#ENSEMBLE NOUVEAUMONDE

2019 UNIVERSAL REGISTRATION DOCUMENT

including the annual financial report of BFCM

Crédit Mutuel Alliance Fédérale

BANQUE FÉDÉRATIVE Crédit Mutuel

CONTENTS

2019 REGISTRATION DOCUMENT

including the annual financial report of BFCM

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

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

This universal registration document was filed on April 27, 2020, with the AMF, as the competent authority under Regulation (EU) 2017/1129, without prior approval, in accordance with Article 9 of the regulation. The universal registration document can be used for the purposes of a public offering of securities or for the admission of securities to trading on a regulated market if it is supplemented by a note on the securities and, where relevant, a summary and all amendments to the universal registration document are included. These are approved by the AMF in accordance with Regulation (EU) 2017/1129.

Message from Nicolas Théry & Daniel Baal

Proof of sustainable collective performance

Faced with the crisis linked to the Covid-19 pandemic, Crédit Mutuel Alliance Fédérale took action to provide maximum protection for its employees, while providing support to its customers and members by meeting their needs to the greatest extent possible. In these difficult times, Crédit Mutuel's motto "Help and serve" takes on its full meaning.

At the end of Year 1 of the 2019-2023 ensemble#nouveaumonde strategic plan, Crédit Mutuel Alliance Fédérale posted record results that illustrate the relevance of its retail banking and insurance strategy.

In 2019, Crédit Mutuel Alliance Fédérale's net banking income amounted to €14,569 million, up 3.5%, in line with the objective of the strategic plan despite a context of low interest rates and strong regulatory pressure. Net profit increased by 5.1% to €3,145 million.

The commercial dynamism of our networks and subsidiaries is illustrated in particular by the significant increase in the number of customers (+5.5%) and by the accelerated diversification of the offer. It was accompanied by a 50 basis point improvement in operating efficiency, with a cost/income ratio of 61.4%, one of the best in the banking sector.

Crédit Mutuel Alliance Fédérale strengthened its solidity with a solvency level well above the SREP (Supervisory Review and Evaluation Process) notified requirements with a CET1 ratio of 17.3%, up 70 basis points on last year.

These record results once again confirm the strength of the mutual banking and insurance model, which combines proximity and responsibility (95% of credit decisions are taken locally) and is based on its regional network of 4,400 branches where customers have a dedicated advisor.

For Crédit Mutuel Alliance Fédérale, the effectiveness of collective action must be judged beyond financial criteria alone. It must be part of the requirement for sustainable collective performance.

Convinced that social and mutual responsibility is a key factor in sustainable growth, we make strong employment and societal commitments in terms of inclusion (increasing the number of work-study students, with a special focus on those from the city's priority neighborhoods), parity (strengthening the policy for gender equality) and support for employees in the digital transformation of business lines (more than 6.6% of the payroll is devoted to training). We are also committed to the economy's energy transition by continuously strengthening our industry policies, by adhering to a strict business travel policy and by implementing a demanding energy management system.

The construction of sustainable performance also involves the necessary protection of individual freedoms. This is why, in addition to data protection, Crédit Mutuel Alliance Fédérale is committed to preserving the digital privacy of customers and members and, to this end, is making major investments (creation of a private and secure cloud, construction of new data centers aiming for the highest level of Tier IV Build certification).

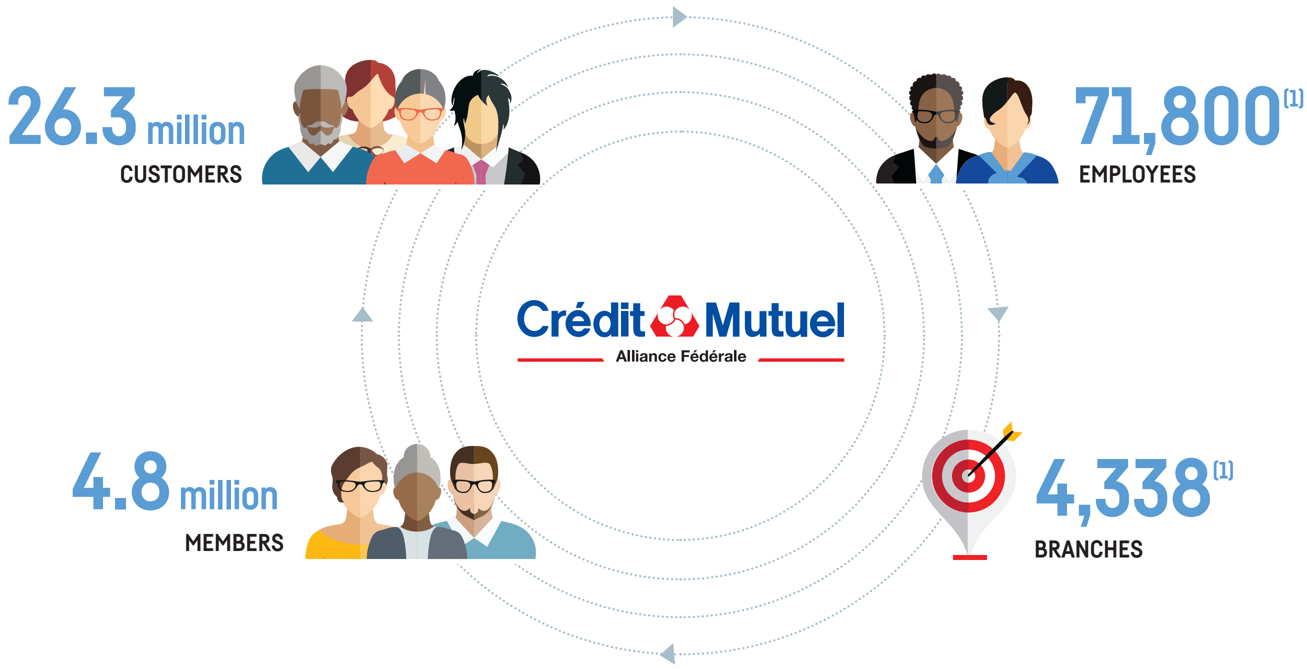
Thanks to the mobilization of its employees and elected representatives, and by combining economic performance with social, environmental and regional responsibility, Crédit Mutuel Alliance Fédérale continues to focus on serving its customers and members.

Nicolas Théry
Chairman

Daniel Baal
Chief Executive Officer

2019 Key figures

Activity



(1) As of January 2020, Crédit Mutuel Alliance Fédérale has 13 federations, 4,400 branches and 72,000 employees.

Financial results

Income statement

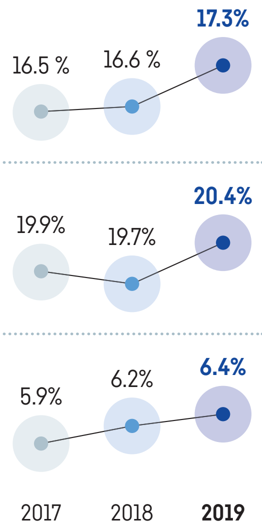
(in € millions)	Dec. 19	Dec. 18	Dec. 17
Net Banking Income	**14,569**	14,070	14,009
Gross operating income	**5,627**	5,356	5,551
Net profit	**3,145**	2,993	2,427
Cost/income ratio	**61.4%**	61.9%	60.4%

Capital

CET1 Ratio

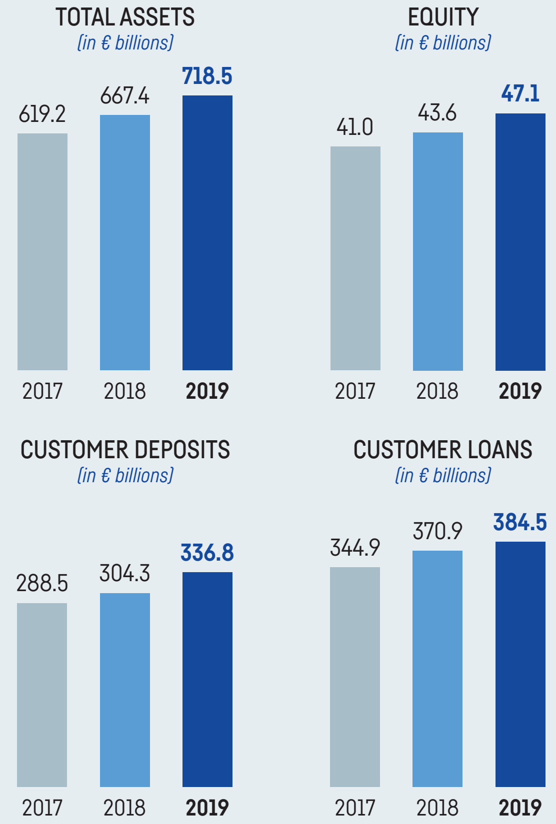
Overall solvency ratio

Leverage ratio

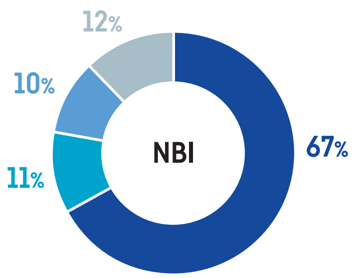


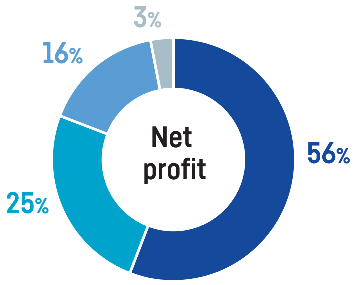
Data calculated without transitional measures.

Balance sheet



Breakdown of NBI and net profit by business line





Retail banking · Insurance · Specialized business lines · Other business lines

Ratings

	Standard & Poor's At 11/25/2019	Moody's At 11/04/2019	Fitch Ratings At 03/30/2020*
LT/ST Counterparty**	A+/ A-1	Aa2/ P-1	AA- ↗
Issuer/LT Preferred senior debt	A	Aa3	AA- ↗
Outlook	Stable	Stable	Negative ↘
ST Preferred senior debt	A-1	P-1	F1+ ↗
Intrinsic rating ***	a ↗	a3	a+

* 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 Ratings" from Fitch.

Standard & Poor's: Crédit Mutuel group rating.
Moody's: rating for Crédit Mutuel Alliance Fédérale/BFCM and CIC.
Fitch Ratings: Crédit Mutuel Alliance Fédérale rating.

Business model

The demand for sustainable collective performance

A solid bank that belongs to its customers

 # Capital held by customers and members in the form of members' shares

26.3 million CUSTOMERS | **4.8** million MEMBERS | **81**% MEMBERSHIP [1]

 # An ethic of long-term development through the reinvestment of results in equity

€**47.1** bn SHAREHOLDERS' EQUITY | **17.3**% CET1 RATIO [2]

 # Operational efficiency and solidity, for a better future

61.4% COST/INCOME RATIO | **6.4**% LEVERAGE RATIO [2]

A local bank at the service of regional development

 # The local bank and the branch, at the heart of the decentralized organization

4,338 [3] BRANCHES | **71,800** [3] EMPLOYEES

95% LOANS AWARDED LOCALLY

 # A commitment closely linked to the regions

11 [3] CRÉDIT MUTUEL FEDERATIONS

+ CIC AND ITS **5** REGIONAL BANKS

76% NET BANKING INCOME IN FRANCE IN 2019

Diversified activities and services to meet all needs

 # A multi-service strategy to meet all customer needs

 # A wide range of products and services deployed by the banking networks and based on the expertise of the business lines

- Retail banking
- Insurance
- Corporate banking and investment
- Consumer loan
- Mobile telephony
- Home Protection
- Factoring and Finance leasing
- Real estate
- Asset management
- Employee Savings
- Private banking
- Private equity and Capital markets
- E-banking
- IT, Technology & Innovation
- CCS, *Centre de conseil et de service*

Our value creation

Crédit Mutuel Alliance Fédérale is based on a policy of social and mutual responsibility that combines financial performance with major employment, societal and environmental ambitions.

[1] Calculated on the basis of eligible customers. [2] Without transitional measures. [3] Since January 2020, CréditMutuel Alliance Fédérale has 13 federations, 4,400 branches and 72,000 employees.

As a cooperative and mutualist bank, Crédit Mutuel Alliance Fédérale is committed to responsibility, proximity and solidarity and demonstrates its ability to build collectively for the common good. It defines the meaning of its actions through strong commitments that respond to the evolution of society and the needs of its customers.

Using technology for the benefit of the people

An enhanced customer-advisor relationship with the protection of personal data as a priority.

A three-pronged approach combining innovation, industrialization and decentralization with a dedicated advisor at the center of the relationship.

A DEDICATED ADVISOR AT THE CENTER OF THE RELATIONSHIP

The best in long-distance relations

- **Crédit Mutuel and CIC mobile applications** that make life easier for customers and reconcile autonomy and security
- **New functionalities regularly developed** to complete the offer of online banking

The development of artificial intelligence in all business lines

- **35,000 employees using artificial intelligence every day** (email analyzers, virtual assistants)
- **Innovative solutions** (cognitive solutions, optical character recognition, analysis and relevant use of data)

Absolute protection of the customer's digital privacy

- **A highly secure IT architecture** common to all business lines and subsidiaries
- **Major investments** (private cloud, data centers)
- **Absolute refusal** to market customer data

#Economic and financial performance

€14.6 bn
OF NET BANKING INCOME
(+3.5% annual chge.)

€3,145 M
OF NET PROFIT
(+5.1% annual chge.)

- **€384.5 billion** in outstanding customer loans
- **€336.8 billion** in outstanding customer deposits
- **Nearly 232,000 regional businesses** financed in 2019
- **€422 million** invested in the capital of SME-ISE throughout France through Crédit Mutuel Equity

#Societal and environmental performance

- **2,450** renewable energy projects financed for **€96 million**
- **€1.6 billion** in authorized amounts for the financing of renewable energy projects
- SRI assets under management: **€1.8 billion**
- **€16.6 million** of subscribed micro credits
- **14%** of income paid in taxes and duties
- **Integration of ESG criteria** into credit and investment policies

THE 2019-2023 ENSEMBLE#NOUVEAUMONDE STRATEGIC PLAN

Persistently low rates, radical shifts in attitudes and behaviors, increasing regulatory pressure and the arrival of digital multinationals and neo-banks in the financial sector – banks face major challenges.

The ensemble#nouveaumonde strategic plan responds to these development and transformation challenges. It sets Crédit Mutuel Alliance Fédérale's course and ambitions for 2019-2023 by using technology for the benefice of the people while keeping members and customers at the heart of its priorities.

THE THREE COMMITMENTS OF THE ENSEMBLE#NOUVEAUMONDE STRATEGIC PLAN

#1. RELATION

Be the reference relational bank in a digital world

Transform the customer experience and relations

#2. COMMITMENT

Be a committed bank in tune with a changing world

Simplify our organization and support all employees

#3. INNOVATION

Be an innovative, multi-service bank

Diversify and support all our customers' projects

2019: Year 1 of the ensemble#nouveaumonde strategic plan

Concrete actions to serve our strategic ambitions

BOOSTING COMMERCIAL EFFICIENCY

Enhanced customer-advisor relations thanks to digital technology

- implementation of the "natural language" Interactive Voice Server;
- roll-out of the customer-advisor relations interface on website and mobile;
- development of online banking functionalities;
- reinforcement of the advisor's relations management tool;
- roll-out of new virtual assistants and optical character recognition.

Ongoing diversification

- roll-out of a box offer to complete the telephony offer;
- reinforcement of insurance offers for professionals and businesses: automotive fleet insurance, personal risk insurance for self-employed workers and ten-year civil liability insurance.

Simplified brand architecture

- implementation of a new brand architecture that reinforces the visibility of the Crédit Mutuel and CIC brands and makes the group's business line expertise more visible;
- strengthening of the asset management business lines with the creation of Crédit Mutuel Investment Managers.

SUPPORT FOR EMPLOYEES IN TRANSFORMATION

- 6.6 % of payroll dedicated to training;
- new training and support paths in digital technology and detection of potential;
- strengthening the policy for gender equality.
- an active policy of openness, with the recruitment of 3,500 employees on permanent contracts each year;
- an increase in the number of work-study students with a target of +40% over three years (including 25% from the city's priority neighborhoods), with an open-ended contract offered in 80% of cases.

REQUIREMENT OF SUSTAINABLE COLLECTIVE PERFORMANCE

Fight against global warming

- Strengthening of industry policies to fight against the use of coal and non-conventional hydrocarbons.

Digital privacy protection

- deployment of a private and secure cloud at Crédit Mutuel Alliance Fédérale's production sites;
- construction of new data centers equipped with the latest technology and aiming at the highest level of Tier IV Build certification.

The Crédit Mutuel Class40, skippered by Ian Lipinski and Adrien Hardy, won the 14th edition of the Transat Jacques Vabre, a 7,000 km voyage from Le Havre to Salvador de Bahia in Brazil. A fantastic feat for this first, formidable sporting, human and technological challenge that puts the colors of Crédit Mutuel at the forefront.

1

PRESENTATION OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE AND BFCM

1.1 ORGANIZATION OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

Crédit Mutuel Alliance Fédérale[1] has two divisions: the mutual banking division (also called the regulatory scope) comprising regional and local banks, 13 federations as of January 31, 2020, and Caisse Fédérale de Crédit Mutuel, and the capital division (BFCM Consolidated scope) comprising the subsidiaries of Crédit Mutuel Alliance Fédérale.

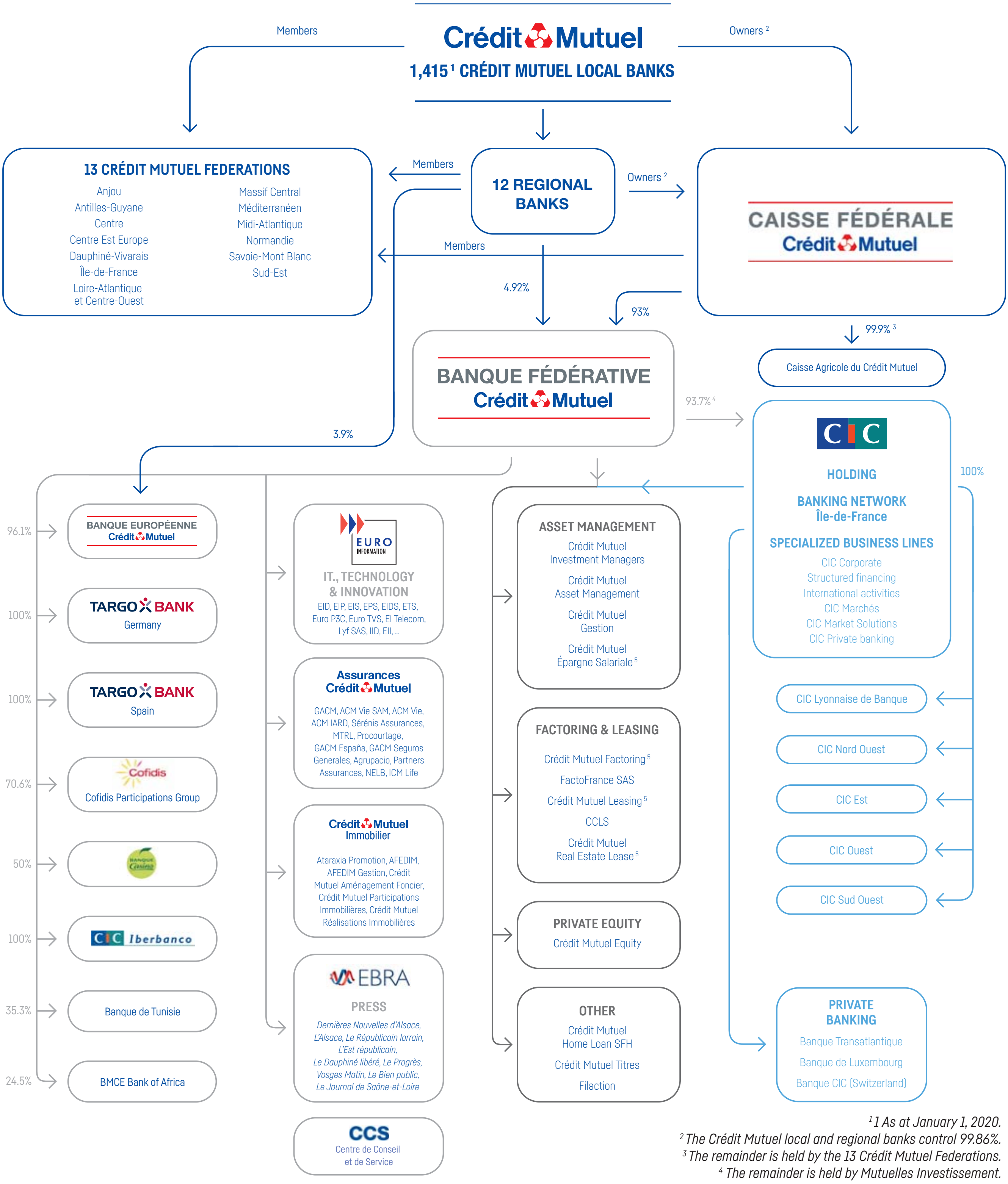
Through the 13 Crédit Mutuel federations that control it, Crédit Mutuel Alliance Fédérale is a member of the Confédération Nationale de Crédit Mutuel, the central body whose mission is to represent the group before public authorities, to promote and defend its interests and to exercise control over the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

The two poles are complementary and linked. In fact, in addition to the capital control of the BFCM consolidated scope by the mutual banking division, the Crédit Mutuel banks of the 13 federations within the mutual banking scope specifically provide a significant marketing network for the products and services offered by the specialized subsidiaries held by BFCM, which reward any business brought in via the payment of fees to the banks.

The consolidated financial information of Crédit Mutuel Alliance Fédérale provides a complete economic overview of the group's activities, including those entities not included in the scope of consolidation of BFCM alone: mutual banking network, ACM Vie SAM (mutual insurance company), IT subsidiaries and the EIG Centre de Conseil et de Services (CCS).

As of December 31, 2019, Crédit Mutuel Alliance Fédérale had 26.3 million customers, 4,338 points of sale and 71,825 staff.

(1) In the rest of the document, the word "group" may be used on its own, but should be taken to mean the group formed by Crédit Mutuel Alliance Fédérale.



[1] As at January 1, 2020.
[2] The Crédit Mutuel local and regional banks control 99.86%.
[3] The remainder is held by the 13 Crédit Mutuel Federations.
[4] The remainder is held by Mutuelles Investissement.
[5] Subsidiaries majority owned by CIC.

1.1.1 The mutual banking division or regulatory perimeter

The mutual banking division consists of the Crédit Mutuel local and regional banks, the 13 Crédit Mutuel federations and Caisse Fédérale de Crédit Mutuel (CF de CM).

Crédit Mutuel banks or local banks

The banks of Crédit Mutuel, which are either cooperative associations depending on their geographical location (departments 57 – Moselle, 67 – Bas-Rhin, 68 – Haut-Rhin) or cooperative credit companies with variable capital (all other departments), form the basis of the Crédit Mutuel Alliance Fédérale. They are credit institutions according to the French Monetary and Financial Code, whose capital is held by members, who are both partners and customers. These local banks are legally autonomous and perform the functions of a local bank: they collect savings, grant loans and offer all financial services. The members elect the representatives at shareholders' meetings.

The banking and insurance network of Crédit Mutuel's banks now has 1,347 local banks and 1,920 points of sale, as well as 7.1 million customers, of which 4.8 million members.

The federations

The federations are entities with the status of associations to which the local banks must belong. Political bodies, they determine the group's main strategic orientations, and organize the solidarity between the banks. They represent Crédit Mutuel in their region.

The scope of the mutual banking division includes the Crédit Mutuel federations that established partnerships approved by the supervisory authorities, resulting in the creation of Caisse Fédérale de Crédit Mutuel Centre Est Europe, which went on to become Caisse Fédérale de Crédit Mutuel (CFde CM), a mutual banking fund with 13 Crédit Mutuel groups formed by Crédit Mutuel Centre Est Europe (Strasbourg), Crédit Mutuel Île-de-France (Paris), Crédit Mutuel Midi-Atlantique (Toulouse), Crédit Mutuel Savoie-Mont Blanc (Annecy), Crédit Mutuel Sud-Est (Lyon), Crédit Mutuel Loire-Atlantique et Centre-Ouest (Nantes), Crédit Mutuel du Centre (Orléans), Crédit Mutuel Normandie (Caen), Crédit Mutuel Méditerranéen (Marseille), Crédit Mutuel Dauphiné-Vivarais (Valence) and Crédit Mutuel Anjou (Angers), and since January 1, 2020, Crédit Mutuel Massif Central (Clermont-Ferrand) and Crédit Mutuel Antilles-Guyane (Fort de France).

Caisse Fédérale de Crédit Mutuel

Caisse Fédérale de Crédit Mutuel (CFCM) is a corporation with the status of a co-operative banking company *(société anonyme à statut de société coopérative de banque)*, and is responsible for all the joint services in the network and for network coordination. CFCM centralizes all the banks' deposits and in parallel ensures their refinancing, while fulfilling regulatory requirements on their behalf (compulsory reserves, allocated deposits, etc.).

Initially serving the banks of Fédération du Crédit Mutuel Centre Est Europe (CMCEE), CFCM has used its financial and logistical support resources on behalf of the banks of the 12 other federations through partnership agreements signed between 1993 and 2012. The French Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement* – CECEI) collectively and successfully accredited the new bodies.

On a regulatory, technical and financial level, CFCM is collectively accredited as a credit institution, used by all the local banks affiliated to it in line with the French Monetary and Financial Code.

In addition it is responsible for the solvency and liquidity of the regulatory perimeter and for Group-wide compliance with banking and financial regulations, pursuant to Article R.511-3 of the French Monetary and Financial Code.

In this way, CFCM provides local banks with financial functions such as liquidity management as well as technical, legal and IT services, either directly or through BFCM subsidiaries (insurance, leasing, etc.).

CFCM is held jointly by the Crédit Mutuel banks, Crédit Mutuel life insurance bodies in mutual form and the federations.

1.1.2 The capital division or BFCM consolidated scope

The current configuration of the Banque Fédérative du Crédit Mutuel is the result of restructuring operations undertaken in 1992. This restructuring was intended to clarify the functions performed by the group's various structures, by separating the mutual banking activity of the parent company (local banks, Caisse Fédérale de Crédit Mutuel and federations) and the diversification operations controlled by BFCM, a holding company.

1.1.2.1 Business activities of BFCM

BFCM has several key business activities:

- BFCM also serves as the refinancing facility for Crédit Mutuel Alliance Fédérale and thus acts on the financial markets as an issuer of financial instruments. Crédit Mutuel Alliance Fédérale's central cash management is[1] based on appropriate calibration of resources in the short, medium and long terms with the objective of refinancing the group in an efficient and prudent manner. This is ensured via public issues and private placements on national and international markets as well as by holding a liquidity reserve that complies with regulatory liquidity ratios and the group's resistance to severe stress.
- It is responsible for financial relations with large corporates and local authorities through its payment processing, lending and financial engineering activities.
- It serves as a depository for undertakings for collective investments (UCIs). Depository of UCIs: UCITS (Undertaking for Collective investment in Transferable Securities), AIF (Alternative Investment Funds) and SO (Securitization Organizations), and it therefore has three regulatory tasks: custody of assets, i.e. the conservation (mainly of securities) and keeping the register of other assets (forward financial instruments and other directly owned registered securities), entrusted to Crédit Mutuel Alliance Fédérale's specialist structures; controlling the conformity of management decisions in the UCIs and Cash Monitoring. BFCM can contractually perform liability management for the UCIs, and process unit subscription and redemption orders from clients, when said management has been delegated by the management company. This activity is carried out by the specialized units of Crédit Mutuel Alliance Fédérale. As a depository bank, it is responsible for protecting the interests of UCI unit holders by ensuring that the UCI's decisions conform and that its control plan is permanently adapted to regulatory changes. BFCM is also the depository bank for securitization funds used in connection with Group refinancing.
- It carries the group's subsidiaries and coordinates their activities. In its role as holding company, it directly and indirectly holds 100% of Crédit Industriel et Commercial, the holding company of the CIC group and network head which also performs investment, corporate and market activities. It also holds a 47.6% stake in GACM SA, which controls the ACM IARD SA and ACM Vie SA companies, and which designs and manages product ranges in property and liability insurance, life insurance and health insurance. Finally it holds specialist banks in France and abroad, in particular Banque Européenne du Crédit Mutuel (BECM), Groupe Cofidis Participations, Targobank in Germany and Spain, Crédit Mutuel Asset Management, Crédit Mutuel Factoring…).

1.1.2.2 Corporate governance within Crédit Mutuel Alliance Fédérale

Crédit Mutuel Alliance Fédérale does not have one single deliberative body. Each Crédit Mutuel bank appoints a board of directors composed of voluntary members elected by the members at a shareholders' meeting. From these members, the banks appoint their representative to the district, a body common to a group of Crédit Mutuel banks; the district Chairman automatically becomes a member of the board of directors of the federation. This means they are then able to become a member of the board of directors of Caisse Fédérale de Crédit Mutuel and its subsidiary, BFCM.

Bearing these factors in mind, the "Corporate Governance of Crédit Mutuel Alliance Fédérale and BFCM" chapter will present two reports on corporate governance: one for the Caisse Fédérale de Crédit Mutuel as a representative of the consolidating parent company and one for BFCM.

Furthermore, the internal control procedures and those to combat money laundering and the financing of terrorism are homogeneous within Crédit Mutuel Alliance Fédérale.

(1) Excluding Targobank in Germany and Spain and apart from CIC's subsidiaries and branches outside France.

1.2 THE CRÉDIT MUTUEL GROUP

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

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

1.2.1 Regional groups

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

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

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

1.2.2 Confédération Nationale du Crédit Mutuel

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

The CNCM has continued to modernize its operations and governance in accordance with the request of the European Central Bank (ECB), its supervisor. After the changes made to the Articles of Association and the clarification of the national solidarity mechanism in 2016, the adoption of new texts on organizing internal audits and compliance in 2017, along with the approval of a director's charter and the board's internal rules, 2018 saw the CNCM adopt an ethics charter for internal audits and a framework procedure covering the Crédit Mutuel brand. In 2019, it continued to strengthen its teams dedicated to control (periodic, permanent and compliance).

The CNCM represents Crédit Mutuel in its relations with the public authorities. It guarantees the cohesion of the network and defends and promotes the Crédit Mutuel group's brand and interests. It is also responsible for ensuring that the institutions affiliated to it function properly, and that the legislative and regulatory provisions are applied. It therefore controls the administrative, technical and financial aspects of their organization and management. This role as a centralizing body was confirmed by the European Court of Justice in October 2019, when the court also held that Crédit Mutuel satisfies the legislative conditions for recognition as a group subject to prudential supervision because of the existence of a solidarity mechanism.

The CCCM, a national financial body taking the form of a credit institution, manages the financial solidarity of Crédit Mutuel. Its capital is held by all the federal banks.

1.2.3 Solidarity links within the Crédit Mutuel group and the mutual banking division of Crédit Mutuel Alliance Fédérale

The Crédit Mutuel solidarity scheme aims to ensure the continuous liquidity and solvency of all establishments affiliated to the Confédération Nationale du Crédit Mutuel (CNCM), in order to prevent defaults (Article L.511-31 of the French Monetary and Financial Code). It is based on a set of rules and mechanisms set up at regional group level and at confederal level.

Provisions applicable at regional group level

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

This text schedules that for mutual and cooperative groups, the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) may issue a collective accreditation to a bank for itself and for all the banks affiliated to it "when the liquidity and solvency of local banks are guaranteed by the said affiliation". The Caisse Fédérale de Crédit Mutuel benefits from a collective accreditation for itself and all the affiliated local banks. The ACPR deemed that the liquidity and solvency of the local banks were guaranteed by way of this affiliation.

All local banks and the Caisse Fédérale de Crédit Mutuel contribute to the solidarity fund. The contribution is calculated based on the balance sheet total and the Net banking income. The annual contribution is determined such that its amount, plus the repayment of subsidies, allows it to cover the subsidy requirements of loss-making local banks. Thus, in principle, the result of the solidarity fund is balanced. Loss-making local banks, and those whose result is not sufficient to remunerate members' shares, receive an annual subsidy which allows them to pay said remuneration.

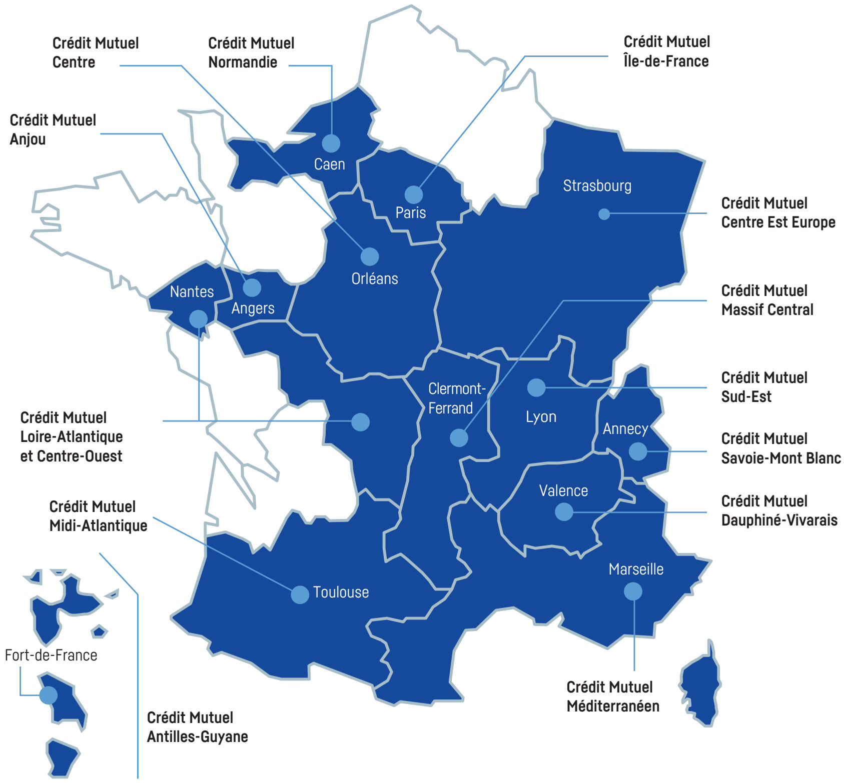
These subsidies are repayable once they are back to "better fortunes". The local banks reimburse all or part of the subsidy previously received, up to an amount allowing them to remunerate the B members' shares.

Provisions adopted at national level

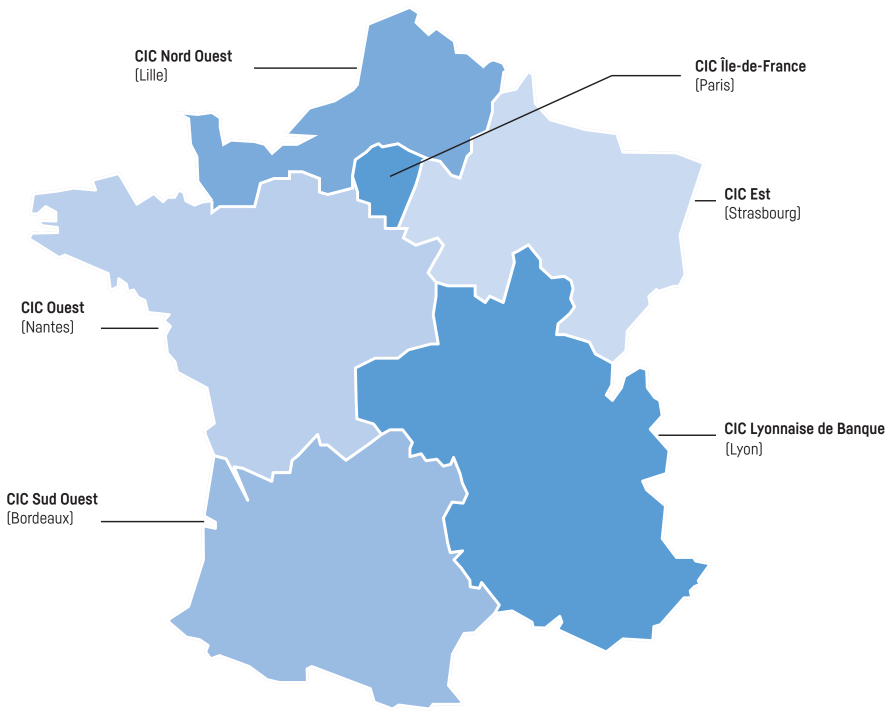
Confédération Nationale du Crédit Mutuel is in particular responsible for ensuring the coherence of its network, and the proper functioning of the institutions affiliated to it. To this end, it must take all necessary measures, specifically to ensure the liquidity and solvency of each of said institutions,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

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

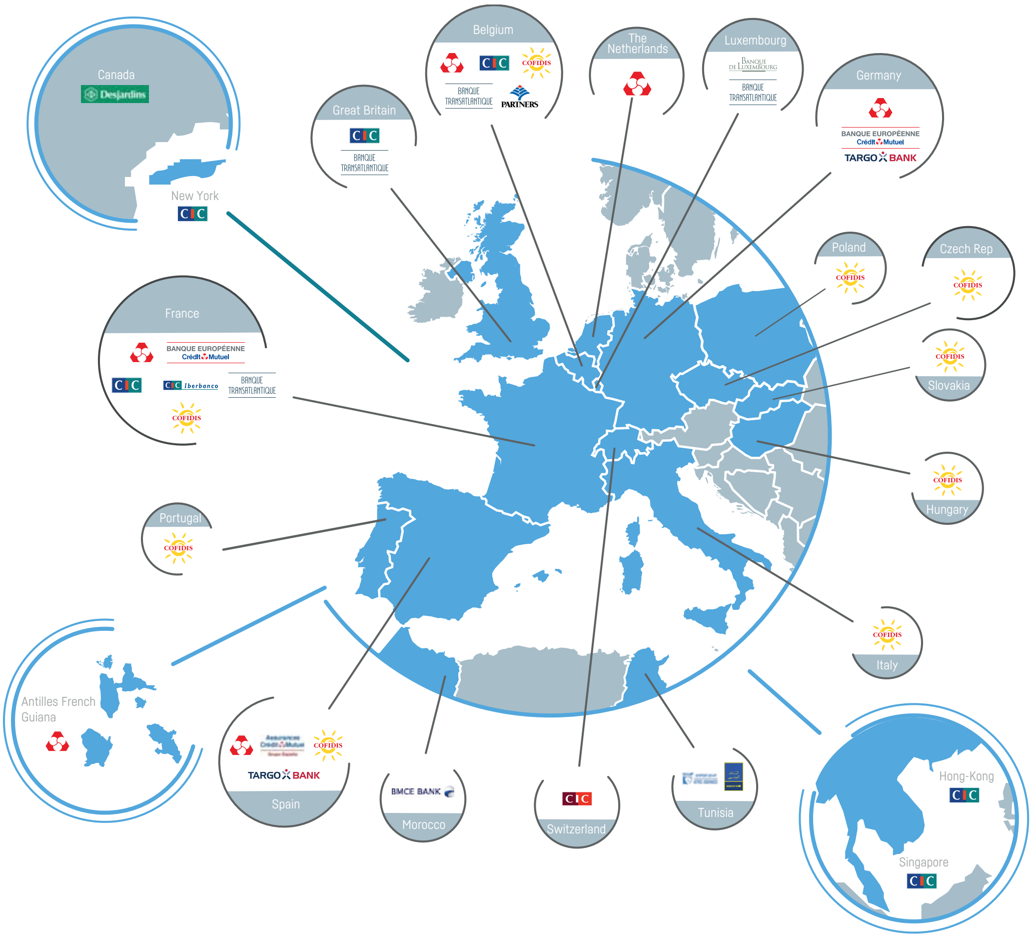
CRÉDIT MUTUEL'S 13 FEDERATIONS IN THE MUTUAL BANKING DIVISION



CIC REGIONAL BANKS



CRÉDIT MUTUEL ALLIANCE FÉDÉRALE: INTERNATIONAL PRESENCE AND PARTNERSHIPS IN 2019



GERMANY
- BECM Düsseldorf, Francfort, Hambourg, Munich and Stuttgart
- Crédit Mutuel Leasing GmbH
- Targobank in Germany
- Crédit Mutuel Equity

BELGIUM
- Crédit Mutuel Leasing Benelux
- Banque Transatlantique Belgium
- Partners Assurances
- North Europe Life Belgium (NELB) (insurance)
- COFIDIS Belgium
- CIC branch (Brussels)

CANADA
- Desjardins Assurances
- Banque Transatlantique*
- Crédit Mutuel Equity

SPAIN
- TARGOBANK in Spain
- COFIDIS Spain
- Banque Transatlantique*
- Crédit Mutuel Leasing, Sucursal en España
- GACM España (insurance)

HUNGARY
- COFIDIS Hungary

ITALY
- COFIDIS Italy

POLAND
- COFIDIS Poland

THE NETHERLANDS
- Crédit Mutuel Leasing Benelux

LUXEMBOURG
- Banque de Luxembourg
- Banque Transatlantique Luxembourg
- ICM Life (insurance)

MOROCCO
- BMCE Bank of Africa

NEW YORK, SINGAPORE and HONG-KONG
- CIC branches
- Banque Transatlantique*

PORTUGAL
- COFIDIS Portugal
- Margem

CZECH REPUBLIC
- COFIDIS Czech Republic

UNITED KINGDOM
- Banque Transatlantique London branch
- CIC Branch (London)

SLOVAKIA
- COFIDIS Slovakia

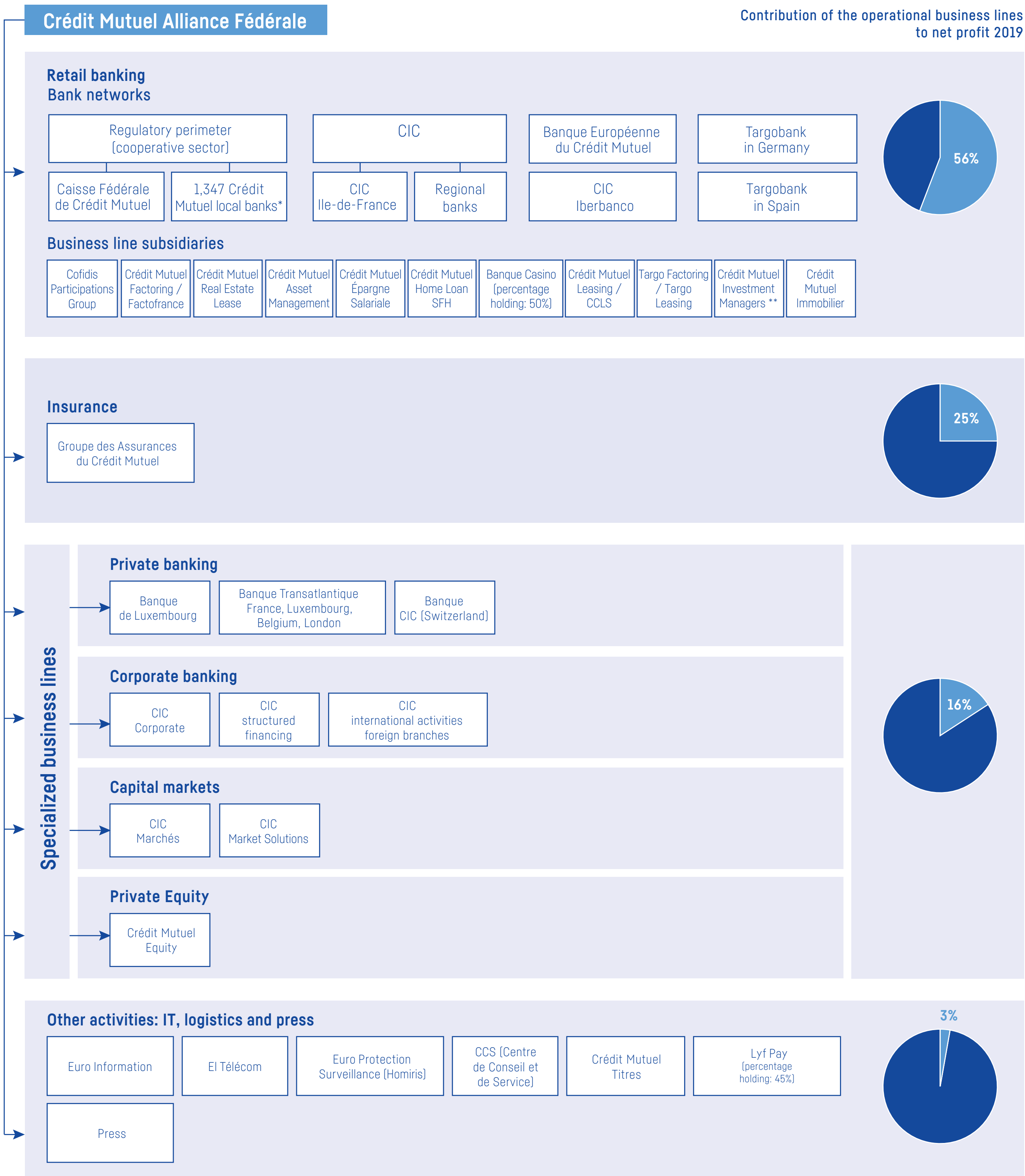
SWITZERLAND
- Banque CIC (Switzerland)
- Crédit Mutuel Equity

TUNISIA
- Banque de Tunisie

UNITED STATES
- CIC branch (New York)
- Banque Transatlantique*
- Crédit Mutuel Equity

** Representative office*

1.3 PRESENTATION OF THE BUSINESS LINES OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

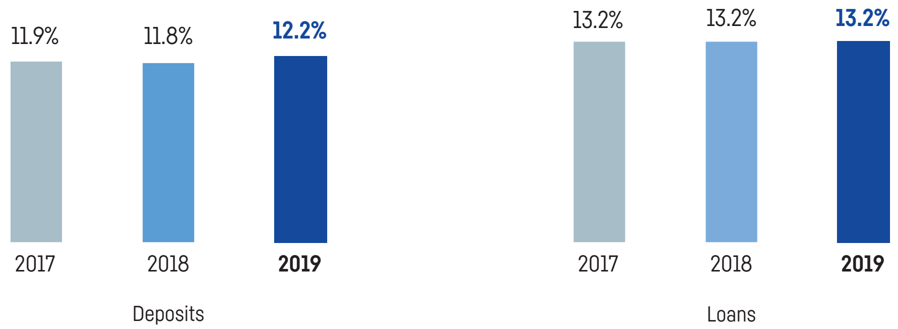


*Scope as at December 31, 2019, i.e. 11 member federations.
** Launch on January 14, 2020.

