First amendment to the 2020 Universal Registration Document

including the **June 30, 2021** interim financial report

Building the future in a changing world

CONTENTS

Building the future in a changing world

First amendment to the 2020 Universal registration document

including the June 30, 2021 interim financial report

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.
2020 Universal Registration Document filed with the Autorité des Marchés Financiers on April 21, 2021 under number D.21-0335.
First amendment to the 2020 Universal Registration Document filed with the Autorité des Marchés Financiers on August 12, 2021 under number D.21-0335-A01.

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

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This first amendment to the Universal Registration Document was filed on August 12, 2021, with the AMF, as the competent authority under Regulation (EU) 2017/1129, without prior approval, in accordance with Article 9 of the regulation.

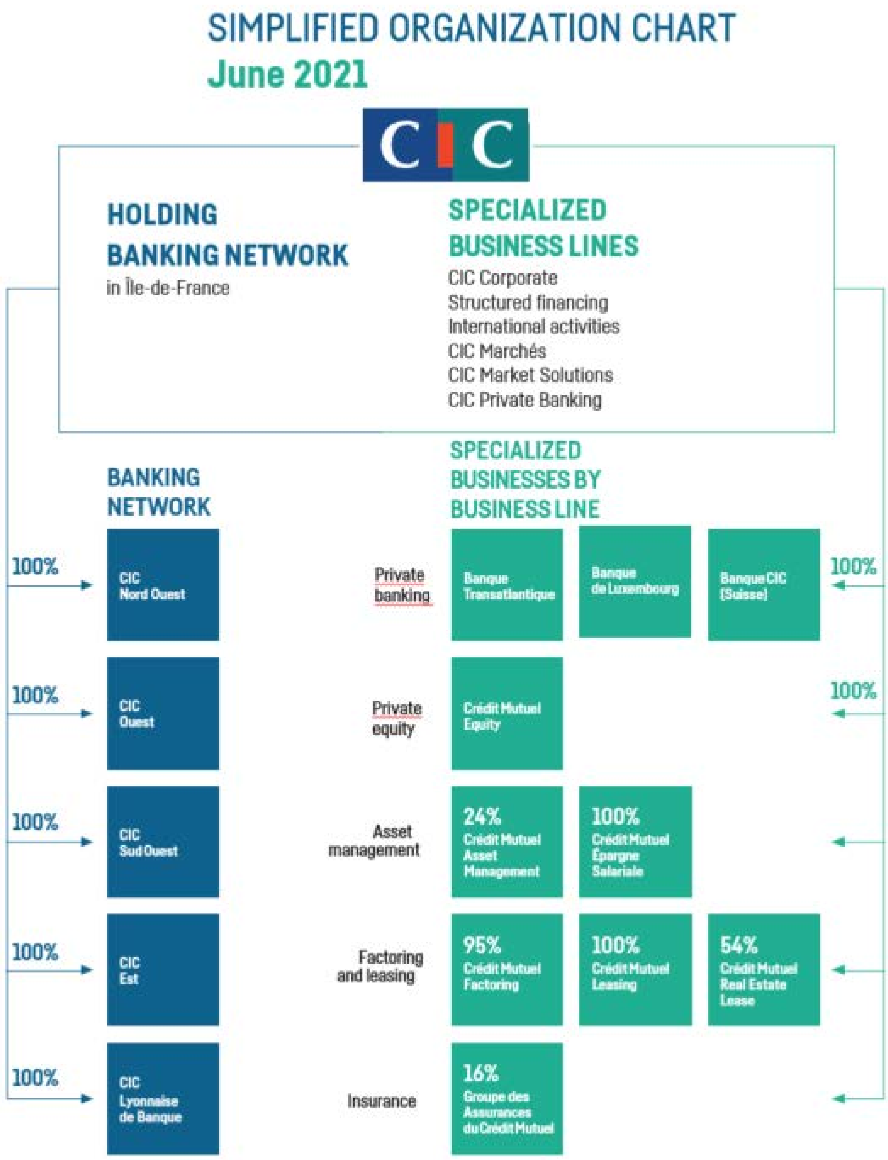
The universal registration document can be used for the purposes of a public offering of securities or for the admission of securities to trading on a regulated market if it is supplemented by a note on the securities and, where relevant, a summary and all amendments to the universal registration document 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 611,858,064 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.



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 2021

2.1.1 Economic environment

First half-year 2021: light at the end of the tunnel

The first half of 2021 was first marked by the management of the health crisis by the authorities to address the spread of the British strain, then by the reopening of economies thanks to the ramp-up of vaccination. Developed countries experienced the return to a more normal situation concerned, resulting in strong economic recovery, particularly in services. Although the industrial sector also contributed to the rebound, supply chain difficulties and shortages, such as semiconductors, are increasingly penalizing activity and contributing to strong inflationary pressure. According to central banks, these factors weighing on supply should remain transitional. In the United States, Joe Biden quickly worked through his agenda. Thus, the large-scale fiscal stimulus bill, which was approved in March, boosted growth and now allows the Fed to consider reducing its asset purchases and raising its key rates. The end of the 1st half-year was marked however by the rebound of the epidemic due to the strong spread of the Delta variant in emerging countries and its progression in developed countries. While vaccination is still very effective against serious forms of Covid, the health risk remains significant but does not jeopardize the rapid growth recovery in developed countries.

In **eurozone**, the resurgence of the epidemic and the delay in vaccination in the first quarter led governments to impose health restrictions that weighed on growth. While the services sector was heavily penalized, the industrial sector continued to rebound thanks to the recovery in investment and exports, thus mitigating the economic slowdown. The reopening of economies, followed by the ramp-up of vaccination in a second stage gave rise to a faster-than-expected upturn in activity, in particular owing to the sharp rebound in the services sector. In a health context that is still uncertain, the ECB stepped up its monetary support with the announcement, in March, of an increase in the pace of its asset purchases as part of the emergency pandemic program (PEPP) in order to maintain favorable financing conditions. It subsequently decided to maintain this pace, on the grounds that it believed the inflationary peak to be transitional, thereby enabling to contain upward pressure on sovereign rates and the euro. It terms of budgetary support, after some delays on the initial schedule, the European recovery plan of €750 billion will be able to begin following the significant legislative advances in recent months. The European Commission has begun issuing debt which will gradually release funds to countries that have unveiled ambitious stimulus plans, such as Italy.

In **France,** the health situation deteriorated very gradually this winter, thereby limiting the impact on growth at first. However, the respite did not last and an epidemic outbreak occurred in March. This obliged the government to impose a new nation-wide lockdown and close schools in April, thereby resulting in a new downturn in economic activity. However, the ongoing emergency measures, in particular short-time working, continued to support economic activity. The reopening of the economy, thanks to the acceleration of vaccination, has mainly benefited the services sector and consumer optimism as summer approaches. In this context, the Banque de France revised its growth forecasts upwards with +5.8% for 2021 and +4% for 2022 for a return of GDP to its pre-crisis level at the beginning of next year.

In the **United Kingdom**, the beginning of the year could have been marked by the effects of Brexit but the health crisis ultimately stole the show. Indeed, the outbreak in the number of infections at the end of 2020 forced the country to implement a very strict lockdown. Between the effects of health constraints and the rapid increase in vaccination (49% of the population fully vaccinated at the beginning of July), the epidemic sharply dropped, making it possible to gradually consider a return to normal (with a very clear impact on business and upward pressure on the pound). The strong spread of the Delta variant, however, forced Boris Johnson to implement his lockdown lifting schedule at a slower pace, but without backing down. Vaccination is effective and hospitalizations and deaths increased only slightly. In addition to the health risk, there is also a political risk due to Brexit-related tensions. In this context, the Bank of England remains prudent in view of the next phase of monetary tightening.

In the **United States,** the economic situation continued to improve with a reopening that started a notch earlier than in the eurozone and vaccination at a more advanced stage than in Europe. The Biden administration has put in place significant budget support with a new stimulus package of $1,900 billion approved in March. This has made it possible, through strong consumption stimulus, to support growth, which should reach a historically high rate in the 2nd quarter. A new tranche of $1.2 trillion relating to infrastructure could soon be passed. In line with this increased demand, prices have accelerated significantly, due to bottlenecks, shortages in certain sectors and the reopening of the economy. The Fed considers this inflationary peak to be transitional and remains prudent in view of its monetary tightening schedule, while the labor market situation is far from returning to normal. The latest employment figures are encouraging, with nearly seven million jobs to fill compared to the pre-crisis situation. Given its new monetary policy framework, the Fed is in no rush to withdraw its support even if it began to prepare the mindsets at its meeting in June. Thus, it indicated that it was counting on two key rate hikes in 2023, which had a significant impact on the dollar.

While **China** was one of the first economies to rebound following the health crisis, the catch-up effect has gradually faded down with growth that is gradually returning to normal. However, each increase in new infections leads authorities to impose very strict local lockdowns. This was the case in Beijing at the end of January and in the Shenzhen area more recently, in the absence of widespread and effective vaccination. This weighs on confidence and limits growth prospects. The Caixin services PMI for June hit a low point since April 2020. Other longer-term issues had a negative impact on China, such as international relations that have grown strained in recent months with its main trading partners - the United States and Europe - and the management of the financial system. Other **emerging countries** are also struggling with the spread of the Delta variant. This comes on top of a combination of unfavorable issues in industry, rapid acceleration of inflation and the need for central banks to tighten their monetary policy.

After the explosion of **commodity prices** at the beginning of the year, due to strong demand and production issues, the increase in prices has slowed or even reversed in some cases. The normalization of global needs and the China's communication in favor of an adjustment of its purchases to avoid a surge in prices, explains this decline at the end of the first half. Oil continued to grow in recent months. It experienced a new acceleration phase following the OPEC+ meeting in early July where no agreement to increase production could be reached.

2.1.2 Regulatory environment

The banking regulatory framework has been considerably expanded since the financial crisis of 2008. The measures issued by the various authorities at the international, European level or in the countries in which Crédit Mutuel Alliance Fédérale operates are likely to have a significant impact. Compliance with these rules concerns all of Crédit Mutuel Alliance Fédérale's business lines, activities and geographic markets and requires the mobilization of significant human and material resources.

2020 was marked by numerous regulatory changes related to the COVID-19 pandemic, the completion of projects launched in previous years, and the strengthening of the framework in new risk areas. The main changes are as follows:

- the global spread of COVID-19 early in the year led to a massive response from central banks, regulators and supervisors at all levels. Several regulatory adjustments have been adopted to enable banks to support the economy and withstand the economic and financial shocks caused by this pandemic:
  - postponing by one year, starting in 2023, the entry into force of the prudential measures planned as part of the finalization of the Basel III agreements, including the Fundamental Review of the Trading Book (FRTB),
  - European Banking Authority (EBA) guidelines on loan repayment moratoria applied in the context of the health crisis. The EBA authorized banks not to automatically reclassify as restructured loans that benefited from maturity extensions during the first wave of the pandemic,
  - amendments to the second European regulation on capital requirements (CRR2) in response to the COVID-19 crisis – so-called "quick fix" amendments. They aim to increase the capacity of banks to lend and finance the economy, and to absorb losses related to the pandemic. In particular, they introduced transitional provisions regarding the application of IFRS 9, a revised prudential treatment of investments in software and specific measures on the leverage ratio,
  - postponement or relaxation of several regulatory requirements and/or regulatory reports to be produced under the Single Supervisory Mechanism (SSM), in particular the streamlining associated with the Supervisory Review and Assessment Process (SREP) in 2020. It is also worth noting the postponement by the EBA of the stress tests for European banks, initially planned for 2020, and the removal of the counter-cyclical cushion set by the High Council for Financial Stability (HCFS);
- changes have been made under the European Banking Package (CRR2/CRD5/BRRD2). They concern:
  - risk management,
  - governance,
  - capital management, in particular the extension of the so-called "Danish compromise" system relating to the prudential treatment of investments in insurance subsidiaries,
  - the terms of resolution, including the setting of requirements in terms of the MREL ratio;
- several guidelines, principles and guides from European authorities – including those of the European Central Bank (ECB) and the EBA – were published or entered into force in 2020 to strengthen the regulatory framework relating to certain risk areas. They concern in particular:
  - IT and cybersecurity risk management with the entry into force of the EBA guidelines on information and communication technology (ICT) risk management and security,
  - climate risk management through the publication of the ECB's guide to climate and environmental risks and the conduct by the ACPR of a stress test on climate-related risks,
  - the management of outsourcing with the entry into force of the EBA guidelines on this topic,

- the prudential consolidation, which was the subject of the publication of a revised guide in January 2021 following the consultation launched in 2020 by the ECB;

- the United Kingdom officially left the European Union (EU) on January 31, 2020. A transition period then elapsed until December 31, 2020, when the United Kingdom finally withdrew from the Single Market. The post-Brexit rules entered into force on January 1, 2021. For banks, this withdrawal had several operational consequences, in particular the repatriation within the EU of exposures recognized in the United Kingdom for EU customers without local needs;

in December 2020, the HCSF strengthened its recommendation on the criteria for granting housing loans and warned of the legally binding nature of the measures expected for the end of 2021;

- several regulations relating to banking compliance, including those governing the fight against money laundering and terrorist financing (AML/CTF), were published in 2020: the French transposition of the fifth AML/CTF Directive and orders strengthening the asset freeze mechanism. At European level, a set of guidelines on AML/CTF cooperation and information exchange have entered into force.

In 2021, the regulatory framework continued to expand in various areas with the publication of the following texts:

- the new decree of January 6, 2021 relating to the AML/CTF and asset freezing mechanism and internal control;

- the decree of February 25, 2021 revising the decree of November 3, 2014 on the internal control of banking institutions with a strengthening of the requirements regarding internal control, governance, risk measurement systems and procedures, and IT risk management;

- three EBA guidelines on internal governance, fit and proper requirements and sound compensation policies;

- the entry into force of the disclosure regulation of November 27, 2019, concerning the sustainability risk and transparency obligations regarding sustainable finance;

- the gradual entry into force of the international benchmark interest rate reform (IBOR) which, when completed, will result in the replacement of the EONIA by the €STR.

Moreover, several regulatory issues are still under discussion:

- the transposition into European law (CRR3/CRD6) of the finalized Basel III agreements, in particular the basis for calculating the output floor;

- the requirements for monitoring so-called "emerging" risks, including IT risks (IT Operational Resilience Directive, DORA), and climate risks and, more generally, the inclusion of ESG criteria by the banking sector (implementation of a European sustainable taxonomy and proposal for a new directive on the publication of sustainability information by companies);

- new regulatory reports on financial conglomerates, in particular on risk concentration and intra-group exposures;

- preparation for the implementation of IFRS 17 which has a particular impact on insurance companies;

- the work and discussions of central banks and several regulatory bodies on the themes of crypto-assets and central bank digital currencies (CBDC).

2.2 CIC'S CONSOLIDATED ACTIVITIES AND RESULTS

2.2.1 Balance sheet and financial structure

(in € millions)	06/30/2021	06/30/2020
Financial structure and business activity		
Balance sheet total	363,418	350,684
Shareholders' equity (incl. profit/(loss) for the period before distribution)	15,860	14,718
Customer loans (including leases)	212,297	202,370
Total savings	460,087	412,760
of which customer deposits	*213,051*	*195,154*
of which insurance savings	*36,096*	*34,977*
of which financial savings (managed and held in custody)	*210,940*	*182,629*

Outstanding deposits notched growth of 9.2% compared to June 30, 2020, at €213.1 billion, due in particular to considerable collections on current accounts (+€12.9 billion) on ordinary passbook and Livret A accounts (+€1.2 billion) and other passbook accounts (+€2.4 billion).

Outstanding loans stood at €212.3 billion. Home loans increased by +10.0% to €94.6 billion.

The "loan-to-deposit" ratio – the ratio of total net loans to bank deposits expressed as a percentage – was 99.6% at June 30, 2021, compared to 103.7% a year earlier.
Bank financial savings reached €210.9 billion and outstanding insurance savings increased by +3.2% compared to June 30, 2020, at €36.1 billion.

At June 30, 2021, CIC's shareholders' equity totaled €15.9 billion versus €14.7 billion at June 30, 2020 (€15.3 billion at December 31, 2020).

At the end of June 2021, CIC maintained a high level of solvency, with a Common Equity Tier 1 (CET1) ratio of 12.3% compared with 12.5% at December 31, 2020. The Tier 1 ratio also stood at 12.3% at the end of June 2021 and the overall solvency ratio reached 14.5%.

Risk-weighted assets (RWA) totaled €116.6 billion at June 30, 2021 (versus €113.4 billion at the end of December 2020). RWAs in terms of credit risk accounted for 89% of the total, at €104.0 billion.

