
3. Risk factors	26-32	134-140
4. Information about the issuer	93	409
5. Business overview		
5.1 Main activities	7-12	11-19
5.2 Main markets	7-12	5; 28-31
5.3 Significant events in business development	N/A	36-37
5.4 Strategy and objectives	N/A	3; 6-7
5.5 Degree of dependence with respect to patents or licenses, industrial, commercial or financial agreements or new manufacturing processes	N/A	409
5.6 Elements on which the declarations of the issuer concerning its competitive position are based	N/A	4
5.7 Investments	N/A	N/A
6. Organizational structure		
6.1 Description of the group	2	10-20
6.2 Main subsidiaries	2	34-35; 315-316
7. Review of the financial position and of net profit or loss		
7.1 Financial position	5-14	24-38
7.2 Operating income	6-14	28-31
8. Cash and equity		
8.1 Information on the issuer's equity	86	363
8.2 Source and amount of the issuer's cash flows	38	299
8.3 Information on the borrowing conditions and the issuer's financing structure	5	129-294
8.4 Information concerning any restrictions on the use of equity that noticeably influences or may noticeably influence the issuer's transactions	N/A	N/A
8.5 Information on the expected financing sources necessary to honor the commitments set out in point 5.7.2	N/A	N/A
9. Regulatory environment	4-5	25
10. Information on trends	14	35
11. Profit forecasts or estimates	N/A	N/A
12. Administrative, management, supervisory and executive bodies		
12.1 Information concerning the members of CIC's administrative and management bodies	15-25	111-118
12.2 Conflicts of interest concerning the administrative, management, supervisory and executive bodies	N/A	120
13. Compensation and benefits	N/A	123-124
14. Operation of the administrative and management bodies		
14.1 Expiration date of current terms of office	16-24	112-119
14.2 Service agreements binding the members of the administrative bodies to the issuer or to one of its subsidiaries	N/A	120
14.3 Information on the auditing committee and the remuneration committee	N/A	121-122
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	N/A	110
14.5 Potentially significant impacts on corporate governance	15-25	111-127
15. Employees		
15.1 Number of employees	80	51
15.2 Interests in the issuer's share capital and directors' stock-options	N/A	N/A
15.3 Agreement providing for employee ownership of the issuer's shares	N/A	N/A
16. Major shareholders		

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
16.1	Shareholders holding more than 5% of the share capital or voting rights	N/A	402
16.2	Existence of different voting rights of the aforementioned shareholders	N/A	406
16.3	Control of the issuer	N/A	403
16.4	Knowledge by the issuer of an agreement likely to result in a change in control at a later date	N/A	N/A
17.	Related-party transactions	84	356
18.	Financial information on the issuer's assets and liabilities, financial position and results		
18.1	Historical financial information	90	294-300; 360-387
18.2	Interim and other financial information	33-84	N/A
18.3	Verification of the annual historical financial information	85	353-356; 395-398
18.4	Pro forma financial information	N/A	N/A
18.5	Dividend distribution policy	N/A	403
18.6	Legal and arbitration proceedings	N/A	410
18.7	Material change in the financial position	N/A	410
19.	Additional information		
19.1	Share capital	86	402; 409
19.2	Charter and articles of association	N/A	402; 409
20.	Major contracts	N/A	409
21.	Documents available to the public	87	409; 414

Pursuant to Article 19 of European Regulation No. 2017/1129 of June 14, 2017, the following items are included by way of reference:

- the annual and consolidated financial statements and management report of the group for the fiscal year ended December 31, 2018 and the statutory auditors' reports on the annual and consolidated financial statements as of December 31, 2018, presented on pages 278 to 312 and 207 to 273 and pages 313 to 315 and 274 to 277 of Registration Document No. D. 19-0362 filed with the Autorité des marchés financiers (AMF - French Financial Markets Authority) on April 18, 2019.
- the annual and consolidated financial statements and management report of the group for the fiscal year ended December 31, 2017 and the statutory auditors' reports on the annual and consolidated financial statements as of December 31, 2017, presented on pages 270 to 308 and 64 to 263 and pages 309 to 313 and 264 to 269 of Registration Document No. D. 18-0344 filed with the Autorité des marchés financiers (AMF - French Financial Markets Authority) on April 18, 2018.

7.4.2 Cross-reference table of the 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	3-14
- Description of the main risks and uncertainties for the remaining 6 months of the fiscal year	26-32
- Principal transactions that occurred between related parties	14
2. Financial statements on June 30, 2020	33-84
3. Declaration by the person responsible	87
4. Statutory auditors' report on the interim financial statements	85

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The amendment to CIC's Universal registration document has also been published in French.

WWW.CIC.FR

CIC – Société anonyme (public limited company) with capital of 608,439,888 euros - 6, avenue de Provence - 75009 Paris
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A bank governed by Article L.511-1 et seq. of the French Monetary and Financial Code
for transactions carried out in its capacity as insurance broker