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

Competitive positioning[1] is analyzed in terms of Crédit Mutuel Alliance Fédérale, whose retail banking and insurance business lines make it a major player in retail banking and insurance in France. Crédit Mutuel Alliance Fédérale's market shares in deposits and bank loans stood at 12.2% (+0.4 point) and 13.2% (stable) respectively. The Crédit Mutuel group has 17.1% market share in bank loans and 15.9% market share in deposits.

MARKET SHARE*



** source: Centralisations Financières Territoriales - Banque de France.*

1.3.1 Retail banking, the group's core business

Retail banking is the core business of Crédit Mutuel Alliance Fédérale and accounts for 67% of its Net banking income. It includes the local Crédit Mutuel banks, the CIC banking and insurance network, Banque Européenne du Crédit Mutuel, CIC Iberbanco, the Targobank branches in Germany and Spain, the Cofidis Participations Group, Banque Casino and all specialized activities, whose products are marketed by networks dedicated to insurance brokerage, equipment leasing, leasing with a purchase option, real estate leasing, factoring, asset management, employee savings, and real estate sales and management.

In 2019, the business activity of the retail banking network was sustained due to strong commercial momentum and cross-selling extended to new products and services to adapt both to customer needs and the continuing low interest rates. The retail bank's business activity increased over the year as a whole. Almost €280 billion in funds were collected in 2019 compared to €267.5 billion in 2018. Outstanding loans to customers stood at €317.3 billion in 2019, up 7% over a year.

1.3.1.1 Crédit Mutuel Alliance Fédérale's retail banking and insurance networks

1.3.1.1.1 Crédit Mutuel's retail banking and insurance networks[2]

Supported by the expertise of 17,275 employees, Crédit Mutuel's network of local banks helps 7,128,000 private individuals, businesses, farmers, and voluntary association customers carry out their projects. The retail bank covers all its customers' needs for current accounts, means of payment, savings, financing and insurance. Crédit Mutuel offers its 6.2 million private individual customers products tailored to each age such as financing for driving licenses, rental or purchase of the first flat, life insurance, but also to their everyday needs with a range of practical services including mobile telephony, Internet subscription or remote home security systems. It also offers dedicated saving, welfare or health products for business owners or employees, to the 503,000 craftsmen, traders and liberal professionals who comprise its business customers. Crédit Mutuel's range of products therefore helps farmers purchase or rent farming equipment. The 84,000 farmer customers can therefore insure themselves against weather-related catastrophes or manage their exposure to the prices of certain crops. The retail bank also covers the specific needs of associations, foundations, works councils and non-profit organizations, which together represent 4% of its customers. The products available cover their specific needs for receiving donations or subscriptions in partnership with HelloAsso, a free Internet tool for receiving online payments.

As a cooperative bank, which is not listed on a stock exchange, Crédit Mutuel belongs to each of its customer-members who therefore can take part in their bank's shareholders' meeting. There are 4.78 million members: 81% of the customers are members of their bank. Customers' needs are catered for by a network of 1,920 points of sale supplemented by a dedicated omni-channel customer service organization: telephone, mobile applications and websites providing access to the services offered, 24/7.

Outstanding deposits attained €120.8 billion in 2019, an increase of 8%. Life insurance outstandings continued to grow reaching €40.4 billion in 2019, compared to €38.2 billion in 2018. Outstanding loans increased by 5.8% to €134.5 billion, buoyed by home and consumer loans. Diversification of income continued during the fiscal year as is shown by the increase in the sale of ancillary services: +3.8% for casualty insurance policies, +6.4% for mobile telephony and +4.1% for Homiris theft protection.

In 2019, Crédit Mutuel was again elected the best French banking group by Global Finance magazine, for the fifth consecutive year, and by World Finance magazine, for the eighth time.

(1) The figures in this paragraph refer to the scope as of December 31, 2019, i.e. 11 federations.
(2) Excluding Targobank in Germany and Spain and apart from CIC's subsidiaries and branches outside France.

1.3.1.1.2 The CIC banking and insurance network

Retail banking, which is CIC's core trade, includes the banking network (composed of five regional banks and CIC in Ile-de-France) and the specialized activities whose product marketing is performed by the network: insurance brokerage, real estate and equipment leasing, factoring, asset management, employee savings plans, and real estate. Supported by the expertise of its 20,092 employees, the CIC retail bank network services the needs and expectations of a clientele of 5.22 million individuals, professionals, farmers, non-profit organizations and businesses.

CIC establishes a close relationship with its customers through an efficient, effective and modern omni-channel organization Customers can therefore choose between obtaining advice at one of the 1,874 points of sale in France or using more independent technological tools (websites and mobile applications). CIC's s concern for the quality of its customer service was rewarded in 2019 when it won the 1st prize in the Customer Relations Awards in the banking sector organized by BearingPoint Kantar.

The network provides continuous support for its customers and their project financing activities. In 2019, the network's commitments grew by 5.9%, driven by home loans (+6.1%) and investment loans (+7.9%). Outstanding deposits grew by 11.5% due to credit accounts, passbook accounts and term deposits, which are mainly held by companies and professionals. There has been a net increase in life insurance outstanding in a highly competitive environment. In the diversification sectors, sales of products and services to customers continued their commercial momentum with increases in the number of contracts for remote banking (+8.7%), Homiris theft protection (+4.4%), mobile telephony (+5.7%) and electronic payment terminals (+3.6%).

CIC continued the development efforts, initiated in 2018, to offer its customers ever more autonomy by enhancing the online management tools (e.g. e-insurance claim declarations and online loan subscriptions). Among the other technological improvements, CIC has launched a new version of CIC e-invoice, its electronic invoice management offer which is very popular with businesses.

CIC reinforced its offers for each customer segment in 2019:

- 10-year building insurance completes the range of insurance products offered to builders and construction professionals;
- the digitization of CICAGRI and CIC-APPRO which secures and develops relationships with partners;
- the PayAsso collection solution for charities with a free[1] donation collection service;
- the offer for start-ups and innovative companies was enriched by CIC Start Export to boost their international development and by CIC Start ComFi for their communication needs when raising funds.

CIC, already a partner of the French Swimming Federation *(Fédération française de natation)* and the French National Yachting and Sea Fishing Federation *(Fédération nationale de la plaisance et pêche de mer)*, pursued its sponsorship policy by signing new partnerships in sport this year with the French Cycling Federation *(Fédération française de cyclisme)* and the French Video Gaming Federation *(Fédération française de jeu vidéo)*. CIC is also accompanying start-ups in the Esport sector through its support for the second CIC Esport Business Awards and the conclusion of a new partnership with the French League of Legends. CIC has provided support to Union des Auto-Entrepreneurs and Moovje, two non-profit organizations active in the field of company innovation, for the last ten years.

1.3.1.1.3 Banque Européenne du Crédit Mutuel (BECM)

Banque Européenne du Crédit Mutuel operates in the corporate and real estate markets in France and Germany, and the real estate development market in France. BECM is a human-sized bank whose values are based on proximity and reactivity. BECM provides businesses with technical sophistication and high added value. BECM's 423 expert employees are dedicated to providing advice for its customers on their financing strategy and problems, and in particular to financing their investments.

BECM provides tailored support for German companies in France and for German subsidiaries of French groups by drawing on its in-depth knowledge of local markets. It operates as a partner for developers and real estate companies on the real estate market.

BECM's mission is to provide solutions for almost 21,900 customers in France and abroad. It has a commercial sales network of 54 branches, 45 of which are in France and also a subsidiary in Monaco. The bank's territorial footprint has recently been increased by the recent openings of new branches in Annecy, Aix-en-Provence and a second branch in Paris, which also contributed to increasing production in 2019.

Customer loans measured in average monthly capital increased by 8% to €16.4 billion in 2019. Deposits rose sharply by 28.7% to €16.9 billion. The Net banking income rose by 7.6% to €323 million.

The migration to an upgraded IT system in Germany in 2019 provides new opportunities for reinforcing and diversifying activities in terms of flows, structured financing, international financing and asset management for an institutional clientele.

1.3.1.1.4 CIC Iberbanco

CIC Iberbanco is a bank open on two worlds; it provides retail banking services for private individuals, non-profit organizations, professionals and companies with an Iberian or a Latin American culture. The 185 bilingual or even trilingual employees in CIC Iberbanco's 40 branches in France permits it to offer, besides retail banking and insurance services, the opportunity to finance and insure a property purchased in the Iberian Peninsula. CIC Iberbanco provides specialist teams for companies with Spanish or Portuguese capital or with interests in France, Spain and/or Portugal.

CIC Iberbanco had 63,176 customers in 2019. Outstanding deposits totaled €859 million, an increase of 9.7%. Outstanding loans stood at €1,135 million, up 15.5%.

2019 saw the accelerated deployment of digital tools throughout CIC Iberbanco's network. These tools strengthen and improve our remote banking relationship with our customers. They help our customers on a day-to-day basis (e.g. online insurance estimates and insurance claims) whilst also providing our staff with cognitive solutions notably for managing emails. The network is continuing to develop as planned with the opening of a new branch in Clamart (92) to increase our proximity to present and future customers.

(1) Offer limited to 1,500 donations per calendar year.

1.3.1.1.5 Targobank in Germany

Targobank, with 337 branches in 250 main cities in Germany, provides banking, insurance, and also factoring and leasing solutions for its 3.9 million customers, private individuals and businesses. It is the market leader on the consumer credit and factoring sectors, combining the benefits of online banking with those of branch banking to offer its customers a quick and efficient service, with personalized advice in branches, at home, or by telephone.

The bank's business activity was very dynamic in 2019. Outstanding loans increased by 9.0%[1] to €20.0 billion due, in particular, to the growth (+13%) in the market share on amortizing loans which was 10.2% in 2019, compared to 9.0% in 2018. The volumes of customer deposits attained €18.9 billion in 2019, an increase of 11.2%.

The product offer for business customers, until present limited to individual companies and liberal professions, has been extended to more complex legal structures (multi-person businesses and corporations).

In 2019, Targobank again distinguished itself in the annual survey by the German Institute for Quality of Services (DISQ) to some 10,000 participants. Like last year, the bank was ranked second for customer satisfaction among businesses with a national network.

As regards humans resources, the bank is certified by Top Employers Institute for the quality of life at work that it offers its 7,400 employees. A new campaign to develop Targobank's brand as an employer, "BANK.ECHT.ANDERS", or an authentic and different bank, has also been deployed.

Finally 2019 saw the development of artificial intelligence to automate and optimize back-office processing, and prevent fraud, as well as the introduction of agile methods to steer the projects of the bank's service center.

1.3.1.1.6 Targobank in Spain

Targobank in Spain is 100%-owned by BFCM. It is a generalist bank whose customers are private individuals, professionals and companies. With 88 branches spread across the country's main economic zones, Targobank offers its 125,600 customers a broad range of retail banking and insurance products and services. The organization is supplemented by a network of bilingual advisors and a mobile application in French for French-speaking customers.

Gross outstanding loans stabilized at €2.4 billion in 2019, whilst outstanding customer deposits attained €2 billion, an increase of €100 million compared to 2018.

A substantial reorganization was carried out in 2019 to continue to deploy the new network organization according to an omni-channel growth logic. This approach is reflected by the creation of a 100%-digital current account, launch of the new website and numerous improvements to the mobile application such as budget and bankcard management and an improved ergonomics in the restitution of information.

1.3.1.2 Support businesses to retail banking

1.3.1.2.1 Consumer credit – Cofidis Participations Group

Cofidis Participations Group is Crédit Mutuel Alliance Fédérale's dedicated consumer credit and mobile banking business center. Cofidis Participations Group is present in France and eight other European countries and uses three brands that reach out to their clients via remote channels exclusively: Cofidis, Créatis and Monabanq.

Cofidis has 2 million customers and 350 partner trading signs and has been a major player in consumer credit in France for 30 years (in store and online revolving credits, personal loans, payment solutions, insurance, debt consolidation, and financing). Cofidis is strongly committed to supporting its customers through personalized advice, innovative tools and services, and loan pedagogy to make consumers informed and responsible actors in their budgets. It regularly receives awards in the countries where it is located for the excellence of its customer relationship. For instance, in 2019 Cofidis was voted the "Best Customer Service of the Year" in the credit organization category, for the seventh year in succession. Cofidis also contributes to the commercial dynamism of distribution and e-commerce trading signs due to efficient and customized easy payment terms.

Cofidis Participations Group also offers remote banking services under its Monabanq brand and debt consolidation services under its Créatis brand.

Cofidis Participations Group, which is committed to the well-being of its 5,262 employees, has been awarded eight "Great Place to Work" certificates and was a prize-winner in the "Europe's Best Workplaces 2019" awards.

Cofidis Participations Group continued its strong growth in 2019. Loan production at the end of the fiscal year amounted to €7,511 billion, an increase of 11% compared with the previous year. Outstanding loans increased by 10% compared to the end of 2018 to €14,872 billion at the end of December 2019.

Cofidis is an innovative company and was one of the first credit companies to provide new digital solutions to obtain financing more quickly and easily, such as the full online journey with electronic signature, a chat bot where a loan can be taken out with a virtual agent, or "open banking" which allows customers to share their accounts when applying for financing. Cofidis is committed to a 100% customer and 100% employee oriented sales dynamic, and is continuously seeking to improve the quality of the customers' journeys every time they interact with the brand.

Cofidis, convinced that a "Happy team makes happy customers", was the first company to obtain the "Symétrie des attentions" label (this label shows the symmetry which exists in a brand's relationship with its customers and its employees).

(1) The progression data in this paragraph are calculated on the basis of the activity's pro forma revenue, i.e. retail and business activities (leasing, factoring, and investment loans).

1.3.1.2.2 Factoring and receivables management

Crédit Mutuel Alliance Fédérale's factoring business in France is built around Crédit Mutuel Factoring (formerly called CM-CIC Factor), Crédit Mutuel Alliance Fédérale's historic customer receivables financing and management specialist, and Factofrance a factoring company acquired from General Electric France in July 2016. Crédit Mutuel Alliance Fédérale's factoring business line had a market share of 23% on September 30, 2019 (source: ASF).

It is involved in the short-term financing of almost 14,000 businesses and professionals, in France and abroad. It offers a large range of factoring and personal notified receivables management solutions (Dailly). These offers are combined with additional services such as monitoring the customer's account, recovery, collection and insolvency guarantees. Factofrance also offers a financing product which is an asset-backed factoring contract.

In 2019, carried by a buoyant factoring market (+11% in[1] France on September 30, 2019), the volume of receivables purchased by the sector increased by 11.8%, outperforming the market. The factoring sector's outstanding at the end of the fiscal year totaled €12.4 billion. The sector's export revenue now represents 25.1% of overall revenue.

In 2019, Crédit Mutuel Factoring launched a pan-European factoring offer for French groups with one or more subsidiaries abroad wishing to centralize their factoring contracts to the parent company. At present, the scope of intervention covers nine European countries: Great Britain, Germany, the Netherlands, Belgium, Luxembourg, Switzerland (via Banque CIC Switzerland), Spain, Italy and Portugal.

1.3.1.2.3 Financial leasing in France

Equipment Leasing

Crédit Mutuel Leasing, formerly called CM-CIC Bail, and CCLS, a company acquired from General Electric in July 2016 constitute Crédit Mutuel Alliance Fédérale's leasing branch. With a 14% market share in its national market, this business line is a major player in equipment leasing in France.

Specialized for more than 50 years in lease financing and rental of capital equipment, Crédit Mutuel Leasing offers adapted leasing solutions for investment projects by individuals, non-profit organizations, professionals and companies, under the Crédit Mutuel Leasing brand in the Crédit Mutuel network.

In France, Crédit Mutuel Leasing relies on a largely decentralized organization, as close as possible to the networks and its customers, making available cutting-edge technology, thorough comprehensive appraisals and quality advice. Its bilingual and bicultural teams in the Benelux countries, Germany and Spain put their expertise to work for customers thanks to dedicated leasing solutions, and also through framework agreements that meet the needs of the parent company and its subsidiaries.

CCLS is specialized in financing business equipment and mainly operates via a network of partners on the office equipment, IT, rolling stock, hoisting equipment or medical equipment markets. CCLS works closely with equipment distributors and manufacturers via its equipment financing and management solutions which enable them to develop their sales through customized financing programs whilst protecting their commercial relationship. CCLS is covered by the European Investment Fund guarantee which permits it to offer financing solutions to a large number of very small businesses and SMEs.

In 2019, in a context of increasing interest among young people for leasing, Crédit Mutuel Alliance Fédérale's leasing activity continued to grow at a very sustained pace. Overall loan production was at €5.9 billion, increasing by 5.3% compared to 2018. The outstanding at the end of 2019 totaled €11.5 billion. The international business continued to grow and represented almost 17% of overall business at the end of 2019.

Crédit Mutuel Leasing launched its "Eco-mobility" offer in 2019 for private individuals in tandem with Crédit Mutuel Alliance Fédérale's commitment to the energy transition of its members and customers. This offer enables the banking networks' customers to purchase or renew their cars in order to drive more ecologically by offering the leasing of hybrid or electric vehicles at attractive prices. This offer was extended to businesses in September 2019.

The sector is continuing its digital conversion by developing a totally digitized journey for car configurations and financing proposals for Crédit Mutuel Alliance Fédérale through CIC's and Crédit Mutuel's websites and mobile applications. It provides access, completely independently, to over 7,000 models and allows customers to obtain a leasing offer which is adapted to their requirements (duration, initial deposit, mileage, and budget).

CCLS was a pioneer in the deployment of the electronic signature for lease financing and equipment leasing and is continuing to dematerialize its processes by proposing concluding agreements with its partners using electronic signatures.

Real estate leasing

Crédit Mutuel Real Estate Lease (formerly called CM-CIC Lease) is a major player on the real estate leasing market in France and provides solutions to the real estate investment requirements of companies, professionals, players in the social economy or institutions, customers of Crédit Mutuel Alliance Fédérale, through real estate leasing solutions adapted for the acquisition or construction of all kinds of business real estate: commercial, logistics, industrial premises, health establishments, offices or hotels. Crédit Mutuel Real Estate Lease draws on the technical, legal, tax, financial, and regulatory expertise of its specialists in the regions in close collaboration with Crédit Mutuel's banks under the Crédit Mutuel Real Estate Lease brand, and with CIC's branches under the CIC Real Estate lease brand.

The digital tools installed in the banking networks during the year enable Crédit Mutuel Real Estate Lease to adapt to its customers' expectations due to the instantaneous production of financing studies for real estate leasing projects.

Thnaks to its expertise, Crédit Mutuel Real Estate Lease granted over €900 million of lease financing in 2019, bringing its outstanding loans to €5.3 billion at the end of the fiscal year.

(1) Source: French Association of Financial Companies – Statistics 2019.

1.3.1.2.4 Asset management and employee savings

Crédit Mutuel Investment Managers

Launched in January 2020, Crédit Mutuel Investment Managers is Crédit Mutuel Alliance Fédérale's dedicated asset management business center. Crédit Mutuel Investment Managers consolidates all the sales teams for Crédit Mutuel Alliance Fédérale's management entities in order to market all the investment solutions offered by these entities. They conserve their management autonomy and independence.

Crédit Mutuel Investment Managers' mission is to promote the investment solutions of Crédit Mutuel Alliance Fédérale's six management structures totaling more than €90 billion of outstandings via a "multi-boutique" platform. The partner entities of the expertise center are: Crédit Mutuel Asset Management, Banque de Luxembourg Investments (BLI), CIC for issues of structured products by CIC Market Solutions, Cigogne Management, CIC Private Debt and Dubly Transatlantique Gestion.

It advises Crédit Mutuel Alliance Fédérale's networks, external distributors (private banks, fund pickers), professional investors and corporates by offering them a wide range of products and solutions to fit their needs.

With offices in France and Luxembourg, Crédit Mutuel Investment Managers' 52 employees, including 30 sales persons, intervene in six European countries.

Crédit Mutuel Investment Managers' goal is to increase assets under management excluding monetary funds by 40% within five years.

Crédit Mutuel Asset Management

With almost €60 billion of outstandings on December 31, 2019 Crédit Mutuel Asset Management (formerly called CM-CIC Asset Management) is France's 4th largest asset management company[1]. It offers third parties a large range of funds and asset management solutions. Crédit Mutuel Asset Management is present in all classes of assets and all styles of management. Its strategy prioritizes the balance between the search for performance and the control of risk to satisfy the requirements of the different segments of its clientele of private individuals, businesses and institutions. It also has a wide range of employee savings funds.

Crédit Mutuel Asset Management incorporates non-financial and ethical criteria, such as environmental and social considerations, into its management strategy and corporate governance, and it offers 15 certified solidarity- and sharing funds. In 2019, the company created and marketed its first ESG fund, collecting over €140 million.

The expertise of Crédit Mutuel Asset Management's teams, with over 250 employees including 50 managers, has been acknowledged on several occasions. The company received three golden trophies award during the fiscal year from "Le Revenu" magazine: Best range of funds over three years, Best diversified range of funds over three years, and Best range of bond funds over three years. The *Mieux Vivre Votre Argent* magazine also granted awards to three funds for their performance. Finally, in 2019 Crédit Mutuel Asset Management won the Pedagogy Prize at the 19th Investor Awards Ceremony.

The takeover of the fund managed by Milleis Investissements, the asset management company of Milleis Banque, was finalized in May 2019. This takeover enlarges the UCIs range with expertise targeting high net worth customers, private banks and institutional investors. In parallel Crédit Mutuel Asset Management signed a partnership agreement with Milleis Banque giving its customers access to a selection of funds managed by Crédit Mutuel Asset Management.

Crédit Mutuel Asset Management remodeled its communication and fund management reporting at the end of 2019, by creating a new "Responsible Finance" label to reinforce its visibility as a fund manager committed to responsible and durable finance. This seal highlights the company's expertise and is placed on the documents, communications and reporting relating to responsible finance. Crédit Mutuel Asset Management is continuing this learning curve by its new publication called "Corentin et la finance responsable" of which the first episode was published online in September 2019.

Crédit Mutuel Épargne Salariale

Crédit Mutuel Épargne Salariale (formerly called CM-CIC Épargne Salariale) is Crédit Mutuel Alliance Fédérale's specialized business center for the custody account keeping and management of employee savings accounts. It offers dedicated and personalized support to companies and their employees to assist them set up employee savings and retirement plans. The offers are distributed by all the points of sale and a network of accountancy firms. Crédit Mutuel Épargne Salariale is active on all markets but stands out through its turnkey offer for companies with less than 50 employees.

Crédit Mutuel Épargne Salariale has over 1.34 million employee savings accounts and 59,775 client companies with overall outstandings managed of €9.6 billion. The contractor subscription rate grew by 22.3% with 15,754 new contracts taken out. Gross intake reached an historic level of €1,484.7 million (+10.6%) including €325.5 million (+22.5%) for payments on new contracts.

Crédit Mutuel Épargne Salariale won the Mieux Vivre Votre Argent Long Term 2019 Award for the quality and performance of its company employee mutual funds *(fonds communs de placement d'entreprise)*.

Investment in digital continued during the fiscal year. All websites now incorporate responsive web design. Savers now have access to an e-learning platform which provides training on how an employee savings scheme works and which explains the principles and special features. Crédit Mutuel Épargne Salariale also offers a robo-advisor which provides targeted information on asset allocation according to the saver's profile (age, projects, risk sensitivity, etc.).

(1) Source: Six, December 2019.

1.3.1.2.5 Other

Crédit Mutuel Immobilier

Crédit Mutuel Immobilier (formerly called CM-CIC Immobilier) and its seven subsidiaries[1] constitute Crédit Mutuel Alliance Fédérale's real estate expertise branch. It covers all the real estate activities on the national territory and had 279 employees on December 31, 2019. Crédit Mutuel Immobilier implements an innovation policy in order to offer new sources of development.

Crédit Mutuel Immobilier:

- develops and markets real estate programs of main residences and buy-to-let investments;
- acquires land to develop integrated development zones and produce building land;
- carries out real estate programs as a joint developer with the developer customers of Crédit Mutuel Alliance Fédérale's banking networks;
- participates in roundtable meetings concerning development programs.

Crédit Mutuel Immobilier sells new real estate to Crédit Mutuel Alliance Fédérale's customers through the intermediary of AFEDIM, the sector's realty agency, which uses AFEDIM Gestion for real estate management and rental activities. More than 40% of purchasers through AFEDIM signed a management mandate with AFEDIM Gestion in 2019. Furthermore, in 2019 AFEDIM launched a trial offer to sell old real estate, in order to assist its customers and broaden the network's offer with innovative real estate services.

In 2019, Crédit Mutuel Immobilier created a new structure, Valorisation Immobilière, based in Paris. Its activity is to create value from the land information gained from the banking network's customers and to supply new programs to its production subsidiaries and customers (developers/builders).

Crédit Mutuel Home Loan SFH

Crédit Mutuel Home Loan SFH (formerly called Crédit Mutuel CIC Home Loan SFH) is the subsidiary of Banque Fédérative du Crédit Mutuel which is responsible for raising funds from international investors. It borrows on the financial markets by issuing residential-mortgage backed securities which are rated AAA by rating agencies because they are guaranteed by the network's home loans.

The global economy in 2019, penalized by the USA/China trade conflict and fears of a no-deal Brexit, forced the main central banks to step in. The ECB quickly reassured the markets by making positive announcements concerning liquidity followed by concrete measures in September.

In this context, Crédit Mutuel Home Loan SFH performed a dual-tranche 5-year and 10-year issue in January 2019. This novel formula which optimizes the final size of the issue by targeting an enlarged range of investors was very successful with €2 billion issued (€1 billion per tranche). Furthermore, €2 billion (€1 billion over 9 years and €1 billion over 11 years) were issued in April and subscribed by BFCM as part of its emergency plans in the event of market closure.

Crédit Mutuel Home Loan SFH is an integral part of Crédit Mutuel Alliance Fédérale's refinancing mechanism and will issue on the markets in 2020.

1.3.2 Insurance

The Groupe des Assurances du Crédit Mutuel (GACM) is a major player in property and personal protection insurance in France, covering the needs of private individual, professional and corporate customers. Backed by nearly 50 years of experience in banking and insurance, the business of GACM is fully integrated in Crédit Mutuel Alliance Fédérale on commercial and technological levels. Distribution is the responsibility of Crédit Mutuel's and CIC's banking networks and certain subsidiaries in France, Spain and Belgium. GACM accompanies its policyholders on a day-to-day basis to protect their families, property, professional activity or their businesses.

GACM offers its customers life-insurance solutions to diversify their savings, finance projects, plan for their retirement, or transmit capital through a range of management services comprising packaged offers, steered management and discretionary management mandates.

It markets personal insurance products covering personal property (auto insurance, home insurance) as well as business activity (premises, equipment, vehicle, civil liability and legal protection). The e-declaration is a quick way to file a home or auto claim in a few clicks, 24/7. More than 400,000 e-declarations were made in 2019 representing more than one in four claim declarations.

The healthcare insurance offer provides cover which matches the profiles and needs of the insured. All the insurance contracts provide access to the Carte Avance Santé which enables policyholders to pay their healthcare expenses without being debited immediately. The personal risk insurance offer anticipates the consequences of dependency or funeral arrangements with a range of products which includes an annuity or assistance payments.

GACM's loan insurance covers the loans contracted by private individuals professionals and businesses against unforeseeable circumstances.

In 2019, the insurance activity covered more than 12.5 million insured, an increase of 2.7%, and generated revenue of €12.2 billion, an increase of 1.2%. The gross life insurance inflows declined to €6.7 billion. The group's strategy to improve the diversification of life insurance contracts for its policyholders, both for the inflows and the outstanding, continued in 2019.

Revenue from property insurance has increased due to home and auto insurance. The professionals and businesses market is increasingly significant, with the deployment of several new offers, including a 10 year civil liability insurance policy and a review of auto fleet and group health insurance products. The insurance of people is a large area for development and a growth vector for GACM. The 2019 fiscal year, sustained by a new individual health care offer deployed in April 2018 and the recasting of the personal risk insurance offer for self-employed people in 2019, closed with increased revenue. Loan insurance is continuing to develop sustained by the marketing of an

(1) *List of seven subsidiaries: development/subdivisions Crédit Mutuel Aménagement Foncier; distribution of real estate property and services: AFEDIM and AFEDIM Gestion; real estate development: ATARAXIA Promotion; real estate co-development: Crédit Mutuel Réalisations Immobilières; financing rounds: Crédit Mutuel Participations Immobilières; real estate valuation: Valorisation Immobilière.*

offer which has been rethought and adapted to the new regulatory and competitive environment.

GACM continued to implement its strategy of improving its products and services for policyholders in 2019. The websites and mobile applications continue to be enriched with new functionalities. It is now possible to obtain an estimate and take out personal accident insurance using a mobile application. GACM's exclusive advantage for credit protection insurance of maintaining medical approval for a new loan if the main residence changes has already benefited over 100,000 people. Since the end of 2019, individual personal risk and credit protection policy holders have been able to declare online the extension of their medical leave and consult the progress of their application. Services for home insurance claims improved in 2019 especially in-kind compensation and remote appraisal services.

Finally, technological innovations are enabling customers' incoming calls to be distributed between the different management centers more effectively, thus reducing waiting times and providing personalized assistance. These developments are part of GACM's strategy to simplify actions for customers and to offer them efficient quality service, thus boosting customer retention.

1.3.3 Specialized business lines

1.3.3.1 Corporate banking

The corporate banking business line meets the strategic challenges of Crédit Mutuel Alliance Fédérale's key account and institutional clientele with a global approach to their needs. The corporate banking business line offers specialized financing and international development solutions which are tailored to each customer's requirements through its teams based in France and in CIC's subsidiaries abroad (London, Brussels, New York, Singapore, and Hong Kong). It also supports the action of the businesses networks for their large customers.

1.3.3.1.1 CIC Corporate: large companies and institutional investors

CIC Corporate is the entry and contact point for Crédit Mutuel Alliance Fédérale's large corporate customers which it supports in their development, as part of a long-term relationship. CIC Corporate therefore works with large French or foreign industrial corporate clients (companies with revenue of over €500 million), institutional investors (insurance companies, pension funds, etc.), and public or para-public organizations (large non-profit organizations or social organizations). Structured by economic sector, CIC Corporate's team comprises sales staff who are each responsible for a customer portfolio and provide personalized advice and solutions tailored to each need, activity and sector, by drawing on and coordinating the expertise of Crédit Mutuel Alliance Fédérale's business lines.

1.3.3.1.2 Structured financing

CIC's structured financing department supports Crédit Mutuel Alliance Fédérale's business customers' projects through four business lines: acquisition financing, project finaning, asset financing, and securitization. CIC offers support solutions which fit each type of transaction in France and abroad through its branches in New York, London, Hong Kong and Singapore. CIC also offers a management activity to third parties through the CIC Private Debt management company.

CIC's acquisitions financing business line supports customers' projects for corporate transfer, external growth and development. It provides its structuring expertise and know-how in structuring with financing adapted to each type of transaction.

After performing an in-depth analysis of the project, CIC proposes customized financial packages for project financing. It draws on the expertise and experience of a dedicated team of project analysts. CIC is notably involved in project financing in the energy and infrastructure fields. It has specific expertise in renewable energies: terrestrial and maritime wind turbines, solar energy and biomass. Although the geographic distribution of outstandings is dominated by Europe (two thirds of outstandings in 2019), CIC is also regularly involved in international projects, in particular in the Asia-Pacific and the Americas. In 2019, CIC was the co-arranger and refinancing agent for the Boralex parks, the largest refinancing ever performed in France in renewable energies for a total amount of €1.1 billion.

CIC's asset financing business line offers its expertise to Crédit Mutuel Alliance Fédérale's clients in France and abroad, especially in the fields of aeronautics (aircraft fleet financing), maritime cargo transport (financing transport vessels, container ships, bulk carriers, tankers), maritime passenger vessels (ferries, cruise ships), containers, and energy (financing of methane carriers and offshore oil production platforms). In 2019, the business line launched a rail sector financing activity.

CIC's securitization business line obtained its own "Satellite" refinancing pipeline in 2019. This enables CIC to refinance the bank's securitization operations with its corporate clientele.

CIC Private Debt (formerly called CM-CIC Private Debt) is a leading player in disintermediated financing for SMEs and European mid-caps. It has a reactive and independent team of 20 employees. CIC Private Debt offers a complete range of private debt with four financing solutions: mezzanine and unitranche, midcap senior financing, senior largecap financing, and infrastructure financing. CIC Private Debt, which has nine funds under management, managed €2.3 billion of assets at the end of 2019. As a responsible investor, CIC Private Debt, has adopted an ESG Charter which applies to the whole team and the funds under management. CIC Private Debt has also signed the Principles for Responsible Investment and the France Invest Charter.

1.3.3.1.3 International activities and foreign branches

The international realm being one of the engines of growth of its business customers, CIC, via its International Business Department, provides a comprehensive range of products to address the issues of international development. CIC advises companies from France and through its five branches and 32 representation offices abroad enabling it to cover some fifty countries.

CIC offers banking services and products intended to guarantee, safeguard and finance international business transactions: documentary letters of credits, international guarantees, cash-flow and currency risk management, financing of operations and working capital needs. Managed by a unique activity center (ISO 9001), international transaction processing is spread across France in five regional hubs to ensure close collaboration with corporate banking branches. In 2019, the Trade Services online documentary transactions management tool provided new functionalities for simplifying and facilitating the dematerialized processing of transactions: concise overview of tasks to be performed, management of import letters of credit, due dates, statistics, reporting.

By complementing its traditional vocation as a trusted intermediary in international business transactions, CIC Aidexport, CIC's specialist subsidiary, offers its customers a tailored and modulable offer of support and advice for international development. The specialists work closely with the network's account managers and with the support of the branches and international representation offices to draw up a multi-market targeting, select partners, assist with commercial or industrial implantation and offer detailed and realistic analysis of the market concerned. During 2019, CIC Aidexport assisted 200 companies.

Besides Crédit Mutuel Alliance Fédérale's networks in Germany, Spain and Switzerland, customers are supported abroad by CIC's international branches and representation office as well as strategic partnerships. The five branches located in the United Kingdom, the United States, Hong Kong, Singapore and, since 2019, in Belgium, and the 32 international representation offices provide the clientele and Crédit Mutuel Alliance Fédérale's specialist business lines with their expertise and knowledge of the regional markets thus contributing to developing the customers' activities abroad. The purpose of the branches is to support and finance corporate customers in the world's strategic zones. The representation offices – and the four international development offices within the branches – have as their primary mission to assist Crédit Mutuel Alliance Fédérale's customers in their plans for growth, in maintaining effective relationships with local banks and in responding to customer requests and needs (market information, search for a distributor, a supplier, a commercial agent, etc.), and intervening locally on behalf of Crédit Mutuel Alliance Fédérale's other business lines in close cooperation with the CIC Aidexport branch. Lastly, the support provided to customers abroad relies on strategic partnerships in Canada with Desjardins, in China with Bank of East Asia, in the Maghreb with Banque Marocaine du Commerce Extérieur and Banque de Tunisie.

1.3.3.2 Capital markets

Market transactions taken on by CIC and BFCM are performed in accordance with safe and prudent management norms, for the financing and investment needs of Crédit Mutuel Alliance Fédérale, as well as for its customers. Capital market operations revolve around three types of activities: Group cash management, commercial market activities and Rates-Equities-Credit investment activities. Teams are located primarily in France, but also in the New York, London and Singapore branches.

The group's cash management activity covers all entities of Crédit Mutuel Alliance Fédérale, including CIC. Being a matter of management of the banks' balance sheet, the profits/(losses) are included in those of the group's other activities or, failing that, in that of the holding company.

The commercial business line, under the name of CIC Market Solutions, mainly provides services to the customers of the group's banks, and for this reason redistributes the bulk of the profitability back to them.

The Investment business line represents in fine the net profit/(loss) of capital markets as it is summarized in this presentation. The skills developed for proprietary trading are offered to the customers by CIC Market Solutions through funds managed by the subsidiary Cigogne Management SA.

1.3.3.2.1 Refinancing

The management of Crédit Mutuel Alliance Fédérale's central cash position is based on prudent rules and an efficient system for accessing market resources.

The group has a number of well-adapted issue programs, providing access to investors in the main regions at the international level through public and private issues. This mechanism is supported by a comfortable liquidity reserve, adapted to comply with regulatory ratios and withstand severe stress.

Overall, the debt market was favorable throughout the year and enabled Crédit Mutuel Alliance Fédérale to secure refinancing under advantageous conditions.

In total, the outstanding external resources, raised via Banque Fédérative de Crédit Mutuel (BFCM) and its subsidiary Crédit Mutuel Home Loan SFH, amounted to €143.6 billion at the end of December 2019, up 4.0% compared to the end of 2018.

In 2019, public issues amounted to an equivalent of €12.0 billion.

1.3.3.2.2 Commercial (CIC Market Solutions)

CIC Market Solutions (formerly called CM-CIC Market Solutions) is the department within CIC in charge of capital markets and post-market on behalf of the customers of Crédit Mutuel Alliance Fédérale. CIC Market Solutions offers corporate customers and financial institutions solutions within the scope of their overall relationship with Crédit Mutuel Alliance Fédérale.

With €2.0 billion of structured EMTNs issued in 2019, CIC Market Solutions offers its corporate customers and financial institutions an original and high performing range of investment products, using CIC's and Stork Acceptance SA's EMTN issuance programs. Underlying these products may be rate instruments, credit instruments or equity instruments. This offer is mainly marketed to business customers and individuals in the Crédit Mutuel Alliance Fédérale networks.

CIC Market Solutions also advises and accompanies corporate customers and financial institutions in their risk hedging issues in terms of interest rates, exchange rates and commodities. After analyzing their needs, CIC Market Solutions provides its customers with standard hedging solutions as well as tailored, fully customized solutions. In 2019, more than 100,000 hedging transactions were processed by corporate customers. CIC Market Solutions operates in about 30 deliverable and about 20 non-deliverable currencies. Furthermore, it hedges the main raw materials: oil and oil derivatives, industrial metals and agricultural commodities.

CIC Market Solutions is the group's activity center for financial transactions in capital markets and other financial operations and was involved in 50 primary bond and equity operations in 2019. CIC Market Solutions also proposes corporate brokerage solutions to corporates (liquidity contract, share buyback, corporate execution, reclassification of shareholdings), securities services for issuers (keeping the shareholders' register, preparing and holding shareholders' meetings, financial services for security transactions) and financial communication and market access services (financial communication advice, sponsor listing, sponsored financial analysis and roadshows).

CIC Market Solutions also has a range of dedicated services to support and advise financial institutions whether they are asset management companies or institutional investors: investment decision assistance solutions, execution and post-market solutions, custody account keeping and depository solutions for UCITs and AIFs. With over 130 deposited management companies and over 31,000 administered customer accounts, CIC Market Solutions is the leader on the portfolio management companies and independent UCI's segment for custody account keeping and the depository function.

CIC Market Solutions draws on the expertise of its analysts (economics and strategy, equity and credit) and on the European ESN LLP (European Securities Network) partnership to assist financial institutions in their investment decisions by offering them a large coverage of 350 European companies. Finally CIC Market Solutions advises on the execution of a varied range of financial instruments: hedging, bonds, equities, ETF, derivatives. CIC Market Solutions, Inc., a broker-dealer subsidiary of CIC is the chaperone broker in the United States for the brokerage and market activities of CIC Market Solutions in France.

In 2019, CIC Market Solutions continued its digital strategy and developed new functionalities for its mobile application. Launched in July 2018, the mobile application gives Crédit Mutuel Alliance Fédérale customers a live and replay audio-video access to the expertise of CIC Market Solutions' economists, analysts and market operators.

1.3.3.2.3 Fixed income-equities-credit investments

The fixed income-equities-credit Investment activity essentially covers the buying and selling of securities acquired with the intention of holding them long-term, as well as transactions on financial instruments related to them. These transactions performed by CIC Marchés in its balance sheet, give Crédit Mutuel Alliance Fédérale control over the main market products which are necessary for its customers and itself, The investment strategy is to achieve positive performance by limiting the volatility of the activities' financial results from these activities. The expertise deployed is also used for Crédit Mutuel Alliance Fédérale's alternative management company, Cigogne Management SA, which CIC provides investment advice for.

The fixed income– equities–credit investments business line covers a large range of financial instruments. It is divided into three desks: rate desk (fixed income), equities desk (M&A special and hybrid operations) and credit desk (ABS/MBS, corporate loans, financial institutions, treasury securities). These activities are organized into specialties defined by the Body of Rules. The teams in charge of these activities conduct these transactions according to a strict framework of limitations.

The profits in France and abroad in 2019 are in line with budgetary forecasts and have clearly progressed compared to 2018 which saw a widening of credit spreads at the year's end. Cigogne Management SA's results improved on 2018 and compare favorably with indexes of comparable classes of assets over the period. The performance of the Stork Alternative Investment Fund, the primary investment support, is in line with comparable indexes but with a lower volatility.

1.3.3.3 Private banking

The private banking business of Crédit Mutuel Alliance Fédérale is focused on providing quality customer service, in accordance with the profession's best practices. It relies on several entities each with a unique positioning. In France, the activity is provided by CIC private banking and the Banque Transatlantique. CIC Banque Privée, a branch business line integrated into the CIC network, addresses first of all the needs of business leaders. Banque Transatlantique offers custom private banking services and stock-options; it also offers services dedicated to a French clientele living aboard. Internationally, the group has private banking entities in zones presenting strong growth potential such as Luxembourg, Switzerland and Belgium.

These outlets offer, in France as well as abroad, a large range of services with high added value to more than 180,000 customers. Depending on its market and its capabilities, each entity may intervene in other customer segments than just the private clientele.

The private banking business[1] totaled €150 billion in assets under management and €23 billion in loans.

1.3.3.3.1 CIC Private Banking

With 400 employees in more than 50 cities in France, CIC Private Banking has been working with wealthy estates households and business leaders to develop their personal and professional wealth for more than 150 years.

CIC Private Banking offers high added value services in the financial engineering and wealth, asset allocation and financial management fields. Working with wealth engineers, the private bankers meet with business owners to identify their needs and determine appropriate entrepreneurial and asset management strategy, and to offer tailored solutions in synergy with the expert business lines in accompanying companies in the network. CIC Private Banking benefits from the national and international presence of the CIC network and its representation offices worldwide.

In October 2019, CIC Private Banking launched a vast communication campaign in the press on three themes – agility, proximity and vision – to increase the visibility of its expertise in assisting its customers. There is also a digital version of this campaign on the theme of "And tomorrow" which uses videos presented by a well-known YouTuber questioning young people about "tomorrow's world". 2019 saw the launch of the new CIC Private Banking mobile application enabling its customers to perform their banking transactions with their smart phones whilst benefiting from the best digital standards. In June 2019, CIC Private Banking was also awarded the silver trophy for the best affiliated private bank at the *Sommet du Patrimoine et de la Performance*.

(1) Data on all private banking business (CIC Private Banking, Banque Transatlantique Group, Banque de Luxembourg and Banque CIC Switzerland).

1.3.3.3.2 Banque Transatlantique Group

Banque Transatlantique Group is one of the Crédit Mutuel Alliance Fédérale entities responsible for the private management of Crédit Mutuel Alliance Fédérale's customers.