The leverage ratio was 4.6% at June 30, 2021 versus 4.4% at the end of December 2020.

2.2.2 Analysis of the consolidated income statement

With solid results in the first half of 2021, CIC reaffirms its local relational banking model to serve the regional economy. CIC's consolidated net profit amounted to € 1,058 million.

The performances recorded exceeded the pre-health crisis levels, with a 13.5% increase in net banking income and a 44% increase in net profit compared to the first half of 2019.

(in € millions)	H1 2021	H1 2020	Change
Net banking income	**3,031**	**2,372**	**+27.8%**
General operating expenses	-1,765	-1,687	+4.6%
Gross operating income	**1,267**	**685**	**+85.0%**
Cost of risk	33	-370	ns
Operating income	**1,300**	**315**	**x 4,1**
Net gains and losses on other assets and ECC[1]	82	29	x 2.8
Profit/(loss) before tax	**1,382**	**344**	**x 4**
Income tax	-323	-114	x 2.8
Net profit/(loss)	**1,058**	**230**	**x 4.6**
Non-controlling interests	9	4	ns
Net profit/(loss) attributable to the group	**1,049**	**235**	**x 4.5**

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

Net banking income

During the first half of 2021, net banking income, up 27.8% year on year to €3,031 million, confirmed the rebound observed in the second half of 2020. It is even €360 million higher than the level reached in the first half of 2019 (€2,671 million).

Net banking income from the operational business lines

			Change	
(in € millions)	H1 2021	H1 2020	In %	In €m
Retail bank	**1,914**	**1,771**	**+8.1%**	**+143**
Specialized business lines	**1,062**	**597**	**+78.0%**	**+465**
Private banking	319	311	+2.7%	+8
Corporate banking	194	177	+9.2%	+17
Capital Markets	293	38	x 7.7	+255
Capital equity	257	71	x 3.6	+186

This change in net banking income benefited in particular from the growth recorded in the banking network (increase in net banking income of 7.5%) thanks to an improvement in the interest margin and an increase in commissions. It benefited from the increase in revenue from the corporate banking business lines (+9.2%) and private banking (+2.7%).

During the second half of 2020, capital markets recorded a great performance and the private equity NBI reflected the strength and performance of the investment portfolio.

General operating expenses

General operating expenses were up by 4.6% compared to the first half of 2020 and amounted to €1,765 million.

They are notably impacted by the continuous increase in contributions to the Single Resolution Fund and supervision costs amounting to €150 million in the first half of 2021, or an increase of €13 million compared to the first half of 2020.

The cost/income ratio stood at 58.2% at June 30, 2021, compared with 71.1% at June 30, 2020 and 63.2% at June 30, 2019.

Gross operating income

Gross operating income was up sharply by 85% to €1,267 million.

Cost of risk

The overall cost of risk was a net reversal of €33 million in the first half of 2021, compared to a net provision of €370 million in the same period last year and of €131 million in the first half of 2019. In relation to outstanding loans, the cost of risk stood at -3 basis points (compared to 36 basis points in the first half of 2020 and 14 basis points in the first half of 2019).

The drop in the cost of risk concerns first and foremost the non-proven risk. A net reversal was recorded during the first half of 2021 compared to a significant expense for the first half of 2020 and for all of 2020. The assumptions of the IFRS 9 scenarios were not modified in the first half. However, status 2 outstanding loans decreased compared to the year ended December 31, 2020, which mainly allowed for reversals of sector provisions. The cost of non-proven risk thus recorded a net reversal of €97 million.

The cost of proven risk, which has improved significantly over the past 12 months (-53.8%), totaled €64 million, compared to €138 million at the end of June 2020.

The rate of non-performing loans has been declining steadily since December 2019 and stood at 2.5% at the end of June 2021, compared to 2.6% at the end of June 2020. Provisions for non-performing loans (€5,419 million) were comparable to the level recorded in June 2020 (€5,444 million). The coverage rate was 43.5% as of June 30, 2021.

(in € millions)	**06/30/2021**	**06/30/2020**
Customer loans (net outstandings on the balance sheet)	212,297	202,370
Gross loans	215,801	205,616
Gross non-performing loans	5,419	5,444
Provisions for impairment of receivables	3,504	3,246
of which provisions for impairments on non-performing receivables (Status 3)	*2,355*	*2,442*
of which provisions for impairments on non-performing receivables (Status 1 & 2)	*1,149*	*804*
Share of non-performing loans in gross loans	2.5%	2.6%

Profit/(loss) before tax

Profit before tax amounted to €1,382 million in the first half of 2021, compared to €344 million in the same period in 2020.

Profit/(loss) before tax includes the contribution of the share of profit from companies accounted for using the equity method, amounting to €82 million, compared to €29 million in the first half of 2020.

Net profit/(loss)

Net profit for the first half of 2021 amounted to €1,058 million, compared to €230 million in the first half of 2020. It is 44% higher than before the health crisis (€735 million in the first half of 2019).

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/ Senior debt preferred LT	Outlook	ST Preferred senior debt	Intrinsic rating ***	Date of most recent publication
Moody's	Aa2/P-1	Aa3	Stable	P-1	a3	11/18/2020
Fitch Ratings *	AA-	AA-	Negative	F1+	a+	5/28/2021
Standard & Poor's	A+/A-1	A	Stable	A-1	a	6/24/2021

** 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.

2.2.4 Analysis of results by business line

2.2.4.1 Description of the 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.

The holding business line 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)	H1 2021	H1 2020	Change
Net banking income	**1,914**	**1,771**	**+8.1%**
General operating expenses	-1,255	-1,211	+3.6%
Gross operating income	**659**	**559**	**+17.9%**
Cost of risk	14	-259	ns
of which Cost of proven risk	*-40*	*-99*	*-59.5%*
of which Cost of non-proven risk	*55*	*-160*	*ns*
Operating income	**674**	**300**	**x 2.2**
Net gains and losses on other assets and ECC[1]	82	29	x 2.8
Profit/(loss) before tax	**755**	**329**	**x 2.2**
Income tax	-214	-131	+62.9%
Net profit/(loss)	**542**	**198**	**x 2.7**

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

Retail banking, which accounts for 63% of CIC's revenues, posted net banking income of €1,914 million, up +8.1%, including a nearly -2.4% decline in net interest margin and a +8.8% increase in fees and commissions for the banking network.

General operating expenses were virtually stable at €1,255 million (up by 3.6%).

Excluding the contribution to the Single Resolution Fund and supervision costs (+9.8%), the cost/income ratio for retail banking was 61.5%. Gross operating income was up 17.9% to €659 million from €559 million in the first half of 2020.

The cost of risk was -€14 million, compared to €259 million a year earlier. The cost of non-proven risk has fallen sharply (-€215 million). It reflects the return to an economic situation comparable to 2019, following the deterioration of the economic environment in 2020 due to the pandemic. The cost of proven risk is also down to -€59 million.

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

Net profit from retail banking was €542 million in the first half of 2021, compared with €198 million in 2020.

2.2.4.2.1 Banking network

(in € millions)	H1 2021	H1 2020	Change
Net banking income	**1,790**	**1,665**	**+7.5%**
General operating expenses	-1,159	-1,122	+3.4%
Gross operating income	**630**	**544**	**+15.9%**
Cost of risk	4	-224	ns
Operating income	**635**	**320**	**+98.6%**
Net gains and losses on other assets and ECC[1]	-2	-3	-54.2%
Profit/(loss) before tax	**633**	**316**	**x 2**
Income tax	-196	-128	+53.4%
Net profit/(loss)	**437**	**188**	**x 2.3**

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

The net banking income of the network of regional banks grew by 7.5% thanks to the improvement in the interest margin and the increase in commissions. The cost of proven risk fell sharply and the cost of non-proven risk went from a net provision of €135 million in the first half of 2020 to a net reversal of €42 million in the first half of 2021. The net result is multiplied by 2.3.

The number of customers in the banking network stood at 5.4 million at the end of June 2021, an increase of 2.0%, of which +1.3% in the retail market.

Savings deposits amounted to €229.7 billion at the end of June 2021, up 10.4% year on year. Inflows remained positive, although less marked than in the first half of 2020.

External loans and financing represented outstandings of €169.5 billion, up by 6.2% year on year. The total amount of releases was down due to cash loans, which include State-guaranteed loans (SGLs). Nonetheless, business remained strong with an increase in grants of home loans by +25.1% and in consumer credit by +18.2%.

Cross-selling of products and services to customers increased in insurance, with an increase of 4.5% in the number of contracts in the portfolio (more than 6 million), as well as in services:

- + 7,4 % en banque à distance avec 3,3 millions de contrats,
- + 3,6 % en protection vol Homiris (plus de 112 000 contrats).
- + 8,3 % en téléphonie et box (plus de 566 000 abonnements).

2.2.4.2.2 Retail banking support activities

After repayments to the network, the support businesses generated net banking income of €124 million and net profit of €104 million after taking into account the share of the Group's income from Crédit Mutuel of €81 million.

2.2.4.3 Private banking

(in € millions)	H1 2021	H1 2020	Change
Net banking income	**319**	**311**	**+2.7%**
General operating expenses	-225	-208	+8.1%
Gross operating income	**94**	**103**	**-8.3%**
Cost of risk	-5	-4	+44.8%
Profit/(loss) before tax	**89**	**99**	**-10.2%**
Income tax	-23	-22	+7.0%
Net profit/(loss)	**66**	**77**	**-15.0%**

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

The companies composing this business line operate in France and internationally through Banque Transatlantique, its subsidiaries and branches (Banque Transatlantique Luxembourg, Banque Transatlantique Belgium and Banque Transatlantique Londres), Banque de Luxembourg group, and CIC Suisse.

In private banking, commercial momentum remained good for capital capture: savings deposits rose by 13.1% year on year to €144.3 billion. Outstanding loans, at €15.9 billion, increased by 6.3%.

The private banking activity maintained a continuous increase in its revenue (+2.7%); net profit was down, given the increase in general operating expenses, which included exceptional items during the first half.

2.2.4.4 Corporate banking

(in € millions)	H1 2021	H1 2020	Change
Net banking income	**194**	**177**	**+9.2%**
General operating expenses	-67	-68	-2.3%
Gross operating income	**127**	**109**	**+16.4%**
Cost of risk	31	-109	ns
Profit/(loss) before tax	**158**	**0**	**ns**
Income tax	-39	-4	ns
Net profit/(loss)	**119**	**-4**	**ns**

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

Corporate banking's outstanding loans were down to €20.8 billion, as the exceptional loans granted at the beginning of the health crisis were repaid. Savings deposits increased by 3.5% to €35.8 billion.

Net banking income was up significantly by +9.2%. General operating expenses are down by 2.3%. Net profit (€119 million) benefitted from a partial recovery of provisions for non-proven risks allocated in 2020, with a net reversal of €31 million for the total cost of risk.

2.2.4.5 Capital markets

(in € millions)	H1 2021	H1 2020
Net banking income	**293**	**38**
General operating expenses	-135	-130
Gross operating income	**157**	**-92**
Cost of risk	0	-1
Profit/(loss) before tax	**157**	**-93**
Income tax	-42	27
Net profit/(loss)	**115**	**-66**

The activities of CIC Marchés include the investment business, whose strategies are offered to third parties through the alternative asset management company Cigogne Management and the commercial business line (CIC Market Solutions) in France and in the New York and Singapore branches.

The 2020 crisis generated a high level of volatility in market conditions, a source of opportunities but also of downgraded assessments of certain strategies. The return to less volatile conditions has paved the way, since the second quarter of 2020, for a very strong rebound in net banking income (+€255 million year on year) and net profit (€115 million, compared to €43 million in the first half of 2019). Fees paid by CIC Marchés, not included in this result, amounted to €45 million, a slight increase.

2.2.4.6 Private equity

(in € millions)	H1 2021	H1 2020
Net banking income	**257**	**71**
General operating expenses	-36	-25
Gross operating income	**221**	**47**
Cost of risk	-7	2
Profit/(loss) before tax	**214**	**49**
Income tax	0	2
Net profit/(loss)	**213**	**51**

The private equity and mergers and acquisitions business line is operated by Crédit Mutuel Equity, which is based in Paris and has branches in Lyon, Nantes, Lille, Bordeaux and Strasbourg, thereby ensuring proximity with customers while addressing a gradual international development phase (Switzerland, Germany, and North America).

The business and results of the private equity sector are characterized by an excellent level of disposals during the first half of 2021, as well as a high valuation of the portfolio's holdings, all while maintaining a very cautious assessment of the shareholdings in sectors affected by the crisis. Net profit (€213 million) was €163 million higher than in the first half of 2020 and €60 million higher compared to the first half of 2019.

The portfolio of invested assets reached €2.9 billion at June 30, 2021. During the first half, 13 new investments were made for a total of €278.5 million.

A fund in infrastructure projects proposed to third-party investors was launched.

2.2.4.7 Holding company

(in € millions)	H1 2021	H1 2020	Change
Net banking income	55	5	ns
General operating expenses	-47	-46	+3.1%
Gross operating income	8	-41	ns
Cost of risk	0	0	ns
Profit/(loss) before tax	8	-41	ns
Income tax	-5	15	ns
Net profit/(loss)	4	-25	ns

Net banking income for the group's holding company stood at +€55 million compared to +€5 million at June 30, 2020.

General operating expenses amounted to €47 million compared to €46 million at the end of June 2020.

This resulted in profit before tax of +€8 million compared to a loss of -€41 million at the end of the first half of 2020.

An amount of -€5 million was recorded in corporate income tax compared to +€15 million at June 30, 2020.

In the end, net profit totaled €4 million versus -€25 million.

2.2.5 Alternative performance indicators

2.2.5.1 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 "general operating expenses" and "allocations/reversals of depreciation, amortization and provisions for property, plant and equipment and intangible assets" items of the consolidated income statement) to "IFRS net banking income".	Measure of the bank's operational efficiency
Overall cost of customer risk related to the outstanding loans (expressed in % or in basis points)	Cost of customer risk from the notes to the consolidated financial statements related to gross outstanding loans at the end of the period.	Enables assessment of the level of risk as a percentage of credit commitments on the balance sheet.
Cost of risk	The "Cost of counterparty risk" item on the publishable consolidated income statement.	Measurement of the level of risk
Customer loans	The "Loans and receivables due from customers at amortized cost" item of the assets 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 non-proven risk
Customer deposits; Accounting deposits	The "Amounts due to customers at amortized cost" item of 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 "General operating expenses" and "Allocations/reversals of depreciation, amortization and provisions for property, plant and equipment and intangible assets" lines from the publishable consolidated income statement.	Measure the level of general operating expenses
Interest margin; Net interest revenue; Net interest income	Calculated from the items on the consolidated income statement: Difference between interest received and interest paid: ■ interest received = "Interest and similar income" item of the publishable consolidated income statement; ■ interest paid = "Interest and similar expenses" item of 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 (the "Loans and receivables due from customers at amortized cost" item under assets in the consolidated balance sheet) to customer deposits (the "Amounts due to customers at amortized cost" item on 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 impairment (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

2.2.5.2 Alternative performance indicators, reconciliation with the financial statements

Cost/income ratio for retail banking ex-SRF (in € millions)	H1 2021	H1 2020
General operating expenses for retail banking	-1,255	-1,211
Contribution to the single resolution fund for retail banking	-131	-58
General operating expenses for retail banking ex-SRF contribution	-1,124	-1,154
Net banking income for retail banking	1,914	1,771
COST/INCOME RATIO FOR RETAIL BANKING	**58.7%**	**65.2%**

Loans/deposits (in € millions)	06/30/2021	06/30/2020
Net customer loans	212,297	202,370
Customer deposits	213,051	195,154
LOANS/DEPOSITS	**99.6%**	**103.7%**

Coverage ratio (in € millions)	06/30/2021	06/30/2020
Customer write-downs	2,355	2,442
Non-performing loans	5,419	5,444
COVERAGE RATIO	**43.5%**	**44.9%**

Rate of non-performing loans (in € millions)	06/30/2021	06/30/2020
Non-performing loans	5,419	5,444
Gross loans to customers	215,801	205,616
RATE OF NON-PERFORMING LOANS	**2.5%**	**2.6%**

Cost of proven risk related to outstanding loans (in bps)	06/30/2021	06/30/2020
Cost of proven risk	33	-138
Gross loans to customers	215,801	205,616
COST OF PROVEN RISK RELATED TO OUTSTANDING LOANS (in bps))*	**-3**	**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, 2021.

2.4 RECENT TRENDS AND OUTLOOK

CIC's good results during the first half testify to the success of the transformation of Crédit Mutuel Alliance Fédérale, of which it is an integral part.