For more than a century, it has earned, through the distinctiveness of its services and business lines, the confidence of its customers: executive management, entrepreneurs, French citizens working abroad, investors, large foundations and non-profit organizations. As a leading player, Banque Transatlantique assists them in the management, optimization and transmission of their assets. It has recognized expertise in private banking and asset management, through its subsidiary Dubly Transatlantique Gestion, as well as in the management of managerial shareholding plans and stock options. It also provides non-resident customers with experts trained in taxation and international law. Banque Transatlantique also assists its customers in carrying out their projects by integrating their philanthropic approach into their wealth management strategy.

The 425 employees of Banque Transatlantique bring their expertise to Paris and the regions, as well as to ten large cities around the world. Banque Transatlantique regularly receives awards for its expertise. In September 2019, Dubly Transatlantique Gestion won the trophy for the best equity management over one year in the management companies category awarded by *Mieux vivre votre argent* magazine for the *Corbeilles d'Or*. *Décideurs* magazine once again ranked Banque Transatlantique as a "must-have" bank in the "affiliated private banks" category. At the start of 2020, Banque Transatlantique was, once again, rewarded for the quality of its support for expatriates: the Magellan Circle awarded it the Quality Label in the "Bank, assets and expatriate accounts" category.

Banque Transatlantique awarded three BT awards for the first time in 2019, within the scope of its human resources policy, to three employees for their professional and interpersonal skills.

After winning numerous calls for bids throughout last year, Banque Transatlantique has consolidated its position as leader for managing shareholding plans (stock options and free shares) for managers and executive managers of large French and international companies.

The Banque Transatlantique's endowment fund which acts as an incubator for the bank's customers continued to develop projects in the general interest in the medical, cultural and reinsertion fields in particular.

1.3.3.3.3 Banque de Luxembourg

Banque de Luxembourg is a bank of reference in Europe, especially in Luxembourg and Belgium, and has over 1,000 employees. Banque de Luxembourg provides its customers with asset management services across five business lines: private banking, asset management, financing, business and entrepreneur accompaniment and professional banking.

Banque de Luxembourg provides an integrated offer across its private banking services in order to respond to its customers often complex requirements in order to preserve, manage and transmit family wealth. It also advises families on family governance issues or the creation of philanthropic projects. The asset management business line is provided by Banque de Luxembourg Investments, the bank's management company. The financing activity offers Banque de Luxembourg's customers a complete range of solutions for private, professional or entrepreneurial projects. Banque de Luxembourg advises real estate entrepreneurs and professionals in Luxembourg on project financing and the management of their business assets. The professional bank is a pioneer in the development of a skills division devoted to investment funds provides the funds initiators with all the services required for creating their investment vehicles, their central administration and their international distribution. Banque de Luxembourg also offers complete support to independent managers who delegate their administrative tasks to the bank, thus being able to focus entirely on management and growth of their business capital. Banque de Luxembourg is a responsible and committed bank which focuses its efforts in Luxembourg on responsible investment, the promotion of philanthropy, support for local social and cultural players and the human management of its resources.

Banque de Luxembourg was rewarded on several occasions in March 2019 for its asset management through its BLI management company and for the performance of its funds. It therefore won the UK Lipper Fund Awards 2019 Prize in the best overall small group category awarded by Refinitiv and the European Funds Trophy awarded by FUNDCLASS in the Best Luxembourg Asset Management category. Secondly the SRI Sustainable Horizon fund won the Luxflag ESG Label reflecting the Banque de Luxembourg ESG commitment in its investment policy.

Banque de Luxembourg reinforced its web or mobile digital channels as well as the digital tools dedicated to advisers in 2019 to satisfy changes in its customers' needs wishing to prolong their real-time experience. It also recast its website and its subsidiaries website. It improved the functionalities of the advisers' tool, and demonstrated the security of secure email for advisers and customers within the scope of a POC (Poof of Concept). It is focusing its digital priorities on the digital signature, robotization and electronic document management. Finally it is developing a credit tool with Banque CIC (Switzerland).

Banque de Luxembourg launched new products during the year. It set up a Sustainable & Responsible Investments (SRI) management mandate, it consolidated the private equity offer, in order to complete the range of solutions for the specific attention of Key Customers. Finally it is proposing a new personal banking offer and set up a new B Save savings product which is it planned to launch in 2020.

1.3.3.3.4 Banque CIC (Switzerland)

Banque CIC (Switzerland) has been established on nine sites in Switzerland for over a 100 years. It is a multi-channel bank, capable of connecting tradition and the spirit of innovation, while being efficient and flexible.

Banque CIC (Switzerland) is a bank which is focused on businesses, entrepreneurs and private individuals with complex financing needs. Banque CIC (Switzerland) sets itself apart from other banks by its commitment to entrepreneurial action, its short decision circuits, its financial stability, its advice focused on added value and its custom-made solutions. Its strategy involves combining personal advice and digital solutions such as Clevercircles and CIC eLounge, the new e-banking solution launched in 2019.

The CIC eLounge online service channel helps customers act efficiently as entrepreneurs at any time, independently no matter where they are. The mobile application and the computer version give customers a global view of the change in their asset values at all times. They also provide customers with information on the markets and enable customers to effortlessly validate payments or make securities transactions even when traveling. CIC eLounge also includes services that reduce the administrative load for the customer as well as the bank.

Besides digital solutions, the customer also receives all-round advice on financing, investments or transactions at a single address and the customer advisor ensures that the customers' requirements are satisfied as directly as possible.

1.3.3.4 Private equity

Crédit Mutuel Equity (formerly called CM-CIC Investissement) groups all Crédit Mutuel Alliance Fédérale's capital investment activities: private equity, capital transmission, capital innovation. Crédit Mutuel Equity has provided capital accompaniment to senior corporate executives at all stages of the development of their company for the last 40 years from start-up to transmission by giving them the resources and the time necessary for carrying out their transformation projects. Crédit Mutuel Equity brings together more 350 senior executives of start-ups, SMEs, medium-sized companies, which share their convictions and questions within a real entrepreneurial network which offers each one, irrespective of the type of project, the assurance of benefiting from the experience of other people. Crédit Mutuel Equity invests its own equity capital which enables it to finance corporate projects in accordance with the timelines adapted to their development strategy, both in France via its eight 8 sites as well as abroad (Germany, Switzerland, Canada, USA).

2019 was a very busy year for all the investment business lines and M&A advice. €422 million are managed on own account, with €280 million in 42 new companies and notably GP Group (Hardis: Digital services and software publishing), Aster Développement (Alpina Savoie: Hard wheat transformation and the manufacture of pasta, couscous and cereal products), Keen Eye (solutions for analyzing dematerialized images); and outside France, Chemoform AG (manufacture and distribution of swimming pool and spa accessories), Icentia (detection of anomalies in heartbeat: atrial fibrillation).

Portfolio rotation is active once more. Divestments freed up €131 million of gains (including reversal of provisions on disposal), demonstrating once again the quality of the assets in the portfolio. The main divestments concern Foncière Roy Emera (long-term care nursing homes), Prochitech (manufacture of technical films) and Belledonne Développement (Groupe Routin: production of syrups). At the end of 2019 the own account portfolio had more than €2.6 billion of outstandings invested in over 350 well-diversified interests.

Moreover the international deployment required for continuing to accompany portfolio companies and develop interests is accelerating. At the end of 2019 investment in seven Crédit Mutuel Equity sites outside France represented €182 million of outstandings.

Crédit Mutuel Capital Privé outstanding funds under management for third parties totaled €98.3 million. CIC Conseil performed 17 advice missions in 2019 making this a good year for commissions.

In 2019, Crédit Mutuel Equity announced that it was enlarging its offer by creating a new infrastructure activity. Crédit Mutuel Equity has chosen to remain a generalist but with strong positions on principal verticals: the first connected with energetic transition, the second to mobility and transfer. The goal is to accompany economic structuring projects as close as possible to the territories in consistency with the long-term investment model and the CSR principles which characterize Crédit Mutuel Alliance Fédérale. The new structures managed by Crédit Mutuel Capital Privé.

Crédit Mutuel Innovation, a subsidiary which specializes in venture capital investments which historically has been oriented towards the life sciences sector is also opening to digital. Five new people joined the team in 2019 to accelerate its growth with a target of a €250 million invested within three years.

In this new dynamic of digitization, Crédit Mutuel Equity is preparing to reinforce the interactions of its portfolio of 350 interests by launching a new open innovation services. This will enable senior executives to be put in touch with the players in the innovation ecosystem who can provide answers to their problems.

1.3.4 IT, logistics, and the press

This division comprises the group's IT companies, logistic structures and press activities.

Euro-Information Télécom (EIT)

Euro-Information Telecom is France's leading mobile network aggregator and leading alternative telephony operator in France. EIT is a partner of the three historic Telecom operators and proposes offers on the three mobile networks as well as an Internet/TV/telephony offer. It operates on the consumer market under 5 brands (Crédit Mutuel Mobile, CIC Mobile, NRJ Mobile, Auchan Telecom and Cdiscount Mobile). EIT offers mobile solutions to businesses and professionals under their own brand by totally or partially managing the whole production chain.

Euro-Information Telecom crossed the bar of 2 million customers in 2019 with growth in the BtoB and BtoC clientele. The Very High Speed box offer launched at the start of the year was very successful with almost 30,000 sales.

Euro Protection Surveillance (EPS)

Euro Protection Surveillance offers residential and business remote security services under the Homiris brand. The service is mainly marketed through the banking and insurance networks under an "all-inclusive" subscription. EPS is France's leader residential remote surveillance supplier with around 31% of market share (source: *Atlas 2019 En toute sécurité*).

Euro Protection Surveillance continued its growth in 2019 with the signature of more than 31,000 new contracts and now has over 505,000 subscribers.

EPS emphasized its presence during 2019 with a new brand Homiris in the Crédit Mutuel and CIC networks and via the "Senior assistance" offer with a new remote assistance alert system, a new remote assistance offer including smoke detection, two help buttons and carbon monoxide detection as an option. EPS was voted the best remote surveillance company by *UFC Que Choisir* in June 2019 and is one of the best 2020 brands in the remote surveillance category according to a survey by the Capital newspaper for the 4th year running.

The Lyf Pay electronic wallet

Lyf Pay is the first multiservice mobile payment application intended to satisfy new ways of consuming connected to the digitization of supports and services in the payment and purchase universe. Lyf Pay is a Fintech at the heart of new payment and purchase experiences capitalizing on the omnipresence of smartphones in consumers' daily lives. Its services are designed for traders (dematerialization of payments and associated customer loyalty services) and consumers (in-store payments, kitty, donations).

The Lyf Pay application has been downloaded by over 2.7 million people with 1.3 million accounts created since its launch in 2017.

Lyf Pay launched several new services in 2019 to go further to satisfying consumers' payment and purchase needs such as the free kitty between friends, Paylib NFC payment, Scan & Go (enables users to scan products in-store and to pay for them in 1 click without going to the checkout), the integration of Lyf Pay's functionalities into a merchant application (e.g. mobile apps with Casino, Leader Price applications), inclusion of Alipay in the Lyf Pay acceptance networks with merchants, the deployment of Lyf Pay with numerous store chains (Franprix, Marionnaud, Etam, etc.) and works to certify the mobile application with the CB EIG to obtain the certification delegation for French issuers.

Press

Crédit Mutuel Alliance Fédérale holds nine regional newspapers: *Vosges Matin*, *Le Dauphiné Libéré*, *Le Bien Public*, *L'Est Républicain*, *Les Dernières Nouvelles d'Alsace*, *L'Alsace*, *Le Progrès de Lyon*, *Le Républicain Lorrain*, and *Le Journal de Saône-et-Loire*.

With a circulation of 900,000 paper copies per month the group is the leading player in France' printed regional press. On average the newspapers' websites and web applications receive a total of 107 million visits and 424 million pages viewed every month.

The subscription offers were simplified and reviewed in 2019 (there are now four offers for all the newspapers). All the editorial websites have been redesigned with a new graphic style as well as functionalities like possibility for readers to choose their local digital edition. It is also possible to access the evening edition in digital format of the next day's paper from 9:30 p.m. for each department. Finally, digital organization and tools enabling content to be produced in digital first were deployed in 2019.

1.4 HISTORY

1.4.1 Origins of Crédit Mutuel

At the end of the 19th century, the farming communities in Germany's Rhineland region were impoverished as a result of usury.

Frédéric-Guillaume Raiffeisen (1818-1888) then developed a new concept to combat poverty. The idea was to arrange loans to finance the resources needed for farming (seeds, livestock, etc.) based on the savings and responsibility of all villagers – the shareholding members. Interest was paid on the savings collected. The foundations of Crédit Mutuel had been laid:

- loans were only granted to shareholding members;
- limited (after originally being unlimited) joint and several liability of shareholding members;
- a democratic organization: one person equals one vote, voluntary membership, no remuneration for directors;
- limited geographic areas;
- no pay-out of financial surpluses;
- indivisible reserves.

Such was the foundation upon which Crédit Mutuel was built and which continues to underpin the company to this day.

1.4.2 Main dates

1882 Creation of Crédit Mutuel's first bank in La Wantzenau.

1885 Creation of the first federations: Basse-Alsace and Haute-Alsace.

1897 Creation of the Lorraine federation.

1905 Creation of the Alsace-Lorraine federation.

1933 Creation of Banque Fédérative du Crédit Mutuel under the name Banque Mosellane on June 1.

1958 Crédit Mutuel is granted legal status at the national level. The Alsace-Lorraine federation becomes Fédération du Crédit Mutuel d'Alsace et de Lorraine. Banque Mosellane becomes Banque Centrale des Caisses de Lorraine. In 1966, its name is changed to Banque du Crédit Mutuel Lorrain (BCML).

1971 Creation of Assurances du Crédit Mutuel. Opening of the Bischenberg training center.

1972 Expansion into Franche-Comté; the group is renamed Fédération du Crédit Mutuel d'Alsace, de Lorraine et de Franche-Comté.

1992 Restructuring of the head office entities: Merger of the former Banque Fédérative du Crédit Mutuel (BFCM) and Expansion Rurale et Urbaine (ERU) to form Caisse Fédérale Centre Est Europe; transfer of the commercial banking activity of the former BFCM to Banque de l'Économie Crédit Mutuel (BECM), of the holding company activity of the former BFCM to Banque du Crédit Mutuel Lorrain (BCML), of the commercial banking activity of BCML to BECM; change of name of BCML to BFCM.

Crédit Mutuel Centre Est Europe (CMCEE) is formed through the merger of two federations – Fédération d'Alsace, de Lorraine et de Franche-Comté and Fédération de Bourgogne-Champagne.

1993 Partnership between CMCEE and Crédit Mutuel du Sud-Est (CMSE).

1998 BFCM acquires 67% of CIC's capital for €2 billion.

2001 BFCM acquires the remaining 23% stake in CIC held by Groupama.

2002 Partnership between CMCEE, CMCSE and Crédit Mutuel Ile-de-France (CMIDF). Partnerships with Banca Popolare di Milano through CIC.

2004 Creation by Euro Information, in partnership with Banque de Tunisie, which is 20%-owned by CIC, of two subsidiaries in Tunisia specializing in information systems development (IID) and outgoing calls (Direct Phone Services).

CIC acquires a 10% interest in Banque marocaine du commerce extérieur (BMCE).

2007 Acquisition, in March, of Zurich-based Swissfirst Private Banking by CIC Private Banking-Banque Pasche and, in April, of Groupe Républicain Lorrain.

Creation of the subsidiary CM-CIC Covered Bonds, and launch of a €15 billion EMTN ("Euro Medium Term Notes") program.

2008 Acquisition of 100% of the capital of the French subsidiary of Groupe Banco Popular Español by BFCM.

Acquisition of the majority of the capital in l'Est Républicain through France Est by BFCM.

Acquisition, on December 5, of 100% of the capital of Citibank Germany by BFCM.

2009 Fédération du Crédit Mutuel Midi-Atlantique joins the interfederal bank, bringing the number of member federations to five.

BFCM and 3 Suisses International ("3SI") take majority control of Cofidis Participations. This transaction was carried out through the acquisition of 51% of Cofidis Participations by a holding company jointly owned by BFCM and 3SI and 67%-controlled by BFCM.

2010 The group strengthens its branch network in France and neighboring countries (in particular Spain) through the creation of a branch network with Banco Popular.

2011 The Crédit Mutuel Loire-Atlantique et Centre-Ouest, Crédit Mutuel du Centre, Crédit Mutuel Normandie, Crédit Mutuel Dauphiné-Vivarais and Crédit Mutuel Méditerranéen federations join Caisse Fédérale de Crédit Mutuel, bringing the number of member federations to ten.

A partnership between the group and Groupe Casino to market financial products through Banque Casino.

2012 Fédération du Crédit Mutuel Anjou joins Caisse Fédérale du Crédit Mutuel, bringing the number of member federations to 11.

2013 Crédit Mutuel CM11 Group and Mouvement Desjardins – Canada's leading cooperative financial group – create Monético International.

Signature of several agreements allowing BFCM to directly or indirectly hold 54.63% of the capital of Cofidis Participations.

Partnership agreement, through Euro-Information, with Banco Popular Español SA to create a 50%-owned joint venture to manage a fleet of ATMs in Spain.

2014 In March, the Crédit Mutuel CM11 Group sells its 7% stake in Banca Popolare di Milano. The group also increases its stake in Banque de Tunisie to 34%.

2015 After the integration of Agrupació in 2012, acquisition of Atlantis by Groupe des Assurances du Crédit Mutuel.

Cofidis Participations Group acquires Banif, specializing in used car loans in Portugal, Hungary, Slovakia and Poland, and Centax, specializing in guaranteeing payments by check or card in the distribution sector in Italy.

10th year in the telephony business. New partnership with Bouygues enabling the group's operator, El Télécom, to be the only mobile virtual network operator to have signed three full MVNO 4G contracts (SFR, Orange and Bouygues).

BFCM enters into exclusive negotiations to acquire General Electric's leasing and factoring activities in France and Germany.

2016 BFCM holds a 51.02% interest in Targobank Spain.

Sale of Banque Pasche to the Luxembourg bank Havilland.

BFCM acquires, on July 20, General Electric's leasing and factoring activities in France under the names "CM-CIC Leasing Solutions" and "Factofrance", in Germany under the name "Targo Commercial Finance".

2017 BFCM absorbs CM Akquisitions GmbH after acquiring 100% of the Targo Deutschland GmbH shares held by CMA in 2016.

BFCM acquires 16% of Cofidis Participations' capital, increasing its interest to 70.63%.

Creation of Lyf Pay from the merger of the electronic wallets backed by the Crédit Mutuel CM11 Group (Fivory) and BNP Paribas (Wa!).

BFCM acquires 48.98% of the capital in Targobank Spain from Banco Popular.

BFCM sells, on June 6, its entire stake (3.95%) in Banco Popular Español (BPE) to Banco Santander, following the resolution.

Delisting of the CIC share on August 11 after the company's takeover by BFCM and Mutuelles Investissement following a simplified tender offer.

CIC sells its private banking activities in Singapore and Hong Kong to Indosuez Wealth Management. CIC remains fully present in Asia with its corporate banking, structured financing and institutional services activities.

2018 Merger-absorption, on January 1, of Nord Europe Assurances (NEA) and its subsidiaries by Groupe des Assurances du Crédit Mutuel (GACM).

Changes to the articles of association, between September and October, approved by the members of the 30 local banks of Crédit Mutuel Massif Central allowing them to become members of Caisse Fédérale de Crédit Mutuel effective from January 1, 2020 at the latest.

The change of name of Groupe Crédit Mutuel CM11 which becomes Crédit Mutuel Alliance Fédérale thus underscoring the dynamism of the alliance which groups 11 federations of Crédit Mutuel, Caisse Fédérale de Crédit Mutuel, Banque Fédérative du Crédit Mutuel (BFCM) and all its subsidiaries.

Crédit Mutuel Alliance Fédérale launches, on November 13, its strategic plan for 2019-2023, *ensemble#nouveaumonde*, jointly constructed with the directors and employees. This plan charts Crédit Mutuel Alliance Fédérale's course and ambitions by placing members and customers at the heart of its strategy and technology at the heart of its priorities.

2019 Crédit Mutuel Alliance Fédérale crosses a new stage in its strategic 2019/2023 plan *ensemble#nouveaumonde* by modifying its brand architecture. The purpose is to increase the visibility of its two main networks, Crédit Mutuel and CIC, and its business lines.

2020 Crédit Mutuel Antilles-Guyane and Crédit Mutuel Massif Central join Crédit Mutuel Alliance Fédérale on January 1. Crédit Mutuel Alliance Fédérale now has 13 federations.

Launch, in January, of Crédit Mutuel Investment Managers, Crédit Mutuel Alliance Fédérale's asset management activity center. It is organized into a multi-entity model which draws on the forces existing in all Crédit Mutuel Alliance Fédérale's management entities to improve the promotion and enhance the group's expertise in several asset classes.

Since 1997, Cofidis has established itself as one of the oldest sponsors of professional cycling. The brand chose cycling, a popular sport that conveys the values of courage, going beyond one's limits and team spirit. Loyal to the associations it has historically supported, Cofidis is giving Neuf de Coeur and DigestScience the opportunity, in 2020, to appear on the team's jersey.

2

CRÉDIT MUTUEL ALLIANCE FÉDERALE AND BANQUE FÉDÉRATIVE DU CRÉDIT MUTUEL BUSINESS REPORT

2.1 ECONOMIC AND REGULATORY ENVIRONMENT IN 2019

2.1.1 Economic environment

Despite a number of upsets, 2019 finished on a positive note

2019 unfolded in two phases. Until the end of summer, the intensification of risk factors (Brexit and protectionism in particular) clouded visibility for economic agents and global growth was impacted by the contraction of industrial activities. Against this backdrop, one by one central banks changed tack and significantly relaxed their monetary policies, resulting in record-low interest rates. Nevertheless, major concerns were largely alleviated at the end of the year, with the confirmation that the United States and China had come to a “Phase 1” trade agreement, and the soothing of fears of a no-deal Brexit, with Boris Johnson’s landslide win at the UK general election. These two factors contributed to growing optimism on financial markets at the end of the year, and helped stabilize growth.

Lingering risk factors during the year

The trade war led by Donald Trump spurred volatility on financial markets and weighed on economic activity in 2019. Although the President fueled tensions on a number of fronts (Japan, European Union, Iran, Mexico, Canada, etc.), it was above all the confrontation with China, specifically with the introduction of customs duties on more than half of Chinese imports, that dealt a blow to global trade and significantly weighed on investment. Nevertheless, the two countries ultimately came to an agreement, and the announcement of the “Phase 1” agreement (signed on January 15, 2020 in Washington) provided greater visibility to economic players, and made it possible to stopper the slowdown in growth. More good news followed in the second half of the year, with the partial agreement signed with Japan, the signing of a new USMCA agreement with Mexico and Canada to be ratified in 2020, and the approval of the 2020 budget.

Europe was also the stage for this climate of uncertainty, with a series of unforeseen developments in the United Kingdom. The resignation of Theresa May saw Boris Johnson take office in July, and his strong stance revived fears of a no-deal Brexit. However, the new Prime Minister successfully renegotiated the exit agreement with Brussels, thereby garnering greater public support. His landslide win at the snap UK election on December 12, with the assurance that all Conservative MPs would vote for his draft agreement, significantly alleviated fears of a no-deal Brexit and avoided another negative shock on growth, despite questions about future economic relations remaining unanswered.

Global growth loses a major driver in 2019

In the euro zone, growth significantly slowed in 2019, weakened by an increase in uncertainty as well as more structural factors (difficulties in the automotive sector, slowdown in China, political tensions in certain countries). The growth rate stabilized in the third quarter (up 1.2% year-on-year) due to the resilience of domestic demand and investment offsetting the negative contribution of external trade. Although the political context has gradually improved since October, positive impacts on the economy were only seen at the end of the year. Fears surrounding the growth cycle and weakened inflation led the ECB to take a sharp turn in its monetary policy, implementing additional economic support measures (decrease in interest rates on deposits, the resumption of asset purchases, new TLTROs[1] and introduction of a tiering[2] system). The bank also called on States with budgetary room to maneuver to deploy resources to support growth and maintain sovereign rates. Nevertheless, 2020 stimulus plans were ultimately only modest.

In the United States, the trade war led by President Donald Trump with the majority of the country’s economic partners weighed heavily on growth which slowed throughout the year from +2.9% in 2018 to +2.1% in the third quarter of 2019, adversely impacted by the negative contribution of foreign trade and weakened investment. However, the alleviation of political and geopolitical uncertainty in the second half of the year helped boost the US growth cycle. This cycle can still count on consumer resilience (strong labor market, increasing wages, low level of inflation) and the rise of the real estate sector to compensate for long-term weakness in industry (ongoing difficulties in the aeronautics and energy sectors). This uncertainty, combined with risks weighing on growth and inflation, led the Fed to adjust its monetary policy via three interest rate cuts (-75 bp in total), while continuing to expand its balance sheet to reduce the money market tensions that arose during the year. This change contributed to a significant decline in sovereign rates.

In China, the structural slowdown in growth, estimated at “around 6%” by the government, was intensified by the negative impact of US taxes, forcing authorities to ramp up budgetary and monetary support measures. Large-scale stimulus packages prevented a sharp decline in growth, however at an increasing cost to public finances and the balance of the financial system. Furthermore, domestic demand struggled to rally and was weighed down by the sharp rise in inflation due to the surge in pork prices. In emerging countries, capital outflow stopped however the slowdown in growth continued, forcing central banks to drop their key rates and resulting in a decline in sovereign rates.

(1) Cost-effective refinancing operations for banks.
(2) Mechanism to exempt part of banks’ excess reserves from the application of the rate of return on deposits (-0.5%).

In terms of oil prices, the accentuation in production cuts decided by the members of OPEC+ and the additional efforts announced by Saudi Arabia propped up the price per barrel of Brent crude (annual performance +22% at $66/b). Prices were also driven by the continued geopolitical risk in the Middle East, such as the attacks on Saudi oil facilities in September, as well as escalating tension between Iran and the United States since the end of the year. However, the price of Brent crude oil per barrel remained below that recorded before the sharp decline at the end of 2018, still impacted by a slowdown in global growth.

In France, growth held up well however the President remained under pressure.

Despite a complex environment marked by strikes, growth in France remained strong in 2019 (third quarter growth stable at 1.4% year-on-year). Domestic demand continued to be driven by purchasing power support measures taken by the government, weak inflation and a strong labor market, while the pace of investment growth remained high. Furthermore, France was less impacted by the slowdown in external demand. Compared to its neighbors, most of France's exports are less sensitive in the short term to slowdowns in global investment.

2.1.2 Regulatory environment

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

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

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

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

- implementation of prudential reforms as part of the finalizing of the Basel III agreements, including the Fundametal Review of the Trading Book and the IRB Repair initiative (including the new definition of defaults);
- European regulations governing the management of non-performing loans, notably their provisioning rules;
- the recommendation made to French banks by the *Haut Commissariat pour la stabilité financière* (HCSF – High Council for Financial Stability) in order to further regulate the granting of home loans, combined with a countercyclical buffer in France;
- measures to regulate resolution recovery arrangements to be put in place in banking institutions (BRRD Bank Recovery and Resolution Directive), namely the associated requirements in terms of the MREL ratio (Minimum Requirement for own funds and Eligible Liabilities) to be respected and the contribution to the funding of the Single Resolution Fund (SRF);
- regulations governing data quality and protection (including the European Regulation on the protection of natural persons with regard to the processing of personal data, known as the "General Data Protection Regulation" (GDPR), or the requirements set out in the principles of the BCBS 239);
- regulations on banking compliance, in particular those governing the fight against money laundering and terrorist financing (LCB-FT) and customer protection;
- regulations governing market activities (including EMIR and MIFID2).

The measures that constitute the main risk factors for Crédit Mutuel Alliance Fédérale are presented in section "Risk Factors" in Chapter 5 "Risks and Capital adequacy - Pillar 3".

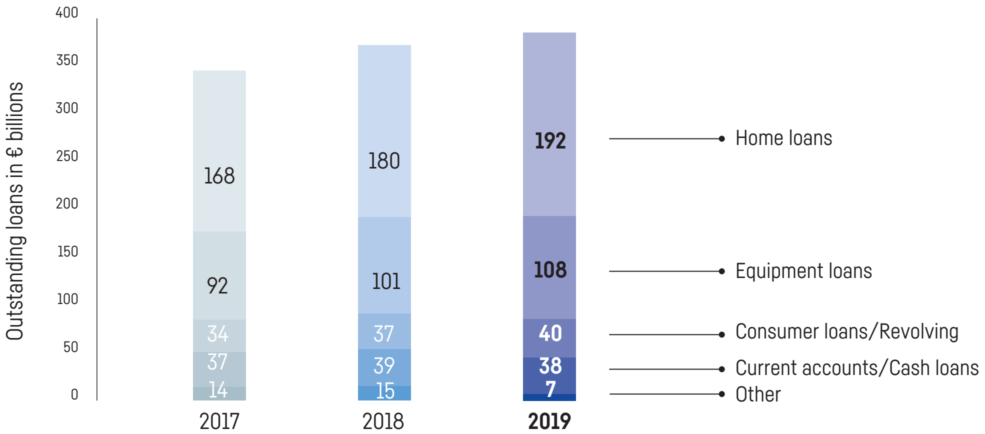
2.2 ACTIVITIES AND RESULTS OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE IN 2019

2.2.1 Description of certain factors affecting the profit/(loss) and the financial situation

Structure and sectors of activity

The profit/(loss) and the financial situation of Crédit Mutuel Alliance Fédérale reflect the significant weight of retail banking and insurance within Crédit Mutuel Alliance Fédérale's activities. The retail banking regularly contributes nearly three quarters of Crédit Mutuel Alliance Fédérale's Net banking income (67% in 2019). Generally, corporate and investment banking, including proprietary trading, as well as private banking and private equity, represent a relatively low share of Net banking income. Furthermore, the customers of the insurance and private banking sectors are often also retail banking customers (the group's networks in retail banking market the group's insurance products, often related to supplying another retail banking service or simply through contacts with the banking network, which endeavors to develop relationships with customers and offer them a maximum number of services. Thus, the acquisition of customers by these sectors is a means of improving the results of the retail bank through the payment of commissions to the distribution networks and cross sales of products.

Home loans represent nearly half of the total loans granted to customers by Crédit Mutuel Alliance Fédérale. The graph below illustrates the types of loans granted by Crédit Mutuel Alliance Fédérale in respect to the fiscal years 2017, 2018 and 2019.



Crédit Mutuel Alliance Fédérale's net interest income mainly includes net interest generated by regulated savings accounts (passbook accounts "livret A" and "livret Bleu"), which represent 10% of customer deposits as of December 31, 2019. Most of these deposits made by customers on these accounts are transferred to Caisse des Dépôts et Consignations (CDC), a financial institution held by the French state, which is intended to finance public programs, such as the construction of social housing. The CDC pays a fixed interest, which is added to the interest rates provided on these savings accounts. As this interest is fixed, the share of deposits on regulated savings accounts in Crédit Mutuel Alliance Fédérale's total customer deposits of the group may have an impact on its average interest income.

Administrative costs

Crédit Mutuel Alliance Fédérale pays particular attention to controlling its general operating expenses by seeking to industrialize, if possible, the processes used by retail banking, in order to achieve improvements in operational efficiency. Almost all entities of Crédit Mutuel Alliance Fédérale use the same information system, which generates significant efficiency savings. Furthermore, the retail banking personnel are encouraged to promote all products and services of the group, rather than specializing by type of product. Due to the efforts made by Crédit Mutuel Alliance Fédérale, the cost/income ratio has stayed at a level that is below the average of the five largest French banks, in spite of the unfavorable effects of expenses related to the tax and social-security regulations.

Cost of risk

The cost of Crédit Mutuel Alliance Fédérale's risk is relatively limited due to the nature of its economic model based on retail banking, its prudent approach in matters of risk-taking and the rigor adopted to manage and monitor risk. In particular, as Crédit Mutuel Alliance Fédérale's activities are mainly exercised in France, the provisions for country risk are of little significance. Crédit Mutuel Alliance Fédérale's cost of risk is also the reflection of the consumer credit activities of Targobank in Germany and Cofidis, which have a cost of risk greater than that of the networks of Crédit Mutuel and CIC.

Capital structure

Due to the status of Crédit Mutuel Alliance Fédérale as a cooperative bank, its capital is held by the local banks, which are held by their members. The net profit/(loss) of Crédit Mutuel Alliance Fédérale is mainly booked to reserves, with the members receiving fixed compensation determined each year for their shares of category B (the "B shares"). Generally, the share in the net profit booked to reserves stands at above 95% and the balance is distributed as shares.

The group encourages regular subscription to new shares through marketing campaigns. The shares represent a means of improving customer loyalty while constituting a regular source of new capital. However, as the group is not listed on the stock market, it cannot raise capital through public offers. Information on the regulatory capital requirements of the group is presented in chapter 5 "Risks and Capital adequacy - Pillar 3".

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

2.2.2.1 Methodology notes

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

			Change	
Outstanding customer loans *(in € millions)*	**2019**	**2018**	**in%**	**In €M**
Loans and receivables to customers at amortized cost (A)	**384,535**	**370,886**	**+3.7%**	**+13,649**
o/w repos* (B)	915	9,236	ns	-8,321
Customer loans excluding repos (A) - (B)	**383,620**	**361,650**	**+6.1%**	**+21,970**

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

			Change	
Outstanding customer deposits *(in € millions)*	**2019**	**2018**	**in%**	**In €M**
Due to customers at amortized cost (A)	**336,806**	**304,319**	**+10.7%**	**+32,487**
o/w repos* (B)	3	2,024	ns	-2,021
Customer deposits excluding repos (A) - (B)	**336,803**	**302,295**	**+11.4%**	**+34,508**

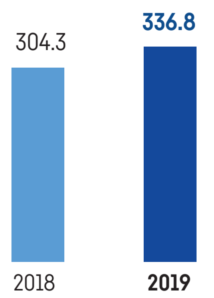
* *The change in the management model of part of the pensions resulted in the classification of transactions initiated as of January 1, 2019, in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book.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

2.2.2.2 Change in activities in 2019

Outstanding deposits from customers stood at €336.8 billion at the end of December 2019, up sharply by 11.4%, driven by the strong growth in demand deposits (up 12.1% to €150.1 billion), and negotiated deposits (inflows of €13.7 billion). Outstanding regulated savings also increased by 8.2% for the passbook accounts “livret Bleu” and “livret A” and by 5.3% for other passbook accounts. These passbook accounts represent 28% of outstanding deposits (10% for “livret Bleu” and “livret A” and 18% for the other passbook accounts), representing an overall amount of €92.6 billion.

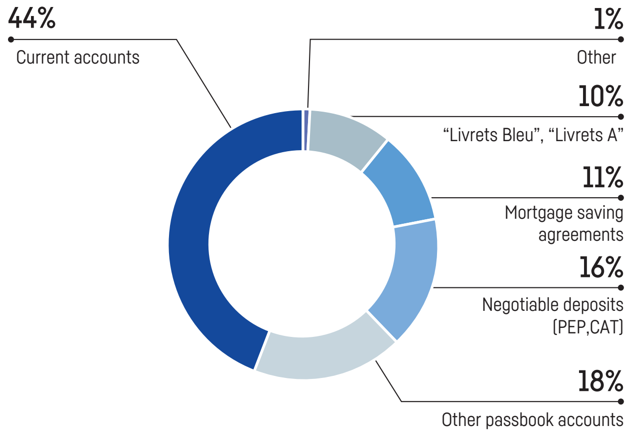
Mortgage savings maintained positive flows of €1.4 billion, bringing outstandings to €36.3 billion at the end of 2019.

CUSTOMER DEPOSITS



Outstanding customer deposits on 12/31 in € billions

STRUCTURE OF DEPOSITS ON 12/31/2019



Outstanding loans to customers stood at €384.5 billion as of December 31, 2019, increasing by 6.1%.

Outstanding home loans rose by 6.7% to €191.6 billion (50% of total outstanding loans).

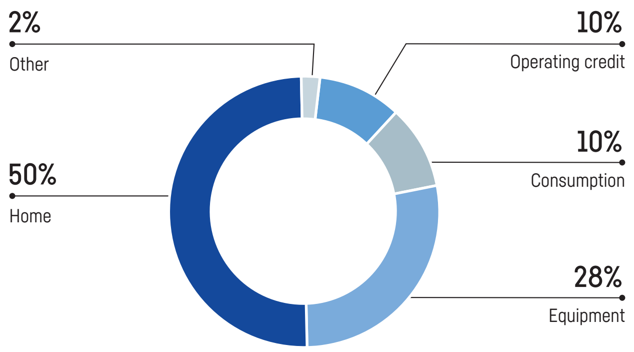
Outstanding consumer loans were €40.1 billion at the end of December 2019, up by 8% over one year. The specialized subsidiaries of the group, Cofidis and Targobank in Germany represent 67% of the outstanding business in this category and are positioned favorably with outstanding business up respectively by 8.8% and 11%. Crédit Mutuel Alliance Fédérale is therefore taking its place to support and retain individual customers by financing their expenses for equipment and improvements or for purchasing cars.

Support to corporate and professional customers also has good momentum, whether through the networks, with equipment loans outstanding up by 7% to €92.5 billion, or via specialized finance leasing subsidiaries, for which outstanding business (€15.3 billion at the end of 2019) grew by 7.3%.

CUSTOMER LOANS

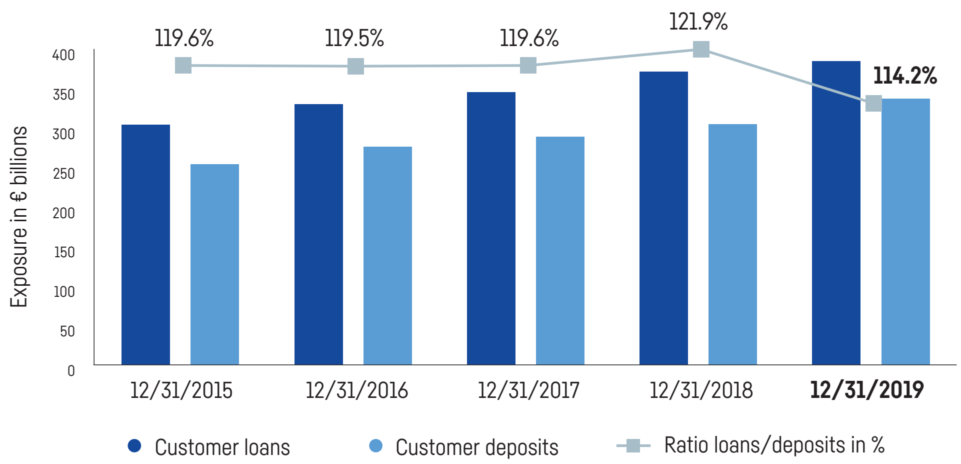
Outstanding loans to customers on 12/31 in € billions

STRUCTURE OF LOANS ON 12/31/2019



In 2019, the growth in outstanding deposits, which was greater than that of outstanding loans (11.4% versus 6.1%) led to a 7.7 point improvement in the loan/deposit ratio, which stood at 114.2% at the end of December 2019.

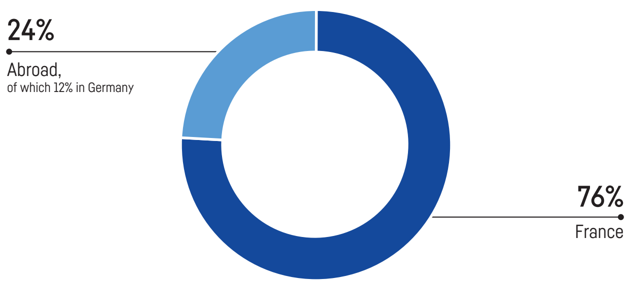
CHANGE IN RATIO LOANS/DEPOSITS



2.2.2.3 Regional breakdown of revenues

The group's activity is concentrated in France, which represents more than three quarters of the group's Net banking income (76% in 2019). Internationally, the group has significant activities in Germany and, to a lesser extent, in Spain. CIC also has international subsidiaries in London, Brussels, New York, Hong Kong and Singapore, and representative offices in several other countries. These international activities represent around a quarter (24%) of the group's Net banking income.

GEOGRAPHICAL BREAKDOWN OF NBI AT 12/31/2019



Proportion NBI	France	Abroad
12/31/2019	76%	24%
12/31/2018	77%	23%
12/31/2017	78%	22%
12/31/2013	79%	21%
12/31/2008	94%	6%

2.2.2.4 Profit/(loss) of Crédit Mutuel Alliance Fédérale

(in € millions)	2019	2018	Change
Net banking income	**14,569**	**14,070**	**+3.5%**
General operating expenses	-8,942	-8,714	+2.6%
Gross operating income/(loss)	**5,627**	**5,356**	**+5.1%**
Cost of risk	-1,061	-904	+17.4%
Operating income	**4,566**	**4,452**	**+2.6%**
Net gains and losses on other assets and ECC[1]	86	111	-22.3%
Profit/(loss) before tax	**4,652**	**4,563**	**+2.0%**
Income tax	-1,507	-1,569	-4.0%
Net profit/(loss)	**3,145**	**2,993**	**+5.1%**
Non-controlling interests	314	298	+5.2%
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**2,832**	**2,695**	**+5.1%**

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

Net banking income (NBI)

In 2019, Crédit Mutuel Alliance Fédérale's Net banking income reached €14,569 million. NBI of the banking networks in France, Germany and Spain increased by 3.1%.

Net banking income from the operational business lines *(in € millions)*	2019	2018	Change in%	Change In €M
Retail banking	**10,537**	**10,284**	**+2.5%**	**+253**
o/w banking networks	8,631	8,371	+3.1%	+260
Insurance	**1,778**	**1,822**	**-2.4%**	**-44**
Specialized business lines	**1,557**	**1,468**	**+6.1%**	**+89**
Private banking	572	551	+3.8%	+21
Corporate banking	383	395	-3.0%	-12
Capital Markets	337	244	+38.0%	+93
Private equity	265	278	-4.7%	-13
IT, logistics and press	**1,806**	**1,712**	**+5.5%**	**+94**

The Net banking income from retail banking totaled €10,537 million in 2019, representing the largest share (67%) of revenues of the operating business lines. It increased 2.5% year-on-year, due to the strong growth of the networks and Cofidis, which offset the negative impact of low interest rates on the intermediation margin.

The net insurance income declined by 2.4% to €1,778 million. Despite strong business levels, an increase in claims expenses weighed on revenues, due to natural events and lower discount rates resulting in a decline in operating margins.

In 2019, capital markets generated Net banking income of €337 million, up by 38%. In addition to a solid performance for the fiscal year, this change mainly reflects the weaker performance recorded in 2018, which was adversely affected by the financial market downturn in the last quarter of 2018.

The Net banking income from private banking (4% of operational business line revenue) grew by 3.8% over the year to €572 million.

The Net banking income generated by the private equity business (down 4.7% to €265 million) remained high.

General operating expenses and gross operating income

The general operating expenses reached €8,942 million in 2019, up from €8,714 million in 2018. The increase was contained at 2.6%, below the 3.5% increase in Net banking income, despite a significant increase in the contribution to the Single Resolution Fund (SRF) of 12% to €155 million.

This positive scissor effect resulted in a 0.5-point improvement in the cost-income ratio, which came in at 61.4% in 2019, versus 61.9% in 2018.

The gross operating income increased by 5.1% to €5,627 million, compared to a 3.5% decline in 2018.

Cost of risk and non-performing loans

The cost of risk increased by €157 million primarily due to an exceptional provision for a corporate banking default.

Excluding corporate banking, the cost of risk rose slightly by 1.1%, reflecting the high quality assets in the retail banking portfolio.

As a percentage of commitments, the cost of customer risk rose slightly (27 bp versus 22 in 2018). Over the past five years, it has remained at a low level of less than 30 basis points.

The non-performing loan ratio was 3.07% at the end of 2019 (compared to 3.05% at the end of 2018) and the coverage ratio was 53.6% at the end of 2019.

(in € millions)	12/31/2019	12/31/2018
Gross amount of outstanding loans to customers	392,979	378,995
Gross non-performing loans	12,079	11,577
Provisions for depreciation of receivables	8,444	8,109
o/w provisions for depreciation of non-performing receivables	6,471	6,264
o/w provisions for depreciation on performing loans	1,973	1,845
Share of non-performing loans in gross loans	3.07%	3.05%
Coverage ratio on non-performing receivables	53.6%	54.1%

Operating income and profit/(loss) before tax

Operating income was up 2.6% to €4,566 million in 2019.

"Net gains and losses on other assets and ECC" posted a gain of €86 million in 2019, including i) the capital gain on the disposal of Groupe des Assurances du Crédit Mutuel's interest Royale Marocaine d'Assurance (RMA), and ii) the group's share in the earnings of companies accounted for under the equity method, such as Banque Casino, Banque de Tunisie and Astrée.

In 2018, this item (€111 million) included the share of earnings of BMCE Bank of Africa, which has since been deconsolidated, and its shares were reclassified as short-term investment securities.

The profit before tax was up by 2% year-on-year, amounting to €4,652 million.

Net profit/(loss)

The net profit for 2019 increased by 5.1% to €3,145 million, up from €2,993 million in 2018. Revenues grew faster than general operating expenses, despite an increase in the cost of risk, mainly in relation to a one-off item.

2.2.2.5 Results by Crédit Mutuel Alliance Fédérale business line

2.2.2.5.1 Retail banking

(in € millions)	2019	2018	Change
Net banking income	**10,537**	**10,284**	**+2.5%**
General operating expenses	-6,607	-6,495	+1.7%
Gross operating income/(loss)	**3,929**	**3,789**	**+3.7%**
Cost of risk	-913	-867	+5.3%
Operating income	**3,016**	**2,922**	**+3.2%**
Net gains and losses on other assets and ECC[1]	-4	6	ns
Profit/(loss) before tax	**3,012**	**2,928**	**+2.9%**
Income tax	-1,042	-1,039	+0.2%
NET PROFIT/(LOSS)	**1,971**	**1,889**	**+4.3%**

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

In both 2018 and 2019, retail banking represented 67% of Crédit Mutuel Alliance Fédérale's operational business line revenue.

The retail banking networks continued their development and upgrade efforts. They posted high growth in outstanding loans and deposits.

Retail banking outstanding loans grew by 7% over the year to €317.3 billion. Outstanding deposits increased by 11% to nearly €280 billion.

The Net banking income from retail banking insurance increased by 2.5% versus 2018, and amounted to €10,537 million. This represents 67% of the operational business lines' revenues. The increase in commissions (up 1.1%) and interest margin (up 3.6% excluding non-recurring items) underpinned this growth.

The increase in the general operating expenses was limited to 1.7% due to the ongoing digital transformation of customer relations and the modernization of the network. The cost/income ratio for retail banking improved by 0.5 points to 62.7%, and the gross operating income rose by 3.7% to €3,929 million, up from €3,789 million in 2018.

The increase in the cost of risk totaled €46 million over one year (€913 million compared to €867 million) after a historic low in 2018. As a percentage of commitments, it is stable at 29 basis points.

In 2019, the net profit of retail banking improved by 4.3% to almost €2 billion (€1,971 million), compared with €1,889 million in 2018.

Bank networks

The Net banking income from the **banking and insurance network of Crédit Mutuel banks** increased by 3.6% to €3,083 million. Despite unfavorably low rates, the Crédit Mutuel network maintained its interest margin (up 0.9% excluding non-recurring items) due to volumes and increased commissions (up 1.5%).

The general operating expenses increased by 1.7%.

The cost of risk fell sharply (€58 million in 2019 versus €90 million in 2018), impacted by the cost of unrealized risk, which decreased by €36 million, while the cost of realized risk increased by €4 million.

The profit before tax was up by 15%, and net profit by 15.6% to €509 million.

The Net banking income of the **banking and insurance network of CIC** increased by 2.2% to €3,501 million. Still penalized by low interest rates, CIC's branches network maintained its rising interest margin (+5%) due to volume growth and the lower cost of resources. Commissions fell slightly (-1.3%) as a result of financial commissions.

The general operating expenses were kept under control (-0.2%).

The cost of risk increased by 7.9% (up €13 million year-on-year). The cost of proven risk increased by €14 million, while the cost of non-proven risk decreased by €1 million.

The profit before tax was up 4.8%.

The Net banking income of **BECM** grew by 7.6% to €323 million. General operating expenses (overheads) were up 5.2%, in particular due to increased investments in Germany. The cost of risk reached 19.2% of gross operating income. Net profit increased by 4.3% to €115 million.

The Net banking income of **Targobank in Germany** stood at €1,664 million, a 3.9% increase reflected in the net profit, which is at €354.7 million (+3.2%).

Support services for retail banking

The support services for retail banking comprise Cofidis and the specialized subsidiaries that market their products through their own channels and/or through the local banks or branches of Crédit Mutuel Alliance Fédérale: factoring and receivables management, leasing, fund management, employee savings, and real estate.

In 2019, Groupe Cofidis Participations maintained its growth momentum. At the balance sheet date, new loans had increased by 11% over the previous year to €7.5 billion. Outstanding loans increased 10% versus the end of 2018, amounting to €14.9 billion at the end of December 2019. The Net banking income amounted to €1,355 million (+4.6%) and net profit increased by 5.1% to €212 million.

2.2.2.5.2 Insurance

In 2019, insurance represented 11% of the revenues of Crédit Mutuel Alliance Fédérale's operating business lines. The table below details the elements making up the net profit/(loss) of the insurance business line for the fiscal years 2018 and 2019.

(in € millions)	2019	2018	Change
Net insurance income	**1,778**	**1,822**	**-2.4%**
General operating expenses	-629	-584	+7.7%
Gross operating income/(loss)	**1,149**	**1,238**	**-7.2%**
Net gains and losses on other assets and ECC[1]	97	28	ns
Profit/(loss) before tax	**1,246**	**1,267**	**-1.6%**
Income tax	-374	-423	-11.6%
NET PROFIT/(LOSS)	**873**	**844**	**+3.4%**

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

The gross operating income of Groupe des Assurances du Crédit Mutuel (GACM) was down due to major provisions made relating to i) the decline in discount rates, and ii) considerably high claims expenses linked to natural events. There were a number of climatic contingencies: hail, floods, earthquakes and drought, totaling more than €180 million, significantly higher than in 2018. In credit-protection and personal risk insurance, the increase in disability and incapacity claims recorded in recent years continued to impact results in 2019.

These items were offset by a significant increase in financial income under International Financial Reporting Standards (IFRS), following the market upturn in 2019, and by the capital gain of €86 million on the sale of the equity investment in Royale Marocaine d'Assurance (RMA).

The profit contributed by insurance to the profit of Crédit Mutuel Alliance Fédérale therefore increased by 3.4% to €873 million. GACM's net profit increased by 3.6% to €886 million, versus €855 million.

2.2.2.5.3 Corporate banking and capital markets

In 2019, corporate banking and capital markets activities represented 4% of the revenues of Crédit Mutuel Alliance Fédérale's operating business lines. The table below presents the elements making up the profit/(loss) of the corporate banking and capital markets business line for the fiscal years 2018 and 2019.

(in € millions)	2019	2018	Change
Net banking income	**720**	**639**	**+12.7%**
General operating expenses	-347	-324	+7.1%
Gross operating income/(loss)	**373**	**316**	**+18.3%**
Cost of risk	-141	8	ns
Profit/(loss) before tax	**232**	**323**	**-28.2%**
Income tax	-19	-86	-78.5%
NET PROFIT/(LOSS)	**214**	**237**	**-10.0%**

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

Corporate banking

The corporate banking activity was characterized by strong deposit-taking, increased commitments in all structured financing business lines and a decline in key account outstandings.

Outstanding deposits rose by more than €4 billion to €10.7 billion at the end of 2019, and outstanding loans increased by 2.4% to €20.6 billion.

The Net banking income from corporate banking decreased by 3% in 2019, amid low interest rates that weighed on margins, deposit-taking and lending conditions.

Expenses are rising: the general operating expenses increased by 7.8%. The cost of risk, at -€139 million, was impacted by exceptional provisions primarily relating to a loan default.

Net profit fell 38.5% to €133 million.

Capital markets

The Net banking income increased by 38% to €337 million. Revenues were positively impacted by the rebound in portfolio valuations, offsetting a challenging 2018 year-end in the financial markets.

The general operating expenses increased by 6.8%. The gross operating income increased by €79 million.

The net profit amounted to €80 million, up from €20 million in 2018, after a €75-million payment in commissions to the networks.

2.2.2.5.4 Private banking

In 2019, private banking represented 4% of the revenues of Crédit Mutuel Alliance Fédérale's operating business lines. The table below presents the elements constituting the profit/(loss) of the private banking business line for the fiscal years 2018 and 2019.

(in € millions)	2019	2018	Change
Net banking income	**572**	**551**	**+3.8%**
General operating expenses	-413	-375	+10.1%
Gross operating income/(loss)	**159**	**176**	**-9.6%**
Cost of risk	6	-16	ns
Operating income	**165**	**160**	**+2.9%**
Net gains and losses on other assets and ECC[1]	2	26	ns
Profit/(loss) before tax	**166**	**186**	**-10.8%**
Income tax	-33	-47	-30.2%
NET PROFIT/(LOSS)	**133**	**139**	**-4.2%**

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

Private banking subsidiaries' business was strong in 2019, posting a very healthy level of new funds, bringing savings deposits to €124.1 billion at the end of the year, up 12.6%. This increase relates to both deposits (+7.3%) and financial savings (+13.9%).

Outstanding loans reached €14.5 billion, an increase of 7.3%. The revenue of the private banking activity (€572 million) rose by 3.8% over 2018 due to stable margins and a strong level of commissions received (up 3% or €9 million) in relation to development.

The general operating expenses totaled €413 million, and increased by 10.1% compared to 2018.

This item is in line with the recruitment policy rolled out and the digital investments made to adapt to new regulatory constraints.

The cost of risk posted a net reversal of €6 million in 2019, compared to a €16 million provision in 2018.

The operating income therefore increased by 2.9% to €165 million.

The net profit was down by 4.2% due to non-recurring income in 2018 recognized under "Net gains/(losses) on other assets and ECC".

2.2.2.5.5 Private equity

In 2019, private equity represented 2% of the revenues of Crédit Mutuel Alliance Fédérale's operating business lines. The table below presents the elements constituting the profit/(loss) of the private equity business line for the fiscal years 2018 and 2019.

(in € millions)	2019	2018	Change
Net banking income	**265**	**278**	**-4.7%**
General operating expenses	-51	-50	+3.6%
Gross operating income/(loss)	**214**	**229**	**-6.5%**
Cost of risk	0	1	ns
Profit/(loss) before tax	**214**	**230**	**-6.9%**
Income tax	-1	1	ns
NET PROFIT/(LOSS)	**213**	**231**	**-7.6%**

Capital expenditure was strong in 2019, with €422.1 million invested. As of December 31, 2019, the portfolio of investments amounted to €2.6 billion, comprising over 350 holdings.

At the end of 2019, the investments in seven Crédit Mutuel Equity sites in four countries outside France represented €182 million of outstandings.

The Net banking income remained strong at €265 million in 2019. The general operating expenses increased from €50 million to €51 million in 2019.

The net profit amounted to €213 million.

2.2.2.5.6 IT, logistics, press & Holding

These activities are composed of two separate sectors.

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

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

The table below presents the elements constituting the profit/(loss) of the IT, logistics and press/holding business line for the 2018 and 2019 fiscal years.

(in € millions)	2019	2018	Change
Net banking income	**1,652**	**1,330**	**+24.2%**
General operating expenses	-1,850	-1,722	+7.4%
Gross operating income/(loss)	**-198**	**-392**	**-49.5%**
Cost of risk	-13	-30	-58.3%
Operating income	**-210**	**-422**	**-50.1%**
Net gains and losses on other assets and ECC [1]	-9	50	ns
Profit/(loss) before tax	**-219**	**-372**	**-41.0%**
Income tax	-39	25	ns
NET PROFIT/(LOSS)	**-258**	**-346**	**-25.4%**

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

The Net banking income from the IT, logistics, press and holding business line came to €1,652 million in 2019, versus €1,330 million in 2018. These figures are explained as follows:

- the group's "IT, logistics, and press" business generated Net banking income or commercial margins for a total amount of €1,806 million in 2019, up from €1,712 million in 2018, representing an increase of 5.5% (€94 million). This increase results mainly from the growth of Euro-Information, Euro-Information Développement, Euro Protection Surveillance and EI Télécom. The contribution from the press sector increased slightly by 0.2% to €274 million;
- the holding activities of the group generated negative Net banking income of €154 million in 2019, notably including the cost of carry of fixed expenditure, the cost of equity and development plans.

The general operating expenses increased by 7.4% from €1,722 million in 2018 to €1,850 million in 2019, in connection with the continued digital transformation of Crédit Mutuel Alliance Fédérale as part of the *ensemble#nouveaumonde* strategic plan and the development of growth drivers.

The cost of risk of this business line stood at -€13 million in 2019; it is composed of unpaid debts at EI Télécom and provisions for miscellaneous risks.

In 2019, the item "net gains and losses on other assets and ECC" recorded a loss of €9 million relating to the share attributable to the group in the earnings of equity consolidated companies, including Banque de Tunisie, Caisse Centrale de Crédit Mutuel and Lyfpay.

The IT, logistics and press/holding activities recorded a net loss of €258 million in 2019, compared to a loss of €346 million in 2018.

2.2.2.6 Financial position of Crédit Mutuel Alliance Fédérale

2.2.2.6.1 Balance sheet

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

- Crédit Mutuel Alliance Fédérale finances a greater share of loans to customers through deposits, this development being in line with the strategy followed over the last few years. The loans/deposits ratio gradually improved: it stood at 114.2% as of December 31, 2019, against 121.9% in 2018;

- Crédit Mutuel Alliance Fédérale's liquidity risk was strictly managed under a system controlled by BFCM based on a centralized risk management system, described in chapter 5 "Risks and Capital adequacy - Pillar 3". Significant progress was made concerning the Basel 3 liquidity ratios which are beyond the threshold of 100%; the LCR stood at 142.8% on average over 2019;
- Crédit Mutuel Alliance Fédérale had surplus stable resources of €52.6 billion over stable expenditure. This situation results from a policy that for several years has been focused on strengthening deposits and extending market debt.

The ratio between non-performing loans and total loans to customers went from 3.05% as of December 31, 2018 to 3.07% on December 31, 2019. Furthermore, the non-performing loan coverage ratio of the group stood at 53.6% as of December 31, 2019.

On December 31, 2018, shareholders' equity came to €47.1 billion and Common Equity Tier 1 close to €39 billion. The ratio of Common Equity Tier 1 without transitional measures stood at 17.3%, one of the best at the European level. The overall ratio without transitional measures came to 20.4%, and the leverage ratio with the application of the delegated act without transitional measures to 6.4%, compared to 6.2% in 2018 (the leverage ratio published in 2018 was 6%, without exemption of the centralized regulated savings assets, which is now admitted under the decision of the EU court on July 13, 2018).

Assets

Summary. The consolidated assets of the group stood at €718.5 billion on December 31, 2019, up from €667.4 billion as of December 31, 2018 (up 7.7%).

This 7.7% increase in total assets (up €51.2 billion) was mainly due to the rise in loans and receivables to customers (up €13.6 billion or +3.7%), financial assets at fair value through profit or loss (up €13.3 billion) and cash at bank/central bank assets (up €14.5 billion).

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss include financial instruments held for trading (including derivative instruments) and certain financial assets designated by the group at fair value through profit or loss on the date of their acquisition (including securities held by the private equity business line). These assets are revalued at their fair value during each closure.

The total amount of financial assets at fair value through profit or loss amounted to €31.9 billion as of December 31, 2019, up from €18.6 billion on December 31, 2018, due to the transfer of certain repo transactions to this line item. The change in the management model for part of the repurchase transactions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost. Financial assets at fair value through profit or loss represented 4% of the total assets of the group on December 31, 2019.

Financial assets at fair value through equity. Financial assets at fair value through equity mainly include bonds and other debt securities for €19.6 billion and government securities for €10.3 billion.

Loans and receivables to credit institutions. Loans and receivables to credit institutions are composed of demand deposits, inter-bank loans and securities subject to repurchase agreements. Loans and receivables to credit institutions reached €40.8 billion as of December 31, 2019, compared to €44.2 billion on December 31, 2018.

Loans and receivables to customers. Loans and receivables to customers stood at €384.5 billion on December 31, 2019, versus €370.9 billion on December 31, 2018, representing an increase of 3.7%. Excluding repurchase agreements over the two fiscal years, the increase was 6.1%.

Liabilities (excluding shareholders' equity)

Summary. The group's consolidated liabilities excluding shareholders' equity stood at €671.4 billion as of December 31, 2019, up from €623.8 billion on December 31, 2018 (up 7.6%). These liabilities include subordinated debt at €8.2 billion on December 31, 2019 and €7.2 billion on December 31, 2018. The increase in liabilities other than shareholders' equity in 2019 mainly came from the increase in amounts due to customers (mainly deposits) of €32.5 billion (up 10.7%) and financial liabilities at fair value through profit or loss of €14.5 billion.

Financial liabilities at fair value through profit or loss. The total amount of financial assets at fair value through profit or loss (held for trading) stood at €18.9 billion on December 31, 2019, compared to €4.4 billion on December 31, 2018, due to the transfer of certain repo transactions to this line item. The change in the management model for part of the repurchase transactions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost.

Due to credit institutions. Debts due to credit institutions fell by €17.2 billion (down 32%) to €36.5 billion as of December 31, 2019.

Due to customers. Debts due to customers are mainly composed of demand deposits, term deposits, regulated savings accounts and securities subject to repurchase agreements. Debts due to customers amounted to €336.8 billion as of December 31, 2019, versus €304.3 billion on December 31, 2018. This increase is mainly due to the increase in current accounts, term deposits and passbook accounts.

Debt securities at amortized cost. Debt securities are composed of negotiable certificates of deposit and bond issues. Debt securities stood at €124.8 billion as of December 31, 2019, up 4.3% compared to December 31, 2018.

Liabilities related to contracts of the insurance business line. Liabilities related to contracts of the insurance business line stood at €125.3 billion as of December 31, 2019, compared to €115.6 billion on December 31, 2018, i.e. an increase of 8.4%.

Consolidated equity

The consolidated equity attributable to the group stood at €43.8 billion on December 31, 2019, versus €40.3 billion on December 31, 2018; this change primarily corresponds to net carryover.

Non-controlling interests increased from €3,305 million on December 31, 2018 to €3,320 million on December 31, 2019.

2.2.2.6.2 Liquidity and financing

The management of Crédit Mutuel Alliance Fédérale's central cash position is based on prudent rules and an efficient system for accessing market resources.

Commercial banking gaps are covered by medium- and long-term resources, while the liquidity buffer makes use of money market refinancing. Crédit Mutuel Alliance Fédérale has a number of well-suited issue programs, providing access to investors in the main regions at the international level through public and private issues. This mechanism is supported by a comfortable liquidity reserve, adapted to comply with regulatory ratios and withstand severe stress.

In 2019, the global economic context, heavily impacted by US/China trade tensions and fears of a no-deal Brexit, forced the main central banks to take control.

As such, the European Central Bank (ECB) quickly reassured markets with announcements in favor of liquidity, before taking concrete measures in September 2019 (deposit rate reduced from -0.40% to -0.50%, tiering measures concerning six times the banks' reserve requirements, resumption of Quantitative Easing for €20 billion per month and implementation of a new three-year refinancing operation for banks in the euro zone or "TLTRO 3").

Overall, the debt market was favorable throughout the year and enabled Crédit Mutuel Alliance Fédérale to secure refinancing under advantageous conditions.

In total, the outstanding external resources, raised via BFCM and its subsidiary Crédit Mutuel Home Loan SFH, amounted to €143.6 billion at the end of December 2019, up 4.0% compared to the end of 2018.

Short-term funding (less than one year) totaled €52.0 billion at the end of 2019, up 4.8% year-on-year. This accounted for 36% of the total funding raised on the markets, remaining stable with respect to the previous year. Crédit Mutuel Alliance Fédérale, via BFCM and CIC, has all of the short-term issue programs (NeuCP, ECP, London CDs) necessary for the proper diversification of its resources.

Medium-and long-term funding totaled €91.6 billion at the end of 2019, up 3.6% on 2018. In 2019, Crédit Mutuel Alliance Fédérale raised €16.3 billion in MLT funding mainly through BFCM, but also Crédit Mutuel Home Loan SFH, its entity that issues covered bonds which are rated in the top bracket by rating agencies. 71.2% of these MLT funds were raised in euros and the remaining 28.8% in foreign currencies (US dollar, yen, Pound sterling, Swiss franc), underscoring the group's solid investor diversification strategy. Public issues and private placements accounted for 74% and 26%, respectively.

The average maturity of medium-long-term resources raised in 2019 was 5.7 years, close to that seen in 2018 (5.5 years).

2019 refinancing plan

In 2019, public issues amounted to an equivalent of €12.0 billion and break down as follows:

- BFCM by way of senior European Medium-Term Notes (EMTN) of which:
  - €3.75 billion at +4 years and 7 years, issued in January, April and July,
  - GBP 1.15 billion in 5- and 7-year maturities, issued in January, June and October,
  - CHF 525 million (1 issue of CHF 200 million with a 6-year maturity in April, one issue of CHF 125 million with a 7-year maturity in June and two issues of CHF 100 million each with a 5- and 10-year maturity in April and November),
  - USD 1.5 billion over 3 and 5 years, issued in November in US144A format,
  - JPY 130.0 billion over 5, 7 and 10 years, issued in October (Samurai format),
- BFCM in EMTN NPS format (inaugural issue): €1 billion over 10 years, issued in March;
- BFCM in Tier 2 subordinate EMTN format: €1 billion over 10 years, issued in June;
- Crédit Mutuel Home Loan SFH: €2 billion over two tranches of €1 billion each, over 5 years and 10 years, in January.

In addition, €2 billion (€1 billion over 9 years and €1 billion over 11 years) were set up in April and subscribed by BFCM to test its back-up mechanism in the event of market closures.

LCR and liquidity buffer

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

- an average LCR ratio over 2019 of 142.8% (vs. 131.2% in 2018);
- average high quality liquidity assets (HQLA) totaling €85.9 billion, 71% of which deposited with central banks (mainly the ECB).

The total liquidity reserves over the consolidated perimeter break down as follows:

Crédit Mutuel Alliance Fédérale *(in € billions)*	**12/31/2019**
Cash deposited in central banks	66.4
LCR securities (after LCR haircut)	26.4
o/w HQLA (Level 1)	21.1
Other eligible assets, central banks (after ECB haircut)	41.8
TOTAL LIQUIDITY RESERVES	**134.6**

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

Targeted refinancing operations

As part of the "Loans for SMEs & ETI II" envelope allocated by the European Investment Bank (EIB) in 2018, in November 2019 BFCM drew down the second tranche (Tranche B) of €100 million over 7 years.

Two new lines of financing were approved in 2019, with definitive approval expected in 2020:

- a "Loans for SMEs & ETIs III" package of €250 million, to be drawn down in two tranches of €150 million and €100 million;
- a "Young Farmers & Climate Action" envelope of €100 million, dedicated to SMEs & ETIs in the agricultural and bio-economy sectors, with a minimum climate change contribution of 50%.

Furthermore, as part of the partnership agreement between Crédit Mutuel Alliance Fédérale and the EIB signed at the end of 2018 ("Crédit Mutuel Alliance Fédérale Co-Financing") for €150 million, an initial contract has been signed with NACON (formerly BIGBEN INTERACTIVE) in December 2019 for €6 million (two times €3 million) over a five-year term.

2.2.2.6.3 Solvency

As of December 31, 2019, Crédit Mutuel Alliance Fédérale's shareholders' equity amounted to €47.1 billion, compared to €43.6 billion at the end of 2018, an increase of €3.5 billion due to carryforwards.

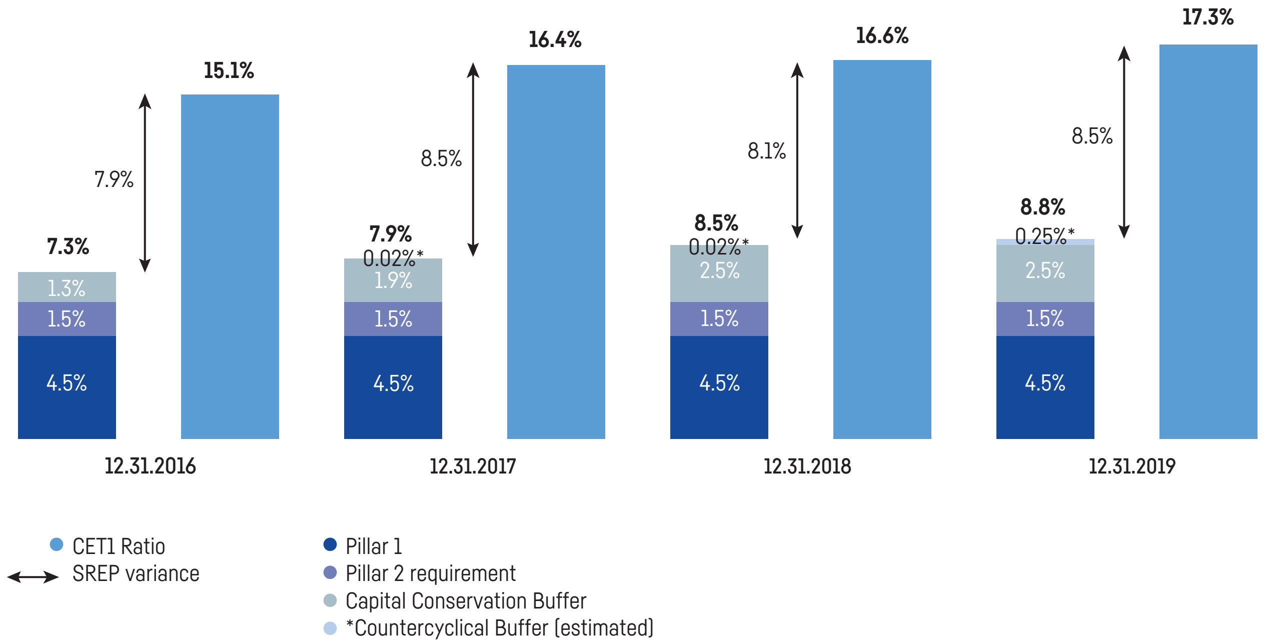
At December 31, 2019, Crédit Mutuel Alliance Fédérale had a very solid solvency position, with a Common Equity Tier 1 (CET1) ratio of 17.3%[1], up 70 basis points year-on-year. The Tier 1 ratio stood at 17.3% at the end of December 2019 and the overall solvency ratio reached 20.4%.

Prudential capital reached almost €39 billion, up 9.9% due to retained earnings and the issue of shares.

Risk-weighted assets (RWA) stood at €225.7 billion on December 31, 2019 (compared to €214 billion at the end of December 2018, up 5.4%). Risk-weighted assets in terms of credit risk accounted for 90% of the total, at €203.2 billion.

The group's strong capital generation, driven by the fact that almost all of its earnings are set aside in reserves, allows it to absorb regulatory pressure and, for several years now, to maintain distance from SREP (Supervisory Review and Evaluation Process).

SREP CET1 REQUIREMENTS AND ACTUAL DIFFERENCE *(in %)*



(1) *Without transitory measures.*

2.2.2.6.4 External ratings

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

	LT/ST counterparty**	Issuer/ LT preferred senior debt	Outlook	ST Preferred senior debt	Intrinsic rating***	Date of most recent publication
Standard & Poor's	A+/A-1	A	Stable	A-1	a ↗	11/25/2019
Moody's	Aa2/P-1	Aa3	Stable	P-1	a3	11/4/2019
Fitch Ratings*	AA- ↗	AA- ↗	Negative ↘	F1+ ↗	a+	3/30/2020

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

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

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

Standard & Poor's: Crédit Mutuel group rating.

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

Fitch Ratings: Crédit Mutuel Alliance Fédérale rating.

On March 30, 2020, Fitch upgraded the Senior Preferred LT and ST ratings by one notch from A+/F1 to AA-/F1+ and the Derivative Counterparty rating from A+ to AA-, considering that Crédit Mutuel Alliance Fédérale should be able to meet its MREL requirement without recourse to Senior Preferred debt within a 3- to 5-year horizon. This improvement follows a change in the agency's methodology that recently came into effect. The central "Issuer Default Rating" remained unchanged at A+. In addition, between the end of March and the beginning of April, Fitch downgraded the ratings of almost all European banks in the context of the Covid-19 crisis, which resulted in: (i) the banks most exposed to a downgrading of their ratings being placed on negative watch, and (ii) the banks whose ratings were deemed more resilient, such as those of Crédit Mutuel Alliance Fédérale, being given a negative outlook.

On October 16, 2019, Standard & Poor's upgraded the Crédit Mutuel group's intrinsic strength rating ("SACP") by one notch from "A-" to "A", a very high rating, given that only one-third of the world's 100 largest banks rated by Standard & Poor's have an intrinsic strength rating greater than or equal to "A".

2.2.2.7 Alternative performance indicators

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

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

ALTERNATIVE PERFORMANCE INDICATORS (API): RECONCILIATION WITH THE FINANCIAL STATEMENTS

Retail banking cost/income ratio *(in € millions)*	**2019**	**2018**
General operating expenses	-8,942	-8,714
Net banking income	14,569	14,070
RETAIL BANKING COST/INCOME RATIO	**61.4%**	**61.9%**

Cost/income ratio for retail banking	**2019**	**2018**
General operating expenses for retail banking	-6,607	-6,495
Net banking income for retail banking	10,537	10,284
COST/INCOME RATIO FOR RETAIL BANKING	**62.7%**	**63.2%**

Cost of risk/gross operating income	**2019**	**2018**
Cost of risk	-1,061	-904
Gross operating income/(loss)	5,627	5,356
COST OF RISK/GROSS OPERATING INCOME	**18.9%**	**16.9%**

Net profit/(loss) – regulatory assets	**2019**	**2018**
Net profit/(loss)	3,145	2,993
RWA	225,713	214,048
NET PROFIT/(LOSS) – REGULATORY ASSETS	**1.39%**	**1.40%**

Loans/deposits	**12/31/2019**	**12/31/2018**
Net customer loans	384,535	370,886
Customer deposits	336,806	304,319
LOANS/DEPOSITS	**114.2%**	**121.9%**

Cost of customer risk related to outstanding loans	**12/31/2019**	**12/31/2018**
Cost of customer risk	-1,071	-829
Gross loans to customers	392,979	378,995
COST OF CUSTOMER RISK RELATED TO OUTSTANDING LOANS	**0.27%**	**0.22%**

Coverage ratio	**12/31/2019**	**12/31/2018**
Impairment (S3)	6,471	6,263
Individually-impaired receivables, gross (S3)	12,077	11,577
TOTAL COVERAGE RATIO	**53.6%**	**54.1%**

Rate of non-performing loans	**12/31/2019**	**12/31/2018**
Individually-impaired receivables, gross (S3)	12,077	11,577
Gross loans to customers	392,979	378,995
RATE OF NON-PERFORMING LOANS	**3.07%**	**3.05%**

2.2.3 Recent developments and prospects

2.2.3.1 Events after the reporting period

One significant event occurring after December 31, 2019 is the exceptional and unprecedented crisis caused by the COVID-19 virus pandemic. In this context, Crédit Mutuel Alliance Fédérale's priorities are to protect all employees and their families and to provide local support to customers and members. Thus, as an immediate support measure for the economy, payments on medium- and long-term amortizing loans to businesses, professionals and farmers granted by Crédit Mutuel Alliance Fédérale may be unconditionally suspended free of charge until the end of September 2020. Crédit Mutuel Alliance Fédérale will also implement, as soon as possible, the customer support measures decided by the government. On this basis, the Crisis Committee of Crédit Mutuel Alliance Fédérale will take all necessary measures, in close cooperation with the managers and crisis units of all entities and the public and health authorities. To ensure the priority of continuing Crédit Mutuel Alliance Fédérale's essential activities, working methods have been adapted. These include:

- deployment of Emergency and Business Continuity Plans for the various activities;
- implementation of teleworking, where possible with increased equipment and infrastructure for remote connections.

2.2.3.2 Prospects

2019, Year 1 of the *ensemble#nouveaumonde* Crédit Mutuel Alliance Fédérale strategic plan, resulted in a combined increase in Net banking income and net profit. This reflects the strength of the close relationship that Crédit Mutuel Alliance Fédérale, its banking networks and subsidiaries maintain with their customers and members. This performance also demonstrates the suitability of its retail banking and insurance strategy.

In 2020, Crédit Mutuel Alliance Fédérale intends to continue its mutual performance, serving the needs of its customers and members. The group operates as locally as possible, and with collective commitments to the future in mind: committing to fighting global warming, promoting equality, diversity and training, and safeguarding digital privacy.

Crédit Mutuel Alliance Fédérale is starting the second year of its strategic plan *ensemble#nouveaumonde* aiming to confirm its performance and positioning: to be a responsible bank at the service of people.

Strongly rooted in its mutualist identity, Crédit Mutuel Alliance Fédérale has decided to set its ambitions in stone, by enshrining its core values in its articles of association in the first half of 2020.

More than just a simple legal document, these core values will be supported by the concrete addition of Crédit Mutuel Alliance Fédérale's missions within its articles of association: by the end of 2020 Caisse Fédérale de Crédit Mutuel and CIC will become mission-oriented companies.

Financial objectives of the strategic plan - Health crisis impacts

The financial and non-financial objectives of the *ensemble#nouveaumonde* strategic plan, launched on November 13, 2018, cover the indicators below, defined for the group as a whole, in a stable economic and regulatory environment and at constant euro exchange rates. The recent and unprecedented nature of the health crisis makes it impossible to estimate its consequences on the business, financial position, results and changes to risk for the financial years 2020 and beyond, and de facto calls into question the plan's objectives.

Financial objectives:

- Net banking income +3% per annum.
- Retail banking cost/income ratio less than 60%.
- Net profit greater than €4 billion.
- Yield on regulatory assets greater than 1.5%.
- CET1 ratio greater than 18%.

Human development and cooperative goals:

- 100% of employees trained in transformation.
- Gender equality in management and governance positions.
- Membership rate in excess of 90%.
- 30% increase in financing for projects with a significant impact on climate.
- Greater than 30% reduction of the group's direct carbon footprint.

2.3 BFCM'S ACTIVITIES AND CONSOLIDATED EARNINGS IN 2019

2.3.1 BFCM's activities and consolidated earnings – consolidated scope

2.3.1.1 Methodology notes

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

Outstanding customer loans *(in € millions)*	2019	2018	Change in%	Change In €M
Loans and receivables to customers at amortized cost (A)	**250,142**	**244,000**	**+2.5%**	**+6,142**
o/w repos* (B)	915	9,381	ns	-8,466
CUSTOMER LOANS EXCLUDING REPOS (A) - (B)	**249,227**	**234,619**	**+6.2%**	**+14,608**

Outstanding customer deposits *(in € millions)*	2019	2018	Change in%	Change In €M
Due to customers at amortized cost (A)	**217,103**	**193,459**	**+12.2%**	**+23,644**
o/w repos* (B)	3	2,024	ns	-2,021
CUSTOMER DEPOSITS EXCLUDING REPOS (A) - (B)	**217,100**	**191,435**	**+13.4%**	**+25,665**

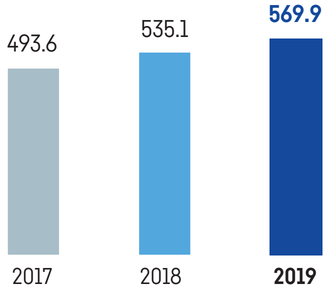
* *The change in the management model of part of the pensions resulted in the classification of transactions initiated as of January 1, 2019, in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book.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

2.3.1.2 Key figures

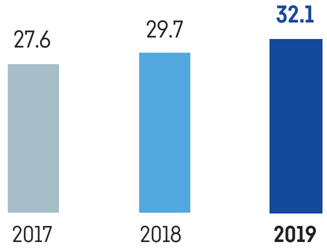
In € millions	2019	2018	2017
Net banking income	10,865	10,354	10,422
Operating income	3,641	3,498	3,660
Net profit/(loss)	2,663	2,440	1,824
Net profit/(loss) attributable to the group	2,282	2,084	1,549
Retail banking cost/income ratio[1]	57.3%	58.4%	57.4%

(1) General operating expenses (overheads) as a percentage of Net banking income.

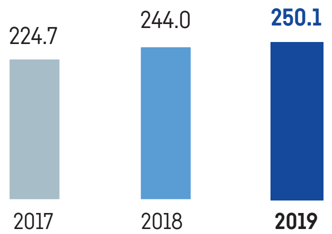
BALANCE SHEET TOTAL
(in € billions at December 31)



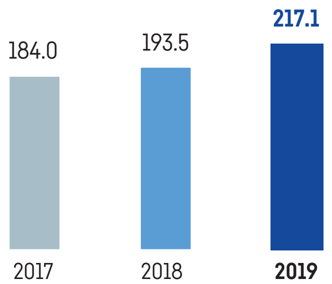
EQUITY
(in € billions at December 31)



NET CUSTOMER LOANS
(in € billions at December 31)



CUSTOMER DEPOSITS
(in € billions at December 31)



2.3.1.3 Analysis of the consolidated balance sheet

The total BFCM IFRS balance sheet was €569.9 billion at December 31, 2019, compared to €535.1 billion (+6.5%) at December 31, 2018.

The outstanding customer deposits totaled €217.1 billion at the end of December 2019, up by 13.4% compared with 2018 (excluding repos), due to sustained growth in current accounts (up €11.4 billion) and term deposits (up €13.6 billion).

Total net outstanding customer loans totaled €250.1 billion at the end of 2019, up by 6.2% (excluding repos) over 2018. Outstanding equipment loans grew by 8.6% to €71.6 billion.

The insurance business posted revenue of €11.2 billion, down by 1.5%.

The bulk of the increase in liabilities relates to amounts due to customers (+€23.6 billion) and insurance-contract liabilities (+€8.3 billion).

Financial liabilities measured at fair value through profit or loss amounted to €18.9 billion in 2019, compared with €4.4 billion at December 31, 2018 due to the transfer of certain repurchase agreements to this line item. The change in the management model for part of the repurchase transactions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. These mainly comprise derivatives and other financial liabilities held for trading.

Amounts due to credit institutions came to €39.9 billion, down €22.3 billion on the previous year level of €62.2 billion.

The "Due to customers" item on the liabilities side of the balance sheet is made up of customer savings deposits, including accrued interest. These deposits rose 13.4% (excluding repos) to €217.1 billion at the end of 2019. Of this, CIC entities alone accounted for around 77.9% (€169.2 billion), Targobank in Germany for 8.7% (€18.8 billion), and BECM for 7.9% (€17.2 billion).

Issues of securities other than those measured at fair value through profit or loss totaled €125.1 billion, up 4.5% year-on-year. Bond accounted for the bulk of these with outstandings in the amount of €66.8 billion, followed by interbank securities and negotiable debt securities totaling €56.4 billion, with the remainder made up of short-term notes and related debt.

Liabilities related to commitments to insurance policyholders, totaled €111.2 billion (+8.1%), of which €58.7 billion in customer savings.

The bulk of non-controlling interests recognized as liabilities (€4.3 billion at the end of 2019) concerned other Crédit Mutuel groups belonging to Groupe des Assurances du Crédit Mutuel (GACM) and external shareholders of the Cofidis Group.

Shareholders' equity attributable to the group totaled €27.8 billion, up 9.9% year-on-year (+€2.5 billion).

On the assets side, investments on the interbank market comprised assets with the Central Bank in the amount of €64.8 billion and with credit institutions in the amount of €51.7 billion.

Total customer receivables rose by 6.2% from €244 billion to €250.1 billion (up 6.2% excluding repos) at the end of 2019.

75.4% of all loans are granted through CIC entities (€188.5 billion). Targobank in Germany's loan portfolio (€18.6 billion) accounted for 7.4% of total outstanding loans, followed by BECM (€16 billion) and the Cofidis group (€12.9 billion).

Financial assets measured at fair value through profit or loss amounted to €32.1 billion, compared with €18.3 billion at December 31, 2018, due to the transfer of certain repurchase agreements to this line item. The change in the management model for part of the repurchase transactions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. These mainly comprise derivatives and other financial liabilities held for trading.

Goodwill in the amount of €4.0 billion resulted mainly from the acquisition of Targobank Germany securities in December 2008 (€2.9 billion), the acquisition of a stake in the Cofidis Group at the beginning of March 2009 (€457 million), and the purchase of CIC securities (residual goodwill of €506 million) as well as Factofrance SA securities acquired in July 2016 (€68 million).

2.3.1.4 Analysis of the consolidated income statement

(in € millions)	2019	2018	Change
Net banking income	**10,865**	**10,354**	**+4.9%**
General operating expenses	-6,226	-6,051	+2.9%
Gross operating income/(loss)	**4,639**	**4,303**	**+7.8%**
Cost of risk	-998	-805	+23.9%
Operating income	**3,641**	**3,498**	**+4.1%**
Net gains and losses on other assets and ECC[1]	145	167	-12.8%
Profit/(loss) before tax	**3,786**	**3,664**	**+3.3%**
Income tax	-1,124	-1,224	-8.2%
Net profit/(loss)	**2,663**	**2,440**	**+9.1%**
Non-controlling interests	380	356	+6.9%
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**2,282**	**2,084**	**+9.5%**

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

Net banking income (NBI)

In 2019, the Net banking income for the consolidated scope of BFCM amounted to €10,865 million, up by 4.9%.

			Change	
(in € millions)	2019	2018	in%	In €M
Retail banking	**7,449**	**7,302**	**+2.0%**	**+147**
o/w banking networks	5,545	5,312	+4.4%	+233
Insurance	**1,723**	**1,720**	**+0.2%**	**+3**
Specialized business lines	**1,557**	**1,468**	**+6.1%**	**+89**
Private banking	572	551	+3.8%	+21
Corporate banking	383	395	-3.0%	-12
Capital Markets	337	244	+38.0%	+93
Private Equity	265	278	-4.7%	-13
IT, logistics and press	**264**	**266**	**-0.9%**	**-2**

The Net banking income from retail banking totaled €7,449 million in 2019, representing the largest share (68%) of the revenues of the operating business lines. It increased 2% year-on-year, due to the strong growth of the networks and Cofidis, which offset the negative impact of low interest rates on the intermediation margin.

The net insurance income rose by 0.2% to €1,723 million. Despite strong business levels, an increase in claims expenses weighed on revenues, due to natural events and lower discount rates resulting in a decline in operating margins.

In 2019, capital markets generated Net banking income of €337 million, up by 38%. In addition to a solid performance for the fiscal year, this change mainly reflects the weaker performance recorded in 2018, which was adversely affected by the financial market downturn in the last quarter of 2018.

The Net banking income from private banking (5% of operational business line revenue) grew by 3.8% over the year to €572 million.

The Net banking income generated by the private equity business (down 4.7% to €265 million) remained high.

General operating expenses and gross operating income

The general operating expenses reached €6,226 million in 2019, up from €6,051 million in 2018. The increase was contained at 2.9%, below the 4.9% increase in Net banking income, despite a significant increase in the contribution to the Single Resolution Fund (SRF) of 12% to €124 million.

This positive scissor effect resulted in a 1.1-point improvement in the cost-income ratio, which came in at 57.3% in 2019, versus 58.4% in 2018.

The gross operating income increased by 7.8% to €4,639 million, compared to a 3.1% decline in 2018.

Cost of risk and non-performing loans

The cost of risk increased to €193 million primarily due to an exceptional provision for a corporate banking default.

Excluding corporate banking, the cost of risk rose by 5.6%, reflecting the high quality assets in the retail banking portfolio.

As a percentage of commitments, the cost of customer risk rose slightly (39 bp versus 30 in 2018).

The non-performing loan ratio was 3.9% at the end of 2019 (compared to 3.8% at the end of 2018) and the coverage ratio was 55%.

(in € billions)	12/31/2019	12/31/2018
Gross amount of outstanding loans to customers	257.3	250.8
Gross non-performing loans	10.1	9.5
Provisions for depreciation of receivables	7.2	6.8
o/w provisions for depreciation of non-performing receivables	*5.6*	*5.3*
o/w provisions for depreciation on performing loans	*1.6*	*1.5*
Share of non-performing loans in gross loans	3.9%	3.8%
Coverage ratio on non-performing receivables	55.0%	55.9%

Operating income and profit/(loss) before tax

The operating income increased by 4.1% to €3,641 million in 2019.

"Net gains and losses on other assets and ECC" posted a gain of €145 million in 2019, including i) the capital gain on the disposal of Groupe des Assurances du Crédit Mutuel's interest in Royale Marocaine d'Assurance (RMA), and ii) the group's share in the earnings of companies accounted for under the equity method, such as Banque Casino, Euro Information, Banque de Tunisie and Astrée.

In 2018, this item (€167 million) included the share of earnings of BMCE Bank of Africa, which has since been deconsolidated, and its shares were reclassified as short-term investment securities.

The profit before tax was up by 3.3% year-on-year at €3,786 million.

Net profit/(loss)

The net profit for 2019 increased by 9.1% to €2,663 million, up from €2,440 million in 2018. Revenues grew faster than general operating expenses, despite an increase in the cost of risk, mainly in relation to a one-off item.

Transactions with Crédit Mutuel Alliance Fédérale entities

BFCM's consolidated gross operating loss in 2019 was -€177 million related to transactions carried out with Crédit Mutuel Alliance Fédérale entities that are not part of the BFCM consolidation scope (mainly local banks and CFCM).

Net interest income from these transactions totaled €382 million in 2019 compared with €416 million in 2018. Net commissions remained stable at -€37 million. Net expenses on other activities recognized by these entities stood at €467 million in 2019, compared with €463 million in 2018.

As of December 31, 2019, the outstanding loans granted to the Crédit Mutuel Alliance Fédérale entities that are not part of the BFCM consolidation scope totaled €32.1 billion.