During the second half of the year, CIC will be particularly mobilized to maintain and expand its support for customers during the economic recovery. This recovery will respect the societal and environmental commitments made by the Crédit Mutuel Alliance Fédérale, in particular through the implementation of new sectoral policies. As such, its new policy for financing by sector applied to air, sea and road transportation now privileges assets with the lowest carbon emissions. New policies are being developed with the aim of respecting the trajectory of the Paris Climate Agreements.

CIC, which has the status of a company with a corporate mission, will unveil its commitments in the second half of the year.

3 CORPORATE GOVERNANCE

3.1 COMPOSITION OF THE MANAGEMENT BODIES AS OF JUNE 30, 2021

Presentation of the Board of Directors

	Nationality	Age [1]	Start of term	Committees [2]	Attendance [3]
Nicolas THÉRY *Chairman*		55	2014	GRMC	100%
Catherine ALLONAS-BARTHE *Permanent representative of Banque Fédérative de Crédit Mutuel, director*		66	2017	-	100%
Eric CHARPENTIER *Director*		60	2015	-	100%
Gérard CORMORECHE *Director*		63	2019	GAAC	100%
Étienne GRAD *Director*		68	2019	GAAC	100%
Catherine MILLET *Director*		60	2017	-	100%
Ségolène DENAVIT *Director, representing employees*		40	2017	-	0%
Pascale GIROT *Director, representing employees*		60	2020	-	100%
Guy CORMIER *Non-voting director*		51	2017	-	0%
Damien LIEVENS *Non-voting director*		50	2015	-	50%

(1) Age on April 21, 2021.

(2) CIC is a member of the four specialized committees of Caisse Fédérale de Crédit Mutuel: the Group Risk monitoring committee (GRMC), the Group auditing and accounting committee (GAAC), the appointments committee, and the remuneration committee.

(3) Attendance in 1st half-year 2021.

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;
- Claude Koestner, deputy chief executive officer.

3.2 POSITIONS AND FUNCTIONS HELD BY THE MEMBERS OF THE MANAGEMENT BODIES

3.2.1 Board of Directors

Nicolas Théry

Born on December 22, 1965

Nationality: French

Business address:

Crédit Industriel et Commercial

6 avenue de Provence

75009 Paris

Summary of main areas 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 affairs and then international and European affairs. 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 affairs. 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 Liberté, Égalité, Fraternité 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
First appointment 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
Member
Defense ethics committee

Offices held over the past five years
Member of the Management Board
Euro-Information
Chief executive officer
Banque CIC Est
Chairman of the executive board
Groupe des Assurances du Crédit Mutuel
Member of the Supervisory Board
Cofidis
Cofidis Group
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

Born on January 18, 1955

Nationality: French

Business address:

94/96, boulevard Haussmann

75008 Paris

Summary of main areas 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).

In 2015, she became 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 has also been 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 held the positions of finance and real estate director and chief risk officer. Since 2021, she has been an advisor to the chairman of the management board of Crédit Mutuel.

Permanent representative of BFCM, Member of the Board of Directors
First appointment to the board: 2017
Term expires: 2023

Other offices

Permanent representative of ACM VIE SA, member of the Board of Directors

Valinvest Gestion

Offices held over the past five years

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

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 EFSA, member of the Board of Directors

Crédit Mutuel Investment Managers

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

Born on October 6, 1960

Nationality: French

Business address:

Crédit Mutuel Nord Europe

4, place Richebé

59800 Lille

Summary of main areas of expertise and experience

Éric Charpentier is a graduate of the École Normale Supérieure with an agrégation in Mathematics, a DEA 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. Éric Charpentier has been chief executive officer of Crédit Mutuel Nord Europe since 2006.

Director
First appointed to the board: 2015
Term expires: 2024

Other offices

Chief executive officer

Caisse Fédérale du Crédit Mutuel Nord Europe

Chairman of the Board of Directors

Beobank NV

Banque de Tunisie

Member of the Supervisory Board

Groupe La Française

Director

Société Foncière et Immobilière Nord Europe

Euratechnologies

Permanent representative of CFCM Nord Europe, member of the Supervisory Board

Groupe des Assurances du Crédit Mutuel

Permanent representative of CFCM Nord Europe, member of the Management Board

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

Director

Confédération Nationale du Crédit Mutuel

Caisse Centrale du Crédit Mutuel

Crédit Mutuel Nord Europe Belgium

Gérard Cormorèche

Born on July 3, 1957

Nationality: French

Business address:

8 rue Rhin et Danube

69009 Lyon

Summary of main areas of expertise and experience

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

In 1993, he was elected Chairman of a local Crédit Mutuel bank. He holds offices 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
First appointment 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)

CECAMUSE

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

Assurance du Crédit Mutuel VIE SAM

Non-voting director

CIC Lyonnaise de Banque

Managing partner

SCEA CORMORÈCHE Jean-Gérard

SARL CORMORECHE

Offices held over the past five years

Non-voting director

Crédit Industriel et Commercial

Étienne Grad

Born on December 26, 1952

Nationality: French

Business address:

4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main areas of expertise and experience

A graduate of the Karlsruhe Chamber of Commerce and Industry in Germany, Étienne 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
First appointment to the board: 2019
Term expires: 2024

Other offices

Chairman

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 and Chairman of the District of the Urban Community of Strasbourg

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

Born on July 31, 1960

Nationality: French

Business address:

Centre de Conseil et de Service

CCS – 4 rue Frédéric-Guillaume Raiffeisen

67000 Strasbourg

Summary of main areas 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
First appointment 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, director

CIC Est

Offices held over the past five years

Member of the Supervisory Board

Cofidis Group

Cofidis SA

Euro-Information Production

Chairwoman of the Management Committee

CMCIC Centre de Services et de Traitement

Chairwoman of the Board of Directors

Cemcice Servicios España (CSE)

Member of the Management Board

Centre de Conseil et de Service – CCS

Euro Télé Services

Euro-Information Développements

Employee directors

Ségolène Denavit

Born on July 27, 1980
Nationality: French

Business address:
CIC Lyonnaise de Banque
80, cours de la Liberté
69003 Lyon

Summary of main areas 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
First appointment to the board: 2017
Term expires: 2023

Other offices

Nil.

Offices held over the past five years

N

Pascale Girot

Born on September 19, 1960
Nationality: French

Business address:
Place de la Halle
60300 Senlis

Summary of main areas of expertise and experience

Holder of a DEUG in law, Pascale Girot began her career in 1982 as an advisor at Crédit Lyonnais, where she worked until she joined SNVB in 1999 and then HSCB in 2002. In 2004, she joined CIC Nord Ouest as a branch manager and now holds the position of Savings and Wealth Advisor. Since 2018, she has also been a special advisor to the Labor Tribunal of Creil.

Since 2016, she has been director representing employees on the Board of Directors of CIC Nord Ouest and, since 2011, the director representing employees on the Board of Directors of CIC.

Director representing employees
First appointment to the board: 2020
Term expires: 2023

Other offices held as of December 31, 2020

Director, representing employees

CIC Nord Ouest

Labor tribunal advisor

Labor Tribunal of Creil

Terms of office expired over the past five fiscal years

None

3.3.2 Executive Management

Daniel Baal

Born on December 27, 1957

Nationality: French

Business address:

Crédit Industriel et Commercial

6 avenue de Provence

75009 Paris

Summary of main areas 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
First appointment: 2017
Term expires: 2024

Other offices

Chief executive officer

- Fédération du Crédit Mutuel Centre Est Europe
- Caisse Fédérale de Crédit Mutuel
- Banque Fédérative du Crédit Mutuel

Member of the executive board

- Groupe des Assurances du Crédit Mutuel

Chairman of the Supervisory Board

- Cofidis
- Cofidis Group
- Euro-Information Production

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 Deutschland GmbH
- TARGOBANK AG
- Targo Management 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

Born on August 26, 1954

Nationality: French

Business address:

Crédit Industriel et Commercial

6 avenue de Provence

75009 Paris

Summary of main areas 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
First appointment: 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

Director

Eiffage

Permanent representative of Crédit Mutuel Equity, director

Lanson BCC

Offices held over the past five years

Permanent representative of CIC, director

Crédit Mutuel Asset Management

Director

Batipart Invest

Saint-Gobain PAM

3.3 PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD

Conflicts of interest concerning the administrative, management and supervisory bodies

To date, there has been no mention of potential conflicts of interest between the duties of any of the members of the board of directors and executive management with respect to Crédit Industriel et Commercial and its private interests and/or other duties.

Members of the board and Executive Management are subject to the legal and regulatory obligations applicable to conflicts of interest. Each of the CIC senior managers, directors and non-voting members adheres to the values and commitments of Crédit Mutuel Alliance Fédérale described in its code of conduct (*recueil de déontologie*). The purpose of this compendium is to prevent and, where necessary, manage situations of conflict of interest.

3.4 WORK OF THE BOARD DURING THE FIRST HALF-YEAR 2021

3.4.1 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 better 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 2021. The meeting attendance rate for directors was 88% on average.

Meeting of February 16, 2021

The Board of Directors meeting of February 16, 2021 focused on the following topics in particular:

- key points of Crédit Mutuel Alliance Fédérale's results;
- presentation of the annual and consolidated financial statements at December 31, 2020;
- presentation of network activity;
- presentation of specialized business lines and market activities, including issue authorizations;
- liquidity and interest rate risk management;
- Group auditing and accounting committee report;
- observations of the statutory auditors;
- approval of the annual and consolidated financial statements as of December 31, 2020;
- report from the group's risk monitoring committee;
- relations with regulators and follow-up letters;
- validation of coal, non-conventional hydrocarbon and mobility sectoral policies;
- regulated agreements;
- CIC contribution to the Crédit Mutuel Alliance Fédérale foundation;
- report of the remuneration committee.

Meeting of April 9, 2021

The Board of Directors meeting of April 9, 2021 focused on the following topics in particular:

- relations with regulators and follow-up letters;
- exceptional claims;
- information letter on the code of conduct for board members;
- Group auditing and accounting committee report;
- presentation and review of the annual internal control report;
- approval of the AML/CFT annual internal control report;
- report from the group's risk monitoring committee;
- report of the remuneration committee and presentation of the report on compensation policy and practices for 2020;

- approval of the list of risk-takers and the overall compensation package paid to risk-takers;
- management reports and corporate governance reports;
- reparation and convening of the ordinary shareholders' meeting;
- renewal of the chief executive officer's term of office.

3.4.2 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. 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 internal rules.

4 RISKS AND CAPITAL ADEQUACY – PILLAR 3

4.1 KEY FIGURES

The Pillar 3 report, including all the required interim tables, will be published as part of a second amendment scheduled for the first half of September 2021.

In anticipation of this publication, the main ratios at June 30, 2021 are shown in the table below (EBA EU KM1 model):

(in € millions or as a percentage)	06/30/2021	12/31/2020	06/30/2020
Available equity (amounts)			
Common Equity Tier 1 (CET 1) capital	14,343	14,141	14,014
Tier 1 capital	14,344	14,141	14,015
Total equity	16,947	16,781	16,331
Risk-weighted exposure amounts			
Total risk exposure amount	116,577	113,410	111,601
Capital ratios (as a percentage of the risk-weighted exposure amount)			
Common Equity Tier 1 capital ratio (%)	12.3%	12.5%	12.6%
Tier 1 capital ratio (%)	12.3%	12.5%	12.6%
Total equity ratio (%)	14.5%	14.8%	14.6%
Additional capital requirements to address risks other than the risk of excessive leverage (as a percentage of the risk-weighted exposure amount)			
Additional capital requirements to address risks other than the risk of excessive leverage (%)	NA	NA	NA
of which: to be met with CET1 equity (percentage points)	*NA*	*NA*	*NA*
of which: to be met with Tier 1 capital (percentage points)	*NA*	*NA*	*NA*
Total SREP capital requirements (%)	8.0%	8.0%	8.0%
Total buffer requirement and total capital requirement (as a percentage of the risk-weighted exposure amount)			
Capital conservation buffer (%)	2.5%	2.5%	2.5%
Custody buffer resulting from the macroprudential or systemic risk identified in the Member State level (%)	NA	NA	NA
Institution-specific countercyclical capital buffer (%)	0.0%	0.0%	0.0%
Systemic risk buffer (%)	NA	NA	NA
Global systemically important institution buffer (%)	NA	NA	NA
Other systemically important institution buffer (%)	NA	NA	NA
Total buffer requirement (%)	2.5%	2.5%	2.5%
Total capital requirements (%)	8.0%	8.0%	8.0%
CET1 capital available after compliance with the total SREP capital requirements (%)	4.3%	4.5%	4.6%
Leverage ratio			
Total exposure measurement	308,643	322,556	370,022
Leverage ratio (%)	4.6%	4.4%	3.8%
Additional capital requirements to address the risk of excessive leverage (as a percentage of the total exposure measure)			
Additional capital requirements to address the risk of excessive leverage (%)	NA	NA	NA
Of which: to be met with CET1 equity (percentage points)	*NA*	*NA*	*NA*

(in € millions or as a percentage)	06/30/2021	12/31/2020	06/30/2020
Total SREP leverage ratio requirements (%)	3.3%	NA	NA
Leverage ratio buffer requirement and total leverage ratio requirement (as a percentage of the total exposure measure)			
Leverage ratio buffer requirement (%)	0.0%	NA	NA
Overall leverage ratio requirement (%)	3.3%	NA	NA
Liquidity coverage ratio			
Total High Quality Liquid Assets (HQLA) (average weighted value)	64,470	59,883	51,204
Cash outflows - Total weighted value	61,587	55,379	54,109
Cash inflows - Total weighted value	19,953	15,263	16,509
Total net cash outflows (adjusted value)	41,634	40,910	37,598
Liquidity coverage ratio (%)	156.2%	149.0%	136.2%
Net stable funding ratio			
Total available stable funding	225,049	NA	NA
Total required stable funding	195,234	NA	NA
NSFR ratio (%)	115.3%	NA	NA

4.2 RISK FACTORS

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

The group is exposed to a numerous risks related to its retail banking activities, insurance business, corporate banking, private banking, capital markets 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 risk mapping is submitted for approval by the group's board of directors. This mapping is based on a qualitative scale to assess the probability of occurrence of risks and their potential impacts. It factors in both the group's balance sheet structure (exposure by type of risk, associated RWAs, etc.) and its revenue structure.

Below are the main factors that can significantly influence the main risks of the group. Major risks are formalized first within each category. The risks are presented net of the risk mitigation measures implemented.

The COVID-19 pandemic and its spread worldwide caused 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 the group. Details of these impacts are specified for each relevant risk factor.

4.2.1 Risks related to banking activities

Because of its business model, the group's primary risk is credit risk. Gross exposures (balance sheet, off-balance sheet, derivatives and repurchase agreements) to credit risk represented €413 billion at March 31, 2021, and mobilized about 90% of the group's Pillar 1 capital requirements pursuant to the Basel III regulations.

Bank and government support measures have had the effect of numbing conventional credit risk indicators. For example, corporate defaults fell sharply in France, even though the pandemic has brought certain industries to a halt such as hotels and restaurants or led to unprecedented declines in other industries and a massive recourse to borrowing. Taking the consequences of the 2008 crisis on CIC's financial statements as an example, the current health crisis could have four types of significant impact on the group's credit risk exposures.

a. 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 observed during periods of lockdown. The counterparties may be banks, financial institutions, industrial or commercial companies, States, investment funds or natural persons. This risk concerns the financing activities, which appear on the 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 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, 2021, the group's CDL rate (CDL/gross loans) reached 2.5%. The cost of risk is in net reversals of provisions (proven and non-proven) of €33 million over the first half of 2021 after net provisions of €1,074 million in 2020 (*i.e.* 0.51% of gross outstanding loans in 2020). During the 2008 crisis, the NPL ratio rose to 3.9% (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.

b. 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. Within the group, nearly 73% of the total exposures to credit risk are given an internal rating[1], the quality of which affects the calculation of the credit risk-related capital requirements under Basel III and therefore the 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, 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, sectors where the group is exposed.

c. Due to the size of its portfolio of real estate loans, 45% of customer loans of more than €86 billion (for the network in France) as of June 30, 2021, **the group is exposed to a potential 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 or a rise in the unemployment rate, would impact the cost of risk through an increase in defaults but also, in the case of mortgage-backed financing, by the decrease in the value of the housing pledged as collateral, if the latter 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 in 2009 and 2010. It was 0.02% of home loans on the balance sheet in the first half of 2021.

d. The group has unitary exposure that is relatively high to certain sovereign 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 Sovereign 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 sovereign States, on December 31, 2020, single exposures, on- and off-balance-sheet, exceeding €300 million to banks represented €2.6 billion to four counterparties. For companies it represented €24.1 billion to 39 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.

4.2.2 Risks related to the group's activities and macroeconomic conditions

Financial risks related to the macroeconomic and market environment are defined as risks related to macroeconomic conditions, which are affected in particular by existing or expected economic conditions and those related to a change in market conditions, in particular those affecting income and price levels.

4.2.2.1 Liquidity risk

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

The COVID-19 pandemic has created an unprecedented market situation that has required exceptional measures by European and national authorities. Within the context of liquidity risk, these measures have increased the spread of liquidity in the banking sector. In addition, the increased amount of deposits recorded in the French banking system linked to precautionary savings by individuals and businesses resulted in an increase of the liquidity reserve and the level of LCR.

The group is part of the centralized cash management system and is fully incorporated into the Crédit Mutuel Alliance Fédérale system. One good way to assess the group'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. The Group's average LCR amounted to 155.5% during the first half of 2021, representing an average surplus of €23.3 billion. The liquidity reserve is managed at Crédit Mutuel Alliance Fédérale level and consists of deposits with central banks (primarily the European Central Bank), securities and available receivables which are eligible for central bank refinancing. Crédit Mutuel Alliance Fédérale's liquidity reserve was €191.7 billion at June 30, 2021.

(1) 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.

The loans/deposits accounting ratio or commitment ratio complements the set of liquidity indicators. Subject to regulatory treatment (leakage rate in particular depending on the nature of the counterparties) of the deposits collected in the calculation of the LCR, its improvement contributes positively to the LCR. The group's loan-to-deposit ratio stood at 99.6% at June 30, 2021.

a. **Crédit Mutuel Alliance Fédérale's – and therefore CIC'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-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 are also involved. Thus if market access and market conditions severely deteriorated, the impacts on the financial sector in general and on the group in particular could significantly impact the level of its liquidity and the group's financial situation, particularly in terms of profitability.

b. **A significant deterioration of BFCM's ratings could have a large impact on CIC's cost of financing, profitability and the capacity to develop the group's business.**

BFCM, as the refinancing center of Crédit Mutuel Alliance Fédérale, 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 93% owned.

Accordingly, BFCM obtains ratings on behalf of the group. Its ratings are based primarily on a review, within the Crédit Mutuel Alliance Fédérale scope, of the governance, strategy, quality and diversity of the revenue sources, the adequacy of capital, the quality and structure of the balance sheet, the risk management and risk appetite. Long-term ratings (Senior Preferred) of BFCM as of December 31, 2020:

- AA- / negative outlook for Fitch;
- Aa3 / stable outlook for Moody's;
- A / stable outlook for Standard & Poor's (this last agency rates the Crédit Mutuel group and its main issuers).

A decrease in these credit ratings could have an impact on the refinancing of Crédit Mutuel Alliance Fédérale and subsequently CIC group. It could limit access to refinancing, increase costs through the increase in credit spread, trigger obligations in certain bilateral contracts and collateralized financing agreements, and ultimately diminish the group's ability to expand.

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

The low interest rate environment that has prevailed for several years 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 (such as passbook accounts, term deposits, etc.). The latter due to unattractive interest rates.

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 (such as passbook accounts or term accounts) or in insurance or asset management-type funds. This potential volatility for deposits could therefore affect the group's liquidity and its loan/deposit ratio.

d. **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 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.

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

4.2.2.2 Interest rate risk

Interest rate risk is 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 exceptional measures implemented by the European and national authorities due to the COVID-19 pandemic therefore have an impact on Crédit Mutuel Alliance Fédérale's long-term interest rate levels and are likely to have a significant impact on its profitability.

The net present value (or "NPV") sensitivity of the group's balance sheet, determined according to six regulatory scenarios, is below the 15% threshold for Common Equity Tier 1 capital. The group is sensitive to a flattening of the curve with a sensitivity of the NPV of -4.76% compared to the Common Equity (Tier 1) capital at June 30, 2021. The sensitivity of net interest margin 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). As of June 30, 2021, the scenario of a fall in short-term rates of 100 bps is the most unfavorable scenario for the Group, with an impact of -€168 million over one year.

a. **A prolonged low interest rate environment carries risks which could affect the group's revenues or profitability.**

   A large portion of the group'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 the group 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 (Livret A, Livret Bleu passbook savings accounts, etc.). Thus the group'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 the group.

   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 (Livret A, Livret Bleu passbook savings accounts, 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 businesses seeking to benefit from the low interest rates. The group must also deal with a new production of loans with particularly low rates. In addition, in order to comply with its regulatory liquidity constraints, the group 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.

b. **Likewise, a sudden hike in short- and medium-long term interest rates (in particular due to inflation) could have a material adverse effect on the group's net banking income and its 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 the group in particular. An abrupt exit from these interest rate levels (in particular in relation to an increase in inflation) 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, the group 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 current non-interest bearing demand deposits are volatile and might be turned into more costly deposits such as term deposits and passbook accounts. A portion of the volatile deposits might also be shifted by investors to off-balance-sheet vehicles such as UCITS and life insurance.

4.2.2.3 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 activities of several business lines of the bank, including the capital markets businesses of CIC Marchés subsidiary, the asset-liability management activity and the asset management business of the group's management companies.

The potential impact of market risk on the ALM business is described above. 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:

a. **A worsening of economic prospects would negatively affect financial health of issuers of the capital and debt securities that are traded in them.**

   The valuation of securities would drop and the volatility of the valuations would increase. The effect on the activities of CIC Marchés would therefore be negative.

   The volatility of financial markets may have an unfavorable effect and lead to corrections on risky assets and generate losses for the group. In particular, an increase in volatility levels could make it difficult or costly for the group to hedge certain positions.

The investment business line would suffer from adverse conditions in the financial markets insofar as it operates in particular in a perspective of improvement in the economy normally reflected by the rise in the equity markets and by a better credit rating of debt issuers.

The results of the commercial business line would also be negatively impacted by poor market conditions. Fees from the brokerage business would drop in proportion to the decline in transaction valuations. Similarly, the number of transactions on the primary market (initial public offers, capital increases and debt issues) would drop, which would translate directly into less fees.

b. **Monetary policy is another factor with a strong impact on market risks.**

The ECB's accommodative monetary policy *via* its asset buyback component supports the valuation of capital (equities) and debt (bonds) instruments which could result in overvaluation.

The market risk to which the CIC Marchés division is exposed is weak. The capital allocated to CIC Marchés is €580 million since January 1, 2021, which represents 3.4% of overall regulatory capital, which stood at €17 billion. As of June 30, 2021, this amount had been used in the amount of €423 million.

2020 was marked by an unprecedented financial crisis, which severely affected asset valuations. The debt and equity markets fell sharply at the end of February. This led CIC Marchés to post a decline in IFRS NBI at June 30, 2020. Since then, the markets have bounced back with a recovery in equity indexes and a tightening of credit spreads. CIC Marchés ended the year with an IFRS NBI of €299 million and a pre-tax income of €92 million against €312 million and €104 million in 2019 respectively. The first half of 2021 confirmed this trend of improvement in financial market fundamentals. CIC Marchés ended the first half of the year with an IFRS NBI of €290 million and profit before tax of €183 million.

4.2.3 Risks related to the regulatory environment

CIC's regulatory environment is described in the above dedicated section "2.1.2 Regulatory environment" of chapter 2. The group is subject to a great many banking regulations, some of which are not reflected in its prudential ratios but could have a significant effect on them. As specified in 1.1 on credit risk, 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 effective implementation will gradually occur between 2023 and 2028. Further, its impact will depend on the how this regulation is actually transposed into national and European law.

a. 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 more than €65 billion of balance-sheet and off-balance-sheet exposure at March 31, 2021.

b. **From 2023, an "output floor" will gradually be put in place, the aim of which is to limit the gains in capital arising from internal models** for calculating risk weightings in the denominator of the solvency ratio. About 68% 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.

c. As indicated in the section on credit risks, 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.* €93 billion at March 31, 2021 – is 35% and close to 13% 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).

d. **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 RWAs or additional prudential margins on Basel parameters (PD, LGD, CCF).

4.2.4 Risks related to the group's business operations

4.2.4.1 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 Order 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 Order 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 reputational risks (image).

The main risk factors associated with operational risks are:

a. **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;

b. **legal risks** to which the group is exposed and which could have unfavorable effect on its financial situation and its profit/loss;

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

d. **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, 2021, €750 million of capital was allocated to cover the losses generated by this risk.

At that same date, the ratio between the allocation of capital (potential loss) and losses (proven loss) stood at 32 representing €750 million of capital allocated for proven loss of €23.39 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 the confirmed claims rate at June 30, 2021 were: (i) customer policy, products and commercial practices; (ii) errors; (iii) fraud.

Fraud represented 20% of the Group's proven claims ratio at June 30, 2021 and 42% of the potential claims ratio (relative share of capital requirements for operational risks). The group's total loss experience (excluding any insurance recoveries) at June 30, 2021 represented about 0.77% of the group's net banking income.

4.2.4.2 Business interruption risk

The unavailability of employees, premises or infrastructure could lead to a partial or complete shutdown of the group'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 CIC group would be detrimental to its financial position. Such circumstances would necessarily entail adjustments to the arrangements for continuation of activity, with resulting additional costs.

The COVID-19 pandemic and the prolonged lockdown 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 the conditions under which the activity is carried out. As the risk of a new wave of the pandemic cannot be ruled out, and new constraints on demand and the continuation of activities could affect the group.

By way of illustration, the COVID-19 pandemic resulted in a loss ratio estimated at around €6 million as of June 30, 2021.

4.2.4.3 Climate risks

Climate change exposes the group to:

- physical risks resulting from natural hazards (100-year floods, storms, hurricanes, tornados, typhoons, earthquakes) and environmental or accidental risks arising from natural hazards (pollution, dam ruptures, major fires, nuclear catastrophes);

- transition risks that include the risks of transitioning to a low-carbon economy and are sectoral in nature. They are mainly linked to the more or less rapid changes in consumer behavior, business models, and the regulatory and tax environment related to climate change.

a. **The group's business model could be impacted by physical risks resulting in:**

- impairment and destruction of assets increasing credit risk;
- a drop in the valuation of debt and financial securities increasing market risk;
- an increase in claims and associated insurance damages payments increasing the risk related to insurance activities;
- an increase in claims on the group's infrastructures and/or employees, increasing operational risks.

b. **The group's business model could be impacted by transition risks resulting in:**

- a loss of customers and drop in profitability of companies with business models which are too carbon-intensive;
- a refinancing cost more dependent on non-financial performance;
- an increase in energy and transport costs;
- a potential capital surcharge according to the carbon taxonomy of financing.

Crédit Mutuel Alliance Fédérale's sectoral policies make it possible to define a scope of intervention and to set criteria for conducting business in areas where the social and environmental impacts (including climate risks) are the most significant. These policies are applicable group-wide and are monitored at Crédit Mutuel Alliance Fédérale level. The monitoring of exposures eligible for sectoral policies thus provides an initial measurement of the exposures potentially most affected by climate risks. Crédit Mutuel Alliance Fédérale has six sectoral policies: Coal, Mining, Hydrocarbons, Civilian nuclear energy, Defense and Security, Mobility in the air, maritime and road sectors. At March 31, 2021, €39.4 billion in outstandings were eligible for sectoral policies compared to €39.5 billion at December 31, 2020 at Crédit Mutuel Alliance Fédérale level.

5 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5.1 FINANCIAL STATEMENTS

5.1.1 Balance sheet (assets)

(in € millions)	Notes	06/30/2021	12/31/2020
Cash, central banks	4	59,516	57,823
Financial assets at fair value through profit or loss	5a	32,906	28,376
Hedging derivatives	6a	650	805
Financial assets at fair value through other comprehensive income	7a	13,525	12,715
Securities at amortized cost	8a	3,145	2,768
Loans and receivables to credit institutions and similar at amortized cost	8b	30,531	31,959
Loans and receivables due from customers at amortized cost	8c	212,297	208,703
Revaluation adjustment on rate-hedged books	6b	718	892
Current tax assets	10a	460	557
Deferred tax assets	10b	481	531
Accruals and other assets	11	5,515	5,467
Non-current assets held for sale		0	0
Investments in equity consolidated companies	12	1,754	1,677
Investment property	13	36	49
Property, plant and equipment	14a	1,660	1,709
Intangible assets	14b	191	193
Goodwill	15	33	35
TOTAL ASSETS		**363,418**	**354,257**

5.1.2 Balance sheet (liabilities)

(in € millions)	Notes	06/30/2021	12/31/2020
Central banks	17a	0	0
Financial liabilities at fair value through profit or loss	16	20,821	17,308
Hedging derivatives	6a	1,463	1,753
Due to credit and similar institutions at amortized cost	17a	72,941	67,389
Amounts due to customers at amortized cost	17b	213,051	213,784
Debt securities at amortized cost	17c	30,531	28,000
Revaluation adjustment on rate-hedged books	6b	11	13
Current tax liabilities	10a	217	222
Deferred tax liabilities	10b	250	244
Deferred income, accrued charges and other liabilities	18	4,878	6,864
Debt related to non-current assets held for sale		0	0
Provisions	19a	1,162	1,186
Subordinated debt at amortized cost	20	2,233	2,232
Total shareholders' equity		**15,860**	**15,262**
Shareholders' equity attributable to the group		**15,820**	**15,224**
Capital subscribed		612	612
Issue premiums		1,172	1,172
Consolidated reserves		12,953	12,815
Gains and losses recognized directly in equity	21a	34	-37
Profit (loss) for the period		1,049	662
Shareholders' equity – Non-controlling interests		**40**	**38**
TOTAL LIABILITIES		**363,418**	**354,257**

5.1.3 Income statement

(in € millions)	Notes	06/30/2021	06/30/2020
Interest and similar income	23	2,176	2,661
Interest and similar expenses	23	-763	-1,214
Commissions (income)	24	1,416	1,298
Commissions (expenses)	24	-283	-256
Net gains on financial instruments at fair value through profit or loss	25	476	-136
Net gains or losses on financial assets at fair value through shareholders' equity	26	3	13
Net gains or losses resulting from derecognition of financial assets at amortized cost		0	0
Income from other activities	27	61	53
Expenses on other activities	27	-55	-47
Net banking income		**3,031**	**2,372**
Employee benefits expense	28a	-943	-894
Other general operating expenses	28c	-721	-710
Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets	28d	-100	-83
Gross operating income		**1,267**	**685**
Cost of counterparty risk	29	33	-370
Operating income		**1,300**	**315**
Share of net profit/(loss) of equity consolidated companies	12	83	32
Net gains/(losses) on disposals of other assets	30	-1	-3
Profit/(loss) before tax		**1,382**	**344**
Income tax	31	-324	-114
Post-tax gains/(losses) on discontinued operations		0	0
Net profit/(loss)		**1,058**	**230**
Net profit/(loss) – Non-controlling interests		9	-5
NET PROFIT ATTRIBUTABLE TO THE GROUP		**1,049**	**235**
Earnings per share (in €)	32	27.61	6.21
Diluted earnings per share (in €)	32	27.61	6.21

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

(in € millions)	06/30/2021	06/30/2020
Net profit/(loss)	**1,058**	**230**
Translation adjustments	47	-11
Revaluation of financial assets at fair value through equity – capital instruments	2	-88
Remeasurement of hedging derivatives	0	0
Share of unrealized or deferred gains and losses of associates	-37	11
Total recyclable gains and losses recognized directly in equity	**12**	**-88**
Revaluation of financial assets at fair value through equity – capital instruments at closing	16	-11
Revaluation of financial assets at fair value through equity – capital instruments sold during the fiscal year	0	0
Actuarial gains and losses on defined benefit plans	10	0
Share of non-recyclable gains and losses of equity consolidated companies	32	-25
Total non-recyclable gains and losses recognized directly in equity	**58**	**-36**
Net profit/(loss) and gains and (losses) recognized directly in equity	**1,128**	**106**
o/w attributable to the group	*1,119*	*111*
o/w percentage of non-controlling interests	*9*	*-5*

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											Total consolidated shareholders' equity
					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	
BALANCE AT 12/31/2019	608	1,088	-56	12,466	64	55		-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
Other changes					-1					-1	1	0
BALANCE AT 06/30/2020	608	1,088	-56	12,882	53	-59	0	-66	235	14,685	33	14,718
BALANCE AT 07/01/2020	608	1,088	-56	12,882	53	-59	0	-66	235	14,685	33	14,718
Distribution of dividends												
Capital increase	4	84								88		88
Acquisition of additional shareholdings or partial disposals												0
Subtotal of movements related to relations with shareholders	**4**	**84**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**88**	**0**	**88**
Consolidated income for the period									427	427	5	432
Changes in gains and (losses) recognized directly in equity					-98	137		-4		35		35
Subtotal	**0**	**0**	**0**	**0**	**-98**	**137**	**0**	**-4**	**427**	**462**	**5**	**467**

	Shareholders' equity, attributable to the group											Total consolidated shareholders' equity
					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	
Effects of acquisitions and disposals on non-controlling interests				-2						-2		-2
Other changes				-9	1			-1		-9		-9
BALANCE AT 12/31/2020	612	1,172	-56	12,871	-44	78	0	-71	662	15,224	38	15,262
BALANCE AT 1/1/2021	612	1,172	-56	12,871	-44	78	0	-71	662	15,224	38	15,262
Appropriation of earnings from previous year				662					-662	0		0
Distribution of dividends				-493						-493	-6	-499
Subtotal of movements related to relations with shareholders	**0**	**0**	**0**	**169**	**0**	**0**	**0**	**0**	**-662**	**-493**	**-6**	**-499**
Consolidated income for the period									1,049	1,049	9	1,058
Changes in gains and (losses) recognized directly in equity				-31	46	13		11		39		39
Subtotal	**0**	**0**	**0**	**-31**	**46**	**13**	**0**	**11**	**1,049**	**1,088**	**9**	**1,097**
Effects of acquisitions and disposals on non-controlling interests										0		0
Other changes					1					1	-1	0
BALANCE AT 06/30/2021	**612**	**1,172**	**-56**	**13,009**	**3**	**91**	**0**	**-60**	**1,049**	**15,820**	**40**	**15,860**

(1) As of June 30, 2021, the reserves consist of the legal reserve for €61 million, the special long-term capital gains reserve for €287 million and retained earnings for €80 million, other CIC reserves amounting to €6,820 million and consolidated reserves amounting to €5,761 million.