2.3.1.5 Analysis of the results by activity

The activities mentioned below correspond to the organizational structure of Crédit Mutuel Alliance Fédérale. The reader may also refer to note 2 to the financial statements "Analysis of income statement by business segment and geographic area" and to note 3 "Consolidation scope", which presents the business combinations retained.

2.3.1.5.1 Retail banking

(in € millions)	2019	2018	Change
Net banking income	**7,449**	**7,303**	**+2.0%**
General operating expenses	-4,373	-4,298	+1.7%
Gross operating income/(loss)	**3,077**	**3,005**	**+2.4%**
Cost of risk	-855	-776	+10.1%
Operating income	**2,222**	**2,229**	**-0.3%**
Net gains and losses on other assets and ECC[1]	-8	5	ns
Profit/(loss) before tax	**2,214**	**2,233**	**-0.9%**
Income tax	-752	-786	-4.3%
NET PROFIT/(LOSS)	**1,461**	**1,448**	**+0.9%**

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

At €7,449 million, the Net banking income from retail banking and insurance increased by 2% compared with 2018. This represents 68% of the operational business lines' revenues.

The increase in general operating expenses was limited to 1.7% due to the ongoing digital transformation of customer relations and the modernization of the network. The cost/income ratio for retail banking improved by 0.1 points to 58.7%, and gross operating income rose by 2.4% to €3,077 million, up from €3,005 million in 2018.

The increase in the cost of risk totaled €79 million over one year (€855 million compared to €776 million) after a historic low in 2018.

The net profit of retail banking increased by 0.9% to €1.5 billion (€1,461 million) in 2019, compared to €1,448 million in 2018.

2.3.1.5.2 Insurance

(in € millions)	2019	2018	Change
Net insurance income	**1,723**	**1,720**	**+0.2%**
General operating expenses	-600	-553	+8.5%
Gross operating income/(loss)	**1,123**	**1,167**	**-3.7%**
Net gains and losses on other assets and ECC[1]	97	28	ns
Profit/(loss) before tax	**1,220**	**1,195**	**+2.1%**
Income tax	-362	-389	-7.1%
NET PROFIT/(LOSS)	**859**	**806**	**+6.6%**

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

GACM's gross operating income was down due to major provisions made relating to i) the decline in discount rates, and ii) considerably high claims expenses linked to natural events. There were a number of climatic contingencies: hail, floods, earthquakes and drought, totaling more than €180 million, significantly higher than in 2018. In credit-protection and personal risk insurance, the increase in disability and incapacity claims recorded in recent years continued to impact results in 2019.

These items were offset by a significant increase in financial income under International Financial Reporting Standards (IFRS), following the market upturn in 2019, and by the capital gain of €86 million on the sale of equity interests in Royale Marocaine d'Assurance (RMA).

The insurance contribution to BFCM's consolidated earnings rose by 6.6% to €859 million.

2.3.1.5.3 Corporate banking and capital markets

In 2019, corporate banking and capital markets activities represented 7% of the revenues of the operational business lines within the BFCM consolidated scope. The table below presents the elements making up the profit/loss of the corporate banking and capital markets business line for the 2018 and 2019 fiscal years.

(in € millions)	2019	2018	Change
Net banking income	**720**	**639**	**+12.7%**
General operating expenses	-347	-324	+7.2%
Gross operating income/(loss)	**373**	**316**	**+18.3%**
Cost of risk	-141	8	ns
Profit/(loss) before tax	**232**	**323**	**-28.2%**
Income tax	-19	-86	-78.5%
NET PROFIT/(LOSS)	**214**	**237**	**-10.0%**

Corporate banking

The Net banking income from corporate banking decreased by 3% in 2019, amid low interest rates that weighed on margins, deposit-taking and lending conditions.

Expenses are rising: the general operating expenses increased by 7.8%. The cost of risk, at -€139 million, was impacted by exceptional provisions primarily relating to a loan default.

The net profit fell by 38.5% to €133 million.

Capital markets

The Net banking income increased by 38% to €337 million. Revenues were positively impacted by the rebound in portfolio valuations, offsetting a challenging 2018 year-end in the financial markets.

The general operating expenses increased by 6.8%. The gross operating income increased by €79 million.

The net profit amounted to €80 million, up from €20 million in 2018, after a €75-million payment in commissions to the networks.

2.3.1.5.4 Private banking

In 2019, private banking represented 5% of the operational business line revenue of BFCM's consolidation scope. The table below presents the elements constituting the profit/(loss) of the private banking business line for the fiscal years 2018 and 2019.

(in € millions)	2019	2018	Change
Net banking income	**572**	**551**	**+3.8%**
General operating expenses	-413	-375	+10.1%
Gross operating income/(loss)	**159**	**176**	**-9.6%**
Cost of risk	6	-16	ns
Operating income	**165**	**160**	**+2.9%**
Net gains and losses on other assets and ECC[1]	2	26	ns
Profit/(loss) before tax	**166**	**186**	**-10.8%**
Income tax	-33	-47	-30.2%
NET PROFIT/(LOSS)	**133**	**139**	**-4.2%**

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

The revenue of the private banking business (€572 million) rose by 3.8% over 2018 due to stable margins and a strong level of commissions received (up 2.9% or €9 million) in relation to development.

The general operating expenses totaled €413 million and increased by 10.1% compared to 2018. This item is in line with the recruitment policy rolled out and the digital investments made to adapt to new regulatory constraints.

The cost of risk posted a net reversal of €6 million in 2019, compared to a €16 million provision in 2018.

The operating income therefore increased by 2.9% to €165 million.

The net profit was down by 4.2% due to non-recurring income in 2018 recognized under "Net gains/(losses) on other assets and ECC".

2.3.1.5.5 Private equity

In 2019, the private equity business represented 2% of the operational business line revenue of BFCM's consolidation scope. The table below presents the elements constituting the profit/(loss) of the private equity business line for the fiscal years 2018 and 2019.

(in € millions)	2019	2018	Change
Net banking income	**265**	**278**	**-4.7%**
General operating expenses	-51	-50	+3.7%
Gross operating income/(loss)	**214**	**229**	**-6.5%**
Cost of risk	-0	1	ns
Profit/(loss) before tax	**214**	**230**	**-6.9%**
Income tax	-1	1	ns
NET PROFIT/(LOSS)	**213**	**231**	**-7.6%**

Capital expenditure was strong in 2019, with €422.1 million invested. As of December 31, 2019, the portfolio of investments amounted to €2.6 billion, comprising over 350 holdings.

The Net banking income remained strong at €265 million in 2019.

The general operating expenses increased from €50 million to €51 million in 2019.

Net profit amounted to €213 million.

2.3.1.5.6 IT, logistics, press & Holding

The table below presents the elements constituting the profit/(loss) of the IT, logistics and press/holding business line for the 2018 and 2019 fiscal years.

(in € millions)	2019	2018	Change
Net banking income	**223**	**-60**	**-474.5%**
General operating expenses	-530	-529	+0.2%
Gross operating income/(loss)	**-307**	**-589**	**-47.9%**
Cost of risk	-7	-22	-65.8%
Operating income	**-314**	**-611**	**-48.5%**
Net gains and losses on other assets and ECC[1]	55	107	ns
Profit/(loss) before tax	**-260**	**-503**	**-48.4%**
Income tax	42	83	ns
NET PROFIT/(LOSS)	**-217**	**-420**	**-48.3%**

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

The IT, logistics, press and holding company services generated a Net banking income of €223 million in 2019, versus a loss of €60 million in 2018. The net loss amounted to €217 million in 2019, compared to a loss of €420 million in 2018.

2.3.1.6 Alternative performance indicators

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

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

ALTERNATIVE PERFORMANCE INDICATORS (API): RECONCILIATION WITH THE FINANCIAL STATEMENTS

Retail banking cost/income ratio *(in € millions)*	2019	2018
General operating expenses	-6,226	-6,051
Net banking income	10,865	10,354
RETAIL BANKING COST/INCOME RATIO	**57.3%**	**58.4%**

Cost/income ratio for retail banking *(in € millions)*	2019	2018
General operating expenses for retail banking	-4,373	-4,298
Net banking income for retail banking	7,449	7,303
COST/INCOME RATIO FOR RETAIL BANKING	**58.7%**	**58.8%**

Cost of customer risk related to outstanding loans *(in € millions)*	12/31/2019	12/31/2018
Cost of customer risk	-991	-753
Gross loans to customers	257,341	250,839
COST OF CUSTOMER RISK RELATED TO OUTSTANDING LOANS	**0.39%**	**0.30%**

Coverage ratio *(in € millions)*	12/31/2019	12/31/2018
Impairment (S3)	5,562	5,310
Individually-impaired receivables, gross (S3)	10,108	9,491
TOTAL COVERAGE RATIO	**55.0%**	**55.9%**

Rate of non-performing loans *(in € millions)*	12/31/2019	12/31/2018
Individually-impaired receivables, gross (S3)	10,108	9,491
Gross loans to customers	257,341	250,839
RATE OF NON-PERFORMING LOANS	**3.9%**	**3.8%**

2.3.2 Recent developments and prospects

2.3.2.1 Post-balance sheet events

One significant event occurring after December 31, 2019 is the exceptional and unprecedented crisis caused by the COVID-19 virus pandemic. In this context, Crédit Mutuel Alliance Fédérale's priorities are to protect all employees and their families and to provide local support to customers and members. Thus, as an immediate support measure for the economy, payments on medium- and long-term amortizing loans to businesses, professionals and farmers granted by Crédit Mutuel Alliance Fédérale may be unconditionally suspended free of charge until the end of September 2020. Crédit Mutuel Alliance Fédérale will also implement, as soon as possible, the customer support measures decided by the government. On this basis, the Crisis Committee of Crédit Mutuel Alliance Fédérale will take all necessary measures, in close cooperation with the managers and crisis units of all entities and the public and health authorities. To ensure the priority of continuing Crédit Mutuel Alliance Fédérale's essential activities, working methods have been adapted. These include:

- deployment of Emergency and Business Continuity Plans for the various activities;
- implementation of teleworking, where possible with increased equipment and infrastructure for remote connections.

2.3.2.2 Prospects

2019, Year 1 of the *ensemble#nouveaumonde* Crédit Mutuel Alliance Fédérale strategic plan, of which BFCM is the capital-intensive branch, resulted in a combined increase in Net banking income and net profit. This reflects the strength of the close relationship that Crédit Mutuel Alliance Fédérale, its banking networks and subsidiaries maintain with their customers and members. This performance also demonstrates the suitability of its retail banking and insurance strategy.

In 2020, Crédit Mutuel Alliance Fédérale intends to continue its mutual performance, serving the needs of its customers and members. The group operates as locally as possible, and with collective commitments to the future in mind: committing to fighting global warming, promoting equality, diversity and training, and safeguarding digital privacy.

Crédit Mutuel Alliance Fédérale is starting the second year of its strategic plan *ensemble#nouveaumonde* aiming to confirm its performance and positioning: to be a responsible bank at the service of people.

Strongly rooted in its mutualist identity, Crédit Mutuel Alliance Fédérale has decided to set its ambitions in stone, by enshrining its core values in its articles of association.

More than just a simple legal statement, these core values will be supported by the concrete addition of Crédit Mutuel Alliance Fédérale's missions within its articles of association: Caisse Fédérale de Crédit Mutuel and CIC will become mission-oriented companies.

Financial objectives of the strategic plan - Health crisis impacts

The financial and non-financial objectives of the *ensemble#nouveaumonde* strategic plan, launched on November 13, 2018, cover the indicators below, defined for the group as a whole, in a stable economic and regulatory environment and at constant euro exchange rates. The recent and unprecedented nature of the health crisis makes it impossible to estimate its consequences on the business, financial position, results and changes to risk for the financial years 2020 and beyond, and de facto calls into question the plan's objectives.

Financial objectives:

- Net banking income +3% per annum.
- Retail banking cost/income ratio less than 60%.
- Net profit greater than €4 billion.
- Yield on regulatory assets greater than 1.5%.
- CET1 ratio greater than 18%.

Human development and cooperative goals:

- 100% of employees trained in transformation.
- Gender equality in management and governance positions.
- Membership rate in excess of 90%.
- 30% increase in financing for projects with a significant impact on climate.
- Greater than 30% reduction of the group's direct carbon footprint.

2.4 BFCM'S ACTIVITIES AND PARENT COMPANY RESULTS IN 2019

2.4.1 BFCM business activities

BFCM has several key business activities:

- central refinancing for Crédit Mutuel Alliance Fédérale;
- depository for Crédit Mutuel Alliance Fédérale's undertakings for collective investments;
- financial relations with large corporates and local authorities through its payment processing, lending and financial engineering activities;
- parent company of Crédit Mutuel Alliance Fédérale's subsidiaries and coordination of their activities.

Central refinancing:

Please refer to section "2.2.2.6.2 Liquidity and financing" in this chapter.

Depository for undertakings for collective investment (UCI):

The role of a custodian for undertakings in collective investments (UCI), undertakings for collective investment in transferable securities (UCITS), alternative investment funds (AIF), and securitization vehicles is to safeguard the interests of the shareholders in these funds and vehicles. In this regard, the custodian has three regulatory duties:

- asset safekeeping, i.e. custody (mainly marketable securities) and record-keeping for other financial instruments (forward financial instruments and other registered financial instruments). This responsibility is entrusted to specialized units of Crédit Mutuel Alliance Fédérale;
- ensuring the regulatory compliance of management decisions;
- cash monitoring.

It may also contractually perform liability management when said management has been delegated by the management company. This task mainly consists in processing share subscription and redemption orders initiated by customers. This activity is carried out by the specialized units of Crédit Mutuel Alliance Fédérale.

The main elements identified for the 2019 fiscal year are the following:

- Banque Fédérative du Crédit Mutuel (BFCM) covered its control plan effectively, absorbing the work completed to obtain the ISAE 3402 Type 1 standard in 2018;
- continuing this development, the custodian audit confirmed its level of expertise enabling it to obtain the ISAE 3402 Type 2 standard for the period from October 1, 2018 to September 30, 2019;
- the custodian dealt with regulatory changes, particularly in the area of money market UCIs, with Money Market Funds, and securitization vehicles;
- the custodian strengthened its internal control system by broadening the scope and increasing the frequency of the tasks supervised;
- BFCM proposed development areas and assisted Crédit Mutuel Alliance Fédérale's specialized entities to find new customers;
- at the request of the regulator, the custodian produced the annual information file under its new standardized form;
- BFCM attended meetings of the Custodian Group of the French Association of Securities Professionals (Association Française des Professionnels des Titres - AFTI).

At the end of December 2019, BFCM was the custodian for 954 UCIs totaling €68.7 billion in assets. The number of UCIs was stable, the outstandings increased by 2.7% compared to the end of 2018. This change was mainly due to the growth in outstandings of employee savings plans, up 16.1% over the period.

The large majority of UCIs deposited at BFCM (80.5% in number, 87% in outstandings) are managed by the group's management companies, Crédit Mutuel Asset Management, Crédit Mutuel Gestion, Crédit Mutuel Capital Privé, CIC Private Debt and Dubly Transatlantique Gestion.

The other deposited UCIs, mainly specializing in private equity and securitization, are spread between some 20 management companies outside Crédit Mutuel Alliance Fédérale.

Large corporates and structured finance

CIC Corporate is the entry and contact point for Crédit Mutuel Alliance Fédérale's large corporate accounts, supporting them in their development, as part of a long-term relationship.

CIC Corporate therefore works with large French or foreign industrial companies (those with revenues over €500 million), institutional investors (insurance companies, pension funds, etc.), and public or para-public organizations (large non-profit organizations or social organizations).

CIC's structured finance department supports Crédit Mutuel Alliance Fédérale's business customers' projects through four business lines: acquisition funding, project funding, asset funding, and securitization.

CIC offers support solutions which fit each type of transaction in France and abroad through its subsidiaries in New York, Brussels, London, Hong Kong and Singapore. CIC also offers a management activity to third parties through the CIC Private Debt management company.

2.4.2 Management report on BFCM's annual financial statements[1]

2.4.2.1 Balance sheet

The balance sheet adopted on December 31, 2019 totals €192.0 billion, up by 1.8% compared to the previous fiscal year.

On the liability side, the debts to credit institutions totaled €72.9 billion and mainly consisted of term loans to organizations of the group, demand accounts (€25.1 billion) and securities given under repurchase agreements in the context of TLTRO (€10 billion). Term loans to organizations of the group stand at €33.4 billion, the majority of which come from resources collected by its subsidiary Crédit Mutuel Home Loan SFH (€26.3 billion) and by CIC and its regional Banks (€6.6 billion).

Amounts due to customers totaled €11.2 billion. This item is mainly composed of demand accounts in credit (€4.4 billion) and term deposits and borrowing from financial customers (€6.7 billion).

Securities liabilities totaled €83.2 billion and are composed of securities in the interbank market (€4.6 billion), negotiable debt securities (€31.2 billion), bonds and monetary EMTN (€47.4 billion).

The amount of deeply subordinated notes was €1 billion. There were no redemptions during the fiscal year.

The funds for general banking risks, amounting to €61.6 million remained stable from one fiscal year to the other. All of the shareholders' equity (including the deeply subordinated notes) and equivalent stood at €12.9 billion on December 31, 2019 (including the 2019 net profit of €2,003.5 million), against €10.9 billion at the end of 2018.

On the asset side, the central treasury of Crédit Mutuel Alliance Fédérale was reflected by receivables held on credit institutions at €114.6 billion. The refinancing granted to Caisse Fédérale de Crédit Mutuel represents €31.2 billion, in order to supply the loans distributed by the Crédit Mutuel banks and to ensure the liquidity of Caisse Fédérale de Crédit Mutuel. The term refinancing activity of Banque Fédérative de Crédit Mutuel also covers Banque Européenne de Crédit Mutuel (€4.5 billion), CIC and its finance leasing and factoring subsidiaries (€53.8 billion), the Cofidis group (€11.3 billion), the Factofrance group (€4.6 billion) and other subsidiaries (€2.8 billion). BFCM also refinances €1.2 billion of requirements from other groups of Crédit Mutuel.

Client transactions totaled €2.2 billion. This amount corresponds to interventions in credit, mainly oriented towards large companies, and to the refinancing of special purpose acquisition entities for BFCM's long-term equity investments. In addition, included in this item is the net amount of non-performing loans of €22 million after deducting provisions of €7.3 million.

Short-term investment securities, investment securities and those ancillary to transactions constitute the other uses of cash (€29.2 billion).

Investments in associates, which stand at €16.1 billion, are mainly composed of equity investments in Targobank in Germany (€5.7 billion), CIC (€4.1 billion), Factofrance (€1.5 billion), Groupe des Assurances du Crédit Mutuel (€1.3 billion) and the Cofidis group (€1.3 billion). The equity investments in listed non-consolidated companies was stable at €0.4 billion.

2.4.2.2 Information on customer and supplier payment terms

Articles L.441-6-1 and D.441-4 of the French Commercial Code provide for specific information on the maturity dates of debts with regard to suppliers and receivables with regard to customers.

In accordance with subparagraph 8 of Article L.441-6 of the French Commercial Code, the maturity dates of debts with regard to suppliers and receivables with regard to customers of our company do not exceed 45 days from the end of the month or 30 days from the date of issue of the invoice.

Given the status as a credit institution, the information communicated relative to payment deadlines specified by Article D.441-4 of the French Commercial Code do not include the bank transactions and ancillary transactions governed by the French Monetary and Financial Code.

INVOICES RECEIVED AND NOT PAID ON THE REPORTING DATE OF THE FISCAL YEAR, FOR WHICH THE DEADLINE IS EXPIRED

(in euros)

	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total
Number of invoices	18					18
Amount	410,769.82	0.00	0.00	0.00	0.00	410,769.82
Percentage of total	0.39%	0.00%	0.00%	0.00%	0.00%	0.39%

INVOICES RECEIVED THAT WERE SUBJECT TO LATE PAYMENT DURING THE FISCAL YEAR (ARTICLE D.441-4 § II)

There were no significant transactions that were subject to late payment during 2019.

(1) Changes in percentage terms are at constant scope.

2.4.2.3 Income statement

Interest and similar income amounted to €4.15 billion (€3.7 billion consisting of transactions with credit institutions) and interest and similar expenses stood at €4.2 billion (€2.7 billion in interest paid to credit institutions and €1.2 billion on securities issued), representing a net interest margin of -€46.3 million, against -€83 million in 2018.

Income from variable-income securities (shares) for €1.929 billion mainly consists of dividends received from subsidiaries of BFCM (€1.909 billion).

The positive impacts on the trading portfolios for €20.3 million mainly arose from foreign exchange gains on assets denominated in foreign currencies (€9.2 million) and net reversals of provisions on the swapped bond portfolio (€11.2 million) related to interest rate changes.

The reversals (net of allocations) of provisions for depreciation (€46.7 million) constitute most of the item "profit and loss on short-term investment portfolios" (€90.1 million).

After recognition of commissions and other elements related to operation, Net banking income stood at €2 billion, against €1.1 billion in 2018.

General operating expenses, which were slightly down (-3.4%), totaled €69.3 million (against €71.8 million in 2018).

In 2019, €7.2 million of cost of risk was recorded following a deterioration in the risk on certain customer loans. In 2018, the cost of risk showed income (€305 million), correlated to reversals of provisions on guarantee commitments on loans granted by BFCM in 2017. These loans were repaid during the 2018 fiscal year.

The balance of the item "profit and loss on non-current assets" of €81.9 million is composed:

- of a merger loss following the transfer of all assets and liabilities from an associated company;
- of capital gain and loss, both realized and unrealized, on our investments in listed non-consolidated companies, mainly corresponding to valuation adjustments.

The corporate income tax item for €0.141 million is mostly composed of a tax adjustment over previous fiscal years.

2.4.2.4 The proposals of the board to the meeting

Finally, in 2019, BFCM recorded profit of €2,003.5 million.

The appropriation proposed to the shareholders' meeting covers the following amounts:

- 2019 profit: €2,003,541,913.11;
- retained earnings: €601,163.29;
- representing a total of: €2,004,143,076.40.

We propose:

- payment of a dividend of €8.90 to each of the 33,770,590 shares entitled to dividends over the full year, representing a distribution of €300,558,251 in total. These dividends are eligible for the allowance specified by Article 158 of the French General Tax Code (Code général des impôts – CGI);
- not to allocate any amount to the legal reserve, which has already reached the regulatory minimum of 10% of the share capital;
- to allocate €1,703,000,000.00 to the optional reserve;
- to allocate €584,825.40 to retained earnings.

In accordance with the legal provisions in force, we remind you that the dividends paid per share for the last three fiscal years were as follows:

	2016	2017	2018
Amount in euros	€ 3.85	€ 2.40	€ 3.85
Dividend eligible for the deduction provided for in Article 158 of the French Tax Code (*Code général des impôts* – CGI)	Yes	Yes	Yes

2.4.2.5 Financial profit/(loss) of the company over the last five fiscal years

Amount in euros	2015	2016	2017	2018	2019
1. CAPITAL AT THE BALANCE SHEET DATE					
a) Share Capital	1,688,529,500.00	1,688,529,500.00	1,688,529,500.00	1,688,529,500.00	1,688,529,500.00
b) Number of ordinary shares outstanding	33,770,590[1]	33,770,590	33,770,590	33,770,590	33,770,590
c) Nominal value of shares	€50	€50	€50	€50	€50
2. TRANSACTIONS AND PROFIT / (LOSS) FOR THE FISCAL YEAR					
a) Net banking income, income from the securities portfolio and miscellaneous	505,953,887.37	466,909,335.69	593,256,096.24	1,105,048,350.22	1,998,597,811.55
b) Profit/(loss) before tax, employee share ownership and allocations to depreciation, amortization and provisions	410,762,894.39	903,621,214.10	451,465,440.48	1,606,289,203.09	1,866,736,070.27
c) Income tax	-35,214,634.44	250,799.70	-476,290.93	1,955,240.36	141,414.89
d) Employee share ownership due pursuant to the fiscal year	65,752.38	97,960.46	130,512.29	112,693.25	164,089.45
e) Profit/(loss) after tax, employee share ownership and allocations to depreciation, amortization and provisions	342,644,532.10	269,287,297.83	-162,400,325.59	991,617,934.79	2,003,541,913.11
f) Distributed profit	140,147,948.50	130,016,771.50	81,049,416.00[2]	130,016,771.50	300,558,251.00
3. EARNINGS PER SHARE					
a) Profit/(loss) after tax and employee share ownership but before allocations to depreciation, amortization and provisions	13.20	26.75	13.38	47.50	55.27
b) Profit/(loss) after tax, employee share ownership and allocations to depreciation, amortization and provisions	10.15	7.97	-4.81	29.36	59.33
c) Dividend assigned to each share over the full year	4.15	3.85	2.40[2]	3.85	8.90
4. PERSONNEL					
a) Average workforce employed during the fiscal year	24	32	68	67	69
b) Amount of the payroll expense for the fiscal year	5,325,581.38	6,111,275.25	8,148,624.87	7,933,548.00	7,815,574.59
c) Amounts paid pursuant to social benefits for the fiscal year (Social Security, social work)	2,256,273.16	2,672,813.48	3,665,236.87	3,528,052.07	3,521,611.95

(1) 33,770,590 shares entitled to dividends over the full year following the capital increase on July 31, 2015.

(2) The dividend distributed in 2017 was deducted from reserves.

NB: The amount of corporate income tax indicated also includes tax due pursuant to the fiscal year, with movements on provisions relating to these taxes. This change results from the application of the principles defined by CRC Regulation No. 2000-03, which applies from the 2001 fiscal year.

Already invested in financing the energy transition as part of its activities, Crédit Mutuel Alliance Fédérale is also committed with Voltalia - a producer of renewable energy - to reducing its carbon footprint by 30% by 2023. In addition to supplying green energy, Crédit Mutuel Alliance Fédérale is helping Voltalia to build new renewable energy production capacity.

3

SOCIAL AND COOPERATIVE RESPONSIBILITY

3.1 PREAMBLE

Under Article L.225-102-1 of the French Commercial Code, Crédit Mutuel Alliance Fédérale is responsible for preparing, for the 2019 fiscal year, a consolidated statement of the non-financial performance in accordance with the legal and regulatory requirements, including a presentation of the business model[1], a description of the main non-financial risks, a presentation of the policies applied in respect of these risks and the results of these policies.

This statement incorporates information required by Articles L.225-102-1, R.225-105-1 and R.225-105, Articles 70 and 173 of the Act pertaining to energy transition for green growth of August 17, 2015, Article 14 of the Act pertaining to combating food waste of February 11, 2016, Sapin 2 Law No. 2016-1691 of December 9, 2016, Article L.225-102-4 of the law of March 27, 2017, pertaining to the duty of care by parent companies and sourcing companies.

(1) The business model of Crédit Mutuel Alliance Fédérale is described on pages 6-7 and 76 of this universal registration document.

3.1.1 Presentation of the scope, business model and vigilance plan

3.1.1.1 Scope of Crédit Mutuel Alliance Fédérale

Operating under the name Crédit Mutuel Alliance Fédérale, the mutual banking division (also called the regulatory scope) and the shareholder-owned division (also called BFCM) are complementary and interconnected. Banque Fédérative du Crédit Mutuel (BFCM) is the holding company of the group. Its capital is held by the local cooperative banks and Caisse Fédérale de Crédit Mutuel. It manages the cash needs of Crédit Mutuel Alliance Fédérale and intervenes on the financial markets. It works with businesses and local authorities in the processing of flows, credit activities and specialized financing operations and ensures correspondence with international partners. It manages the investments held in all the specialized subsidiaries that support the activity of the local cooperative banks.

In view of our organization, the information required in the non-financial performance report is given below in the name of Caisse Fédérale de Crédit Mutuel on behalf of Crédit Mutuel Alliance Fédérale. Caisse Fédérale de Crédit Mutuel holds the collective license (banking code 10278) for all the affiliated local cooperative banks and is the head of the group comprising Banque Fédérative du Crédit Mutuel and its subsidiaries as defined in Articles L. 233-3 and L. 233-16 of the French Commercial Code.

Crédit Mutuel Alliance Fédérale includes companies that are not individually obliged to publish a specific report:

- for the regional banks of CIC and the CIC group, a specific report is published in their annual financial report;
- the technology division:
  - Euro-Information Services,
  - Euro-Information Développements,
  - Euro-Information Production;
- the press division:
  - Le Dauphiné libéré,
  - Groupe Progrès,
  - L'Est républicain,
  - Dernières Nouvelles d'Alsace,
  - Est Bourgogne Médias,
  - L'Alsace,
  - Le Républicain lorrain,
  - La Liberté de l'Est.

In keeping with Crédit Mutuel Alliance Fédérale's organization, the information relating to the companies in the Technology and Press divisions is reported separately from the group's other quantified data and to specific reports included in this document.

The complete list of Crédit Mutuel Alliance Fédérale companies in the Press and Technology divisions is appended to this report.

The scope retained for the collection and consolidation of the data in this report represents 97.3% of the total financial scope. In general, entities that are excluded from the scope are those which do not consume energy and have no employees as well as CIC's foreign subsidiaries other than Banque de Luxembourg and Banque de Luxembourg Investment SA.

The federations, Caisse Fédérale de Crédit Mutuel and the subsidiaries

The local banks belong to a federation. Depending on where the local banks are located, the federation is either an association governed by the Act of July 1, 1901, or, for those located in the French departments of Haut-Rhin, Bas-Rhin and Moselle, an association subject to the locally applicable Civil Code.

As a strategic planning and control body, the federation represents Crédit Mutuel in its region.

From a regulatory, technical and financial standpoint, the inter-federal bank, known as Caisse Fédérale de Crédit Mutuel, holds the collective banking license that benefits all affiliated local banks, in accordance with the French Monetary and Financial Code.

Caisse Fédérale de Crédit Mutuel is responsible for the group's solvency and liquidity, as well as its compliance with banking and financial regulations.

On behalf of the local banks, Caisse Fédérale de Crédit Mutuel therefore performs financial functions such as liquidity management and also provides technical, legal and IT services either directly or through insurance, IT and leasing subsidiaries.

Pursuant to the French Monetary and Financial Code, each Crédit Mutuel regional group is organized around a federation, a regional bank and all the local cooperative banks that are affiliated to the federation and use the same banking code as Caisse Fédérale de Crédit Mutuel.

Since January 1, 2012, the regulatory scope comprises 11 Crédit Mutuel federations that have forged partnerships authorized by the French Prudential Supervisory and Resolution Authority (Autorité de contrôle prudentiel et de résolution - ACPR) and which resulted in the creation of Caisse Fédérale de Crédit Mutuel, the local cooperative bank common to the 11 Crédit Mutuel groups formed by:

- Crédit Mutuel Centre Est Europe – CMCEE – (Strasbourg);
- Crédit Mutuel Île-de-France – CMIDF – (Paris);
- Crédit Mutuel Midi-Atlantique – CMMA – (Toulouse);
- Crédit Mutuel Savoie-Mont Blanc – CMSMB – (Annecy);
- Crédit Mutuel Sud-Est – CMSE – (Lyon);
- Crédit Mutuel Loire-Atlantique et Centre-Ouest – CMLACO – (Nantes);
- Crédit Mutuel Normandie – CMN – (Caen);
- Crédit Mutuel Méditerranéen – CMM – (Marseille);
- Crédit Mutuel Dauphiné-Vivarais – CMDV – (Valence);
- Crédit Mutuel Centre – CMC – (Orléans);
- Crédit Mutuel Anjou – CMA – (Angers).

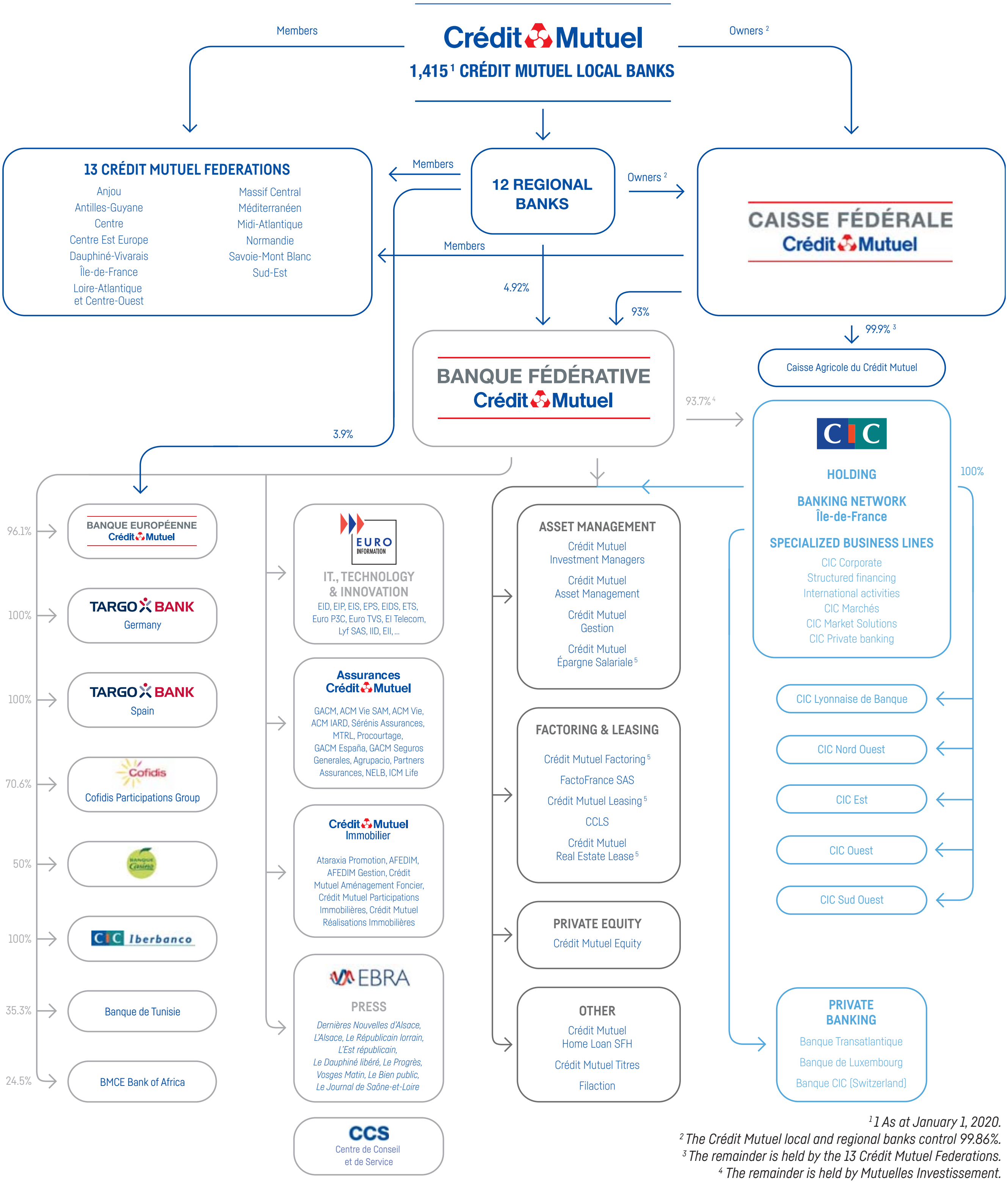
Each local bank is a member of the federation of its geographic region and each federation is autonomous within its territory.

Crédit Mutuel Alliance Fédérale comprises the 11 federations indicated above as well as Caisse Fédérale de Crédit Mutuel, Banque Fédérative de Crédit Mutuel (BFCM) and all its subsidiaries, notably CIC, Euro-Information, Assurances du Crédit Mutuel (ACM), Targobank, Cofidis, Banque Européenne du Crédit Mutuel (BECM), Banque Transatlantique and CIC Iberbanco.

The scope of Crédit Mutuel Alliance Fédérale corresponds to the definition of the consolidated scope as presented in the Annual report – Registration document of Crédit Mutuel Alliance Fédérale.

In 2019, Crédit Mutuel Alliance Fédérale crossed a new stage in its strategic 2019/2023 plan "ensemble#nouveaumonde" by modifying its brand architecture. The purpose is to increase the visibility of its two main networks, Crédit Mutuel and CIC, and its business lines. The names of 30 structures change to "Crédit Mutuel" or "CIC" followed by the name of their business line. Apart from their company name, some subsidiaries have also adopted two commercial brands: one dedicated to the Crédit Mutuel network; the other to the CIC network.

Moreover, the Antilles-Guyane (Fort-de-France) and Massif-Central (Clermont-Ferrand) Federations of Crédit Mutuel joined Crédit Mutuel Alliance Fédérale on January 1, 2020. A cooperative and mutualist bank, Crédit Mutuel Alliance Fédérale is now an alliance of 13 Crédit Mutuel Federations which, by taking up the challenge of responsibility, proximity and solidarity, are demonstrating their ability to build collectively for the common good.



[1] *As at January 1, 2020.*
[2] *The Crédit Mutuel local and regional banks control 99.86%.*
[3] *The remainder is held by the 13 Crédit Mutuel Federations.*
[4] *The remainder is held by Mutuelles Investissement.*
[5] *Subsidiaries majority owned by CIC.*

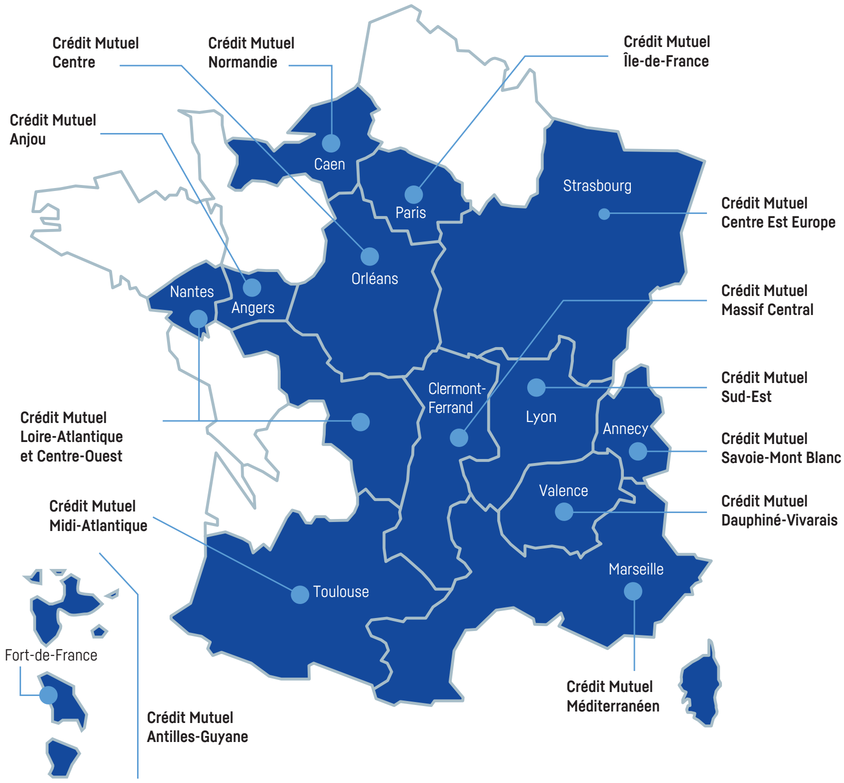
3.1.1.2 Crédit Mutuel Alliance Fédérale's business model

Crédit Mutuel Alliance Fédérale places innovation at the service of the people and the territories that are at the core of the group's development strategy. It draws on its expertise in finance and services to serve its 26.3 million customers. Collectively, the group focuses on commitment, responsibility and autonomy; solid values which it shares with 4.8 million members.

Thanks to the extensive regional coverage of the Crédit Mutuel and CIC banking networks, the group now has 4,338 retail outlets located in all regions throughout France and in which 95% of loan-granting decisions are made.

As a reference player in bank insurance and local services, Crédit Mutuel places top priority on customer and member services and on supporting local-development players. More than 70,000 employees provide availability, simplicity, proximity and expertise through a decentralized and omni-channel organization.

THE 13 FEDERATIONS OF CREDIT MUTUEL[1]



(1) *Effective as of January 1, 2020.*

3.1.1.3 Extra-financial risks and opportunities for Crédit Mutuel Alliance Fédérale

Methodology applied to create a mapping of environmental, social and governance risks (ESG)

The risk department of Crédit Mutuel Alliance Fédérale has a mapping of group risks that makes it possible to apprehend all of the factors that might affect the activities of Crédit Mutuel Alliance Fédérale and their performance. This mapping is the starting point for work led by a dedicated team to identify, assess and prioritize the ESG implications for Crédit Mutuel Alliance Fédérale.

The approach in place established in 2018 (inspired by the CSR Reporting Methodological Guide published by MEDEF), draws on the collaborative work of the group's risks and CSR teams, which consists of identifying risk factors for each ESG area. These risks were subject to analysis (by experts) that made it possible to grade them based on the probability of occurrence, their seriousness in terms of impacts and their possibility of non-detection. The grading scale of 1 (very significant risk) to 5 (insignificant risk) is the one used for Crédit Mutuel Alliance Fédérale's risk mapping and applied to the ESG implications. This work has made it possible to highlight a summary of significant ESG risks, featuring risk prevention and mitigation measures as well as the main performance indicators. An action was undertaken in 2019 with the risk teams of Assurances du Crédit Mutuel (ACM) to identify the specific risks and challenges connected with the insurance business line. The method used is identical to the one described above. The specific risks and performance indicators of the insurance business line were added to Crédit Mutuel Alliance Fédérale's ESG risk mapping supplementing those that had already been identified.

The mapping of significant ESG risks is approved by Crédit Mutuel Alliance Fédérale's risk committee (executive body) and the risk monitoring committee (deliberative body).

Note that, reputational risk (like legal risk) is non-quantifiable given that a negative perception of the group may result in a breach of trust that could modify the behavior of its various partners (customers, investors, suppliers, employees, regulators, etc.) and be seen as the consequence of other risks (financial, operational, credit and commercial in particular). Crédit Mutuel Alliance Fédérale manages reputational risk through other risks. However, the threat of damage to reputation may have significant consequences. That is why Crédit Mutuel Alliance Fédérale carefully evaluates the possible consequences of various risks (preventive measures) and ensures proper functioning of a crisis unit when a proven risk to reputation arises.