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

CIC capital as at June 30, 2021 consisted of 38,241,129 shares of a nominal value of €16, of which 231,711 were treasury shares.

5.1.6 Statement of net cash flows

(in € millions)	H1 2021	H1 2020
Net profit/(loss)	1,058	230
Income tax	324	114
Profit/(loss) before tax	**1,382**	**344**
+/- Net depreciation and amortization of property, plant and equipment and intangible assets	100	83
- Impairment of goodwill and other fixed assets	-1	0
+/- Net provisions and impairments	-135	261
+/- Share of income from companies consolidated using the equity method	-83	-32
+/- Net loss/gain from investing activities	1	3
+/- (Income)/expenses from financing activities		
+/- Other movements	120	-371
Total non-monetary items included in profit/(loss) before tax and other adjustments	**2**	**-56**
+/- Flows related to transactions with credit institutions	1,805	1,666
+/- Flows related to client transactions	-4,471	11,728
+/- Flows related to other transactions affecting financial assets or liabilities	-182	2,766
+/- Flows related to other transactions affecting non-financial assets or liabilities	-386	-1,703
- taxes paid	-164	-172
Net decrease/(increase) in assets and liabilities from operating activities	**-3,398**	**14,285**
TOTAL NET CASH FLOW GENERATED BY OPERATING ACTIVITY (A)	**-2,014**	**14,573**
+/- Flows related to financial assets and investments	-149	-33
+/- Flows related to investment property	8	0
+/- Flows related to property, plant and equipment and intangible assets	-48	-116
TOTAL NET CASH FLOW GENERATED FROM INVESTING ACTIVITIES (B)	**-189**	**-149**
+/- Cash flow to or from shareholders[1]	-499	-1,052
+/- Other net cash flows from financing activities[2]	322	497
TOTAL NET CASH FLOW GENERATED FROM FINANCING TRANSACTIONS (C)	**-177**	**-555**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (D)	**12**	**26**
Net increase/(decrease) in cash and cash equivalents (A + B+ C + D)	**-2,368**	**13,895**
Net cash flow generated by operating activities (A)	-2,014	14,573
Net cash flow generated from investing activities (B)	-189	-149
Net cash flow related to financing transactions (C)	-177	-555
Effect of foreign exchange rate changes on cash and cash equivalents (D)	12	26
Cash and cash equivalents at opening	**65,395**	**45,504**
Cash, central banks (assets & liabilities)	57,824	38,807
Accounts (assets and liabilities) with and demand loans/borrowings from credit institutions	7,571	6,697
Cash and cash equivalents at closing	**63,027**	**59,399**
Cash, central banks (assets & liabilities)	59,516	54,977
Accounts (assets and liabilities) with and demand loans/borrowings from credit institutions	3,511	4,422
CHANGE IN NET CASH POSITION	**-2,368**	**13,895**

(1)Cash flow to or from shareholders includes:

- *dividends paid by CIC to its shareholders for -€493 million for 2020;*
- *dividends paid to non-controlling interests for -€6 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 the 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, 2020, presented in the 2020 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.

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.

- State-guaranteed loans (SGL)

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

  SGLs represent 12-month bullet loans with grace periods of one to five years. At the date of subscription, the interest rate of the SGL was set at 0%, increased by the cost of the State guarantee set at between 0.25% and 0.50% (and rebilled *via* a commission paid by the customer).

  At the end of the first twelve months, the beneficiary of the SGL has the option of setting a new SGL term (limited to six years in total) and amortization terms. In accordance with the government announcements of January 14, 2021, the beneficiary will be able to obtain a "postponement of one additional year" to start repaying the capital.

  The group believes that this deferred amortization measure falls within the legal framework of the SGL (*i.e.* adjustment of the contractual schedule), with a first annual repayment term. This "deferral" does not represent, taken in isolation, an indicator of a deterioration in credit risk or the probable default of the borrower (*i.e.* unlikely to pay).

  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. On the date of initial recognition, they are recognized at their nominal value, which is representative of their fair value.

  At June 30, 2021, state guaranteed-loans issued by the group amounted to €11,837 million. Outstandings downgraded to status 3 are not material.

  At the subscription anniversary date, SGLs may be subject to a grace period. The revision of flows related to the recognition of guarantee commissions over the duration of the grace period is analyzed as an adjustment to the carrying amount of SGLs with an immediate and positive impact on profit. This impact is not material for the group and has not been restated.

  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.

- Credit risk

  The group has reviewed the publications issued at the end of March 2020 by the IASB and ESMA.

  It uses judgment in accounting for expected credit losses in the exceptional context of the COVID-19 crisis.

  As part of the provisioning of non-performing loans, the group takes into account the unprecedented nature of the COVID-19 crisis in the macroeconomic environment.

  During the financial year 2020, the weighting of the pessimistic scenario was increased in line with the macroeconomic projections of the Banque de France, to calibrate the probabilities of forward looking defaults on all portfolios using the internal rating method. This measure was accompanied by a hardening of the pessimistic scenario for individuals and individual business owners.

---

(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

As at June 30, 2021, this methodology was maintained, with the scenario weightings unchanged compared to December 31, 2020. It reflects a prolonged crisis, with activity resuming to pre-pandemic levels as from 2023.

It enables the Group to hedge against a future doubling of default rates on business/retail customers, an increase of 75% in default rates on individuals and more than 50% on Corporate excluding large accounts compared to pre-crisis levels.

An additional provision has been made since 2020 to anticipate the increase in claims in the sectors considered to be the most vulnerable to the health crisis (tourism, games, leisure, hotels, restaurants, the automotive and aerospace industry excluding manufacturers, clothing, beverages, rental of light vehicles, industrial passenger transport, air carriers - scope unchanged compared to December 31, 2020).

It was created in accordance with a nationally defined group methodology, which anticipates the repercussions of the end of the support measures in late 2021/mid-2022. It was over-calculated on the basis of the probabilities of default at completion, as the healthy exposures to vulnerable sectors were transferred in full in Stage 2.

It amounted to €536 million at June 30, 2021.

Furthermore, an additional criterion for the deterioration of the credit risk was developed by the group for loans that have benefited from a second extension of maturities, without having repaid the first maturity. Its implementation led to additional transfers to restructured assets, and an increase in expected credit losses (linked to a transfer to status 2 or a lower valuation of already downgraded loans).

- Recovery equity loan program

  The group committed to Recovery equity loan (PPR) program, whose objective is to allow SMEs and mid-sized companies to benefit from financing comparable to equity equivalents.

  Outstandings on PPRs distributed by the Group were not significant at June 30, 2021.

IBOR 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.

All indices must now comply with the BMR regulation. Existing indices may continue to be used until December 31, 2021 and for some LIBOR (USD LIBOR) terms possibly until June 30, 2023. Eventually, it will no longer be possible to use the former benchmark indices (LIBOR, EONIA, etc.) unless they are compliant with the new regulations or benefit from an exceptional contribution extension.

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, and is ensuring that the risks associated with this transition are covered.

On accounting aspects, the group applies the amendments to IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16, Phase 1 for the preparatory period for the reform and Phase 2, for the transition period to the new indices once they are defined. For treatments and easing measures introduced by these publications, see Section 3.1.

The group believes that there are still uncertainties about the Eonia, Euribor and Libor rates as long as the European Commission has not formally appointed, according to the recommendations of the US ARRC for Libor or the RFR Group for Eonia and Euribor, substitution indices for contracts that do not have a robust fallback clause. This final position should be formalized by an implementing decision from the European Commission expected at the end of 2021. It should strengthen the sustainability of the reformed Euribor, the status of €STR, as the successor of Eonia and the successor indices of the Libor. Stock market associations have already issued statements on the identification of substitution indices.

With regard to contracts in inventory, the group began its work on the transition to replacement rates by:

- including fallback clauses in over-the-counter derivative contracts, repurchase agreements and loans and borrowings through adherence to the ISDA protocol (the application of which has been effective since January 25, 2021) or by updating the rules books of clearing houses for cleared derivatives. Nonetheless, these clauses will only be activated by triggering events, in particular the definitive end of the listing of indices or the conversion of transactions on non-compliant indices compensated in a clearing house as of October 2021;
- incorporating from 2021 a "technical amendment relating to benchmark events" in the FBF agreements with corporate customers or bank counterparties, thereby ensuring the compliance of unmatured rate transactions entered into prior to February 2020;

- As of 2021, the updating of contracts through bilateral negotiations between parties or by updating the sales conditions (*i.e.* changing the reference rate *via* an addendum). The switch-over to the new replacement indices for contracts in stock is already planned for the retail banking and capital markets scopes.

Lastly, as of the reporting date, the group's interest rate risk management strategy has not been impacted, as transactions processed on the new indices represent exposures considered as marginal. The Group has taken note of the joint public statement of June 24, 2021 by the European Commission, the ECB, the EBA and the ESMA on the permanent cessation of the Libor indices and intends to adapt its strategy accordingly.

Exposures not maturing at June 30, 2021 and which will be subject to the changes related to the IBOR reform are presented below:

in € millions	Financial assets – Carrying amounts	Financial liabilities – Carrying amounts	Derivatives – Notional amount	Of which hedging derivatives
Eonia	428	394	689	16
Euribor	30,495	42,994	99,186	59,958
GBP – Libor	538	50	3,038	156
USD – Libor	5,495	2,590	12,748	1,258

Targeted long-term refinancing operations – TLTRO III

The TLTRO III program has allowed banks to benefit since September 2019 from seven new refinancing tranches with a respective duration of three years, and with interest rates that vary according to periods, and since January 2021 from three additional tranches.

The amount of TLTRO III at which the CIC group can borrow depends on the percentage of outstanding loans granted to non-financial companies and households at the end of February 2019.

The TLTRO III interest rate is based on the market conditions defined by the ECB and may include a subsidy linked to the bank's credit performance.

In the context of the health crisis, the conditions of these refinancing operations were relaxed twice by the ECB to support lending to households and businesses. Some target parameters have been recalibrated:

- banks' borrowing capacity has been increased to 55% of eligible outstandings as of March 2021 (compared to 50% previously);
- it is possible to make early repayments on a quarterly basis for the first seven TLTRO III tranches, one year after each transaction is launched, and the last three as of June 2022;
- the favorable rate conditions were extended in the event the performance objectives are met for an additional period. The TLTRO III interest rate is thus reduced by 50 bps (*i.e.* over-subsidy) over the "special" period from June 2020 to June 2022 (compared to June 2021 initially).

At June 30, 2021, the CIC group was involved in the TLTRO III refinancing operations. These represent variable rate financial instruments recognized at amortized cost.

The group expects to achieve the performance targets defined by the ECB over all the reference periods. Consequently, the effective interest rate of the TLTRO III is determined on the basis of the rate of liquidity deposits with the ECB ("DFR rate"). It takes into account the spreading of the subsidy over the life of the operation and the over-subsidy of 0.50% over the "special" interest period.

Pending IFRIC's final decision on TLTRO III, the CIC group has maintained the treatment currently applied to the transactions described above.

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
- is it determined according to a formula aimed at compensating the difference in the benchmark interest rate between the date on which

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:

- financial assets are considered non-basic and are 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.

Benchmark rate reform

In accordance with the Phase 2 amendment to IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16, the group applies the exceptional accounting treatment of financial assets/liabilities, from which the changes in the basis of determination of contractual cash flows result of the IBOR reform and are carried out on an equivalent economic basis. Depending on the latter, the effective interest rate of the modified financial asset or liability is revised prospectively; its carrying amount remains unchanged

Financial assets at fair value through other comprehensive income

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”.

Income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense).

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 other comprehensive income

Shares and other equity instruments are recognized in the balance sheet at their fair value at the time of their acquisition and at subsequent reporting dates until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account. These unrealized or deferred gains and losses booked to equity are never recognized in the income statement, even when they are sold (see section "1.3.1.7 Derecognition of financial assets and liabilities"). Only dividends received on variable-income securities are recognized in the income statement, under "Net gains/(losses) on financial assets at fair value through other comprehensive income".

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 carried out by homogeneous generation in terms of regulated conditions of PELs and CELs. 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 other comprehensive income.

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

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 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 revaluation 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

Within the framework of the IBOR reform, the group is easing its hedge accounting policies for changes related to the IBOR reform:

- Before the definition of substitution indices
  - Maintain existing hedging relationships 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.
- After defining the substitution indices, in particular:
  - Updating the description of the hedged risk and the documentation, without impacting the continuity of the hedging relationships
  - A temporary exception on the "separately identifiable" nature of a non-contractually specified hedged risk component. Such a risk component indexed to a replacement rate will be considered separately identifiable if it is reasonable for it to become identifiable within a period of 24 months after designation, in the context of the development of the replacement index markets.

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.

Under this 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 receivables: category comprising the financial assets for which there is objective evidence of impairment related to an event that has occurred since the loan was granted.

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 IRFS 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 aligned its definitions of accounting (Status 3) and prudential default. This change represented a change in estimate, the impact of which was not significant in 2019.

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 Instruments traded on 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.

3.1.9.2 Financial instruments traded on 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: price quoted in active markets for identical assets or liabilities; notably, debt securities quoted by at least three contributors and derivatives quoted on an organized market are concerned;
- 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 law reforming pensions, with a ceiling set at 67 years of age;
- mortality according to the INSEE TH/TF 00-02 table.

Differences arising from changes in these assumptions and from differences between previous assumptions and actual experience constitute actuarial gains or losses. When the plan has assets, these are valued at fair value and their expected return impact profit (loss). Differences between actual and expected yields also constitute actuarial gains or losses.

Actuarial gains and losses are recognized in equity, within unrealized or deferred gains and losses. 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.

The Group has launched a diagnostic on the impact of the IFRIC decision of May 2021 on the allocation of post-employment benefits to periods of service. This decision calls into question the practice generally used in France that involves considering the rights acquired linearly over the course of the employee's career in the company. It could potentially lead to a revision of the calculation of commitments for pension plans for which the benefits depend on seniority and are capped at a certain number of consecutive years of service.

3.2.3.2 Supplementary pensions covered by 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

3.2.4.1 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).

3.2.4.2 Non-current assets of which the group is lessee

For a contract to qualify as a lease, there must be both the identification of an asset and control by the lessee of the right to use said asset.

In respect of the lessee, operating leases and finance leases will be recorded in a single model, with recognition of:

- an asset representing the right to use the leased property during the lease term;
- offset by a liability in respect of the lease payment obligation;
- straight-line depreciation of the asset and an interest expense in the income statement using the diminishing balance method.

The group mainly activates its real estate contracts. 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 lease term. This represents at least the non-cancellable period of the contract and may be extended to take into account any renewal/extension option that the group is reasonably certain to exercise. With regard to the operational implementation of the group’s methodology, any new 3/6/9 commercial lease will be activated for a period of nine years by default (or for a period equal to its non-cancellable period in the case of another type of lease). The term of any automatically extended contract will be extended to the end of the medium-term plan, which is a reasonable time frame for the continuation of the contract. For the 3/6/9 leases in exception, the contract will be activated for a period of 12 years, as the group has no economic incentive to remain beyond this period, given the de-capping of leases after this period;
- the discount rate is the marginal rate of indebtedness corresponding to the chosen duration. It is a rate that is depreciable by the group’s refinancing headquarters;
- the lease payment, excluding taxes. The group is marginally affected by variable lease payments.