MAPPING OF SIGNIFICANT ESG RISKS

SUMMARY

Non-financial information category	Significant non-financial risks	Prevention measures
GOVERNANCE		
Lack of training of elected representatives	■ Risk of decisions incoherent with the strategy of the group	■ Training plan dedicated to each profile of elected representative
Lack of attractiveness of membership	■ Risk of compromise of the cooperative model	■ Organization of co-operative life ■ Encourage the involvement of elected representatives in local life
Failure to advise the clientele Inappropriate goods and services sold	■ Risk of losing customers	■ Routine quality measures ■ Satisfaction surveys ■ Adaptation of proposed offerings
SOCIAL		
Transformation of skills Lack of employee training	■ Risk of non-compliance of banking and insurance operations	■ Significant training budget (> 6% of the payroll expense) ■ Specific training related to insurance products ■ Support for all employees in digital transformation
Demotivation of staff (management, professional recognition, QLW…)	■ Risk of non-respect of procedures ■ Risk of failure to advise customers/prospects – Loss of NBI	■ Internal support mechanism for employees (regular interviews, group charters and agreements, measures for improving QLW…)
SOCIETAL		
Lack of awareness of the ESG issues in the group purchasing policy	■ Risk of non-respect of the vigilance plan	■ Respect of purchasing policy ■ Signing of supplier charter
Malice in the handling of customer/prospect banking operations	■ Risk of internal or external fraud ■ Risk of conflicts of interest ■ Risk of information theft	■ Strengthening of the control procedures of banking and insurance operations
IT systems security failure	■ Risk of downtime in bank IT systems ■ Risk of cybercrime ■ Risk of non-respect of General Regulations on the protection of customer data	■ IT Systems Security Committee ■ Certification ISO 27001 ■ Training of employees in GRDP (General Regulations on Data Protection)
FIGHT AGAINST CORRUPTION		
Non-respect of procedures	■ Risk of corruption	■ Regular training of employees ■ Internal controls
HUMAN RIGHTS		
Controversies over the non-respect of human rights	■ Risk of exposure through banking and insurance activities ■ Risk of non-respect of the vigilance plan	■ Contractual clauses ■ Crisis management mechanism ■ Scoring tool-assisted monitoring ■ Monthly reporting and compilation of a list of excluded securities for asset management purposes ■ Communication of the vigilance plan
ENVIRONMENTAL		
Absence of dedicated CSR governance	■ Regulatory risk (poor application of regulatory texts)	■ Crédit Mutuel Alliance Fédérale's CSR commitment ■ Validation of decisions by the boards of directors of the umbrella organizations ■ Dedicated organization with contacts in each entity
Lack of consideration for the carbon footprint of the group's entities in the exercise of their activities	■ Risk to reputation ■ Regulatory risk	■ Carbon offset mechanism ■ ISO 50001 certification process (energy management)
Failure to take into account specific rules governing high greenhouse gas-emitting sectors in lending and investment management	■ Risk of losing clientele and attractiveness (impact on NBI)	■ Sectoral policies & integration of ESG criteria into lending and investment management
Absence of prevention measures to reduce the carbon footprint of banking and investment operations	■ Financial risk (depreciation of controversial securities in the portfolio)	■ Deployment of the climate strategy for coal and non-conventional hydrocarbon activities
Lack of consideration for risks associated with climate change	■ Risk of transition ■ Physical risk	■ Exploratory approach to climate risk assessment: Establishing country boundaries integrating climate risk and ESG

Non-financial information category	Performance indicators
GOVERNANCE	
■ Training rate of elected members *(Ch 3.1.2.2)*	■ Training rate of elected members: 49.46%
■ Membership rate *(Ch 3.1.2.2 - GOUV62; GOUV63; GOUV65)*	■ Membership rate: 77.18% (Stable)
■ Posternak Ifop barometer[1] *(Ch 3.1.2.2)* ■ Complaints monitoring indicator *(Ch 3.1.2.2))*	■ Complaints monitoring indicator: 69,547 claims recorded in 2019
SOCIAL	
■ Training indicators *(Ch 3.1.2.2 - SOC46; SOC47; SOC48; SOC50)* ■ Percentage of employees who have validated training courses for insurance products *(Ch 3.1.2.2)* ■ Transformation training rate *(Ch 3.1.2.2)*	■ Training indicators SOC46: total payroll invested in training: €171.2 million (+8% compared to 2018) SOC47: percentage of payroll dedicated to training: 5.56% SOC50: number of hours devoted to training: 2.4 MH ■ Percentage of employees who have validated training courses for insurance products: 77% of insurance training courses were certified in 2019 (21,651 training courses delivered). ■ Transformation training rate: 34% of employees enrolled in the "digital passport" training course have been certified.
■ Rate of job rotation (Ch 3.1.2.2) ■ Absenteeism indicator: change in the number of days of absence *(Ch 3.1.2.2. – 3.4.1 – 3.5.1 – SOC38, SOC39, SOC40, SOC41)*	■ Rate of job rotation: 2.3% (excluding foreign subsidiaries and Cofidis) ■ Absenteeism indicator - change in the number of days of absence: 693,909 (down 1.2% from 2018)
SOCIETAL	
■ Number of supplier charters signed *(Ch 3.1.1.4 – 3.1.2.2)*	■ Number of supplier charters signed: nearly 2,080 charters were signed by CCS and Euro Information suppliers.
■ Percentage of total claims for the year related to external fraud or internal fraud *(Ch 3.1.2.2)*	■ Percentage of total claims for the year related to external fraud or internal fraud: Internal and external fraud amounted to €42.7 million and represented 45.8% of total claims. ■ At ACM level: over 1,200 fraudulent files. Fraud accounted for 6% of claims.
■ Rate of availability of primary TP applications[2] *(Ch 3.1.1.4)* ■ Impact of claims > €1,000 *(Ch 3.1.1.4 – 3.4.2.2)* ■ Rate of training in GDPR *(Ch 3.1.1.4)*	■ Rate of availability of primary TP applications[2]: the rate was 99.54% (99.63% in 2018). ■ Impact of claims > €1,000: 298 claims in 2019 (239 in 2018). ■ Rate of training in GDPR: 81% of employees have completed an e-learning course on the GDPR in its entirety.
FIGHT AGAINST CORRUPTION	
■ Percentage of employees trained in the fight against corruption *(Ch 3.1.1.4)*	■ Percentage of employees trained in the fight against corruption: 53% of training was performed by the employees in question in 2019
HUMAN RIGHTS	
■ Number of alerts from the "Power to Report" monitoring tool (Ch 3.1.1.4 - Audited but unpublished data)	■ Number of alerts from the "Power to Report" monitoring tool: Audited but unpublished data
ENVIRONMENTAL	
■ 5 CSR indicators included in the strategic plan "ensemble#nouveaumonde 2019-2023": Human and Cooperative Indicators *(Ch 3.1.2.2)*	The progress of projects is detailed in the chapters identified, in particular the Environmental Improvement section. In addition, it should be noted that additional work is still being performed to refine the methodologies for measuring the various performance indicators.
■ GHG emissions: 5-year goal of 30% reduction in the group's carbon footprint *(Ch 3.1.2.2)*	
■ Growth rate of renewable energy project financing commitments *(Ch 3.1.2.2)*	
■ Change in the outstandings for coal and non-conventional hydrocarbon activities	
■ Quarterly monitoring of limits by country	

(1) Posternak Ifop barometer: https://presse.creditmutuel.com/le-credit-mutuel-reste-ndeg1-des-banques-au-barometre-posternak-ifop-1/.
(2) TP: Transaction Processing - Major applications used by the banking network and customers.

3.1.1.4 Vigilance plan

Introduction

Act No. 2017-399 of March 27, 2017, pertaining to the responsibility of parent companies and initiating companies is the law known as "duty of vigilance."

This act obliges large companies to establish and implement a "vigilance plan," intended to prevent serious harm to human rights and the environment as part of their activities and those of subcontractors or suppliers with which they have a lasting business relationship.

This obligation, which applies to companies (subsidiaries included) employing at least 5,000 employees in France or at least 10,000 employees in France and abroad, in particular concerns Crédit Mutuel Alliance Fédérale and the entities which comprise it, including CIC and its subsidiaries.

This document is submitted to the group's control and compliance committee and auditing and accounting committee, which represents the surveillance authority of Crédit Mutuel Alliance Fédérale.

It is accessible to employees of each Crédit Mutuel Alliance Fédérale entity, particularly through the Intranet. It may be subject to modifications as the group makes progress in the matter and incorporates the particularities of certain professions.

The vigilance plan and its implementation are made public through the non-financial performance statement (NFPS), which can be consulted on the dedicated website[1].

Presentation of the group's vigilance plan

Details of the vigilance plan

"The plan contains reasonable vigilance measures adequate to identify risks and prevent serious harm to human rights and the fundamental freedoms, health and safety of persons as well as the environment, resulting from the company's activities and those of the companies it controls within the meaning of II of Article L.233-16, directly or indirectly, as well as the activities of subcontractors or suppliers with which there is an established commercial relationship, when these activities are related to this relationship." (see Article 1 of Act No. 2017-399).

The vigilance plan is completely integral to the social and mutualist responsibility process – SMR – which has been implemented for several years by Crédit Mutuel Alliance Fédérale.

Scope of the vigilance plan

The vigilance plan makes it possible to identify risks and prevent serious harm in the following areas:

Human rights and fundamental freedoms

There are several categories:

- inherent human rights: meaning equality, freedom, property, safety and freedom from oppression;
- rights that are aspects or consequences of the preceding:
  - from the principle of equality, for example, ensues universal suffrage, gender equality, and also equality before the law, employment, taxes, justice, access to culture,
  - the principle of freedom elicits the existence of the individual freedom, of opinion, of expression, of assembly, of worship, of the right to unionize and to strike,
  - the right of property implies the freedom to dispose of personal property and entrepreneurial freedom,
  - the right to safety justifies the preclusion of arbitrariness, the presumption of innocence, respect for the rights of defense, the protection of individual freedom by justice;
- social rights, meaning services that are the responsibility of the collectivity: we can cite the right to work, protection of health, free public education;
- rights related to the environment, which affirm the right of everyone to live in a balanced environment that's respectful of health and which consecrates the notion of sustainable development and the precautionary principle.

The vigilance plan covers infringements on human rights and fundamental freedoms generated by the activities of Crédit Mutuel Alliance Fédérale (subsidiaries and employees) or its partners (suppliers and intermediaries) on their stakeholders within the context of established commercial relationships.

Health and safety of individuals

Definitions

The WHO defines health as the "the complete state of physical, mental and social well-being, which does not only consist of the absence of illness or infirmity."

Safety designates all of the provisions intended to ensure the protection of persons and property in a manner such that the situation in which one finds his or herself has an acceptable level of risk.

Examples of risks to safety and health at work

Physical activity (working on a screen, lumbago, etc.), noise, occupational or chemically-caused cancers (asbestos, etc.), travel, psycho-social risks (aggression, external violence, occupational exhaustion or burn out, harassment and internal violence, stress, suicide), etc.

The vigilance plan covers infringements of health and safety inside and outside the company

Internally, the employer should ensure safety and protect the health of employees. The employer should take the necessary preventive measures against occupational risks and inform and train employees about these risks. The employer should also respect certain rules in the layout and utilization of the work premises.

Externally, the employer should also ensure that the company's activities like those of its suppliers do not have negative repercussions on the health and safety of the supplier's employees, customers or any other persons.

Environment

Risks related to the environment are industrial or technological risks generated by the group or partners, which have an impact on the environment: water, air, sites and soils, noise, etc. Risks related to financing and investment activities are also included, the goal being to reduce as much as possible the environmental consequences resulting from these activities.

They concern:

- the vitality of the ecosystem (protection of the ecosystem, resource management, pollution);
- management of water, agricultural, fishing and forest resources, but also climate change and biodiversity and the air;
- environmental health (the impact of the environment on human health).

(1) https://www.bfcm.creditmutuel.fr/fr/investisseurs/information-financiere-reglementee.html

People concerned by the vigilance plan

All those people likely to be affected by a risk or an infringement of a social of environmental nature are those who are involved in the context of the group's activities or in the context of a commercial relationship, particularly with suppliers and subcontractors.

That means employees, temporary workers, staff (detached or not) of suppliers, subcontractors, customers and any other persons involved.

These people may be the cause of a violation of social or environmental rights; they may also be accomplices (active or passive) or even victims.

In summarizing, it's necessary to distinguish:

- the risks generated by the entity/subsidiary on employees;
- the risks generate by the entity/subsidiary of customers via activity, financing granted, investments made, products and services offered;
- the risks generate by the entity/subsidiary on its partners (suppliers and subcontractors, intermediaries. etc.) and third parties;
- the risks generated by partners (suppliers, intermediaries, etc.) with which the entity/subsidiary has an established commercial relationship, when activities related to this relationship, when these risks affect employees and third parties.

Measures of the vigilance plan

In accordance with the law, it includes the following five principal measures:

- a mapping of risks intended to identify, analyze and prioritize them;
- regular assessment procedures of the situation of subsidiaries, subcontractors or suppliers with which there is an established commercial relationship, in terms of the mapping of risks;
- appropriate measures to mitigate or prevent serious harm;
- an alert system and procedure for reporting the existence or occurrence of risks;
- a mechanism to monitor any measures put in place and to assess their effectiveness.

Mapping of social and environmental risks

The mapping of risks covers the areas evoked above based on an awareness of employees' work situation, relationships with customers and partners, activities exercised by the company and those of subcontractors and suppliers.

The objectives sought consist of:

1. Identifying the risks

This means identifying all the dangers to which employees (of the company or suppliers), customers or third parties may be exposed.

2. Analyzing the risks

The risk incurred for each dangerous situation raised is to be defined and evaluated based on:

- the nature of the danger;
- the means of prevention already existing (technical, organizational, human).

3. Classifying risks

The classification of risks makes it possible to:

- determine the priorities of the action plan based on the potential seriousness and probability of occurrence;
- implementation of preventive measures.

For each area (human rights, fundamental freedoms, health and safety of people, environment), work has been done to identify the primary risks. These risks were the subject of analysis (by experts) that made it possible to evaluate in two times by using notions of the gross risk and then the residual risk.

3

The gross risk[1] considers the probability of occurrence and its frequency as well as the impact that the particular case may have on the entity's activities and services it provides to the clientele. Scoring is established based on the 5 following levels:

Scoring	1	2	3	4	5
Degree of risk	Very substantial	Substantial	Average	Low	Very low

For each case, the residual risk is then valued according to the extent to which there is coverage for the observed risk based on the existence and relevance of preventive or mitigation measures in place. Its scoring is established based on the five following levels of risk:

Scoring	1	2	3	4	5
Degree of risk coverage	**Missing coverage:** Risk not covered and remedial measures need to be quickly implemented	**Insufficient coverage:** Risk partially covered with significant points for improvement identified	**Average coverage:** Risk covered but with one or more points for improvement identified	**Satisfactory coverage:** Risk covered by a suitable mechanism (organization, procedures, controls, etc.)	**Very satisfactory coverage:** Risk covered by a controlled mechanism

On this basis, Crédit Mutuel Alliance Fédérale identified the following primary potential risks:

- concerning human rights and fundamental freedoms: discrimination, undermining equality, breach of the principle of respect for private family life; infringement on the right to strike, the freedom of assembly and the right to association as well as on the freedom of expression;
- concerning the health and safety of individuals: health risks, non-respect for legal working conditions, infringement on the safety of workers and inequality of access to the right to health;
- concerning the environment, the risk of pollution, infringement on the fight against global warming, damage to biodiversity and violations in the management or waste.

The mapping is likely to evolve as progress is accomplished in each area.

(1) Gross risk is defined without taking into account the control environment.

Assessment procedures concerning the status of suppliers and subcontractors

Regular assessment of the status of subcontractors and suppliers outside of the group with which there is a commercial relationship is conducted with the help of various operational procedures within Crédit Mutuel Alliance Fédérale.

Bidding process procedures

Most purchasing is conducted by the group's business line centers.

Certain business lines have defined procedures for the bidding process in view of the importance of negotiations. At Euro-Information, suppliers are listed in categories, the main ones being "essential suppliers" and/or "sensitive suppliers" (economic or strategic importance for Euro-Information or for its customers). For the bidding process and in regular fashion, Purchasing teams ask these suppliers to provide documents that can attest to their CSR procedures (or to provide the link to the document on the Internet) in order to know the content. This operation is applied in the purchasing process of equipment/software, but also in the context of buying immaterial computer services from DSC (Digital Services Companies) suppliers. Euro-Information conducts a regular review of it.

The evaluation of suppliers is also done through policies established by the group (sectoral policies, purchasing policy and charter with suppliers, essential outsourced services, see below). For example, Euro-Information includes the supplier charter in its bidding process procedures.

Collection of documentation and information on suppliers outside the group

Numerous elements that make it possible to check on the identity of the supplier, its repute and the quality of service provided are collected as part of the group's procedures.

- Information collected on suppliers and service providers are the following:
  - with regard to combating undeclared labor (Article L.8222-5 of the Labor Code), vigilance obligations required of all suppliers with revenues in excess of €5,000 include a Kbis extract, a URSSAF declaration, URSSAF authentication, the list of foreign workers (LNTE) and a certificate of vigilance,
  - other documents requested by certain business line centers depending on their activity: E&O insurance, proof of 10-year liability insurance, license for domestic transport, CNAPS governing approval[1] (Safety), professional licenses of security agents, etc.,
  - INSEE files and legal information that may be consulted with the BILI (companies, associations, individual entrepreneurs) application,
  - for accredited suppliers in the CONTRACT application: contracts, maintenance records, operational elements, etc.,
  - the supplier charter which is signed by every new entry in relation with internal business line centers;
- The regulatory data from the supplier (legal structure, address, SIRET, NAF, legal category, etc.) are reported in the application – PIEFOU – a management tool for supplier invoices;
- When the supplier is also a customer, elements related to the fight against money laundering and the financing of terrorism (LCB-FT) are requested of the supplier or service provider.

Selection of intermediaries and collection of information

- For retail banking, the PRESC application for IOBSPs (intermediaries in banking operation and payment services) makes it possible to identify the following documents: ORIAS registration, civil liability insurance, financial security, mandate, etc.
- In addition, each retail bank or specialized profession, establishes a referencing procedure for IOBSPs, which allows for the formalizing of the collection of required information and the implementation of certain controls.
- For market activities, the group establishes a policy for the selection of financial institutions or other intermediaries to which customer orders are entrusted for execution on French or foreign markets. The chosen entities must dispose of procedures and mechanisms to execute orders that correspond to the objectives set in the group's execution policy (available on the Internet) and particularly to certain criteria (rules of good conduct, terms and conditions of transmission and execution, security of processing). The selection of intermediaries may be modified depending on the evaluation grid and controls carried out.
- In addition, each retail bank or entity in the group (management companies in particular) is responsible for the approval of the financial instrument brokers they deal with and for monitoring their relationship with them. In this regard, the entity:
  - formalizes a procedure for initiating a new relationship, including, in particular, combatting money laundering,
  - established and keeps current a formal list of authorized brokers who are authorized to work with it,
  - established an evaluation grid of brokers, which allows for regular evaluation based on qualitative criteria.

Outsourcing of essential group and non-group services

- The framework procedure for controlling the outsourcing of the "essential" activities drawn up by the group's central compliance and permanent control functions includes the policy, procedure and its annexes. These documents are updated as needed.
- This group framework procedure states that the group entity which sets up a subcontracting mechanism establishes a written contract with the service provider. When essential services are outsourced, the entity must ensure that the contractual commitment covers the regulatory requirements notably concerning the level of quality, backup mechanisms, the protection of entrusted data, ACPR's access to information connected to the outsourcing, and generally complies with the laws and regulations which apply to the entity.
- From 2019, each entity must ensure that the supplier charter (CSR/SMR) is signed for each essential outsourced activity.
- The outsourcing section of Crédit Mutuel Alliance Fédérale's internal control report is updated every year.

(1) National Council on Private Security Activities (Conseil national des activités privées de sécurité).

Actions to mitigate and prevent risks

A set of measures aimed at reducing and preventing these risks is implemented vis-à-vis customers, suppliers and employees. These measures are presented below.

In customer relations

Relationships based on ethics and the code of conduct

Rules of proper conduct exist within the group to prevent risks to which customers could be subject. They are defined by internal rules that apply to all Crédit Mutuel Alliance Fédérale entities and to which is appended the safety charter, the code of conduct, the code of ethics and deontology and the charter on preventing and combating harassment and violence in the workplace. This mechanism is supplemented by the code of conduct which is a public document.

Protection of personal data

Knowing the customer and the relationship between the bank and the customer requires gathering, using and storing a certain amount of information about him or her. The collection, use and processing of this data are protected and also covered by professional secrecy.

- The Crédit Mutuel Alliance Fédérale entities concerned comply with the principle of relevance and proportionality of the data collected regarding the purpose of data processing, in order to comply with legal provisions.
- Customer information is handled in a clear and pedagogical manner, particularly concerning:
  - the identity of the person responsible for processing,
  - the purpose of data processing, avoiding unduly generic wording,
  - the obligatory or optional nature of answers and the consequences of failure to reply,
  - the recipients of this information,
  - one's right of access, to object and to correct.

Information on the protection of personal data is disseminated to customers who use remote banking as well as conventions on opening an account.

On April 27, 2016, the European Parliament and the Council adopted the regulation on the protection of natural persons with regard to the processing of personal data and the free movement of such data. This regulation, which was enforceable beginning on May 25, 2018, strengthened protection of personal data.

Crédit Mutuel Alliance Fédérale has adapted its tools and guidelines to incorporate the regulatory changes stemming from the GDPR[1]. These accommodations concern the following points:

- creation of a register of data processing activities;
- realization of an impact analysis for data processing likely to present an elevated risk to the rights and freedoms of private individuals;
- implementation of mechanisms and procedures that show respect for rules pertaining to data protection;
- establishment of a data protection officer;
- application of the principle of protection of personal data in the design of the processing operation;
- the rights of individuals.

In addition, Crédit Mutuel Alliance Fédérale has adopted a security charter concerning personal data management, which is published on its website.

In 2019, almost 81% of the group's employees targeted by Cap Compétences completed an e-learning course on the General Data Protection Regulation (GDPR).

IT security management system

Considering the processing of sensitive banking data and the numerous offers of services proposed, Euro-Information, the IT subsidiary of Crédit Mutuel Alliance Fédérale, pays very special attention to all aspects of the IT system, which changes every year to adapt to new risks, and strengthens defenses. An IT security management system was deployed in 2017 across all production and hosting sites, thus making it possible for Euro-Information to earn ISO 27001 certification.

The basic principles remain the following:

- availability: provide a reliable system with permanent accessibility;
- confidentiality: secure access, processing and data;
- integrity: guarantee reliability of data;

To which the following have been added:

- traceability of information;
- identification/authentication of people accessing the information.

Different follow-up indicators have been set up, such as the availability rates for the different Transaction Priocessing (TP) applications, which was almost 100% in 2019, and the rate of IT outages with a cost in excess of €1,000, which were very low, with only 298 for the 2019 fiscal year.

Employees are also informed of the most common frauds and the ethics rules applicable especially to the use of IT tools and email. A new "Infos Sécurité" tab was created in 2019 on the homepage of the Intranet on which information on the security of bank transactions, people and property, IT security, "Fraud" alerts and warnings is displayed. A newsletter on IT security published by Euro-Information is now sent to all the group's employees via the intranet.

Customer protection in the design of new products

- Crédit Mutuel Alliance Fédérale's entities have specific procedures to examine the compliance of new products or major transformations to existing products, including a written opinion from the Head of Compliance or a designated representative, as well as for any system which is intended to advise or assist customers. New products can be examined by Crédit Mutuel Alliance Fédérale's new products committee or delegated to the entity concerned after informing the Compliance Department.
- The opinion of Crédit Mutuel Alliance Fédérale's new products committee must be sought for a new product that is to be marketed in the network or by several entities. When marketing is restricted to a single business line, the business line's assessment is communicated to Crédit Mutuel Alliance Fédérale's new products committee for information. The committee may, if it sees fit, issue its own recommendations. Crédit Mutuel Alliance Fédérale's new products committee validates the business line's control processes beforehand.

(1) General Data Protection Regulation.

Fragile and vulnerable populations

Sustained action on the part of authorities (Banque de France and the French Observatory for Banking Inclusiveness (Observatoire de l'inclusion bancaire – OIB)) with regard to banking inclusion has been on-going since August 2017. Against this backdrop, Crédit Mutuel Alliance Fédérale has structured its banking inclusiveness system to ensure that the relevant legislation is properly implemented:

- by adopting a commitment policy for fragile and vulnerable populations: it describes the ongoing actions together with those within Crédit Mutuel Alliance Fédérale since the end of 2017 to protect fragile and financially vulnerable customers (especially protected adults) and to highlight how they are assisted in response to the requirements of the public authorities (OIB-BDF-ACPR);
- by equipping itself with a dedicated central governance body, the fragile and vulnerable clientele committee ensures that the legislative obligations and best practices for protecting fragile or vulnerable customers are properly implemented.

The work continued in 2019 to comply with the recommendations of OIB - Banque de France (set out in the letter from the Governor of Banque de France dated December 2018, OIB's specifications and FBF's Best Business Practices, dated September 3, 2018, and December 21, 2018).

The OIB – Banque de France recommendations concerning banking inclusiveness, in particular fragile clientele, have been implemented under the aegis of the fragile and vulnerable clientele committee in order to:

- increase the number of detected cases of financial fragility and develop new detection criteria;
- optimize the attractiveness of the Fragile Customer Offer to increase the take up rate (the offer has been enriched by offering a second bank card for the co-holder of a joint account, the possibility of having the Avance Santé card and a special telephone rate plan);
- implement the 2019 rate freeze;
- implement a cap on bank charges for incidents within the deadlines stipulated by professional commitments:
  - of €25 per month from January 2, 2019, for financially fragile customers, and
  - of €20 per month and €200 per year on April 1, 2019, for fragile customers holding the Fragile Customer Offer (extended to holders of the Basic Banking Services (SBB) on Crédit Mutuel Alliance Fédérale's perimeter);
- promote the Fragile Customer Offer;
- improve internal and external communications;
- encourage support for vulnerable people: a partnership with an outside association (CRESUS) has been set up to supplement the action taken by the network.

In 2019, Crédit Mutuel Alliance Fédérale produced regulatory reports which included quantitative and qualitative data on fragile and vulnerable customers (to ACPR in the questionnaire on business practices and to OIB as regards customer protection).

As part of its involvement in the work of the French Banking Federation (Fédération bancaire française - FBF), Crédit Mutuel Alliance Fédérale also follows the work of ACPR-AMF in the field of detecting the decline of the cognitive faculties of ageing people. The goal is to adapt the business practices in order to sell financial and life insurance products to this typology of customer.

Accessibility of banking services

In the context of regulations on the accessibility of establishments open to the public (ERP) to persons with disabilities, a public accessibility register (RPA) exists in all branches in order to inform the public about the degree of accessibility of the location as well as provisions made to allow all persons, especially those with disabilities, to benefit from branch services. Moreover, 97% of ATMs are now accessible to the visually-impaired.

Bank statements are provided in braille and Crédit Mutuel Alliance Fédérale has been committed for several years to an accessibility process to make its branches and applications accessible to all, including to seniors and persons with disabilities or with functional impairments, on any type of support (computer, smartphone, tablet, etc.). Thus, a remote interpretation service in sign language is available to hearing-impaired customers. Operators assist customers for free, by chat or by video link with the services they need. Customers can use this assistance from the mobile application during discussions in the branch. Moreover, deaf or hearing-impaired customers with telephone subscriptions can now take advantage of one free hour per month of translation, in accordance with regulations.

Simultaneously, regular technology surveillance is conducted on technical devices and raising awareness about accessibility was incorporated into internal training courses taken by the teams in charge of IT development. Certain employees are now experts on accessibility. They help with projects at all stages, audit sites or applications upon request and process customer feedback.

In another area, Crédit Mutuel Alliance Fédérale respects the generic terms of primary banking fees and services defined in the Decree of March 27, 2014, which aims at simplifying consumer access to rate information. Finally, the glossaries of the advisory committee of the financial sector and the financial education guides ("The Keys to the Bank") produced by FBF are accessible on the bank's website.

Processing of customer claims

The mechanism for processing claims implemented by entities in the group's sales network includes the three following levels:

- advisors and agency managers are responsible for processing claims at the first level. They are thus analyzed at the location the customer is most familiar with in order to respond in the best possible manner to the request;
- in each region, a specialized customer service department (CSD) provides an appeal process for the customer if the initial response is not satisfactory;
- after having exhausted the previous appeal, the customer may address the group's Consumer Ombudsman. The latter relies on the Secretariat of Mediation at the national level.

The customer is informed about the existence of the mechanism and its organization particularly by means of the website.

Since this year, customers have been able to upload claims to their branch through their personal online banking space. Such claims are received and processed by the branch in the same way as claims made at the branch. This new system improves the traceability of customer claims.

Operational steering consoles are available to the branches (Lead Console) and the customer relationship monitoring teams (CSD Console). These tools are enriched with alerts on the compliance with regulatory deadlines and on the documentation of the tool for transmission to customers.

The claims management tool ("SARA") has been enriched with a "date of receipt" field to ensure that the time limits for processing claims are respected.

Mediation process

Consumer mediation, in place since January 1, 2016, is reflected by the introduction of a dedicated website, featuring the mediation mechanism and providing customers with online access (at the address: https://www.lemediateur-creditmutuel.com). The mediator's annual report is also available to view. The mediator is registered on the list of mediators; the European Commission is notified by the Assessment and Mediation Control Commission.

In 2017, the group's mediator and the AMF's mediator signed an agreement giving customers the possibility of presenting any claim within the scope of the AMF to either the AMF mediator or the group mediator, with the understanding that the choice is irrevocable.

Inclusion of ESG criteria in the business lines

Sectoral policies

Sectoral policies are formalized for the fossil energy, defense, security, nuclear energy and mining sectors.

In 2019, Crédit Mutuel Alliance Fédérale decided to reduce the exposure of its finance and investment portfolios to coal to zero by 2030 for all countries in the world.

Similarly, Crédit Mutuel Alliance Fédérale chose to stop financing projects which are connected with exploration, production, transport infrastructure or transformation of:

- shale oil or shale gas;
- oil from bituminous sands;
- heavy and extra heavy oil;
- oil extracted in the Arctic.

Moreover, special attention is paid to certain sectors of activity that are not covered by the requirements of the group's sector policy. These sectors being monitored (numbering 8) concern the chemicals and derived products industries (including the pharmaceutical industry), the tobacco industry, forestry, the food industry, agricultural commodities, transport, the iron and steel industries and the building and public works sector.

The group has also decided to reinforce the rules for applying its sectoral policies by creating specific analysis grids for each business sector. These analysis grids integrate counterparties' non-financial ratings which are analyzed when the decisions to grant banking and financial transactions are taken.

Other policies related to the private bank, consumer loans, purchasing and supplier relations and even the commitment policy supporting fragile or vulnerable customers complete this list. They can all be consulted on the CIC and Crédit Mutuel Alliance Fédérale websites.

Project financing[1]

Crédit Mutuel Alliance Fédérale has an internal assessment methodology based on the "Equator Principles" classification scale.

- Category A Projects – Projects presenting negative social and environmental impacts, which are potentially significant, heterogeneous, irreversible or unprecedented.
- Category B Projects – Projects presenting limited negative social or environmental impacts, but less numerous, generally specific to one site, largely reversible and easy to treat with mitigation measures.
- Category C Projects – Projects presenting minimal or no negative social or environmental impacts.

Any new financing project is therefore subject to external due diligences including a section on its environmental impact and taking social utility criteria into consideration (the more or less strategic nature of the project for a country, the alignment of interests of various stakeholders, the overall economic rationality), local acceptance (known opposition of environmental defense groups or the local population, noise pollution, impact on the landscape, etc.) and respect of environmental criteria (compliance with current and foreseeable standards).

The Project Financing Department usually participates in projects in countries where the political and solvency risks are contained (i.e. "designated countries" in the sense of the Equator Principles). When the department intervenes in the most fragile countries, both politically and in terms of environmental standards, it is in consideration of the project's economic necessity and in participation with banks that have signed the Equator Principles or multilateral bodies. In each of these projects, the social and environmental impacts are not only taken into account when the operation is chosen, but also throughout the life of the project (for example: obligation of monitoring the construction phase and its environmental impact by an independent engineer if the size of the project warrants it, contractual obligation of the borrower to respect standards and their evolution throughout the life of the project).

Taking into account the environmental impact of real estate leasing to businesses

Crédit Mutuel Real Estate Lease asks lessees for an environmental study articulating the different phases depending on the cases:

- in the "upstream phase": an environmental review completed on a documentary basis;
- in "phase 1": an environmental review comprising at least a documentary study and a site visit by an expert to possibly detect any site-specific risk factors;
- in "phase 2": an environmental review comprising an in-depth site investigation that could entail soil surveys, groundwater checking, etc.

Private equity and ESG criteria

The social responsibility of Crédit Mutuel Equity is included in its investment doctrine. An assessment questionnaire on the policy in terms of corporate social responsibility is submitted to the companies in its portfolio. This questionnaire is analyzed during investment project studies. Identified points of improvement are subject to monitoring during the detention period of participation.

(1) "Project funding" is understood here as a very specific category of corporate financing, called specialized financing (defined in particular by Article 147.8 of European Regulation No. 575/2013) and which meets very specific criteria. These criteria, such as approved by the ACPR in October 2012, are used to set eligibility for deals in CIC Project Financing portfolio.

Socially responsible investment

The investment strategies of the group's asset management subsidiaries are based on the active and rigorous selection of sovereign and corporate issuers. Crédit Mutuel Asset Management has therefore overhauled the classification of its Responsible Finance range to increase the visibility of its offer. From now on, the range is structured according to two aspects:

- ESG integration: comprising all funds whose management is based on non-financial criteria alongside financial criteria, to identify market opportunities while respecting environmental, social and governance principles and limiting risk (physical, financial and market, regulatory and reputation). This system is accompanied by regular dialog with issuers to encourage them to change their practices;
- SRI: comprising funds managed according to the principles of the State SRI label, including being highly selective of the securities in the portfolio and improving transparency through dedicated reports.

In the relationship with subcontractors and suppliers

Group purchasing policy

A purchasing policy applies to all purchases by entities of Crédit Mutuel Alliance Fédérale.

The purchasing of goods and/or services is an act of management and is part of the operational implementation of the group's strategy. This policy incorporates economic, quality and respect of technical requirements criteria as well as ESG factors.

All contracts with suppliers and/or service providers include a clause dedicated to respect for provisions in force in terms of labor law. In the context of the charter of supplier relations, suppliers and/or service providers are committed to respecting the reference texts on human rights and labor law. Crédit Mutuel Alliance Fédérale pays particular attention to respecting best practices in professional ethics and in particular to strictly respecting principles pertaining to corruption under any form, notably concerning practices in terms of gifts and other benefits.

Other measures supplement this policy and promote responsible behavior by suppliers and/or service providers. Thus, the group favors relationships with suppliers and/or service providers, though equal on the technical and financial services level, which adopt an environmental approach that incorporates ESG criteria and which respect a social policy combating discrimination.

A power of attorney was signed by the buyers of Euro-Information serving notice to them of the respect linked to obligations in terms of sectoral purchasing policy.

Charter on supplier and service provider relations for sustainable procurement

This charter describes all of the commitments, notably in terms of human rights, vigilance (access to the "power to report") and corruption, to be respected by suppliers and service providers contracting with one or more of the entities of Crédit Mutuel Alliance Fédérale. Each of them must sign the document. First of all, identifying the charters signed by suppliers was undertaken for all those whose revenue exceeded €1 million. In 2019, this was extended to all suppliers.

Supplier professions centers

A large part of purchases is done by the group's supplier professions centers, such as CCS, SOFEDIS and Euro-Information.

Incorporation of CSR criteria in the relationship with CCS's general resources department with suppliers is materialized by:

- inclusion of the company's obligations of vigilance and CSR policy in drafting specifications for a bidding process;
- existence of an analysis grid for responses to bid solicitation, which prescribes the weight of responses by companies on environmental and social aspects in the overall rating by type of activity (household, recycling, hospitality);
- incorporating into the program reviews of accounts that monitor and audit social aspects under the French Labor Code (especially in the context of combating undeclared labor);
- inclusion of *ad hoc* paragraphs on CSR aspects in standard contracts;
- annual obligation for all managers in the central services sector having decision-making authority regarding suppliers, to declare gifts of any amount whatsoever.

The management of the supplier relationship within the Euro-Information structure is part of the ISO 9001 V2015 certified quality process monitored and audited by AFAQ. In addition, a "Supplier Supervision" committee ensures:

- obtaining financial and quality ratings for essential and responsive suppliers established in France expanded in 2019 to foreign suppliers;
- obtaining CSR reports for the same suppliers.

Euro TVS, subsidiary of Euro-Information, dedicated to the digitalization and computer processing of documents and means of payment, also introduced environmental management and is certified ISO 14001.

accessibiln relationships with employees

Relationships based on ethics and the code of conduct

Crédit Mutuel Alliance Fédérale promotes certain values and principles such as solidarity, freedom, responsibility and protection of the environment, and asserts its commitments as well as the rules of good behavior and good conduct resulting from them.

This culture which is common to all employees is implemented across a set of actions involving:

- The fundamental principles in terms of rules of good conduct, which are defined by internal rules, its three appendices and the code of conduct;
- The evaluation of the application of the code of conduct, which is performed by the networks as well as an additional question dedicated to examining a specific rule of conduct. The ethics and compliance committee decided to overhaul this evaluation in the 2019 fiscal year and to extend it to the headquarters and business lines of Crédit Mutuel Alliance Fédérale's entities in France. The dedicated tool, known as "ETHIK," was completely transformed and made more wide ranging and user-friendly. This is a questionnaire which is completed by the Chairmen and directors of banks, branch managers and the head office or business line managers concerned, with the voluntary and desired involvement of all the employees.

The theme adopted in 2019 was combating discrimination related to the rule on the respect of the person in connection Crédit Mutuel Alliance Fédérale's strategic plan. The fight against discrimination (#laluttecontrelesdiscriminations) survey for our 44,000 employees in the France perimeter was based on an anonymous questionnaire with 10 questions sent by email to each employee by an outside service provider.

- Training completes and enriches the employees' culture on respecting human rights, notably through sessions such as:
  - the "Code of conduct" module,
  - the "Work well together/fight discrimination" module,
  - modules in 2019 on "invisible disability."

Measures implemented.

There are multiple procedures and preventive measures depending on the type of risk (infringement of Human Rights, risk to the environment) that employees may suffer or that they may cause in the context of their activity.

Prevention of infringement to employees' rights[1] and measures put in place

- Violence and harassment: internal rules and the "charter on preventing and fighting harassment and violence in the group";
- Health and safety: CHSCT (health, safety and working conditions committee), occupational physician, etc.;
- Group agreement on supporting employees in the use of digital tools and the right to disconnect (signed in April 2018);
- Incivilities: procedure for combating incivilities and INCIV application;
- Assaults and hold-ups: "armed robbery" procedure;
- Trade union freedoms: the group's agreement on union negotiations, the bank's collective agreement, etc.;
- Labor law: labor legislation, the bank's collective agreement, etc.;
- Right to notify: "power to report" procedure;
- Protection of personal data: the group's code of conduct, procedures pertaining to CNIL;
- Protection of private life: protocols for recordings and phone tapping, protocol for video surveillance, GDPR, etc.;
- Corruption and influence peddling: the group's internal anti-corruption mechanism;
- The combat against discrimination: specific actions (2019 campaign on "invisible disability," the fight against discrimination #laluttecontrelesdiscriminations survey, etc.), the anti-discrimination charter, the promotion of diversity and vocational integration and keeping disabled workers employed inside the group.

Prevention of direct environmental impact generated by the activity of employees within the company

By its activity, the prevention measures essentially address reduction of paper consumption and waste recycling:

- Paper waste: dematerialization of numerous documents (simulation of credit or estimates and subscription to products online, electronic signature, electronic messaging, etc.);
- Waste management: "collection of used printer cartridges" procedure, selective sorting mechanism (paper recycling, recovery of used batteries, etc.).

Power to report (SOT109)

The power to report is an occupational warning system available to internal, external or occasional staff, which encourages them, in addition to the entity's normal warning methods, to report to their employer any serious failure to respect professional or legal obligations.

Reporting extends to all areas (corruption, fraud, etc.) and particularly to human rights and fundamental freedoms, personal health and safety as well as the environment.

In accordance with rules and regulations, this procedure guarantees strict confidentiality of the identity of the originators and of persons targeted by the reporting. The employee runs no risk of sanction when the reporting is done in good faith. Moreover, the rules provide for recourse to outside authorities in an emergency situation. This mechanism is overseen by the Compliance Department, which ensures regular reporting.

Monitoring mechanism

Monitoring actions that have been implemented hinge on all the indicators and on the collection of figures touching on the previously mentioned themes[2]. The monitoring indicators and the results of processing of claims and mediation, fragile and vulnerable clientele, the signature of suppliers' charters, project financing, and SRI and described in Section 3.1.2.1 on the five ambitions of Crédit Mutuel Alliance Fédérale's SMR approach.

2019 assessment of the application of the code of conduct

Overall the rate of compliance with the good conduct rules remains at a high level (between 90% and 100% depending on the rules). Over 98% of the 3,300 eligible employees participated in the 2019 assessment. It investigated whether the good conduct rules in the code of conduct (respect of values and texts, duty of confidentiality, duty of reserve, respect for the person, prevention of conflicts of interest, etc.) were being globally respected (with assessments from 3.9 to 4.9 on a graduated scale of 0 to 5 and an overall average of 4.6 out of 5). It highlighted the difficulties of implementation which could be encountered for some subjects such as training (management of schedules) and areas for possible improvement.

(1) Non-exhaustive list.
(2) Concerning the power to report, the monitoring indicator, overseen by the compliance department, is verified by an independent third party, but not published for reasons of confidentiality.

The rules subject to reporting are the following:

- respect for people;
- duty of good management;
- duty of confidentiality;
- duty of reserve;
- willingness and independence;
- duty of training those appointed;
- duty of training employees;
- conflicts of interest;
- respect of values and texts.

The survey supplementing the evaluation of the code of conduct was sent to the 43,400 employees of all the entities (networks, head offices and business lines). It is intended to raise employee awareness and involvement in the combat against discrimination and to encourage them to assess their own behavior. Line managers received two information supports to pass on to their employees: one on raising awareness and one on combating discrimination.

The 69% participation rate demonstrates the employees' interest in the measures taken to combat discrimination within Crédit Mutuel Alliance Fédérale. Nevertheless the combat against discrimination can be consolidated by communicating more with employees through information and training actions to improve everyone's behavior.

Furthermore, 53% of Crédit Mutuel Alliance Fédérale's employees enrolled in the training on the rules of conduct, including the fight against corruption, had completed the training at the end of 2019.

3.1.2 Strategic orientation and SMR positioning of Crédit Mutuel Alliance Fédérale

Crédit Mutuel Alliance Fédérale is a group of strong values. Its CSR policy, deliberately renamed Social and Mutualist Responsibility (SMR) in 2016, is in line with its genetic identity, which consists of democracy, proximity, local economic and social development, mutual assistance and solidarity.

Crédit Mutuel Alliance Fédérale's SMR policy is focused on five goals including 15 commitments. This strategy supplements the group's development goals by incorporating social, societal and environmental issues into the activities of each of its entities.

In order to consolidate the group's SMR strategy, work to compare these five ambitions with the UN's Sustainable Development Goals (SDG) adopted in 2015 was started in 2019. The goal is to identify the SDGs which correspond to the strategic objectives and those where significant leverage is possible. All of Crédit Mutuel Alliance Fédérale's entities (France perimeter) were asked to participate in this project on a voluntary basis.

The first step involved creating a questionnaire to correlate the categories of the 17 SDGs with the SMR actions in order to evaluate the contribution made to each SDG.

After analyzing this questionnaire, six SDGs (number 3, 4, 5, 8, 9 and 13) were selected, whose challenges correspond to the group's SMR commitments. These results will be put to the vote by the group's stakeholders to prioritize this selection and to define those which will be integrated into the SMR strategy.

Finally, the choice of the SDGs will be validated by the managing and deliberating bodies and integrated into Crédit Mutuel Alliance Fédérale's governance after validation by the concerned boards of directors.

3.1.2.1 SMR: a function integrated into Crédit Mutuel Alliance Fédérale's Risk and Compliance Department

This strategic positioning reflects the group's desire to make sure that social, societal and environmental issues are identified as risk factors, the treatment of which will ensure the proper execution of the group's development strategy. The dedicated SMR team works closely with its network of expert correspondents present in each Crédit Mutuel Alliance Fédérale entity.

In addition, at the highest level in the chain of command, the SMR initiative of Crédit Mutuel Alliance Fédérale is underpinned by responsible and committed governance. Its volunteer directors actively contribute to the life of the group in accordance with the rules of independence, ethics and integrity. The SMR action plan is validated by a dedicated working group of the Trade Union and Inter-federal Committee, a decision-making body that brings together the elected chairpersons of the local, regional and federation banks and the group's managing directors at least twice a year. This working group is presided over by the Chairman of Crédit Mutuel Alliance Fédérale.

3.1.2.2 Structured SMR policy based on five ambitions

- Ambition members and customers.
- Governance ambition.
- Societal ambition.
- Social ambition.
- Environmental ambition.

The SMR policy, which is based on five objectives comprising 15 commitments, reflects the group's values and highlights its environmental, social and societal priorities. For this reason each entity adopts these SMR commitments, adapts them to its business lines and deploys them throughout its region. By drawing on this collective mobilization based on responsibility and autonomy, the development of the SMR strategy guarantees the coherence of Group actions at the regional level.

The teams were able to work together on specific projects within the strategic plan coordinated by the SMR teams during 2019.

The SMR approach integrated in the 2019-2023 ensemble#nouveaumonde strategic plan, is a vehicle for performance and sustainable solidity that is embodied by five human and mutualist commitments:

- 100% of employees trained in transformation;
- gender equality in management and governance positions;
- membership rate in excess of 90%;
- 30% increase in financing projects with a significant impact on climate;
- reduction of more than 30% in the group's carbon footprint.

Ambition members & customers	Gouvernance ambition	Societal ambition	Social ambition	Environmental ambition
3 criteria	2 criteria	4 criteria	4 criteria	2 criteria
1. Listening to members & customers 2. Banking inclusiveness 3. Risk management	1. Effectiveness of governance bodies 2. Momentum of cooperative governance	1. ESG Purchasing Policy 2. Responsible relationships 3. Regional development 4. Promote local initiatives	1. Diversity and equal opportunity 2. Support careers and mobility 3. Promote QWL 4. Strengthen the dynamics of social dialog	1. Reduce the environmental impact of the group 2. Strengthen solutions and high-quality offers and responsible service
↓	↓	↓	↓	↓
Policy in favor of fragile or vulnerable customers	Training courses and support for the elected members	Supplier charter and duty of diligence	QWL agreement	Carbon offset mechanism

Change in non-financial rating

Simultaneously, and going beyond its obligation to file a non-financial performance statement, every year the group will request a non-financial rating agency to rate its environmental and social actions and its governance model on the principle of continuous improvement. Crédit Mutuel Alliance Fédérale has chosen the Vigéo Eiris non-financial rating agency. Crédit Mutuel Alliance Fédérale obtained the A1 rating based on a global score 63/100 on October 31, 2019. Crédit Mutuel Alliance Fédérale is in the top 2% of companies rated by Vigéo Eiris in the world (4,876 in total) and in fifth place in the diversified banks in Europe sector.

NON-FINANCIAL RATING BFCM*

	VIGEO EIRIS	SUSTAIN ANALYTICS	MSCI	ISS-OEKOM
Scale	0-100	0-100	AAA-CCC	A+ to D-
2018	56	NC	BBB	C-
2019	**63**	**62**	**AA**	**C-**

* *Non-financial rating agencies rate the BFCM and CIC entities taking into account the full scope of Crédit Mutuel Alliance Fédérale.*

Attentiveness to members and customers

The group's goal is to create a lasting relationship with its customers and members. The objective is to ensure that members receive the best advice so that they are always offered the products and services they need.