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 tax

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 Judgments and estimates used in the preparation of the financial statements

Preparation of the group's financial statements requires the use of assumptions for the purpose of the necessary measurements, which entails risks and uncertainties as to whether these assumptions will materialize in the future particularly in 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 listed on an active market, the definition of a forced transaction and the definition of observable data require the exercise of judgment. 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 (see section "3.1.8 Measurement of credit risk");
- provisions;
- impairment of intangible assets and goodwill;

4. Information relating to related parties

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

- 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

  It clarifies the concept of "unavoidable costs" used to define an onerous contract.

  Unavoidable costs include costs directly related to the contract. They include both incremental costs and an allocation of other costs directly related to the fulfillment of the contract.

  It applies to contracts for which the group would not have met its obligations on January 1, 2022.

- Amendments to IAS 16 - Proceeds before intended use

  Prohibits deducting from the cost of an item of property, plant or equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

  The proceeds from selling such items must be recognized immediately in profit or loss. The cost of such items must be measured in accordance with IAS 2, Inventories.

- Improvements to IFRS – 2018-2020 cycle

  Amendments modify the following standards:

  - IFRS 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;

The CIC group is not impacted by these measures.

For any rent concessions granted as a lessor with respect to finance leases, the group applies the provisions of IFRS 9 (see section 3.2.1).

6. Standards and interpretations not yet adopted by the European Union

- Amendments IAS 1 – Disclosure of accounting methods

  It clarifies the information to provide on "significant" accounting methods. They are considered significant when, taken together with other information from the financial statements, one can reasonably expect them to influence the decisions of the financial statements' main users.

- Amendment to IAS 8 – Definition of accounting estimates

  Its objective is to facilitate the distinction between the changes in accounting methods and accounting estimates by introducing an explicit definition of the notion of accounting estimates.

  They represent the amounts in the financial statements whose assessment is uncertain.

- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

  It generalizes the recognition of a deferred tax for leases and decommissioning obligations. The repercussions of this amendment are currently being assessed.

- Amendments to IFRS 16 - Lease concessions

  This amendment extends the simplification measures for lessees benefiting from reduced rents until June 30, 2022 (instead of June 30, 2021) as a result of the COVID-19 health crisis. This amendment provides for the continuity of the methods compared to the initial amendment.

  The group is not impacted by these measures.

  For any rent concessions granted as a lessor with respect to finance leases, the group applies the provisions of IFRS 9 (see section 3.1.7).

Note 2a Consolidation scope

			06/30/2021			12/31/2020		
			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 Hong Kong (branch)	USD	Hong Kong	100	100	FC	100	100	FC
CIC London (branch)	GBP	United Kingdom	100	100	FC	100	100	FC
CIC New York (branch)	USD	USA	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 Lyonnaise de Banque Monaco (branch)		Monaco	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. Subsidiaries of the banking network								
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]		The 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 Belgique (branch)		Belgium	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	United Kingdom	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 Capital Canada Inc.	CAD	Canada	100	100	FC	100	100	FC
CIC Capital Deutschland Gmbh		Germany	100	100	FC	100	100	FC
CIC Capital Suisse SA	CHF	Switzerland	100	100	FC	100	100	FC
CIC Capital Ventures Quebec	CAD	Canada	100	100	FC	100	100	FC
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: ME = 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 February 26, 2021

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]			
06/30/2021	Percentage of voting rights	Net profit/ (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%	4	21	0	5,148	0	16	7
Cigogne Management	40%	5	3	-6	54	0	10	5
Crédit Mutuel Factoring	5%	0	7	0	7,118	-1	48	5

(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]			
12/31/2020	Percentage of voting rights	Net profit/ (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%	-3	24	-3	5,132	0	30	-4
Cigogne Management	40%	3	6	-6	58	0	19	8
Crédit Mutuel Factoring	5%	0	7	-1	7,537	-1	91	3

(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.

BREAKDOWN OF THE INCOME STATEMENT BY BUSINESS SEGMENT

06/30/2021	Retail banking	Corporate banking and capital markets	Private banking	Private Equity	Holding company services	Total
Net banking income	1,914	486	319	257	55	3,031
General operating expenses	-1,255	-202	-224	-36	-47	-1,764
Gross operating income	**659**	**284**	**95**	**221**	**8**	**1,267**
Cost of counterparty risk	14	31	-5	-7		33
Gains on other assets[1]	82					82
Profit/(loss) before tax	**755**	**315**	**90**	**214**	**8**	*1,382*
Income tax	-214	-81	-24		-5	*-324*
Net profit/(loss)	**541**	**234**	**66**	**214**	**3**	**1,058**

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

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	**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) of entities accounted for using the equity method and impairment losses on goodwill.

BREAKDOWN OF INCOME STATEMENT BY GEOGRAPHIC AREA

	06/30/2021				06/30/2020			
	France	Europe outside France	Other countries	Total	France	Europe outside France	Other countries	Total
Net banking income	2,613	308	110	3,031	1,983	280	109	2,372
General operating expenses	-1,520	-196	-48	-1,764	-1,459	-182	-46	-1,687
Gross operating income	**1,093**	**112**	**62**	**1,267**	**525**	**98**	**63**	**685**
Cost of counterparty risk	36	-11	8	33	-343	-22	-5	-370
Gains on other assets[1]	82	0	0	82	29	0	0	29
Profit/(loss) before tax	**1,211**	**101**	**70**	**1,382**	**211**	**76**	**58**	**344**
Income tax	-290	-23	-11	-324	-87	-14	-13	-114
Total net profit/(loss)	**921**	**78**	**59**	**1,058**	**123**	**62**	**45**	**230**

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

NOTES TO THE BALANCE SHEET – ASSETS

Note 4 Cash and central banks

	06/30/2021	12/31/2020
Cash, central banks		
Central banks	59,219	57,478
of which mandatory reserves	*1,818*	*1,738*
Cash	297	345
TOTAL	**59,516**	**57,823**

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

Note 5a Financial assets at fair value through profit or loss

	06/30/2021				12/31/2020			
	Transaction	Fair value option	Other FVPL	Total	Transaction	Fair value option	Other FVPL	Total
Securities	**10,944**	**516**	**3,648**	**15,108**	**11,315**	**496**	**3,324**	**15,135**
Government securities	1,400	0	0	1,400	408	0	0	408
Bonds and other debt securities	8,253	516	176	8,945	9,418	496	123	10,037
1. Listed	8,253	99	68	8,420	9,418	97	17	9,532
2. Non-listed	0	417	108	525	0	399	106	505
of which UCIs	*1*		*170*	*171*	*0*	-	*116*	*116*
Shares and other capital instruments	1,291		3,020	4,311	1,489	-	2,802	4,291
3. Listed	1,291		306	1,597	1,489	-	270	1,759
4. Non-listed	0		2,714	2,714	0	-	2,532	2,532
Long-term investments			452	452	-	-	399	399
5. Equity investments			45	45	-	-	45	45
6. Other long-term investments			118	118	-	-	114	114
7. Investments in associates			288	288	-	-	239	239
8. Other long-term investments			1	1	-	-	1	1
Derivative instruments	**3,620**			**3,620**	**2,632**	**-**	**-**	**2,632**
Loans and receivables	**14,167**	**0**	**11**	**14,178**	**10,602**	**0**	**7**	**10,609**
9. of which pensions	*14,167*	*0*		*14,167*	*10,602*	*0*	-	*10,602*
TOTAL	**28,731**	**516**	**3,659**	**32,906**	**24,549**	**496**	**3,331**	**28,376**

Note 5b Analysis of trading derivatives

	06/30/2021			12/31/2020		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Trading derivatives						
Rate instruments	116,818	2,755	2,561	105,606	1,706	1,500
Swaps	38,998	2,631	2,286	42,588	1,601	1,297
Other firm contracts	42,025	0	0	35,543	0	0
Options and conditional instruments	32,795	124	275	27,475	105	203
Foreign exchange instruments	103,972	702	625	95,780	707	674
Swaps	61,419	77	34	54,307	64	59
Other firm contracts	11,044	510	476	10,747	529	502
Options and conditional instruments	31,509	115	115	30,726	114	113
Other derivatives	16,446	163	202	19,465	219	371
Swaps	7,781	78	112	7,972	78	134
Other firm contracts	6,147	43	50	6,731	64	153
Options and conditional instruments	2,518	42	40	4,762	77	84
TOTAL	**237,236**	**3,620**	**3,388**	**220,851**	**2,632**	**2,545**

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

	06/30/2021			12/31/2020		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Hedging derivatives						
Fair Value Hedges	74,604	650	1,463	77,739	805	1,753
Swaps	44,654	651	1,463	46,427	806	1,753
Other firm contracts	29,428	0	0	30,566	0	0
Options and conditional instruments	522	-1	0	745	-1	0
Cash Flow Hedges	0	0	0	0	0	0
Swaps	0	0	0	0	0	0
Other firm contracts	0	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0	0
TOTAL	**74,604**	**650**	**1,463**	**77,739**	**805**	**1,753**

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

	06/30/2021	12/31/2020
Fair value of portfolio interest rate risk		
■ in financial assets	718	892
■ in financial liabilities	11	13

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

	06/30/2021	12/31/2020
Government securities	3,327	2,921
Bonds and other debt securities	9,961	9,540
Listed	9,536	9,218
Non-listed	425	322
Receivables related	26	33
Debt securities subtotal, gross	**13,314**	**12,494**
Of which impaired debt securities (S3)	*0*	*0*
Impairment of performing loans (S1/S2)	-11	-9
Other impairment (S3)	0	0
Debt securities subtotal, net	**13,303**	**12,485**
Loans	0	0
Receivables related	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	3	4
Listed	3	4
Non-listed	0	0
Long-term investments	219	226
Equity investments	69	69
Other long-term investments	99	99
Investments in associates	51	58
Loaned securities	0	0
Non-performing current account advances to non-trading real estate company	0	0
Receivables related	0	0
Subtotal, capital instruments	**222**	230
TOTAL	**13,525**	**12,715**
of which unrealized capital gains or losses recognized under equity	*-166*	*-231*
of which listed equity investments.	*0*	*0*

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

06/30/2021	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Fair value through shareholders' equity	7,731	4,577	1,217	13,525
■ Government and equivalent securities	3,211	92	31	3,334
■ Bonds and other debt securities	4,517	4,485	967	9,969
■ Shares and other capital instruments	3	0	0	3
■ Investments and other long-term securities	0	0	168	168
■ Investments in subsidiaries and associates	0	0	51	51
Trading/Fair value option/Other	7,770	19,849	5,287	32,906
■ Government securities and similar instruments – Trading	1,250	143	7	1,400
■ 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	4,840	2,873	541	8,254
■ Bonds and other debt securities – Fair value option	26	0	490	516
■ Bonds and other debt securities – Other FVPL	73	46	57	176
■ Shares and other equity instruments – Trading	1,291	0	0	1,291
■ Shares and other capital instruments – Other FVPL	248	0	2,772	3,020
■ Investments and other long-term securities – Other FVPL	1	0	162	163
■ Investments in subsidiaries and associates – Other FVPL	0	0	289	289
■ 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	11	0	11
■ Loans and receivables – Trading	0	14,167	0	14,167
■ Derivatives and other financial assets – Trading	41	2,609	969	3,619
Hedging derivatives	0	650	0	650
TOTAL	**15,501**	**25,076**	**6,504**	**47,081**
FINANCIAL LIABILITIES				
Trading/Fair value option	2,451	17,618	752	20,821
■ Due to credit institutions – Fair value option	0	174	0	174
■ Amounts due to customers – Fair value option	0	47	0	47
■ Debt securities – Fair value option	0	0	0	0
■ Subordinated debt – Fair value option	0	0	0	0
■ Debt – Trading	0	14,669	0	14,669
■ Derivatives and other financial liabilities – Trading	2,451	2,728	752	5,931
Hedging derivatives	0	1,463	0	1,463
TOTAL	**2,451**	**19,081**	**752**	**22,284**

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

12/31/2020	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Fair value through shareholders' equity	7,178	4,217	1,320	12,715
■ Government and equivalent securities	2,936	0	0	2,936
■ Bonds and other debt securities	4,237	4,217	1,094	9,548
■ Shares and other capital instruments	5	0	0	5
■ Investments and other long-term securities	0	0	168	168
■ Investments in subsidiaries and associates	0	0	58	58
Trading/Fair value option/Other	8,416	15,584	4,376	28,376
■ Government securities and similar instruments – Trading	226	181	0	407
■ 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	6,381	2,712	326	9,419
■ Bonds and other debt securities – Fair value option	25	0	471	496
■ Bonds and other debt securities – Other FVPL	23	45	55	123
■ Shares and other equity instruments – Trading	1,490	0	0	1,490
■ Shares and other capital instruments – Other FVPL	209	0	2,593	2,802
■ Investments and other long-term securities – Other FVPL	1	0	158	159
■ Investments in subsidiaries and associates – Other FVPL	0	0	240	240
■ 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	7	0	7
■ Loans and receivables – Trading	0	10,602	0	10,602
■ Derivatives and other financial assets – Trading	61	2,037	533	2,631
Hedging derivatives	0	805	0	805
TOTAL	**15,594**	**20,606**	**5,696**	**41,896**
Trading/Fair value option	1,170	15,657	481	17,308
■ Due to credit institutions – Fair value option	0	22	0	22
■ 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
■ Debt – Trading	0	13,632	0	13,632
■ Derivatives and other financial liabilities – Trading	1,170	2,003	481	3,654
Hedging derivatives	0	1,753	0	1,753
TOTAL	**1,170**	**17,410**	**481**	**19,061**

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	06/30/2021	12/31/2020
RMBS	1,370	1,162
CMBS	11	6
CLO	3,315	3,448
Other ABS	2,503	2,214
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	**7,199**	**6,830**

Unless otherwise indicated, securities are not hedged by CDS.

EXPOSURES TO RMBS, CMBS, CLO AND OTHER ABS

06/30/2021	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	288	0	9	432	729
Amortized cost	39	0	330	823	1,192
Fair value – Others	1	0	0	0	1
Fair value through shareholders' equity	1,042	11	2,976	1,248	5,277
TOTAL	**1,370**	**11**	**3,315**	**2,503**	**7,199**
France	546	0	438	627	1,611
Spain	103	0	0	368	471
United Kingdom	84	0	173	252	509
Europe excluding France, Spain and the UK	511	0	202	835	1,548
USA	3	11	2,502	321	2,837
Other	123	0	0	100	223
TOTAL	**1,370**	**11**	**3,315**	**2,503**	**7,199**
US Branches	0	0	0	0	0
AAA	1,224	11	3,094	1,241	5,570
AA	123	0	151	538	812
A	9	0	60	0	69
BBB	6	0	0	0	6
BB	5	0	0	0	5
B or below	3	0	0	7	10
Not rated	0	0	10	717	727
TOTAL	**1,370**	**11**	**3,315**	**2,503**	**7,199**
Origination 2005 and earlier	17	0	0	0	17
Origination 2006-2008	35	0	0	7	42
Origination 2009-2011	25	11	0	0	36
Origination 2012-2021	1,293	0	3,315	2,496	7,104
TOTAL	**1,370**	**11**	**3,315**	**2,503**	**7,199**

12/31/2020	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	309	-	65	329	703
Amortized cost	44	-	355	598	997
Fair value – Others	1	-	-	-	1
Fair value through shareholders' equity	808	6	3,028	1,287	5,129
TOTAL	**1,162**	**6**	**3,448**	**2,214**	**6,830**
France	531	-	545	590	1,666
Spain	97	-	-	253	350
United Kingdom	47	-	281	116	444
Europe excluding France, Spain and the UK	317	-	256	895	1,468
USA	25	6	2,366	232	2,629
Other	145	-	-	128	273
TOTAL	**1,162**	**6**	**3,488**	**2,214**	**6,830**
US Branches	-	-	-	-	0
AAA	992	6	3,242	1,247	5,487
AA	143	-	144	458	745
A	12	-	51	-	63
BBB	7	-	-	-	7
BB	5	-	-	-	5
B or below	3	-	-	7	10
Not rated	-	-	11	502	513
TOTAL	**1,162**	**6**	**3,448**	**2,214**	**6,830**
Origination 2005 and earlier	19	-	-	-	19
Origination 2006-2008	42	-	-	8	50
Origination 2009-2011	34	6	-	-	40
Origination 2012-2020	1,067	-	3,448	2,206	6,721
TOTAL	**1,162**	**6**	**3,448**	**2,214**	**6,830**

Note 8a Securities at amortized cost

	06/30/2021	12/31/2020
Securities at amortized cost	3,145	2,768
Loans and receivables to credit institutions	30,531	31,959
Loans and receivables to customers	212,297	208,703
TOTAL	**245,973**	**243,430**

Note 8a Securities at amortized cost

	06/30/2021	12/31/2020
Securities	3,302	2,916
Government securities	1,423	1,413
Bonds and other debt securities	1,879	1,503
■ Listed	564	572
■ Non-listed	1,315	931
Receivables related	16	13
TOTAL GROSS	**3,318**	**2,929**
of which impaired assets (S3)	*212*	*178*
Impairment of performing loans (S1/S2)	-1	0
Other impairment (S3)	-172	-161
TOTAL NET	**3,145**	**2,768**

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

	06/30/2021	12/31/2020
Performing loans (S1/S2)	30,436	31,900
Current accounts	15,437	15,512
Loans	9,962	9,971
Other receivables	3,539	4,745
Pensions	1,498	1,672
Individually-impaired receivables, gross (S3)	0	0
Receivables related	97	61
Impairment of performing loans (S1/S2)	-2	-2
Other impairment (S3)	0	0
TOTAL	**30,531**	**31,959**

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

	06/30/2021	12/31/2020
Performing loans (S1/S2)	197,613	194,382
Commercial loans	5,727	5,908
Other customer receivables	191,664	188,261
■ home loans	94,499	90,843
■ other loans and receivables	95,960	96,445
■ pensions	1,205	973
Receivables related	222	213
Individually-impaired receivables, gross (S3)	5,053	4,959
Gross receivables	**202,666**	**199,341**
Impairment of performing loans (S1/S2)	-1,076	-1,127
Other impairment (S3)	-2,233	-2,294
Subtotal I	**199,357**	**195,920**
Finance leases (net investment)	12,768	12,643
Equipment	8,187	8,208
Real estate	4,581	4,435
Individually-impaired receivables, gross (S3)	366	349
Impairment of performing loans (S1/S2)	-72	-85
Other impairment (S3)	-122	-124
Subtotal II	**12,940**	**12,783**
TOTAL	**212,297**	**208,703**
of which equity loans	*0*	*1*
of which subordinated loans	*13*	*13*

STATE-GUARANTEED LOANS

At June 30, 2021, state-guaranteed loans issued by the group amounted to €11,837 million.
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.