Ensuring the coherence of offers and control of all advertising messages, as well as providing contractual explanations, respecting customers' rights in all circumstances and during collection operations and the rules related to canvassing operations and processing complaints, are issues that concern all team members of the group's entities regardless of their profession.

To measure and enhance the quality of customer relations, the group implements actions that enable it to be attentive to customers (by allowing them to express their satisfaction, or dissatisfaction via various channels, by asking them to voice their opinions throughout the customer experience, and by involving them in product creation discussions).

The sales and marketing teams measure the satisfaction of every new network customer. 2019 showed an improvement with an NPS score (Net Promoter Score) of 55.7% for the Crédit Mutuel federations, and of 51.8% for the CIC network, up two and three points, respectively.

A satisfaction survey on services, insurance products and claim management was deployed to a portfolio of over 4,000 customers to measure the insureds' global perception and calculate an NPS.

The results confirm the quality of the services proposed and the processing requirement for managing claims with satisfaction rates fluctuating between 85% (Health Division) and 93% (Housing Division). Overall the NPS is zero but an examination shows very high NPS for managing automotive claims (55), housing claims and progress to be made in managing Health claims (24).

In addition, the Posternak-Ifop barometer[1], a quarterly ranking of companies' corporate image, confirmed Crédit Mutuel's leadership ranking in the banking sector with a score of 63 in the fourth quarter of 2019.

In 2019, within the scope of a survey by Institut F.A.Z; Targobank was elected the best network bank in Germany. Three criteria were used to evaluate the banks and establish the final ranking: overall satisfaction (60%), the quality of the advice (25%) and social responsibility (15%).

In order to maintain this performance and enhance network customer loyalty, sales and marketing teams conduct targeted studies with a sample of member-customers. The purpose of these studies is to map customer satisfaction in order to promote best practices, progress points and customer expectations. These studies also serve to enhance customer complaint services.

To be even more proactive, the sales and marketing teams question customers who have just taken out a loan. Customers express themselves by assigning a global score, as well as scores pertaining to rapidity and to simplicity. A dedicated team analyzes these surveys over time. When customers express dissatisfaction via this channel, support is provided to systematically process their complaint.

Processing of claims

The mechanism for processing claims implemented by entities in the group's sales network includes the three following levels:

- customer account managers and agency managers are responsible for processing claims at the first level. They are thus analyzed at the location the customer is most familiar with in order to respond in the best possible manner to the request;
- in each region, a specialized customer service department (CSD) provides an appeal process for the customer if the initial response is not satisfactory;
- after having exhausted the previous appeal, the customer may contact Crédit Mutuel consumer Ombudsman.

The latter relies on the Secretariat of Mediation at the national level.

The customer is informed about the existence of the mechanism and its organization particularly by means of the website. Contact information for the regional CSD can be found there, as well as a specific toll-free telephone number. The mediation charter is also available for consultation there. All of these items are also available in branches upon request.

In 2017, the group's mediator and the AMF's mediator signed an agreement giving customers the possibility of presenting any claim within the scope of the AMF to either the AMF mediator or the group mediator, with the understanding that the choice is irrevocable.

In 2019, 69,547 claims were registered (Crédit Mutuel Alliance Fédérale scope excluding foreign entities other than Targobank Spain), of which 64,478 were closed. The average time for processing claims is 19 days.

A new customer claims tool was set up in September 2019 enabling customers to file a claim through their personal online banking space and to monitor the processing progress of their claim. This tool meets ACPR's regulatory requirements and makes it easier for customers to file claims. It also offers security and traceability for customer claims.

In order to protect customers and ensure that best marketing practices are respected, the governance of Crédit Mutuel Alliance Fédérale set up a committee dedicated to analyzing customer claims acting for all the group's entities at the end of 2019. The members of this committee which will meet at least once a year are the Commercial and Marketing, Compliance, Human Resources, Communication and CSR directors and the chief executives officers of the directors of the networks and the Crédit Mutuel Alliance Fédérale insurance business line. The purpose of this committee is to decide on the actions to roll out to improve the claims processing system and any operational malfunctions observed.

(1) The Posternak-Ifop barometer was created 19 years ago to help businesses analyze citizen reactions and consumer behavior. https://presse.creditmutuel.com/le-credit-mutuel-reste-ndeg1-des-banques-au-barometre-posternak-ifop-1/

Banking inclusion

Crédit Mutuel Alliance Fédérale is the bank for all customers and is attentive to supporting all those going through difficult life situations, be they structural, social or short-term. The diversity of situations of vulnerability can lead to financial precariousness requiring the implementation of a strategy that is attentive to the populations concerned.

As part of this approach, the entities of Crédit Mutuel Alliance Fédérale undertake, by way of a concrete plan of action, to respect mutualist values and the professional codes of ethics and compliance. In November 2018, Crédit Mutuel Alliance Fédérale published a policy in favor of fragile or vulnerable customers. The goal is to help and assist through ethical and responsible actions.

This policy describes all of the specific commitments made by Crédit Mutuel Alliance Fédérale to promote banking inclusion for customers in a situation of fragility and supplements other customer protection measures designed to foster behavior that is respectful of the interests of customers and good business practices. Crédit Mutuel Alliance Fédérale does more than is required by law for its fragile customers and in particular is focused on implementing commitments to favor banking inclusion. The offer for fragile customers significantly increased (+35% in one year) and the charges cap was quickly implemented. Crédit Mutuel Alliance Fédérale has detected more than 340,000 “fragile” people on its perimeter who have therefore benefited from the charges cap.

The fragile clientele offer was enriched in 2019 by the addition of a second bankcard for the co-holder of a joint account, and unlimited numbers of direct debits, bank checks and bank transfers. This offer also includes the “Avance Santé” card to advance medical expenses to holders of a mutual health contract with Assurances du Crédit Mutuel. In addition, beneficiaries of the offer are also eligible for a prepaid, without commitment fixed-rate package €3.99 per month including telephone, SMS and data.

In parallel, a training (e-learning) module dedicated to assisting people in fragile situations was deployed and followed by more than 26,000 employees in the networks.

In addition to providing basic services for people in fragile situations, the group prevents the risk of over-indebtedness by offering a simple tool for them to manage their budget, as well as financial education training modules co-designed with a partner.

Concerning the prevention of over-indebtedness, Cofidis organizes training sessions within the framework of its partnership with CRESUS. Presented in the form of an entertaining board game, these sessions are designed to train customers and raise their awareness to budget-management issues based on dialog and exchange, as well as inclusion and individual and collective accountability. In 2019, 22 employees were trained on this game in order to hold educational sessions on budget management with local associations in France. It is systematically offered to new recruits and included in the training course.

Risk management

The group provides its employees with a high level of continuous training to ensure they are well versed in prevention measures related to the fight against money laundering and terrorist financing and develops technological and in particular cognitive solutions to optimize their effectiveness. Added to this is the willingness of the group to prevent the employees concerned from finding themselves in a situation of conflict of interest and/or corruption by knowing the active and/or passive practices of private players and public agents.

In addition to the measures already in place, the group has implemented a vigilance plan[1] to prevent serious violations of human rights and health and safety, and of the security of people and the environment within the framework of its activities. Actions are identified notably concerning customers (project financing, sector policies, etc.), suppliers (group purchasing policy, supplier relations charter, etc.) and employees (internal procedures and preventive measures).

An alert system and procedure for reporting the existence or occurrence of risks is in place and a monitoring mechanism to analyze actions has been implemented. The monitoring indicator, overseen by the Compliance Department, is verified by an independent third party, but not published for reasons of confidentiality.

The group’s code of conduct

It is implemented by each entity in the group. This registration document, annexed to internal rules of procedure, and revised in 2018 after a legal process of consultation with the social partners, summarizes the primary contractual, regulatory and statutory provisions in force with regard to the code of conduct. It’s a reminder of the general principles that must be respected by all group employees in exercising their duties such as:

- the rules and regulations, procedures and internal standards;
- the protection of information (professional secrecy and confidentiality);
- the quality of service due to the clientele (duty to provide advice and information);
- the duty of vigilance in the context of performing transaction for the clientele;
- integrity and probity;
- the prevention of conflicts of interest;
- the fight against corruption.

It refers to the obligations of employees who hold positions deemed “sensitive,” especially in market activities, corporate and investment banking, portfolio management and financial analysis, exposing their holders to possible situations of conflict of interest or to possessing confidential and privileged information. To that extent, they are subject to the rules that regulate and limit their personal transactions on financial instruments.

The management is asked to monitor the respect for these principles whose application is subject to regular verification by the Control Departments.

It is stressed that losses for internal and external fraud related to Crédit Mutuel Alliance Fédérale totaled €42.7 million in 2019. The breakdown of claims compared to total claims is 3.5% for internal fraud and 40% for external fraud.

(1) Details of the vigilance plan are presented in Section 3.1.1.4 of this Chapter 3.

Focus on the anti-corruption system

Crédit Mutuel Alliance Fédérale has set up a system for detecting, preventing and combating corruption in accordance with Act No. 2016-1691 of December 9, 2016, on transparency, the fight against corruption and the modernization of economic life (the "Sapin II" law) which draws on a number of internal procedures and specific actions:

- risk mapping for corruption and conflicts of interest;
- a code of conduct;
- personnel training on respecting good business practices and combating corruption and influence-peddling;
- the obligation to declare gifts and benefits received or given;
- an internal whistle-blowing system for employees;
- a system for processing customer claims;
- an internal control and evaluation plan on the application of these measures.

This provision furthermore relies on a disciplinary system incorporated into internal rules and regulations, which allows for sanctioning company employees in the event of violating internal rules.

All employees, customers and business partners are informed of the commitment to combat all kinds of corruption in the group and of the zero tolerance for corrupt behavior. This is set out in the "combating corruption policy" which applies to all employees whether technicians or managers, all senior directors and to external staff seconded to the company.

During the 2019 fiscal year, 53% of Crédit Mutuel Alliance Fédérale's employees completed training courses on the code of conduct covering the fight against corruption, money laundering and/or financing terrorism.

The Compliance Department is responsible for deploying procedures to prevent and combat corruption, verifications to ensure compliance, organizing any investigations in the event of suspicion and responding to inquiries by employees about real or potential situations of corruption. The Compliance Department which reports to Crédit Mutuel Alliance Fédérale's Risks Management Department has the independence and the resources required to carry out its task with complete impartiality.

Focus on the mechanism for fighting money laundering and terrorism financing

Crédit Mutuel Alliance Fédérale has also implemented a mechanism to combat money laundering and the financing of terrorism in accordance with regulatory requirements and adapted to the risks generated by the various activities exercised across the national territory and abroad. This mechanism, including a set of procedures and tools, is implemented by employees trained and assigned to detect suspect operations. It is itself subject to thorough internal controls and is subject to regular evaluation on the part of supervisory authorities.

Crédit Mutuel Alliance Fédérale therefore strives to respect the regulatory requirements in this context which involve:

- knowing the customer and his or her operations better and assessing the risk of money laundering with the aim of avoiding any relationship whose character or activities could be unclear;
- exercising vigilance in proportion to the risks, based on the type of clientele, the installation, the products and distribution channels, on the origin of funds deposited and/or the flow of such funds in order to detect unusual or atypical operations;
- involving all employees in the fight against money laundering through regular training and awareness activities.

Crédit Mutuel Alliance Fédérale prohibits all direct or indirect relationships with offshore domiciliation companies or consulting firms offering offshore structures. It is also prohibited to advise such companies or firms.

Focus on the system to fight tax evasion

Crédit Mutuel Alliance Fédérale applies all the regulations both in France and in the countries where it is located to improve compliance with international tax obligations in order to favor the tax transparency of its customers, notably:

- the American FATCA ("Foreign Account Tax Compliance Act") implemented through intergovernmental agreements (IGA) signed by the United States and other States, including in particular the IGA between France and the United States, signed on November 14, 2013, to improve compliance with international tax obligations and to implement the Foreign Account Tax Compliance Act which was approved by Act No. 2014-1098 of September 29, 2014;
- the automatic exchange of information on foreign bank accounts between the signatory states of the multilateral agreement signed in Berlin on October 29, 2014, including France which approved it by Act No. 2015-1778 of December 28, 2015;
- the Directive (UE) No. 2018/822 amending Directive No. 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements ("DAC 6 Directive"), which was adopted by the Council on May 25, 2018, and which France incorporated into its internal law by Order No. 2019-1068 of October 21, 2019, through Articles A.D. 1649 to 1649 AH of the French General Tax Code.

Moreover, Crédit Mutuel Alliance Fédérale has several sectoral policies including a policy for private banking customers:

1. which reiterates that operations involving structuring customers' assets must not favor the concealment, fraud or evasion of tax and more broadly that cross-border activities notably advice and commercialization must be performed in strict compliance with the laws and standards in force in the customer's country of residence; and
2. requires the respect of Know Your Customer procedures which are reinforced for non-resident customers with a requirement for a tax compliance certificate in their country of residence.

Crédit Mutuel Alliance Fédérale also prohibits any dealings with a person who is domiciled in a state which does not implement the automatic exchange of information as stated above, apart from an exception which has been properly validated in accordance with a strictly controlled procedure.

No branches in non-cooperative States or territories for tax purposes

Crédit Mutuel Alliance Fédérale has no establishments and does not run any business activity in a non-cooperative state or territory for tax purposes as listed by France under Article 238-0 A of the French General Tax Code and by the European Union.

Respect of transfer pricing regulations

Crédit Mutuel Alliance Fédérale applies all the regulations both in France and in the countries where it is located in relation to transfer pricing, i.e. the obligation under the principle established by the OECD of applying a "fully competitive" price to transactions realized between the group's entities in different countries:

- the establishment of the declaration country by country in accordance with OECD standards (see "Base Erosion and Profit Shifting - BEPS action 13" - see Article 223 quinquies C of the French General Tax Code), which the tax authorities can automatically exchange by applying the multilateral agreement signed by France on January 27, 2016;
- annual establishment of transfer pricing documentation in accordance with the OECD's recommendations and the requirements of the tax legislation of the State of establishment (see Article L 13 AA of the French General Tax Code).

Criteria for beginning a new customer relationship

Crédit Mutuel Alliance Fédérale has an internal policy for entering into relations which applies to all its entities in France and abroad. The group supports its customers in the realization of their projects by being attentive to the management of risks, particularly the risk of reputation. In view of this, it refuses on principle any relationship with third parties about which one may reasonably believe they carry out or promote, explicitly or implicitly, illegal practices or practices contrary to the group's values, such as:

- the advocacy or incitement to terrorism;
- the call to hatred, violence or attacks on the human person;
- discrimination, particularly of a racist or homophobic nature;
- pedophilia, pimping;
- active or passive corruption, money laundering;
- undeclared labor or fiscal fraud.

In addition, for the specific risks they create for the bank, relationships with natural or legal persons with ties to certain activities are not acceptable, such as prostitution or pornography, sects, fortune telling or astrology, arms trade, etc.

More generally, the bank does not pursue relationships with third parties when the economic or social interests and/or local or regional proximity does not seem obvious, but also when conditions of transparency or trust or not (or no longer) present.

New relationships and clientele of so-called "sensitive" countries

The mechanism that exists in terms of managing operations and customers located in countries deemed "sensitive" has been strengthen since 2016. The Compliance Department is responsible for identifying, establishing and disseminating within the group lists of countries according to their degree of sensitivity: green (low risk), orange (standard risk) and red (high risk and reinforced procedure). The purpose is to define progressive procedures or bans pertaining to new relationships with customers who reside in the concerned countries.

Countries that do not practice automatic exchange of information according to the OCDE standards are classified on the red list. For these countries, new relationships are not authorized with the exception of those duly validated by a strictly controlled procedure. New relationships with politically exposed persons (PEP) residing in a country on the red list are not authorized in any case.

Representatives of interests

The Sapin II law created a specific regime for representatives of special interests, supervised by the High Authority for Transparency in Public Life (HATVP), providing for:

- the obligation to apply a strict code of conduct;
- the obligation to report oneself on an ad hoc digital directory intended to inform citizens about one's activities;
- the establishment of an annual report.

These provisions entered into force on July 1, 2017. The group's framework procedure pertaining to special interest representatives, established under the aegis of the CNCM, is the registration document, which applies uniformly to all the various regional groups of which it is comprised. Thus, for Crédit Mutuel Alliance Fédérale, some entities are potentially concerned. The general secretariat of the CNCM takes care of the registration of entities that meet the required criteria on the digital directory of the HATVP as well as sending the respective annual reports.

Efficiency of the governance bodies

The purpose of the data presented under governance information, is to reflect the operating model of Crédit Mutuel Alliance Fédérale. This data is taken from several sources:

- the cooperative reporting, entered from February 1 to March 2, 2020, by the local cooperative banks of Crédit Mutuel Alliance Fédérale. The local bank managers enter this information at a board of directors' meeting in conjunction with the elected members. The aim of this reporting is to analyze, for the previous year, the institutional issues of the local cooperative banks. For information entered in early 2020 corresponding to fiscal year 2019, 1,321 out of 1,350 local cooperative banks responded and approved the questionnaire, making for a response rate of 98.58%;
- the administrative data of elected members: mandates, function, age etc. This data is entered by the local cooperative bank managers throughout the year as necessary and notably when terms of office are renewed;
- training of elected members: a common application used across the 11 federations. It provides data on the training courses taken, including length and attendance. For the federations that do not use this tool, the same data is managed by the General Secretary's office at each federation. The code of conduct applicable to all the group's elected members and employees stipulates that "elected members and employees must regularly update their knowledge in order to improve their skills and better fulfill their responsibilities." To this end, a training catalog is made available to the elected members on various topics, notably those concerning the fundamental duties and responsibilities of members so that they can exercise their terms of office correctly: elected members, Crédit Mutuel Alliance Fédérale players, the discovery of the bank's management, day-to-day cooperative banking, the actions of the chairmen of the board of directors and the supervisory board, the life of the local bank and the group, the markets and the products, etc.;
- post-shareholders' meeting report: the local bank managers are invited to enter information about the organization of their shareholders' meeting after it has been held. The information provided pertains to the length and cost of shareholders' meetings, the attendance rate and the issues raised, etc.;
- in addition, certain data is gathered from the management control IT system, notably information concerning the number of members.

Membership, voluntary membership

(source: cooperative reporting + management control, 2019 data)

The rate of customer members across the 11 federations is stable representing 77.18% of eligible customers[1].

In 2019, Crédit Mutuel Alliance Fédérale's banks welcomed 299,414 new members and saw the departure of 196,774 members. These members elect the directors of the various local banks, at the shareholders' meeting.

Welcoming new members

When relationships are initiated with new members, 70.48% of the local banks explain the cooperative model, a differentiating factor in their mode of operation, and the cooperative values. In parallel, the awareness of employees is also raised and 70.93% of local cooperative banks give this training.

In order to increase the number of customer members in the banks, 57.99% of the local cooperative banks carry out specific actions such as holding welcome meetings to inform of their role and responsibility (18.85%) and/or specific information notably on convening the shareholders' meeting (48.75%).

Boards – Democratic control

In 2019, 1,125 newly elected members joined the boards of the local cooperative banks following the elections at the local cooperative banks' shareholders' meetings. The average term of an appointment has increased slightly and is eight years and four months for directors on supervisory boards and seven years and ten months for boards of directors.

This data is entered by the local cooperative bank managers throughout the year as necessary and notably when terms of office are renewed. The average age of directors is 59 (56 for women and 60 for men).

In addition 45.68% of local cooperative banks carry out actions to feminize their boards of directors and/or supervisory boards. For some local cooperative banks this is a priority (603 banks).

SOCIOPROFESSIONAL CATEGORIES OF ELECTED MEMBERS IN 2019

	2019	2018
Farmers	686	692
Trades people - merchants - business owners	1,728	1,723
Senior executives	3,802	3,771
Intermediary professions	1,702	1,722
Employees	1,439	1,394
Workers	288	299
Retired individuals	5,241	5,471
Other persons not actively employed	350	368

(1) Definition of the membership rate: number of members/number of adult retail customers + legal person customers.

Membership momentum

The smooth running of cooperative activities is underpinned by the wealth of opinions and expectations of the members. The aim is to enhance the attractiveness of mutualist values, particularly among young employees, and to take advantage of the general meetings of local cooperative banks, which is the basis of the democratic mutual model, as real venues for exchange. In addition, the role of the boards of directors is to validate the strategic choices of the local cooperative banks and to represent the community of members.

So that all new Crédit Mutuel customers can fully participate in the group's collective project, they are always offered the opportunity of becoming a member. Members are encouraged to become directors. The training of elected member is a priority.

The key actions to be carried out are:

- to promote co-operative activities by drawing on the wealth of different points of view and member expectations; enhance the attractiveness, notably among young professionals and local bank shareholder meetings, which is the foundations of the democratic model, and make them real venues for exchange; reinforce the role of the boards of directors in making strategic choices for local cooperative banks and with regard to representing the community of members;
- to enhance diversity, in all its aspects, of members and their elected members on the boards of directors and supervisory boards;
- to develop the skills of the elected members by proposing customized, targeted training programs that draw on their expertise, notably at the professional level.
- to promote the involvement of the elected members alongside the manager and employees of the local regional bank in local events.

Training courses and support for the elected members

The group's cooperative model imposes a certain transparency relative to the procedures attached to the appointment of members of the boards of directors, supervisory boards and the institutional life of the group. In addition to monitoring the functioning of the boards of directors, the attendance of their members and the setting up of specialized committees, the group makes sure that the members of the boards of directors are able to assume their missions in the best conditions and, as such, develops personalized training programs that take into account the professional skills and experience of each member.

The aim is to develop the skills of the elected members and provide customized, targeted training programs. These programs cover seven areas of knowledge and are broken down according to the different profiles and missions of each elected member: directors and censors of the umbrella structures, federal administrators, chairs of the board of directors and/or the supervisory committee, elected members of the local and regional cooperative banks of de Crédit Mutuel. These training cycles, which are sometimes qualifying go further than the regulatory requirements and reinforce the sense of commitment of elected members. Crédit Mutuel Alliance Fédérale encourages university validation of acquired experience.

In addition, the group pays particular attention to supporting young elected members during the first years of their mandate by providing in-depth training on the group's activities. The key challenge is to ensure that young members are successfully integrated into the cooperative life of the group and to retain them over time.

Information on these new training programs is communicated by the training correspondents, as well as contacts sitting on the federal and inter-federal training committee.

In 2019, the training rate for elected members was 49.46%, eight points down compared to 2018. This decrease is explained by a change in methodology. In 2019, each training module was accounted for in real-time and no longer estimated. The impact is a reevaluation of the time devoted to each training course.

Quantitative data

Code	Indicator description	End-2019 data	End-2018 data
GOUV63	Number of members	4,780,287	4,676,766
GOUV62	Number of key accounts (private customers and legal persons)	6,193,315	6,058,181
GOUV65	Percentage of members among private customers and legal persons	77.18%	77.19%

Boards – Democratic control

COMPOSITION

	Women	Men
Number of elected members women/men in 2019	5,598	9,638

	Board of directors	Supervisory Council
Number of elected members in 2019 – Board of directors/Supervisory board distinction*	10,655	4,581

* *Only concerns the CMCEE, CMDV, CMN, CMSE and CMSMB federations. Data at 12/31/2019.*

THE SHAREHOLDER'S MEETING

	2019	2018
Members present and represented at shareholders' meetings	252,888	245,772
Total members in the federations	4,780,287	4,676,766
Participation rate	5.29%	5.26%

The rate of member participation remained stable between 2018 and 2019.

Average cost per person present at the 2019 SM	Average cost per person present at the 2018 SM	Change
€55	€51.75	6%

Source: post-SM report on the 2019 SMs prepared in mid-2019.

The average cost per person present at the 2019 SM increased 6% between 2018 and 2019 mainly due to the jubilee celebrations of certain federations which generated an increase in costs.

Education and training

MEMBERSHIP DEVELOPMENT

When initiating relationships with new customers, is the cooperative difference presented?	Yes for 931 local cooperative banks (70.48%)
Are documents provided?	Yes for 734 local cooperative banks (55.56%)
Have you organized a meeting for new members?	Yes for 480 local cooperative banks (18.85%)
Have you informed them that they will be invited to the SM?	Yes for 644 local cooperative banks (48.75%)

TRAINING OF ELECTED MEMBERS

Training course reports provided at board meetings	Yes for 1,176 local cooperative banks (89.77%)
Training courses met expectations	Yes for 1,209 local cooperative banks (93.07%)
Are suggestions for new training topics sent to the Chairman of the elected members committee?	Yes for 417 local cooperative banks (32.18%)

Inter-cooperation

ASSOCIATIONS

Association-customers of Crédit Mutuel local cooperative banks	Initiatives directed at associations: number of local cooperative banks that allocate a budget
257,962	1,205 (*i.e.* 28.92%)

OTHER GOVERNANCE INDICATORS

Indicator	Indicator code	Unit	Value 2019	Value 2018
Number of new directors – local cooperative banks	GOUV14	No.	1,125	926
Number of new women directors – local cooperative banks	GOUV15	No.	542	446
Number of director training hours – local cooperative banks	GOUV56	No.	38,748	101,987

ESG Purchasing Policy

Purchasing goods and/or services is an act of management and is part of the operational implementation of the group's strategy. Crédit Mutuel Alliance Fédérale's purchase policy, deployed with all entities, incorporates economic criteria of quality, respect of technical requirements and ESG factors.

The group favors relations with suppliers and/or service providers whose contracts include the specific clauses from the reference texts on human rights and principles of combating all forms of corruption. It promotes proximity and long-term relationships.

Responsible relationships

The group has reinforced this initiative by requesting that all its suppliers sign a sustainable and responsible purchasing charter incorporating the internal commitments of the purchasing policy to ensure long-term commercial relations with partners committed to a process of compliance with the challenges of sustainable development.

By signing the charter, the supplier undertakes to respect the human rights and fundamental freedoms, health and safety of people and the environment, as well as the rights of employees in the context of activities carried out with the entities of the group. The supplier undertakes to respect the laws applicable to the protection of personal data and to implement all measures necessary to ensure the security and confidentiality of the information provided by the entities of Crédit Mutuel Alliance Fédérale. The supplier undertakes to implement internal procedures to ensure its activity is in compliance with the laws and regulations relating to the fight against corruption. In addition, suppliers can report any infringements to Crédit Mutuel Alliance Fédérale by using the dedicated email address.

The goal in 2018 was ensure that the charter was signed by the main suppliers of the three business line centers (EI, CCS and Sodefis) with sales revenue of over €1 million. The perimeter was enlarged to all suppliers in 2019. Over 2,000 charters were signed.

Regional development

The group, which is a leading employer with a strong regional presence due to the stability of its network, bases its strategy on the demand for long-term investment to develop the economic and social ecosystem of each region. It pursues, either directly or in partnership, the distribution of personal and professional microloans to foster the development of activities in the regions.

Promote the distribution of personal and professional microloans

Crédit Mutuel Alliance Fédérale enables customers in financially fragile situations to benefit from financial support by developing partnerships with associations such as ADIE, Initiative France and France Active to promote the granting of micro-loans. The purpose of granting microloans is to create and consolidate jobs for those who are excluded from the job market (job seekers, recipients of the minimum welfare benefits, people with disabilities, etc.).

In 2019, Fédération Crédit Mutuel Centre Est Europe and ADIE signed an agreement to reinforce inclusion through entrepreneurship. This partnership will enable ADIE to grant €1 million of extra microloan financing.

Promote job security and the return to employment

Promoting job security and the return to employment are key priorities for Crédit Mutuel Alliance Fédérale in its quest to support people in vulnerable situations. To date, more than 200 regional conventions have been signed throughout the country with social integration association networks such as CCAS, Secours Catholique, UDAF, Secours Populaire, Restaurants du Cœur and county councils to support our customers and receive advice adapted to each situation.

This commitment to foster access to employment in the regions is embodied by forging new partnerships at the national and local levels so as to supplement the mechanisms already in place within the Crédit Mutuel Alliance Fédérale entities.

For example, some federations have created a corporate foundation or association under the name "Créavenir" offering non-collateralized/unsecured loans, repayable advances, subsidies and/or sureties to help create and accompany economic activities in their regions.

Solidarity commissions have also been set up by the boards of directors of the local cooperative banks to support member-customers in difficulty.

Promote local initiatives

By drawing on its cooperative and mutualist model, the group notably supports customer-member associations by forging partnerships (financial or material) involving elected members and employees. It also participates in patronage and sponsorship operations that promote projects in the fields of education, sports, music, culture and professional reintegration. These actions are carried by the local cooperative banks of Crédit Mutuel, the branches of CIC and all subsidiaries. The overall budget earmarked for patronage and sponsoring was €53 million for the 2019 fiscal year (SOT52) and €32 million for the 11 Federations of Crédit Mutuel.

The group wishes to support the development of non-profit associations with general interest missions. The new Pay Asso offer deployed in 2019 enables local associations to offer members the possibility of paying by bank card even without having a website. In the last quarter, which is a good time for fundraising, a fundraising campaign was organized with zero costs for the associations and donors. Crédit Mutuel Alliance Fédérale also offers the "Lyf Pro" application, a secure payment solution for collecting electronic donations via mobile devices, which also allows associations to create and develop their relationship with their donor by using the mobile device as a new channel of communication, to simplify and manage their events thanks to a solution that covers tickets sales, collection and payment.

Focus on some of the partnerships of Crédit Mutuel Alliance Fédérale's entities

Fédération du Crédit Mutuel Loire-Atlantique Centre-Ouest (CM LACO)

In collaboration with other local companies, Federation CM LACO steers the Pro Greffe and Génavie foundations. The Pro Greffe Foundation supports basic organ-transplant research and the Genavie Foundation cardiovascular disease research carried out by the Institut du Thorax (Thorax Institute). The operation involves triggering a donation to the sponsorship foundation each time someone younger than 26 years of age opens a passbook savings account.

The Federation is also strongly committed to several social housing structures. Its subsidiary Atlantique Habitations manages more than 12,000 social housing units. Its role is to provide a range of adapted new or rehabilitated housing solutions to meet the needs of people with moderate resources.

This structure produces around 200 housing units per year.

Fédération du Crédit Mutuel d'Île-de-France

The Federation launched the first fundraising operation for ATMs in France in partnership with the France Alzheimer association. This first fundraising appeal is the chance to increase the number of donors and to make fundraising more accessible. It will implicate and inform a larger public about this disease which affects more than three million people in France. This system will be gradually extended over the whole territory in 2020.

Assurances du Crédit Mutuel (ACM)

Assurances du Crédit Mutuel has concluded a partnership with Visible Patient, a Strasbourg-based medical imaging company, which has created an innovative medical imaging technology enabling surgeons to obtain 3D modeling of organs. The technology is operated by remote control or by scanners and improves surgical procedures and increases the chances of success. All the holders of a Complémentaire santé ACS policy are eligible for this cutting-edge technology, which is not reimbursed by Social Security, without any additional costs.

In 2019, Assurances du Crédit Mutuel participated in a solidarity optical offer to enable people over 45 living under the poverty line and not recipients of supplementary universal health cover to have access to high quality French made progressive lenses with the best personalized service. Assurances du Crédit Mutuel joined the association comprising opticians, ophthalmologists, glass manufacturers and health auxiliaries who will work jointly to keep the amount payable by the beneficiaries as low as possible.

Assurances du Crédit Mutuel continues to support the fight against skin cancer by financing the "United Against Melanoma" campaign and subsidizing the iSkin screening application by:

- concluding a patronage agreement between ACM Vie SA and the Gustave Roussy Institute;
- donating a net annual amount of €400,000, supplemented by a variable annual amount of €1 per download of the iSkin mobile app, for up to an annual limit of €100,000.

Furthermore, Banque Européenne du Crédit Mutuel carries out sponsorship actions by supporting research against melanoma in partnership with the onco-dermatology department of the Institut Gustave Roussy in Villejuif.

Actions to develop entrepreneurship over all the territories and to support innovation

The Crédit Mutuel and CIC networks undertake to promote the development of innovative companies and start-ups to serve the real economy and the territories.

For instance, Fédération du Crédit Mutuel Sud Est is a founding partner (and the exclusive partner in the banking and insurance sector) for H7, Lyon's center for start-ups and innovation. H7's mission is to accompany and accelerate start-ups by providing a federating space open to all entrepreneurs.

To consolidate this partnership, a specific dedicated branch for start-ups and innovative businesses was established with account managers trained to support innovation and growth inside the Crédit Mutuel and CIC banking networks including offers and specific measures. At the national level, 57 dedicated account managers work daily to further the development of customers and members with projects in a spirit of synergy with players in the innovation ecosystem.

Two communication systems specific to CIC and Crédit Mutuel have been deployed: "Start innovation CIC" and "Semeur d'innovation" for Crédit Mutuel.

Quantitative data

Section	Indicator	Indicator code	Unit	Value 2019	Value 2018
Societal	SRI outstandings	SOT28	€ billion	1.8[1]	7.6[2]
	Total assets under management by the management company	SOT28BASE	€ billion	59.7	58.8
	Assets under management in socially responsible employee savings plans	SOT37	€m	904	729
	Number of NPO customers (associations, labor organizations, works councils, etc.)	SOT40	No.	400,245	387,650
	Total budget dedicated to patronage and sponsorship (€)	SOT52	€	52,976,733[3]	40,593,113[3]
	Number of applications processed – ADIE	SOT16	No.	Amount published in the CNCM report	
	Amount of lines of credit made available – ADIE	SOT 17	€m	13.07	Amount published in the CNCM report
	Number of new microloans financed – France Active	SOT19A	No.	108*	Amount published in the CNCM report
	Amount guaranteed – France Active	SOT20A	€ million	3.04*	Amount published in the CNCM report
	Number of Nacres loans disbursed with an additional loan granted by the group	SOT19B	No.	Amount published in the CNCM report	
	Loan amounts – France Active Nacre	SOT20B	€m	Amount published in the CNCM report	
	Number of additional loans issued – Initiative France	SOT22	No.	Amount published in the CNCM report	
	Amount of additional bank loans granted – Initiative France	SOT23	€m	Amount published in the CNCM report	

(1) Within the scope of the ensemble#nouveaumonde strategic plan, Crédit Mutuel Asset Management is changing its methodology for calculating SRI assets to a more restrictive definition based on the principles of the State SRI label. As a reminder, Crédit Mutuel AM's SRI assets on December 31, 2018, of €7.6 billion change to €1.47 billion after correction using the new methodology.

(2) SRI assets under management = SRI Best in Class + ESG shareholder commitment.

(3) Scope = 11 federations and CIC.

** Scope Crédit Mutuel Alliance Fédérale excluding CIC.*

Code	Indicator description	End-2019 data	End -2018 data
SOT01	Number of Crédit Mutuel Alliance Fédérale sales outlets	4,338[1]	4,455[1][2]
SOT27[3]	Number of loans on preferential terms (€3,000) granted	1,458,012[3]	1,726,017[3]
SOT26[3]	Amount of loans on preferential terms (€3,000) granted	769,536,110[3]	1,055,976,981[3]
SOT33	Assets under management excl. capitalization of livrets d'épargne pour les Autres (savings account that benefits humanitarian organizations)	€82,261,730	€89,034,359
SOT35	Amount from solidarity products paid to associations	€282,654	€396,620.13
SOT37	Assets under management in socially responsible employee savings plans	€904,863,039.25	€729,359,686
SOT13	Amount of microloans granted	€457,071	€415,274
SOT63	Eco-loans: number of loans granted during the year	9,302	3,140
SOT65	Total amount of interest-free loans granted during the year	€119,910,613	€56,745,932
SOT68	Amount of loans for renewable energy granted to business customers and farmers	€95,600,000	€46,800,000[4]
SOT83	Outstanding customer loans	€384,535,000,000	€370,886,000,000
SOT84	Home loan	€191,564,000,000	€179,539,000,000
SOT85	Consumer loan	€40,056,000,000	€37,105,000,000
SOT52	Total budget dedicated to patronage and sponsorship	52,976,733[4]	40,593,110[4]

(1) Scope: Federations + CIC.

(2) 2018 data has been changed.

(3) Scope: Crédit Mutuel Alliance Fédérale + Cofidis France + Targobank Germany.

(4) Scope: Crédit Mutuel Alliance Fédérale + CIC.

Equal opportunity

Crédit Mutuel Alliance Fédérale is firmly committed to work-study programs and integration into employment.

Within the scope of the Pacte Avec Les Quartiers pour Toutes les Entreprises (Pact with Districts for all Businesses) (PAQTE) launched in July 2018 by the City and Housing Minister, Crédit Mutuel Alliance Fédérale and the State Employment Service signed an innovative partnership agreement for the economic inclusion of young people from the Priority Urban Areas.

For Crédit Mutuel Alliance Fédérale, which is a major recruiter in France, this agreement is in line with its work-study and professional inclusion policy. Concretely the collective banking group has made four commitments:

- reserve 25% of the positions for interns and work-study students for young people from poor urban districts and rural communes;
- increase the recruitment of work-study students from 900 to 1,300 per year (+40%) offering a permanent contract at the end to 80% of them;
- increase the number of annual interns by 25%, from 1,500 to 2,000;
- set up skills volunteering to support the young people who join the bank to help them when they are starting out and to ensure that their careers are successful.

The State Employment Service will support Crédit Mutuel Alliance Fédérale in order to promote profiles with the goal of a constantly more inclusive recruitment policy. This very hands-on partnership will be effective in the territories because of the close working relationship between Crédit Mutuel Alliance Fédérale's entities and the regional and territorial departments of the State Employment Service.

Along with these commitments, Crédit Mutuel Alliance Fédérale has also created the Apprentice Training Center to develop work-study programs and to encourage the professional inclusion of young people.

Crédit Mutuel Île-de-France is a partner of the association "Nos quartiers ont des talents" (Our neighborhoods have talents), which promotes access to employment for young graduates from sensitive neighborhoods. The purpose of the association is to help young graduates make their entry into the professional arena, particularly via a sponsorship system. In their search for employment, these young graduates are guided by a sponsor employee of Crédit Mutuel Île-de-France.

In 2019, Crédit Mutuel Alliance Fédérale consolidated its commitment to diversity by appointing a Diversity director for the whole group, who is responsible for coordinating the network of Diversity Officers for each HR team. In addition, an online survey on discrimination was deployed at the end of 2019 for all employees. Processed confidentiality by an outside service provider, this survey will provide an overview of the situation and enable a continuous improvement action plan to be established. This survey is part of the annual assessment by the Branch Managers and Department Managers ("ETHIK"). Employees will be informed of the survey's main findings at the beginning of 2020.

With respect to equality, measures have been taken to favor gender equality. The feminization of managerial positions is a major objective of the group which translates into one of the human and mutualist indicators of the entire strategic plan ensemble#nouveaumonde: the ambition to achieve equality between men and women in management positions (notably bank manager positions in the Crédit Mutuel network and/or the branches in the CIC network) and governance positions (members of the management committees in the group's 42 entities satisfying the regulatory conditions and/or significant entities in the group) by 2023. In line with the recommendations of the High Council on Equality the rate of feminization of the chief executive officers committee of Crédit Mutuel Alliance Fédérale is up six points, at 26% (four women out of 26 members).

Moreover, workplace equality between women and men is one of the major causes of the government, which has decided to implement an obligation of results. From March 1, 2019, companies with 1,000 or more employees must measure and report their situation against a series of indicators, from which an overall rating out of 100 points is obtained; below the 75-point threshold, they must implement corrective measures. All the companies in the group obtained an overall score of more than 75 points; nearly three quarters of them reported a score above 85 points. As required by law, the scores of each bank are available on the entities' Intranet sites.

Disability

The disability charter signed in June 2016 is embodied by actions to promote the recruitment and integration of disabled workers and to ensure they enjoy the same conditions as any other employee.

In addition an agreement on the employment and integration of disabled people was signed in September 2019 to promote actions to employ disabled people, help them remain in employment and adapt to new technologies. A disability officer was appointed in the human resources department of Crédit Mutuel Alliance Fédérale. The officer is responsible for the orientation, information and support of disabled employees as well as actions to raise awareness on this subject.

Several events were held in different entities during the European Disability Employment Week to raise employee awareness of invisible disability through online workshops, face-to-face presentations, and specific actions to allow employees to exchange and obtain information in complete confidence.

One-off events were also held in certain federations like Crédit Mutuel Loire-Atlantique and Centre-Ouest where training sessions on disability were offered to a group of volunteer managers. Actions were also set up for disabled customers. ATMs are equipped with devices for visually- or hearing-impaired customers. A partnership was signed with DEAFI which is a company offering the assistance of a sign language interpreter either during appointments or remotely for deaf or hearing-impaired customers.

Support career development and mobility

The group invests heavily in training its employees in order to develop their skills and enable them to contemplate a change in profession. In 2019, 5.56% of the payroll expense was devoted to employee training. Almost half of the budget is allocated to internal promotion and qualifying training as well as to training courses leading to certificates that foster the personal development of employees.

Crédit Mutuel Alliance Fédérale has a structure that is entirely dedicated to employee training. Career paths are developed by systematically employing a progressive pedagogical approach, to support employees as closely as possible. These courses include technical knowledge and alternate sessions devoted to role play, experimentation and consolidation. They are developed regularly in terms of content and duration.

In addition, all employees have access to a remote training platform, which offers a wider range of modules. A catalog is available on the Intranet.

Each year, more than 5,000 Crédit Mutuel Alliance Fédérale employees receive career-path training, adapted to their future profession, which serves as a guarantee of their professional development within the company.

In addition, most managers of Crédit Mutuel's regional banks and CIC agencies are appointed by way of a five-month internal recruiting program. Candidates for the position of director are relieved of any duties other than the specific training at the School of directors. Through this program, 1,500 employees have been trained as managers of local cooperative banks or agencies.

The goal of the group's 2019-2023 strategic plan *ensemble#nouveaumonde* is to train 100% of employees in the transformation. At the end of 2019, 56% of the training courses offered by Cap Compétences had been completed.

The mastery and use of digital to consolidate human relationship is a necessity for all the group's employees. Crédit Mutuel Alliance Fédérale created the digital passport in 2019 to enable each employee to gauge his or her level of mastery of office automation and digital tools. The assessment concerned knowledge of the digital environment, data and information processing, safety in a digital environment, communication and collaboration tools (social networks, online conferencing, online discussions etc.). Employees are therefore able to acquire new skills based on a diagnostic performed using a questionnaire, and progress at their own pace. This passport also includes a certificate to validate the level attained. This certificate is therefore evidence of the employees' skills and enables Cap Compétences to define actions for improving the employees' mastery of digital tools. At the end of December more than 44,000 people had registered for the digital passport. 34% received the certificate.

A relational visa enables the network's employees to position their level of mastery of tools such as the electronic signature, email analyzer, search engines and online banking.

A **"Mon Allié Digital" (My Digital Ally)** program was also launched to help employees understand how innovations in digital tools and services affect their jobs and for them to be more proactive and relevant when answering customers. This communication system is aimed at helping employees in their daily work by improving the quality of their relationship with the customer by creating an augmented relationship with them. Besides being a dedicated intranet universe, Mon Allié Digital also provides employees with a monthly video on a specific subject.

Promote Quality of Life at Work (QLW)

The group has adopted a QLW approach underpinned by its mutualist values. Reconcile the improvement both in employees' working conditions and the overall performance of the group in a rapidly changing environment remains priority.

This commitment depends on several factors: work content, professional development opportunities and quality of management, as well as customer-member satisfaction and the smooth running of the company. To install these factors over the long term, the group integrates them in its strategic agenda and in its technical, social and organizational projects.

The group voluntarily communicates information on all the charters, agreements and rules that govern the life of the company in a working environment that is in the full throes of digital evolution. To address issues related to the company's digital transformation, in 2018 the group signed an agreement with its social partners on the right to disconnect, establishing a code of conduct for communication tools enabling employees to benefit from support services using the tools and ensuring their right to privacy.

An agreement on working time was also signed in 2018 allowing the various entities of the group to adapt the organization to meet the needs of customers by modulating the reduction of working time. This agreement takes into account staff health and safety and should enable employees to balance their professional and personal lives.

The aim of the group is to raise employee awareness of projects on a regular basis, to facilitate their involvement and ensure they know the procedures to be put in place so that they can be heard and protected in their function while adhering to the group's rules of conduct and demonstrating respect for one another.

Crédit Mutuel Alliance Fédérale places its employees at the heart of the action and change in its 2019-2023 strategic plan. This was the reason for launching a commitment survey #vousavezlaparole! 2019 for Crédit Mutuel Alliance Fédérale and in which CIC participated for its activities in France. The purpose of this survey was to obtain the employees' views on subjects connected with the company in which they work, their working conditions and environment and the group as a whole. 76% of the group's employees answered this survey. This high level of participation was enriched by numerous proposals aimed at satisfying the expectations of the employees with whom the survey's results were shared.