	Outstandings			Write-downs		
06/30/2021	S1	S2	S3	S1	S2	S3
Amount	8,926	2,612	299	-8	-49	-40

	Outstandings			Write-downs		
12/31/2020	S1	S2	S3	S1	S2	S3
Amount	10,268	2,680	192	-6	-5	-25

FINANCE LEASE TRANSACTIONS WITH CUSTOMERS

	12/31/2020	Increase	Decrease	Other	06/30/2021
Gross carrying amount	12,992	783	-652	11	13,134
Impairment of non-recoverable lease payments	-209	-32	47	0	-194
Net carrying amount	12,783	751	-605	11	12,940

Note 9 Gross values and movements in impairment provisions

Note 9a Gross values subject to impairment

	12/31/2020	Acquisition/ production	Sales/ repayments	Transfer[1]	Other	06/30/2021
Financial assets at amortized cost – loans and receivables due from credit institutions, subject to	**31,961**	**14,900**	**-16,344**	**0**	**16**	**30,533**
■ 12-month expected losses (S1)	31,960	14,899	-16,343	0	16	30,532
■ expected losses at termination (S2)	1	1	-1	0	0	1
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0	0
Financial assets at amortized cost – loans and receivables due from customers, subject to	**212,333**	**29,644**	**-26,818**	**-219**	**860**	**215,800**
■ 12-month expected losses (S1)	182,559	20,944	-18,583	5,074	184	190,178
■ expected losses at termination (S2)	24,466	8,012	-6,809	-5,817	351	20,203
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	5,308	439	-1,263	527	143	5,154
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	249	-163	-3	182	265
Financial assets at amortized cost – securities	**2,929**	**4,207**	**-4,059**	**240**	**1**	**3,318**
■ 12-month expected losses (S1)	2,751	4,203	-4,057	201	1	3,099
■ with expected losses at termination (S2)	0	0	0	7	0	7
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	178	4	-2	32	0	212
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income – debt securities	**12,494**	**5,868**	**-5,272**	**0**	**224**	**13,314**
■ 12-month expected losses (S1)	12,449	5,840	-5,239	3	224	13,277
■ expected losses at termination (S2)	45	28	-33	-3	0	37
■ 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 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	**259,717**	**54,619**	**-52,493**	**21**	**1,011**	**262,965**

(1) Of which Bucket transfers.

CONCENTRATION OF CREDIT RISK BY BUSINESS SEGMENT

For these sectors deemed vulnerable, probabilities of default were determined in order to take into account their differentiated exposure to the health crisis and their ability to recover.

The status 1 exposures in these sectors were fully transferred to Status 2.

	Gross amount			Write-downs			Net
Segments	S1	S2	S3	S1	S2	S3	amount
Aeronautics	-	335	18	-	-13	-10	330
Specialized distribution	-	1,100	108	-	-44	-77	1,087
Hotels, restaurants	-	3,325	268	-	-380	-133	3,080
Automotive	-	1,264	54	-	-61	-32	1,225
Vehicle hire	-	987	32	-	-22	-25	972
Tourism, games, leisure	-	909	113	-	-75	-71	876
Industrial transportation	-	342	16	-	-6	-8	344
Air transport	-	293	2	-	-25	-1	269
TOTAL	**-**	**8,555**	**611**	**-**	**-626**	**-357**	**8,183**

Note 9b Movements in impairment provisions

	12/31/2020	Addition	Reversal	Other	06/30/2021
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	**-3,630**	**-498**	**622**	**3**	**-3,503**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	-270	-132	97	5	-300
■ expected losses at termination (S2)	*-942*	*-108*	*201*	*1*	-848
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-2,418	-258	324	-3	-2,355
■ 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**	**-7**	**0**	**-5**	**-173**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	0	0	0	-1	-1
■ 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	-7	0	-4	-172
■ 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**	**-4**	**2**	**0**	**-11**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	-9	-3	2	0	-10
■ expected losses at termination (S2)	0	-1	0	0	-1
■ 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	**-3,802**	**-510**	**625**	**-2**	**-3,689**

Note 10 Taxes

Note 10a Current tax

	06/30/2021	12/31/2020
Assets (through profit or loss)	460	557
Liabilities (through profit or loss)	217	222

Note 10b Deferred tax

	06/30/2021	12/31/2020
Assets (through profit or loss)	427	464
Assets (through shareholders' equity)	54	67
Liabilities (through profit or loss)	242	235
Liabilities (through shareholders' equity)	8	9

Note 11 Accruals and other assets

	06/30/2021	12/31/2020
Accruals		
Collection accounts	25	27
Currency adjustment accounts	181	48
Accrued income	447	431
Other accruals	749	2,179
Subtotal	**1,402**	**2,685**
Other assets		
Securities settlement accounts	674	56
Miscellaneous receivables	3,419	2,704
Inventories and similar	12	15
Other	8	7
Subtotal	**4,113**	**2,782**
TOTAL	**5,515**	**5,467**

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

06/30/2021	Country	% interest	Value of equity consolidation[1]	Share of net profit/(loss)	Dividends received
Groupe ACM	France	16.06%	1,738	80	0
Crédit Mutuel Asset Management	France	23.54%	16	3	1
TOTAL			**1,754**	**83**	**1**

12/31/2020	Country	% interest	Value of equity consolidation[1]	Share of net profit/(loss)	Dividends received
Groupe ACM	France	16.06%	1,662	80	0
Crédit Mutuel Asset Management	France	23.54%	15	1	1
TOTAL			**1,677**	**81**	**1**

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

Note 13 Investment property

	12/31/2020	Increase	Decrease	Other	06/30/2021
Historical cost	82	0	-7	-5	70
Depreciation and impairment	-33	-1	0	0	-34
NET AMOUNT	**49**	**-1**	**-7**	**5**	**36**

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

	12/31/2020	Increase	Decrease	Other	06/30/2021
Historical cost					
Operating sites	334	0	-1	0	333
Operating buildings	2,625	28	-70	0	2,583
Usage rights – Real estate	619	30	-14	1	636
Other property, plant and equipment	524	21	-26	0	519
TOTAL	**4,102**	**79**	**-111**	**1**	**4,071**
Depreciation and impairment					
Operating sites	0	0	0	0	0
Operating buildings	-1,818	-37	63	0	-1,792
Usage rights – Real estate	-142	-45	4	-1	-184
Other property, plant and equipment	-433	-10	8	0	-435
TOTAL	**-2,393**	**-92**	**75**	**-1**	**-2,411**
NET AMOUNT	**1,709**	**-13**	**-36**	**0**	**1,660**

Note 14b Intangible fixed assets

	12/31/2020	Increase	Decrease	Other	06/30/2021
Historical cost					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	343	8	-6	0	345
■ software	140	8	0	-1	147
■ other	203	0	-6	1	198
TOTAL	**343**	**8**	**-6**	**0**	**345**
Depreciation and impairment					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	-150	-7	1	2	-154
■ software	-100	-7	0	0	-107
■ other	-50	0	1	2	-47
TOTAL	-150	-7	1	2	-154
NET AMOUNT	**193**	**1**	**-5**	**2**	**191**

Note 15 Goodwill

	12/31/2020	Increase	Decrease	Other	06/30/2021
Gross goodwill	33	0	0	0	33
Write-downs	0	0	0	0	0
NET GOODWILL	**33**	**0**	**0**	**0**	**33**

Subsidiaries	12/31/2020	Increase	Decrease	Other	06/30/2021
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

	06/30/2021	12/31/2020
Financial liabilities held for trading	20,600	17,286
Financial liabilities at fair value through profit or loss	221	22
TOTAL	**20,821**	**17,308**

Note 16a Financial liabilities held for trading

	06/30/2021	12/31/2020
Short sales of securities	2,537	1,076
■ Government securities	0	0
■ Bonds and other debt securities	1,337	241
■ Shares and other capital instruments	1,200	835
Debts in respect of securities sold under repurchase agreements	14,669	13,632
Trading derivatives	3,388	2,545
Other financial liabilities held for trading	6	33
TOTAL	**20,600**	**17,286**

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

	06/30/2021			12/31/2020		
	Carrying amount	Amount due	Difference	Carrying amount	Amount due	Difference
Securities issued	0	0	0	0	0	0
Debt securities	0	0	0	0	0	0
Interbank debt	174	174	0	22	22	0
Due to customers	47	47	0	0	0	0
TOTAL	**221**	**221**	**0**	**22**	**22**	**0**

Note 17 Financial liabilities at amortized cost

Note 17a Due to central banks and credit institutions

	06/30/2021	12/31/2020
Central banks	**0**	**0**
Liabilities to cred. inst.	**72,941**	**67,389**
Current accounts	2,741	1,863
Borrowings	65,451	61,392
Other debt	2,021	1,608
Pensions	2,710	2,505
Related debt	18	21

Note 17b Amounts due to customers at amortized cost

	06/30/2021	12/31/2020
Special savings accounts	54,989	52,545
▪ demand	41,065	38,692
▪ term	13,924	13,853
Related liabilities on savings accounts	209	1
Subtotal	**55,198**	**52,546**
Demand accounts	125,408	123,805
Term deposits and borrowings	32,355	37,267
Pensions	9	89
Other debt	20	8
Related debt	61	**69**
Subtotal	**157,853**	**161,238**
TOTAL	**213,051**	**213,784**

Note 17c Debt securities at amortized cost

	06/30/2021	12/31/2020
Certificates of deposit	34	49
Interbank certificates and negotiable debt instruments	23,810	21,589
Bonds	6,646	6,292
Non-preferred senior securities	0	0
Related debt	41	70
TOTAL	**30,531**	**28,000**

Note 18 Accruals and other liabilities

	06/30/2021	12/31/2020
Accruals		
Accounts unavailable due to recovery procedures	76	75
Currency adjustment accounts	11	301
Accrued expenses	774	771
Deferred income	365	377
Other accruals	2,122	4,102
Subtotal	**3,348**	**5,626**
Other liabilities		
Lease obligations – Real estate	458	482
Securities settlement accounts	180	64
Outstanding amounts payable on securities	227	271
Sundry creditors	665	421
Subtotal	**1,530**	**1,238**
TOTAL	**4,878**	**6,864**

Note 18a Lease obligations by residual term

06/30/2021	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	17	131	78	97	135	458

12/31/2020	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	146	82	90	147	482

Note 19 Provisions and contingent liabilities

Note 19a Provisions

	12/31/2020	Additions for the year	Reversals for the year (utilized provisions)	Reversals for the year (surplus provisions)	Other changes	06/30/2021
Provisions for risks	**414**	**129**	**0**	**-163**	**0**	**380**
On guarantee commitments	335	55	0	-125	-1	264
of which 12-month expected losses (S1)	*37*	*16*	*0*	*-13*	*-1*	*39*
of which expected losses at termination (S2)	*186*	*2*	*0*	*-73*	*0*	*115*
On financing commitments	50	67	0	-32	1	86
of which 12-month expected losses (S1)	*39*	*24*	*0*	*-22*	*1*	*42*
of which expected losses at termination (S2)	*11*	*42*	*0*	*-10*	*0*	*43*
Provisions for taxes	11	1	0	-1	0	11
Provisions for claims and litigation	9	3	0	-2	0	10
Provision for risk on miscellaneous receivables	9	3	0	-3	0	9
Other provisions	**555**	**36**	**-2**	**-10**	**0**	**579**
Provisions for mortgage saving agreements	87	0	0	-3	0	84
Provisions for miscellaneous contingencies	158	11	-2	-5	0	162
Other provisions[1]	310	25	0	-2	0	333
Provisions for retirement commitments	**217**	**3**	**-3**	**0**	**-14**	**203**
TOTAL	**1,186**	**168**	**-5**	**-173**	**-14**	**1,162**

(1) Other provisions relate to provisions for French economic interest groups (GIE) totaling €333 million.

Note 19b - Retirement and other employee benefits

	12/31/2020	Additions for the year	Reversals for the year	Other changes	06/30/2021
Defined-benefit plans not covered by pension funds					
Retirement benefits	106	1	-0	-14	93
Supplementary pensions	29	2	-3	0	28
Obligations for long service awards (other long-term benefits)	62	0	0	0	62
Total amount recognized	**197**	**3**	**-3**	**-14**	**183**
Supplementary defined-benefit pensions covered by pension funds					
Commitments to employees and retirees[1]	20	0	0	0	20
Total amount recognized	**20**	**0**	**0**	**0**	**20**
TOTAL	**217**	**3**	**-3**	**-14**	**203**

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

Defined-benefit plans: Main actuarial assumptions	06/30/2021	12/31/2020
Discount rate[1]	0.95%	0.45%

(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

	06/30/2021	12/31/2020
Participating loans	153	153
Perpetual subordinated debt	26	26
Other debt	2,052	2,051
Related debt	2	2
TOTAL	**2,233**	**2,232**

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%	3/24/2026
redeemable subordinated notes	11/4/2016	€700 million	EUR	EURIBOR 3 months +1.70%	11/4/2026

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

(2) Non-depreciable, but reimbursable at borrower's discretion as of May 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

	06/30/2021	12/31/2020
Unrealized or deferred gains or losses[1] relating to:		
■ translation adjustments	3	-44
■ financial assets at fair value through recyclable other comprehensive income – debt instruments	-98	-101
■ financial assets at fair value through non-recyclable other comprehensive income – equity instruments	-71	-86
■ hedging derivatives (CFH)	0	0
■ share of unrealized or deferred gains and losses of associates	259	263
■ actuarial gains and losses on defined benefit plans	-59	-69
TOTAL	**34**	**-37**

(1) Balances net of corporate tax.

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

	06/30/2021 Operations	12/31/2020 Operations
Translation adjustments		
Reclassification in income	0	0
Other movement	47	-108
Subtotal	**47**	**-108**
Revaluation of financial assets at FVOC		
Reclassification in income	0	0
Other movement	18	-6
Subtotal	**18**	**-6**
Remeasurement of hedging derivatives		
Reclassification in income	0	0
Other movement	0	0
Subtotal	**0**	**0**
Actuarial gains and losses on defined benefit plans	10	-4
Share of unrealized or deferred gains and losses of associates	-5	29
TOTAL	**70**	**-89**

Note 21c Tax related to each category of gains and losses recognized directly in shareholders' equity

	06/30/2021			12/31/2020		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation adjustments	47	0	47	-108	0	-108
Revaluation of financial assets at FVOC	26	-8	18	-14	8	-6
Remeasurement of hedging derivatives	0	0	0	0	0	0
Actuarial gains and losses on defined benefit plans	14	-4	10	-5	1	-4
Share of unrealized or deferred gains and losses of associates	-16	11	-5	30	-1	29
TOTAL CHANGES IN GAINS AND (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	**71**	**-1**	**70**	**-97**	**8**	**-89**

Note 22 Commitments given and received

Commitments given	06/30/2021	12/31/2020
Funding commitments	**46,044**	**45,088**
Liabilities due to credit institutions	355	335
Commitments to customers	45,689	44,753
Guarantee commitments	**18,173**	**20,065**
Credit institution commitments	3,000	2,992
Customer commitments	15,173	17,073
Securities commitments	**3,063**	**3,413**
Securities acquired with option to repurchase	0	0
Other commitments given	3,063	3,413

Commitments received	06/30/2021	12/31/2020
Funding commitments	**214**	**193**
Commitments received from credit institutions	214	193
Commitments received from customers	0	0
Guarantee commitments	**87,338**	**86,536**
Commitments received from credit institutions	55,162	53,497
Commitments received from customers	32,176	33,039
Securities commitments	**1,533**	**1,468**
Securities sold with option to repurchase	0	0
Other commitments received	1,533	1,468

NOTES TO THE INCOME STATEMENT

Note 23 Interest income and expense

	06/30/2021		06/30/2020	
	Income	Expenses	Income	Expenses
Credit institutions and central banks[1]	-49	-38	96	-235
Customers	1,776	-279	1,844	-345
■ of which finance leasing	146	-24	143	-25
■ of which lease obligations		-2		-2
Hedging derivatives	197	-397	372	-398
Financial assets at fair value through profit or loss	195	-21	247	-40
Financial assets at fair value through other comprehensive income	44	0	89	0
Securities at amortized cost	13	0	13	0
Debt securities	0	-88	0	-196
Debt securities	0	0	0	0
TOTAL	**2,176**	**-763**	**2,661**	**-1,214**
Of which interest income and expense calculated at effective interest rate	*1,783*	*-405*	*2,042*	*-776*

(1) Including -€197 million impact of negative interest rates in income and €105 million in expenses at June 30, 2021, compared to -€165 million impact of negative interest rates in income and €57 million in expenses at June 30, 2020.

Note 24 Commission income and expense

	06/30/2021		06/30/2020	
	Income	Expenses	Income	Expenses
Credit institutions	1	-3	2	-3
Customers	454	-8	426	-6
Securities	319	-34	292	-13
Derivative instruments	3	-4	5	-5
Currency transactions	10	0	9	0
Funding and guarantee commitments	9	-6	3	-1
Services provided	620	-228	561	-228
TOTAL	**1,416**	**-283**	**1,298**	**-256**

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

	06/30/2021	06/30/2020
Trading instruments	160	-195
Instruments accounted for under the fair value option	-19	11
Ineffective portion of hedges	6	-3
On cash flow hedges (CFH)	0	0
On fair value hedges (FVH)	6	-3
Change in the fair value of hedged items	-279	295
Change in fair value of hedging instruments	285	-298
Foreign exchange gains/(losses)	7	-11
Other financial instruments at fair value through profit or loss[1]	322	62
TOTAL CHANGES IN FAIR VALUE	**476**	**-136**

(1) Of which €247 million came from private equity business as at June 30, 2021, compared to €47 million as at June 30, 2020.

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

	06/30/2021	06/30/2020
Dividends	1	8
Realized gains and losses on debt instruments	2	5
TOTAL	**3**	**13**

Note 27 Income/expenses generated by other activities

	06/30/2021	06/30/2020
Income from other activities		
Investment property:	0	0
a. Reversal of provisions/depreciation	0	0
b. Capital gains on disposals	0	0
Rebilled expenses	16	14
Other income	45	39
Subtotal	**61**	**53**
Expenses on other activities		
Investment property:	-1	-1
■ Additions to provisions/depreciation	-1	-1
■ Capital losses on sale	0	0
Other expenses	-54	-46
Subtotal	**-55**	**-47**
NET TOTAL OF OTHER INCOME AND EXPENSES	**6**	**6**

Note 28 General operating expenses

	06/30/2021	06/30/2020
Employee benefits expense	-943	-894
Other general operating expenses	-721	-710
Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets	-100	-83
TOTAL	**-1,764**	**-1,687**

Note 28a Employee benefits expense

	06/30/2021	06/30/2020
Wages and salaries	-567	-566
Social security contributions	-234	-216
Short-term employee benefits	0	0
Employee profit-sharing and incentive schemes	-63	-33
Payroll-based taxes	-79	-79
Other	0	0
TOTAL	**-943**	**-894**

Note 28b Average workforce

	06/30/2021	06/30/2020
Bank technical staff	10,310	10,448
Managers	9,216	9,406
TOTAL	**19,526**	**19,854**
France	17,747	18,102
Rest of the world	1,779	1,752

Note 28c Other general operating expenses

	06/30/2021	06/30/2020
Taxes and duties [1]	-200	-190
Leases		
■ Short-term asset leases	-9	-28
■ Low value/substitutable asset leases[2]	-29	-29
■ Other leases	-4	-4
Other external services	-498	-475
Other miscellaneous expenses	19	16
TOTAL	**-721**	**-710**

(1) The entry "Taxes and duties" includes an expense of -€136 million as part of the contribution to the Single Resolution Fund at June 30, 2021, compared to -€122 million at June 30, 2020.
(2) Includes IT equipment.

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

	06/30/2021	06/30/2020
Depreciation and amortization:	-100	-83
■ Property, plant and equipment	-92	-76
including usage rights	*-45*	*-27*
■ Intangible assets	-8	-7
Write-downs:	0	0
■ Property, plant and equipment	0	0
■ Intangible assets	0	0
TOTAL	**-100**	**-83**

Note 29 Cost of counterparty risk

	06/30/2021	06/30/2020
■ 12-month expected losses (S1)	-36	-56
■ Expected losses at termination (S2)	133	-176
■ Impaired assets (S3)	-64	-138
TOTAL	**33**	**-370**

06/30/2021	Allowances	Reversals	Loan losses covered by pensions	Loan losses not covered by provisions	Recovery of loans written off in prior years	Total
12-month expected losses (S1)	**-172**	**136**				**-36**
■ Loans and receivables due from credit institutions at amortized cost	-1	1				0
■ Customer loans at amortized cost	-127	97				-30
of which finance leases	-14	9				-5
■ Financial assets at amortized cost – securities	0	0				0
■ Financial assets at fair value through other comprehensive income – debt securities	-3	2				-1
■ Financial assets at fair value through other comprehensive income – loans	0	0				0
■ Commitments given	-41	36				-5
Expected losses at termination (S2)	**-151**	**284**				**133**
■ Loans and receivables due from credit institutions at amortized cost	0	0				0
■ Customer loans at amortized cost	-106	201				95
of which finance leases	-7	24				17
■ 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	-44	82				38
Impaired assets (S3)	**-292**	**336**	**-103**	**-10**	**5**	**-64**
■ Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
■ Customer loans at amortized cost	-244	294	-103	-10	5	-58
of which finance leases	-3	2	-1	0	1	-1
■ Financial assets at amortized cost – securities	-7	0	0	0	0	-7
■ 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	-41	42	0	0	0	1
TOTAL	**-615**	**756**	**-103**	**-10**	**5**	**33**

06/30/2020	Allowances	Reversals	Loan losses covered by pensions	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**

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

	06/30/2021	06/30/2020
Property, plant and equipment and intangible assets	-1	-3
■ Capital losses on disposals	-6	-3
■ Capital gains on disposals	5	0
Gains/(losses) on disposals of shares in consolidated entities	0	0
TOTAL	**-1**	**-3**

Note 31 Income tax

	06/30/2021	06/30/2020
Current taxes	-298	-163
Deferred tax expense/income	-45	49
Adjustments in respect of prior years	9	0
TOTAL	**-324**	**-114**
France	*-290*	*-87*
Non-France	*-34*	*-27*

Note 32 Profit (loss) per share

	06/30/2021	06/30/2020
Net profit attributable to the group	1,049	235
Number of shares at beginning of year	38,009,418	37,795,782
Number of shares at end of year	38,009,418	37,795,782
Weighted average number of shares	38,009,418	37,795,782
BASIC EARNINGS PER SHARE *(in €)*	**27.61**	**6.21**
Weighted average number of shares that may be issued	0	0
DILUTED EARNINGS PER SHARE *(in €)*	**27.61**	**6.21**

CIC's share capital amounts to €611,858,064 made up of 38,241,493 shares with a par value of €16 each, including 231,711 treasury shares.

Note 33 Related party transactions

	06/30/2021		12/31/2020	
	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	2,442	292	1,975	299
■ Financial assets at FVOCI	0	0	0	0
■ Financial assets at amortized cost	40	12,682	102	14,978
■ Other assets	9	3	10	3
Liabilities				
■ Due to credit institutions	158	59,018	95	56,896
■ Liabilities at fair value through profit or loss	2,339	321	1,922	307
■ Due to customers	235	249	220	836
■ Debt securities	2,333	1,274	1,964	1,734
■ Debt securities	0	2,192	0	2,191
Off-balance-sheet				
■ Financing commitments given	0	0	0	0
■ Guarantees given	0	146	0	146
■ Financing commitments received	0	0	0	0
■ Guarantees received	0	6,027	0	6,401
	06/30/2021		06/30/2020	
■ Interest income	4	154	0	147
■ Interest expense	-1	-107	-2	-179
■ Commission income	271	-10	242	-3
■ Commission expense	-11	-38	0	-34
■ Net gains/(losses) on financial assets at FVOCI and FVPL	17	26	1	0
■ Other income and expenses	0	-1	0	-1
■ General operating expenses	-31	-245	-31	-238

The parent company consists of BFCM, majority shareholder of CIC, of Caisse Fédérale Crédit Mutuel (CFCM), 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 SA	ERNST & YOUNG et Autres
63, rue de VIlliers	Tour EQHO	Tour First
92208 Neuilly-sur-Seine Cedex	2, avenue Gambetta CS 60055	TSA 14444
S.A.S. with capital of €2,510,460	92066 Paris-La Défense Cedex	92037 Paris-La Défense Cedex
672 006 483 R.C.S. Nanterre	S.A. with capital of €5,497,100	S.A.S. with variable capital
	775 726 417 R.C.S. Nanterre	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
et du Centre	et du Centre	et du Centre

(Period from January 1 to June 30, 2021)

Report from the statutory auditors on interim financial information

Dear Shareholders,

Crédit Industriel et Commercial - CIC

A public limited company with a Board of Directors with a capital of €611,858,064

6, avenue de Provence

75009 Paris cedex 09

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 Commercial - CIC, pertaining to the period from January 1, 2021 to June 30, 2021, attached to this report;**
- **verification of the information given in the interim business report.**

The global crisis linked to the COVID-19 pandemic creates special conditions for the preparation and limited audit of the consolidated condensed interim financial statements. This crisis and the exceptional measures taken within the framework of the state of health emergency have multiple consequences for companies, particularly on their activity and their financing, as well as increased uncertainties on their future outlook. Some of these measures, such as travel restrictions and remote working, have also had an impact on the internal organization of companies and on the way our work is carried out.

These condensed consolidated interim financial statements were prepared under the responsibility of the Board of Directors . 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 commenting on the condensed consolidated interim financial statements, of which we provided a limited review.

We have no comment to make as to their accuracy or consistency with the consolidated interim financial statements.

Executed in Neuilly-sur-Seine and Paris-La Défense, August 6, 2021

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

6 SHARE CAPITAL

At June 30, 2021, CIC's share capital was €611,858,064. It is divided into 38,241,129 fully paid up shares with a nominal value of €16 each.

The amount of the share capital was increased by €3,418,176, bringing it to €611,858,064 (€608,439,888 at December 31, 2019) through the issue of 213,636 new shares, with a nominal value of €16 each, as part of the merger-absorption of CIC Iberbanco by CIC on October 19, 2020.

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 can ask for the documents, with no obligation to commit:

- by postal mail: CIC – Relations extérieures 6, avenue de Provence – 75009 Paris, France;
- 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 in 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 interim business 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 12, 2021

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 Nicolas Montillot
Start 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 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 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 first amendment of the universal registration document filed with AMF on August 12, 2021	page no. of the universal registration document filed with AMF on April 21, 2021
1.	Persons responsible	90	436
2.	Statutory auditors	90	437
3.	Risk factors	26-32	141-146
4.	Information about the issuer	96	431
5.	Business overview		
5.1	Main activities	8-11	12-24
5.2	Main markets	8-11	5; 33-38
5.3	Significant events in business development	N/A	43-44
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	431
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	1	12-25
6.2	Main subsidiaries	2	41-42; 334-335
7.	Review of the financial position and of net profit or loss		
7.1	Financial position	5-13	28-45
7.2	Operating income	5-13	34-38
8.	Cash and equity		
8.1	Information on the issuer's equity	89	383
8.2	Source and amount of the issuer's cash flows	38	317
8.3	Information on the borrowing conditions and the issuer's financing structure	5	N/A
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	28
10.	Information on trends	13	43
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	14-24	116-123
12.2	Conflicts of interest concerning the administrative, management, supervisory and executive bodies	23	125
13.	Compensation and benefits	N/A	128-130
14.	Operation of the administrative and management bodies		
14.1	Expiration date of current terms of office	15-22	117-123
14.2	Service agreements binding the members of the administrative bodies to the issuer or to one of its subsidiaries	N/A	125
14.3	Information on the auditing committee and the remuneration committee	N/A	124-125
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	115
14.5	Potentially significant impacts on corporate governance	14-24	116-130
15.	Employees		
15.1	Number of employees	82	84
15.2	Interests in the issuer's share capital and directors' stock-options	N/A	N/A

Sections of Appendix 1 of Delegated Regulation (EU) 2019/980: “Registration document for equity securities”	page no. of the first amendment of the universal registration document filed with AMF on August 12, 2021	page no. of the universal registration document filed with AMF on April 21, 2021
15.3 Agreement providing for employee ownership of the issuer’s shares	N/A	N/A
16. Major shareholders		
16.1 Shareholders holding more than 5% of the share capital or voting rights	N/A	424
16.2 Existence of different voting rights of the aforementioned shareholders	N/A	428
16.3 Control of the issuer	N/A	425
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	**86**	**N/A**
18. Financial information on the issuer’s assets and liabilities, financial position and results		
18.1 Historical financial information	93	312-317; 380-409
18.2 Interim and other financial information	33-84	N/A
18.3 Verification of the annual historical financial information	87	373-377; 417-420
18.4 Pro forma financial information	N/A	N/A
18.5 Dividend distribution policy	N/A	425
18.6 Legal and arbitration proceedings	N/A	432
18.7 Material change in the financial position	N/A	432
19. Additional information		
19.1 Share capital	89	424
19.2 Charter and articles of association	N/A	436
20. Major contracts	**N/A**	**431**
21. Documents available to the public	**90**	**431-436**

Sections of Appendix 2 of Delegated Regulation (EU) 2019/980: “Universal registration document”	Page no. of the first amendment of the universal registration document filed with AMF on August 12, 2021
1. Information to be disclosed about the issuer	
1.1 Information required pursuant to Appendix 1 of Delegated Regulation (EU) 2019/980	See cross-reference table above
1.2 Issuer’s statement	1

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

- the annual and consolidated financial statements and the group management report for the year ended December 31, 2019 and the statutory auditors’ reports on the annual and consolidated financial statements as of December 31, 2019, presented on pages 23 to 38, 127 to 291, 41 to 107 and 353 to 356, respectively, of the universal registration document No. D. 20-0363 filed with Autorité des marchés financiers (AMF - French Financial Markets Authority) on April 27, 2020;
- 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 interim financial report

Pursuant to Article 212-13 of the AMF general regulation, this universal registration document includes the information from the interim financial report mentioned in Article L. 451-1-2 of the French monetary and financial code and Article 222-4 of the AMF general regulation.

Interim financial report	Filed on August 12, 2021
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	3-13
- 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	13
2. Financial statements on June 30, 2021	33-86
3. Declaration by the person responsible	90
4. Statutory auditors' report on the interim financial statements	87-88

Website : www.cic.fr

Financial information officer
Hervé Bressan,
Chief Financial Officer
Phone : +33 (0)1 53 48 70 21

Edition
L'Agence ComFi by CIC Market Solutions,
CIC's financial communication agency

Photo credits
Cover photo: FFC – Patrick Pichon

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 611 858 064 euros - 6, avenue de Provence - 75009 Paris
Swift CMCIFRPP – Tel: 01 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