Facilitate the labor relations process

The organization of social dialog and the procedures for reporting, negotiating and consulting with staff respond to the desire to work in close collaboration with all the company's stakeholders and to ask the group's priority questions about the strategic topics.

An Economic and Social Committee (ESC) was elected in the majority of Crédit Mutuel Alliance Fédérale's entities in 2019 to replace the existing bodies: works council; personnel representatives; health, safety and working conditions committee.

The operation and organization of the entities' Economic and Social Committees are governed by a Group Agreement which was signed on December 5, 2018, which defines their specificities in terms of head count, territory and number of sites. The diversity of the group's companies required adaptations which were the subject of a companywide agreement negotiated between the social partners and their representative union organizations.

The ESC in companies of over 50 employees is consulted annually on the following three recurring themes:

- the company's strategy;
- the company's economic and financial position;
- the company's social policy, working conditions and employment;

and on a one-off basis on the subjects which come within its remit such as reorganization plans, the introduction of new technologies, the internal rules, collective working hours. In order to take account of the multiannual development plans defined for the group, the parties agreed that consultations on strategy would only occur every three years apart from major projects (for example new multiannual development plan) or major modifications to this project which occur during this three-year period. There will be a report on the status of this plan for each year when there is no consultation.

Furthermore, new agreements were signed with the social partners in 2019 which is proof of the dynamism of the social dialog within Crédit Mutuel Alliance Fédérale:

- an agreement on the payment of an exceptional bonus to support purchasing power;
- an agreement on the organization of professional elections and electronic voting;
- an amendment to the group agreement on the employee insurance and healthcare costs scheme;
- an amendment to the employee savings plan;
- an amendment to the group retirement pension plan.

In order to circulate information quicker the unions can use the internal communication tool to publish their documentation.

Agreements signed with trade unions or representatives with regard to health and safety

A security charter was established in 2013 which still covers the group's employees. It specifies the security conditions applicable to all, both in terms of access rules, security checks and the use of tools and equipment made available.

The following initiatives are taken to ensure the protection of group employees:

- the use of occupational healthcare to detect certain illnesses;
- the deployment of the right to disconnect;
- the start of negotiations on the quality of life at work and setting up concrete actions, notably through tests in new workspaces, on work and mobility, and on home working.

Employment

Total workforce

Crédit Mutuel Alliance Fédérale had 70,953 employees at the end of 2019, up by 2% compared to 2018.

Breakdown of employees by geographic area

Crédit Mutuel Alliance Fédérale is present mainly in metropolitan France, 57,740 employees working on the French territory and 13,213 abroad (SOC01-F205 + SOC01-H215).

Hires

New hires with open-ended contracts in the banking world are mainly carried out by Crédit Mutuel and CIC branch offices by recruiting young employees. In 2017, the group equipped itself with the HR tool: Talentsoft. Modern and interactive, it stimulates exchanges and offers employees the possibility to express their desire for mobility at any time and to prepare professional interviews.

In order to better support employees in the case of intra- and inter-company mobility, Crédit Mutuel Alliance Fédérale's human resources department has signed two framework agreements with MUTER-LOGER and CSE Executive Relocations. If there is no obligation for both the employer and the employee to call on any of these companies, the latter, as professionals, have experience, recognized competence and know-how in job mobility assistance services.

Quantitative data

WORKFORCE

Section		Indicator code	Unit	Value 2019	Value 2018
Social	Workforce on the payroll	SOC01_bis	No.	70,953	69,640
	Workforce: Women executives on open-ended contracts – France	SOC01_F201	No.	10,118	9,633
	Workforce: Non-executive women employees on open-ended contracts – France	SOC01_F202	No.	20,863	20,955
	Workforce: Women executives on fixed-term contracts – France	SOC01_F203	No.	74	105
	Workforce: Non-executive women employees on fixed-term contracts – France	SOC01_F204	No.	1,561	1,328
	Workforce: Men directors on open-ended contracts – France	SOC01_H211	No.	13,877	13,492
	Workforce: Non-executive men employees on open-ended contracts – France	SOC01_H212	No.	10,019	10,212
	Workforce: Men directors on fixed-term contracts – France	SOC01_H213	No.	77	131
	Workforce: Non-executive men employees on fixed-term contracts – France	SOC01_H214	No.	1,151	960
	Workforce: Women abroad	SOC01_F205	No.	7,391	7,147
	of which: women in management functions	SOC01_FM205	No.	991	946
	of which: women without managerial functions	SOC01_FNM205	No.	6,400	6,201
	Workforce: Men abroad	SOC01_H215	No.	5,822	5,677
	of which: men in management functions	SOC01_HM215	No.	1,488	1,446
	of which: men without managerial functions	SOC01_HNM215	No.	4,334	4,231

BREAKDOWN OF EMPLOYEES BY GENDER AND AGE[1]

Indicator code	Indicator description	Data at end of 2019
SOC88	Workforce < 25 years old	4,566
SOC90	Workforce 25 – 29 years old	7,616
SOC92	Workforce 30 – 34 years old	9,487
SOC94	Workforce 35 – 39 years old	10,723
SOC96	Workforce 40 – 44 years old	9,556
SOC98	Workforce 45 – 49 years old	8,853
SOC100	Workforce 50 – 54 years old	7,637
SOC102	Workforce 55 – 59 years old	8,295
SOC104	Workforce 60 years old and older	3,820

Indicator code	Indicator description	Data at end of 2019
SOC89	Female workforce < 25 years old	2,607
SOC91	Female workforce 25 – 29 years old	4,421
SOC93	Female workforce 30 – 34 years old	5,673
SOC95	Female workforce 35 – 39 years old	6,474
SOC97	Female workforce 40 – 44 years old	5,814
SOC99	Female workforce 45 – 49 years old	4,837
SOC101	Female workforce 50 – 54 years old	4,158
SOC103	Female workforce 55 – 59 years old	4,386
SOC105	Female workforce 60 years old and older	1,637

HIRES

Code	Indicator description	End-2019 data	End -2018 data
SOC13	Recruitment: Total number of hires	17,172	17,604
SOC15	Women hired	9,347	9,565
SOC16	Hires with open-ended contracts	5,885	5,875

LAYOFFS

Code	Indicator description	End-2019 data	End -2018 data
SOC19	Number of employees with open-ended contracts that quit the organization	4,868	4,543
SOC20	Number of employees with open-ended contracts that quit the organization for layoffs	1,023	739

(1) Data available for total workforce of Crédit Mutuel Alliance Fédérale.

COMPENSATION AND CHANGES IN COMPENSATION

Code	Indicator description	End-2019 data	End -2018 data
SOC73	Gross payroll excluding employers' contributions	€3,084.99 million	€2,957.25 million
SOC107	Total gross annual compensation of employees with open-ended contracts	€2,968.60 million	€2,904.7 million
SOC108	Total gross annual compensation of employees with open-ended contracts – non-executives	€1,324.71 million	€1,287.10 million
SOC109	Total gross annual compensation of employees with open-ended contracts – executives	€1,643.88 million	€1,617.65 million
SOC80	Total amount of social security contributions paid	€1,544.88 million	€1,610.08 million

ORGANIZATION OF WORK TIME

Code	Indicator description	End-2019 data*	End-2018 data*
SOC29	Number of full-time employees with open-ended or fixed-term contracts (including full-time parental leave)	62,117	60,725
SOC30	Number of part-time employees with open-ended or fixed-term contracts and executives with reduced day package	8,836	8,915

* *This data corresponds to the scope of Crédit Mutuel Alliance Fédérale, excluding CIC's foreign subsidiaries.*

ABSENTEEISM

Code	Indicator description	End-2019 data	End -2018 data
SOC38	Total number of days of absence	693,909[1]	702,933[1]
SOC39	Number of days of absence due to illness	673,200	678,852
SOC40	Number of days of absence due to workplace accidents	20,709	24,081
SOC41	Number of days of absence for maternity/paternity	334,423	254,192

(1) The data excludes days of absence due to illness and accident.

TRAINING

Code	Indicator description	End-2019 data	End -2018 data
SOC46	Payroll expense allocated to training (payroll expense for training)	€171.2 million	€158.3 million
SOC47	Percentage of payroll expense allocated to training	5.56%	5.36%
SOC48	Number of employees who received training	68,411	65,336
SOC49	Percentage of employees trained	96.41%	94.10%
SOC50	Total number of hours allocated to employee training	2,429,706	2,136,528

EQUALITY OF TREATMENT

Code	Indicator description	End-2019 data	End -2018 data
SOC68	Number of disabled workers in the total workforce	1,749	1,610
SOC39	Percentage of disabled workers in the total workforce	2.46%	2.31%
SOC63	Percentage of women among managerial promotions	37.5%	36.3%

Reduce the environmental impact of the group

Aware of its role in the service of the economy and development, Crédit Mutuel Alliance Fédérale is committed to conducting all of its activities in a responsible manner. Consideration of environmental, economic and social issues carrying out its business is one of the principle areas of focus of its sustainable development policy.

The group has decided to reduce its carbon footprint by 30% during the period of its 2019-2023 strategic plan ensemble#nouveaumonde. Crédit Mutuel Alliance Fédérale has commissioned a specialized firm to assist it to achieve this goal and has decided to apply the ISO 14064 standard which provides a framework for accounting and verifying greenhouse gas emissions. The carbon footprint of the group's entities in France is calculated using 2018 data and on the "office life" perimeter for all the scopes, giving an initial estimation of 7TCO2 per employee. The carbon footprint is calculated as part of a continuous improvement approach: while the first estimate enables the challenges to be identified, the method of calculating certain emission items must evolve over time in order to factor in reduced emissions. Although this first exercise has now enabled reduction paths to be deployed it is above all the wish to structure a lasting approach to ensure that the data which is required to assess the group's carbon footprint is reliable.

Crédit Mutuel Alliance Fédérale is creating a virtuous circle by encouraging its entities to work to reduce their greenhouse gas emissions and developing a mechanism to offset the group's carbon footprint. A levy will be calculated on the footprint of all the entities based on their emission accounts where actions are possible which will be paid to Fondation Crédit Mutuel Alliance Fédérale whose goal is to help finance projects with high climatic impact.

Actions to reduce Crédit Mutuel Alliance Fédérale's carbon footprint

ISO 50001 certification

The group has committed itself to responsible energy management by setting up an "Energy Management System" (EMS) which must be ISO 50001 certified in 2020. This initiative is aimed at improving the energy performance of installations through more effective monitoring and action plans. This approach involves improving buildings, the use of new technologies but also more eco-responsible behavior by all employees. This is a reason why an e-learning system has been deployed in the group's remote learning tool (FORMAD). This will raise employees' awareness on the right actions to adopt, on the standard to be achieved and the impact of their day-to-day behavior and activity.

The following are in the process of being deployed:

- the systematic improvement of thermal insulation during renovations;
- establishing a Centralized Technical Management (CTM) for regular energy control and optimizing energy consuming stations in large buildings;
- dual-flow ventilation equipment;
- in some retail outlets, an automatic shutdown of certain electrical circuits (lighting, electrical outlets, etc.) has been programmed at night and on weekends.
- replacing standard lighting sources by LEDs in new developments as well as existing buildings;
- Euro-Information has developed a specific software which closes down remote workstations. This application is installed in the headquarters and in almost all of the scope, enabling on 30,000 workstations to be targeted.

Recommendations for temperatures and buildings

They are based on the energy code and the NF EN ISO 7730 standard and will enable more than 90% of employees to be in a comfort zone. To optimize the comfort of occupants, the temperature range can be adjusted by ±2°C using a remote control.

The new recommendations will enable a gain of 1°C on average over the year (by factoring in the possibility of varying by ±2°C). For ADEME, this translates into an energy saving of 7%.

INDOOR TEMPERATURE SETTING

	Winter		Summer	
	Day	Night	Day	Night
	7 a.m. - 7 p.m.	7 p.m. - 7 a.m. and weekend	7 a.m. - 7 p.m.	7 p.m. - 7 a.m. and weekend
Office	21 °C	16 °C	25 °C	Temperature deviation limited to 30 °C
Meeting room	21 °C	16 °C	25 °C	Temperature deviation limited to 30 °C

Partnership with Voltalia

In parallel, Crédit Mutuel Alliance Fédérale has entered into a partnership with Voltalia to procure green electricity by signing a long-term contract for the direct purchase of renewable electricity with a green energy producer enabling the construction of a new 10 MW solar plant in France. In practice Voltalia will supply 5% of Crédit Mutuel Alliance Fédérale's total electricity consumption using green energy. The goal of this exclusive alliance is to reduce energy consumption but also to provide lasting support to Voltalia to build new renewable production capacities.

Business travel policy

CCS has also decided to promote the energy transition of its members' car fleets by deciding to stop purchasing diesel engine vehicles. The CO2 emission rate of the automotive fleet decreased by 2% in 2019.

The company car charter integrates environmental aspects: consideration in the choice of all vehicles with all types of energy (including electric) of a few hybrid vehicle models, creation of a green "SMR" bonus of €3,000 for any vehicle with alternative energy in addition to the government bonus. The charter was reviewed at the end of 2019 to encourage Crédit Mutuel Alliance Fédérale's entities to use hybrid electrical vehicles as a contribution to achieving the target of a 30% reduction in the carbon footprint.

In addition the group decided to stop purchasing vehicles with diesel engines. The CO2 emission rate of the automotive fleet decreased by 3% in 2019.

These decisions have been supported by an internal advertising campaign to encourage a reduction in the number of kilometers notably by producing reports and recommendations to restrict business travel.

In 2019, the number of videoconferences organized rose by 40% on 2018, saving more than 179 million kilometers.

In addition, an internal traveling policy prioritizes public transport, carpooling and promotes the use of bicycles. The entities of Crédit Mutuel Alliance Fédérale based on the Wacken site in Strasbourg took an active part in the 10th edition of the intercompany "au boulot à vélo" bike-to-work challenge organized by the Urban Community of Strasbourg between June 11 and 24. The aim is to encourage the 3,500 employees on the site to cycle to work. This challenge is an opportunity for Crédit Mutuel Alliance Fédérale to promote regular use of bicycles to its employees and to remind them of the group's commitment to preserving the environment in the ecological transition.

Management of resources

Selective and participatory sorting for recycling has been set up at all sites with more than 250 employees and this will be extended to sites of less than 250 employees before the end of June 2020. This project satisfies the requirements of the Act of August 17, 2015, on energy transition for green growth which requires companies to sort and recycle five flows: paper, plastic, metal, wood, glass.

The group is also implementing a policy for email management, paper printing and the use of videoconferencing. Software to enable a new method for steering shared peripheral printing equipment has been deployed. The goal is to measure the ecological footprint of prints, to empower users, and limit prints. Grey recycled paper was deployed on all sites in 2019. It is the most environmentally friendly, non-de-inked, unbleached paper.

The fight against food waste: strict management of raw materials and waste from the meals served each day has been set up on the inter-company restaurant on the Wacken site. Bio waste is recovered through composting with a company. The number of dishes served is also adapted according to various criteria: seasonality, number of people potentially present (taking into account HR data: training, holidays and various hazards such as weather or other events likely to reduce the number of visitors to the restaurant).

A world dedicated to the group's employees: "Being an eco-citizen at work" ("Être éco-citoyen au travail"). This initiative is deployed on all employee workstations to encourage staff members to take simple and effective actions to protect their environment and participate in reducing the group's energy footprint.

The tool also provides information on all measures being carried out: the launch of gray recycled paper for Group head offices, use of certified envelopes, adoption of eco-responsible checkbooks on FSC mixed paper, calculation of the carbon footprint of employee photocopies, etc.

Access to the "Being an active eco-citizen" universe is accessible to all members.

Measures taken to reduce the carbon footprint generated by Crédit Mutuel Alliance Fédérale's business lines

Nevertheless, although all the items studied are key for the energy and climate transition the majority of Crédit Mutuel Alliance Fédérale's emissions come from the products and/or service offered to its customers. This calculation is performed for the business loan portfolio across all the group's entities (excluding Crédit Mutuel Asset Management and Assurances du Crédit Mutuel). The purpose of this assessment is to integrate "carbon" challenges into the group's investment policy and to measure activities with high admissions in order to establish a constructive dialog with the businesses concerned in order to reflect the group's climate strategy.

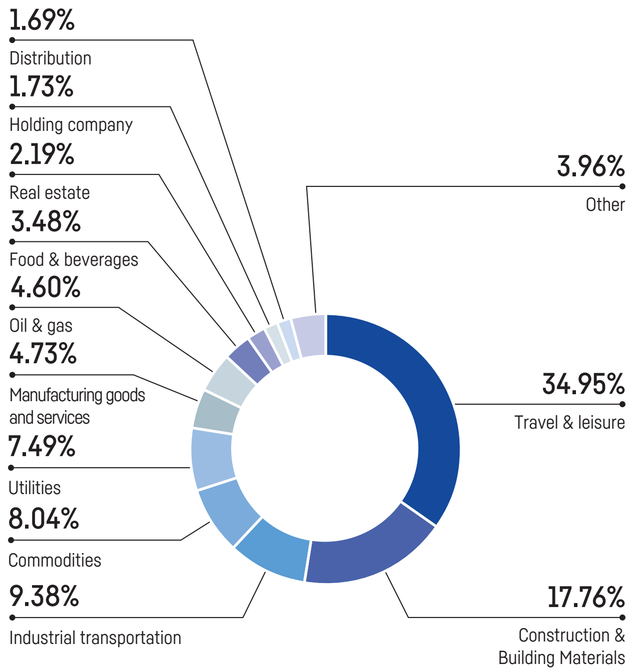
The results[1] show two types of carbon footprint expressed in tons of CO_2. The first indicates the total quantity of carbon which the company will generate pro rata to the bank's contribution. The second gives a relative indication of the quantity of carbon generated per million euros of revenue realized and thus enables the degree of pollution caused by the company, in particular in comparison to its competitors in the sector or in different sectors, to be established.

Overall at a constant scope, the carbon footprint of financing fell by more than 10% between 2018 and 2019. This decrease is explained by the reduction in credit lines attributed to companies which are identified as being the worst emitters although their business activities are not in fossil energies (which account for less than 5% of the carbon footprint). The geographical distribution matches the profile of Crédit Mutuel Alliance Fédérale's business customers which is focused on accompanying French companies: 40% of the carbon footprint is focused on French companies.

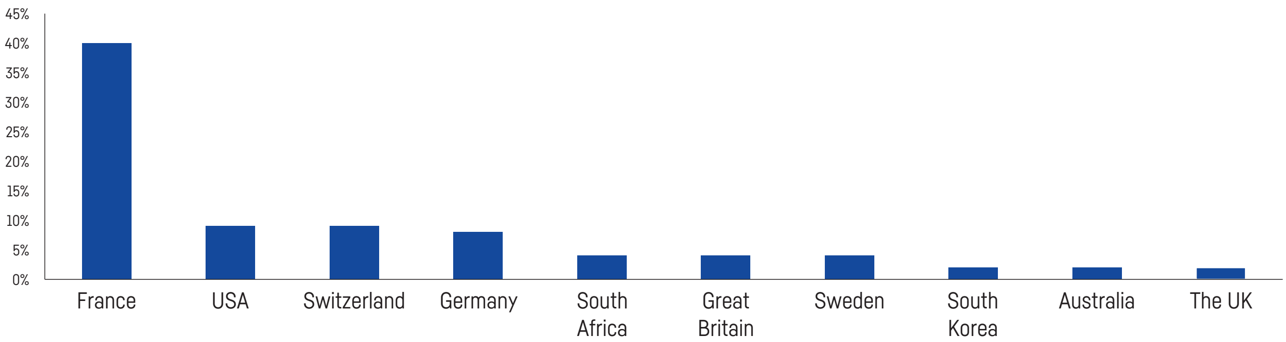
	2018	2019
Carbon footprint (ton of CO_2 per €m invested)	348.64	286.05
Carbon intensity of the portfolio (total emissions/total revenue)	350.99	288.04
Average carbon intensity assessed (weight * intensity)	387.12	286.93

(1) Calculations performed and checked by IPLF Inflection Point by La Française https://www.la-francaise.com/fileadmin/docs/corporate/PolitiqueEngagementLFAM2018.pdf

SECTORAL ANALYSIS



GEOGRAPHICAL ANALYSIS



Commitment to decarbonising the shipping portfolio

CIC, a subsidiary of Crédit Mutuel Alliance Fédérale, is a signatory to the Poseidon Principles. These provide for the integration of climate assessment criteria in lending decisions in the shipping industry. They help measure their impact and nudge operators towards significantly decarbonising the shipping industry.

By signing, CIC and its parent company Crédit Mutuel Alliance Fédérale have joined the 11 other large banks which provide financing for maritime transport which are already signatories.

The Poseidon Principles form part of the strategy to reduce greenhouse gas emissions (GHS) adopted by the Member States of the International Maritime Organization (IMO) in April 2018. This strategy aims to reduce total greenhouse gas emissions from maritime transport by at least 50% by 2050. Its long term goal is zero emissions.

The Poseidon Principles is a quantitative assessment framework aiming to align the maritime transport portfolios of financial institutions with the climate requirements stated above. The results of this assessment will be published every year in the Social and Cooperative Responsibility report of CIC and Crédit Mutuel Alliance Fédérale and will assess the financing policies for members' vessels.

Reinforce solutions and offer quality and responsible service

The group provides specific offers and financing to support customer-members and businesses in their environmental approach. In addition to zero interest rate eco-loans, short-term and long-term energy saving loans, solidarity savings and the financing of renewable energy projects, the group offers subsidized loans to encourage growth and development of companies which have adopted a CSR approach or invested in concrete actions to support sustainable finance and the energy transition.

Crédit Mutuel Alliance Fédérale has therefore marketed the Eco-Mobility offer for private individuals and professionals since December 1, 2018. The purpose is to accompany our customers and members in the ecological transition and to satisfy their needs for electrical mobility but also to enable them to benefit from the subsidies for purchasing an electric vehicle (ecological bonus and/or conversion allowance). Over 36,000 hybrid and/or electrical vehicles have been financed by the Crédit Mutuel and CIC networks since the offer was launched.

In addition, the group wishes to underline its commitment to supporting innovative projects in the sustainable development field through its range of Transition loans for businesses by financing investment to help the company transform to a more "responsible" and more efficient economy.

The new Transition range satisfies three objectives:

- Accelerate the ecological transition of companies

  The "Energy Transition Loan" enables companies to finance investments for energy savings, improved energy performance and reduced costs. Companies from all sectors are eligible for these investments (equipment, installation, devices, connected works, new products) which are sources of increased energy efficiency and a positive ecological effect;

- Consolidate the CSR initiative of companies

  The "CSR Transition Loan" finances all the tangible and intangible investments inherent in a company's social responsibility. It is aimed at companies which have already started to take action (CSR audit required) and finances initiatives to improve employees' working conditions, save energy, transport and, beyond this, any action which is beneficial for the environment;

- Help transform economic models

  The "Digital Transition Loan" assists customers with their digital transformation by financing investments to digitize the company's activities. Companies can modernize their tools and/or transform their economic model with digital technology including by creating new products or services using new technologies: connected objects, artificial intelligence, robotics, etc.

In addition, Crédit Mutuel Alliance Fédérale is confirming its strategy as a responsible investor via its asset management subsidiary, Crédit Mutuel Asset Management, by giving a new dimension to its management activities in terms of sustainable financing. This initiative is structured around a proprietary non-financial analysis model which relies on several suppliers of ESG data and climate experts in order to expand its range of SRI funds and ESG integration. These commitments are materialized by the launch of thematic funds notably on the climate and energy transition. Crédit Mutuel Asset Management will assess the exposure of its portfolios to climate risks, within the framework of Crédit Mutuel Alliance Fédérale's environmental goals. Finally, bolstered by the pedagogical approach of its asset management company, actions to raise awareness among savers have been set up via videos on sustainable and responsible finance.

Likewise, Assurances du Crédit Mutuel is offering an increasing number of SRI labeled supports which are respectful of the environment and socially responsible practices, as units of account for life insurance. Therefore the financial offer for unit of account supports for life insurance policies in 2019 includes seven funds with a specific SRI approach or a responsible and solidarity theme, selected for their ecological and energy transition, sustainable growth and job creation goals.

Renewable energy financing trends

Thanks to its subsidiary CIC, Crédit Mutuel Alliance Fédérale carried out the first renewable energy operation in early 2005.

The outstandings for renewable energy projects (cumulative authorizations) at the end of December 2019 reached €1.6 billion, comprised mainly of onshore and offshore wind projects, solar and biomass, i.e. a 22% increase compared to the end of 2018.

In 2019, the CIC subsidiary's Project Financing Department financed 39 projects including 24 in renewable energies, which are broken down as follows:

- 11 onshore wind turbine farms totaling more than 1,700 MW (eight projects in France including the refinancing of the Boralex farms, two in Canada and one in the USA);
- 5 offshore windfarm projects in Europe representing more than 2,800 MW (including the Saint Nazaire farm, France's biggest offshore farm, two farms in Scotland, one in Belgium and one in the Netherlands);
- 8 solar projects with a total capacity of 525 MW (five in France, one in Spain, one in Chile, one in USA) and a biomass plant project in Guadeloupe.

Added to this is the financing of 11 infrastructure projects including two high-speed lines and a fiber network in France, an airport in Croatia, motorways in Portugal, underground railways in Spain and in Australia. All the projects financed strictly respect the environmental standards of the country concerned and where the political and insolvency risk is controlled (i.e. "designated countries" within the meaning of the Equator Principles). If participation in a project involves financing in a more vulnerable country, both politically and from the environmental point of view, the financing will only occur after the economic necessity for the project and the participation with signatory banks of the Equator Principles have been weighed up. In each of these projects, the social and environmental impacts are not only taken into account when the operation is chosen, but also throughout the life of the project (for example: obligation of monitoring the construction phase and its environmental impact by an independent engineer if the size of the project warrants it, contractual obligation of the borrower to respect standards and their evolution throughout the life of the project).

In parallel, the Crédit Mutuel and CIC networks provided financing for almost 2,500 renewable energy projects to assist customers in the professional, private, agricultural and business markets. As an example, Crédit Mutuel Loire-Atlantique and Centre-Ouest provided financing for a farm of nine wind turbines to produce electricity for almost 4,300 homes. A solar farm was also built to provide electricity for 3,000 homes.

Management and governance of the climate risk

Conscious of its role in developing territories, Crédit Mutuel Alliance Fédérale is committed to conducting all of its activities responsibly by taking climate constraints into account. Environmental, economic and social challenges are a major part of its 2019-2023 strategic plan ensemble#nouveaumonde which are focused on major decisions:

1. investing in financing projects with a strong climate impact;
2. assisting companies to transform their economic models;
3. reinforcing environmental requirements in the rules for granting financing;
4. aligning sectoral policies to combat the use of coal and unconventional hydrocarbons through its climate strategy;
5. integrating the direct and indirect impacts of the climate risk on the group's activities into Crédit Mutuel Alliance Fédérale's risk mapping.

The management of the risks connected to climate change (physical risk and transition risk) is integrated into Crédit Mutuel Alliance Fédérale's financial risk management system. All projects are presented to Crédit Mutuel Alliance Fédérale's risk committee (executive body) and then the risk monitoring committee (deliberating body), and form part of the strategic risk monitoring which is directly connected to the Chairman and Executive Management.

These works are also performed in close collaboration with the risk department of Confédération Nationale du Crédit Mutuel.

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

- physical risks resulting from natural hazards (100-year 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;
- risk to reputation.

Apart from the impact on its own operations, the other impacts identified are as follows:

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

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

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

Thus the calculation of the country limit takes the *Notre Dame Global Adaptation Index* - or ND-GAIN[1] limit into account, which reflects:

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

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

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

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

(1) https://gain.nd.edu/

Integration of obligations related to Article 173 of the Energy Transition Act of August 17, 2015 for the insurance business of Crédit Mutuel Alliance Fédérale and CM-CIC Asset Management

ACM (report on the energy transition law)[1]

For its investments, Groupe des Assurance du Crédit Mutuel (GACM) has applied an ESG policy for several years, aiming to promote the best environmental, social and governance practices.

This policy brings together several departments, particularly the Modelling and Risks Department (to which the ESG team is attached), the Investments Department and the Life Insurance Department. The managers of the three departments meet quarterly in the financial committee, during which discussions are held and decisions ratified on the ESG policy.

At each new investment in a company's shares or bonds, GACM's asset managers have access to a complete analysis of the three criteria, E, S and G, notably through data provided by ISS-OEKOM. This analysis constitutes an aid to decision-making in the investment process, in addition to the financial criteria that are usually analyzed. An exclusion approach is also applied, to prevent any new investments in a company that does not have a sufficient ESG score in relation to its competitors in the same business sector.

Furthermore, GACM pays particular attention to compliance, by the companies in which it invests, with the main international conventions as well as the principles of the United Nation's Global Compact, which covers human rights, employment law, the environment and the fight against corruption.

For investments via funds, *ad hoc* ESG questionnaires are sent to the management companies to make sure that these intermediaries have an ESG policy compatible with that of GACM.

As a long-term investor, GACM is concerned about the climate impact of its investments and the risk of climate change to the valuation of its assets. Its actions as an investor are of several types:

- limit its exposure and support to certain activities or sectors that have a great impact on the environment, such as that of coal. Concerning the latter, GACM has set itself an objective, in line with the climate strategy of Crédit Mutuel Alliance Fédérale, of no longer being exposed to it by 2030. More than €80 million was divested in January 2020 and GACM no longer holds any company in its portfolio that is developing new infrastructure related to coal;
- support the development of activities that favor the transition to a low-carbon economy via "green" investments.

Crédit Mutuel Asset Management (report on the energy transition law)[2]

At the end of 2018, Crédit Mutuel Asset Management launched its strategic project "Towards Responsible and Sustainable Finance", which plays a full role in the medium-term ensemble#nouveaumonde plan of Crédit Mutuel Alliance Fédérale. In this context, Crédit Mutuel Asset Management is overhauling the classification of its Responsible Finance range to increase the visibility of its offer. From now on, the range is structured according to two aspects:

- ESG integration: comprising all funds whose management is based on non-financial criteria alongside financial criteria, to identify market opportunities while respecting environmental, social and governance principles and limiting risk (physical, financial and market, regulatory and reputation). This system is accompanied by regular dialog with issuers to encourage them to change their practices;
- SRI: comprising funds managed according to the principles of the State SRI label, including being highly selective of the securities in the portfolio and improving transparency through dedicated reports.

As part of the overhaul of this range, Crédit Mutuel Asset Management is improving its system and gradually deploying a proprietary ESG analysis model throughout the whole of its investment sphere, based on suppliers of external data and internal analyses conducted by an experienced team. The active and rigorous selection of sovereign and corporate issuers performed by Crédit Mutuel Asset Management is based on:

- the exclusion of companies involved in the production or trade of anti-personnel mines and cluster munitions (Ottawa Convention and Oslo Treaty) as well as States not respecting international norms or conventions;
- the selection of businesses whose activity contributes to sustainable development, by the very nature of the company or the products and/or services offered; in particular, the best-in-class SRI approach of Crédit Mutuel Asset Management is primarily based on a non-financial analysis of companies according to environmental, social and governance (ESG) criteria, supplemented by consideration of the societal policy and the commitment of the company to a responsible approach. Sectoral specificities are taken in account and regular meetings with company executives take place. For States, the following is taken into account: the legal framework, respect for fundamental freedoms, protection of the environment and living conditions, economic well-being. A selection is then made by retaining only 50% of the initial securities. Then, a choice is made to create a funds portfolio by retaining securities presenting the best potential stock performance;
- shareholder activism (closely monitoring controversies, dialog with businesses on improvement of their social responsibility policy, systematic vote at shareholders' meetings). The principle of Crédit Mutuel Asset Management's voting policy is to cover all shares held by all companies, of whatever size, nationality or share of the voting rights held. It is based on respect for the rights of minority shareholders, fairness between shareholders, the transparency and quality of information provided to shareholders, the balance of powers between the management bodies, the sustainability and integration of the long-term strategy of companies and, lastly, support to the best practices of corporate governance. Since the end of 2019, Crédit Mutuel Asset Management's voting policy has been integrated into the monthly reporting for the funds concerned in the form of a pictogram.

Following the annual assessment report prepared by PRI, Crédit Mutuel Asset Management obtained, for the 5th consecutive year, the highest score A+ ("Strategy and governance" module). This assessment is the recognition of the integration by Crédit Mutuel Asset Management of ESG (environmental, social and governance) factors into the management of its ranges of funds.

(1) Available at http://www.acm.fr/fr/document/Rapport-ESG-GACM-2018.pdf
(2) Available at https://www.cmcic-am.fr/partage/fr/CC/CM-CIC-AM/telechargements/ESG-article-173.pdf

Quantitative data

Code	Indicator description	End-2019 data	End-2018 data
ENV05	Total energy consumption	417,636,599 kWh	456,335,081 kWh

Code	Indicator description	End-2019 data	End-2018 data
ENV32	Number of video-conferences	451,241	323,881

Code	Indicator description	End-2019 data	End-2018 data
ENV15	Recycled used paper as output (waste)	5,461 tons	4,874 tons
ENV16	Number of used toner cartridges recycled after use	69,092	88,875

3

WATER CONSUMPTION

Code	Indicator description	End-2019 data	End-2018 data
ENV04	Water consumption (m^3)	580,083*	585,860*

* *All the entities excluding Targobank Germany.*

COMMODITY CONSUMPTION

Code	Indicator description	End-2019 data	End-2018 data
ENV09	Total paper consumption	7,817 tons	8,740 tons
ENV10	Total consumption of paper for internal use	2,423 tons	2,659 tons
ENV11	Total paper consumption for external use	5,393 tons	6,013 tons
ENV15R	Total recycled paper purchased	717 tons	802 tons

3.1.3 Note on the CSR sector policies of Crédit Mutuel Alliance Fédérale

By structuring its SMR policy around five objectives broken down into 15 commitments, Crédit Mutuel Alliance Fédérale has chosen to adopt operating principles that are applicable to all group entities. This is why the group systematically submits all sector policies and modifications to the boards of directors of Caisse Fédérale de Crédit Mutuel, BFCM and the group for their approval.

In addition, the group decided to reinforce the rules related to the application of its sector policies by creating analysis grids specific to each sector of activity (to be completed by the teams in charge of the dossier and presented to the commitments committee). These analysis grids integrate counterparties' non-financial ratings which are analyzed when the decisions to grant banking and financial transactions are taken.

Thus, the group values ethical business relationships and proposes to supplement the financial analysis of the companies financed with an objective analysis of their non-financial performance and more specifically of their commitment to environmental, social and governance issues.

This is a committed approach to financing the energy transition to promote the non-financial performance of customers as an objective decision-making element. It is also a source of dialog with customers enabling the group to provide them better support in their sustainable growth projects.

In addition, the reputational risk associated with the non-application of its SMR strategy commitments could create a significant financial risk for Crédit Mutuel Alliance Fédérale. The image and integrity of the group could be tarnished by controversies linked to financing and/or investments granted to counterparties that are not in line with the group's SMR policy or its ethical and responsible values, particularly those promoting sustainable development issues.

Special attention is therefore paid to certain sectors of activity that are not covered by the requirements of a group sector policy. These sectors being monitored (numbering 8) concern the chemicals and derived products industries (including the pharmaceutical industry), the tobacco industry, forestry, the food industry, agricultural commodities, transport, the iron and steel industries and the building and public works sector. As such, the group has developed a specific analysis grid enabling sales teams to ensure compliance with the commitments of the group's SMR initiative. This decision-support grid also integrates an analysis of the counterpart's ESG policy.

In addition, the boards of directors of the umbrella bodies validated the commitment policy for fragile or vulnerable customers. This policy describes all of the specific commitments made by Crédit Mutuel Alliance Fédérale to promote banking inclusion for customers in a situation of fragility and supplements other customer protection measures designed to foster behavior that is respectful of the interests of customers and good business practices. A committee for vulnerable or fragile customers has been created to monitor projects and validate proposals submitted by the dedicated working group.

Focus on sector policies

Crédit Mutuel Alliance Fédérale is strengthening its sectoral policies against the use of coal and unconventional hydrocarbons and to support the energy transition of the economy.

Coal – Hydrocarbons sectoral policies

Crédit Mutuel Alliance Fédérale is strengthening its sectoral policies against the use of coal and unconventional hydrocarbons and to support the energy transition of the economy and is enacting the decision to reduce to zero the exposure of its finance and investment portfolios to coal by 2030 for all countries in the world.

From March 1, 2020, companies developing their activities in the coal sector[1] will be excluded from all financial support throughout the entire value chain. During the first quarter of 2020, Crédit Mutuel Alliance Fédérale will exit all positions taken by its investment and asset management subsidiaries in the said companies.

Generally, Crédit Mutuel Alliance Fédérale will cease supporting companies for which:

- the annual coal production is greater than 10 million tons;
- the installed capacity based on coal is greater than 5 gigawatts;
- the share of coal in revenue is greater than 20%;
- the share of coal in the energy mix is greater than 20%.

These criteria are not cumulative. They are intended to totally eliminate the financing of energy derived from coal by 2030. They will be revised every year to become increasingly demanding.

Crédit Mutuel Alliance Fédérale will make the continuity of its financial support to customer companies exposed to the coal sector dependent upon a commitment to a plan to close all their coal assets by 2030.

Concerning unconventional hydrocarbons and in order to align its activities with a trajectory compatible with the Paris Agreement, Crédit Mutuel Alliance Fédérale has decided to stop financing projects related to the exploration, production, transport infrastructure or infrastructure for the conversion of shale oil or shale gas, oil from oil sands, heavy and extra-heavy oil and oil extracted in the Arctic.

Also, over the next few months, Crédit Mutuel Alliance Fédérale will perform an analysis to determine the criteria applicable to companies to encourage them to gradually abandon unconventional hydrocarbons. It intends to exclude all financing of companies that do not have a credible public plan, including precise dates, for the exit from unconventional hydrocarbons.

Mining Policy

Policy applicable to all financial transactions intended for mining companies irrespective of the mining resource and method of extraction employed. This covers the entire sector from ore exploration to shipping.

- Commitment to no longer intervene in the financing or in investments that are directly assigned related to the development, construction or extension of mining or metallurgical facilities if one of the following characteristics is present: project for asbestos mines, small-scale mines, critical impact on a protected zone or a wet zone that is on the Ramsar Convention list, and UNESCO world Heritage sites.

Civil Nuclear Energy Policy

Policy governing operations and advice provided to companies in the civilian nuclear sector. The group ensures that all requests fall within the framework of the laws in force and comply with the standards and/or recommendations issued by independent organizations in the nuclear sector.

- An internal decision-making process is defined and follows a reference framework which notably takes into account the host country, the type of financing of the projects in question and the international financing rules.

Defense and Security Policy

The group's sector policy related to operations with defense and security companies recognizes the existence of conventions, treaties, agreements and regulations specific to the arms industry.

- The group refuses to take any part in controversial weapons operations and respects drastic principles regarding unconventional weapons as well as countries affected by such funding.

(1) The list of companies increasing their coal capacity is extracted from the Global Coal Exit List (GCEL), a reference database for the implementation of the coal policy.

3.2 METHODOLOGICAL NOTE

For details regarding the composition of the sub-groups, please refer to the reports published by the reporting entities.

The Technology Division includes the following entities: Euro-Information Services, Euro-Information, Euro-Information Production, Euro-Information Développement, Euro-Information Télécom, Euro-Protection Surveillance.

The Press Division includes the following entities: Affiches d'Alsace Lorraine; Alsacienne de Portage DNA; Est Bourgogne Médias; Groupe Républicain Lorrain Imprimerie (GRLI); Groupe Dauphiné Média; Groupe Progrès; Groupe Républicain Lorrain Communication (GRLC); La Liberté de l'Est; La Tribune; Le Dauphiné Libéré; Le Républicain Lorrain; Les dernières nouvelles d'Alsace; L'Est Républicain; Médiaportage; Presse Diffusion; Publiprint Province n° 1; Républicain Lorrain – TV news; Républicain Lorrain Communication; SAP Alsace; SCI Le Progrès Confluence; Société d'édition de l'hebdomadaire du Louhannais et du Jura (SEHLJ); Société d'investissements médias (SIM).

3.2.1 Indicator scope

Unless otherwise specified in the report and in the table below, all indicators are collected and consolidated for the entire reference scope (see appendix).

Theme	Indicator	Methodological note
SOC01bis	PPH workforce	Data missing for: CIC foreign subsidiaries excluding Banque du Luxembourg and Banque du Luxembourg investments
SOC13	Recruitment: Total number of hires	
SOC19 SOC20	Number of employees with open-ended contracts that quit the organization	
SOC38	Total number of working days of absence	
SOC46	Payroll invested in training	
SOC48	Number of employees who received training	
SOC50	Training: Total number of hours	Data missing for ACM Partners
SOC107	Total gross annual compensation (in euros) of open-ended contract employees	
SOC108	Total gross annual compensation (in euros) – non-executive open-ended contract employees	
SOC109	Total gross annual compensation (in euros) – open-ended contracts: executives	
GOUV14	Number of local banks	This indicator concerns: the 11 federations of Crédit Mutuel Alliance Fédérale
GOUV15	Number of new women directors – local banks	
GOUV56	Hours of training given to directors (federation level; Alliance Fédérale except Crédit Mutuel Normandie)	
SOT27	Amount of loans on preferential terms (< €3,000) granted	This indicator concerns: the 11 federations of Crédit Mutuel Alliance Fédérale Targobank Allemagne Cofidis France
SOT28	SRI assets under management	Crédit Mutuel Asset Management data
SOT28 BASE	Assets under management by the management company	
SOT37	Assets under management in socially responsible employee savings plans	
SOT40	Number of NPO customers (associations, labor organizations, works councils, etc.)	This indicator concerns: the 11 federations of Crédit Mutuel Alliance Fédérale the regional banks of CIC in France BECM CIC Iberbanco Banque Transatlantique
SOT52	Total budget dedicated to patronage and sponsorship[1]	This indicator concerns: the 11 federations of Crédit Mutuel Alliance Fédérale CIC excluding foreign subsidiaries other than Banque du Luxembourg and Banque Luxembourg Investment

(1) This indicator may include budgets allocated in 2019, but not fully disbursed over the year.

The measurement and reporting methodology, developed in 2006, has been progressively extended to cover the entire banking-insurance scope of Crédit Mutuel Alliance Fédérale. The corresponding indicators underwent an in-depth revision in 2018 in order to make the collection procedure more reliable with all the correspondents of the group.

This methodology organizes the rules for collecting, calculating and consolidating indicators, their scope, and the controls performed. It is intended for national collectors of the Crédit Mutuel Alliance Fédérale federations and subsidiaries contributing to reporting and formalizes the audit trail for internal and external audits.

The reference period of the data collected (social, societal and governance) corresponds to the 2019 calendar year.

3.2.2 Scope of entities

Level	Company
ACM	ACM GIE
	ACM IARD
	ACM Services
	ACM Vie SAM
	Agrupacio AMCI d'Assegurances I Reassegurances
	Agrupacio Serveis Administratius
	AMDIF
	AMGEN Seguros Generales Compañia de Seguros Y Reaseguros
	Asesoramiento en Seguros y Prevision Atlantis
	Asistencia Avancada Barcelona
	Atlantis Asesores
	Atlantis Correduria de Seguros y Consultoria Actuarial
	Atlantis Vida, Compañia de Seguros y Reaseguros
	GACM España
	Groupe des Assurances du Credit Mutuel (GACM)
	ICM Life
	MTRL
	Partners
	Procourtage
	Serenis Assurances
	Targo Seguros Mediacion (ex-Oy Mediacion)
	ACM Vie Mutuelle
	NELL
	NELB
	Targopensiones entidad gestora de fondos de pensiones

Level	Company
CIC	Banque de Luxembourg
	Banque Transatlantique (BT)
	CIC Est
	CIC Lyonnaise de Banque
	CIC Nord Ouest
	CIC Ouest
	CIC Sud Ouest
	Crédit Mutuel Leasing
	Crédit Mutuel Leasing Spain
	CIC Conseil
	Crédit Mutuel Épargne Salariale
	Crédit Mutuel Factoring
	Crédit Mutuel Innovation
	Crédit Mutuel Equity
	Crédit Mutuel Equity SCR
	Crédit Mutuel Real Estate Lease
	Crédit Industriel et Commercial
	Dubly-Douilhet Gestion
	Transatlantique Gestion
	Crédit Mutuel Capital
Cofidis	Cofidis Belgique
	Cofidis Spain
	Cofidis France
	Cofidis Hungary
	Cofidis Italy
	Cofidis Portugal
	Cofidis Czech Republic
	Cofidis SA Poland
	Cofidis SA Slovakia
	Creatis
	GEIE Synergie
	Monabanq

Level	Company
EI	EI Télécom
	Euro-Information Production
	Euro Protection Surveillance
	Euro-Information
	Euro-Information Développements
	Euro-Information Services
Federations	Caisse Fédérale de Crédit Mutuel
	Caisse Régionale CMA
	Caisse Régionale CMC
	Caisse Régionale CMDV
	Caisse Régionale CMIDF
	Caisse Régionale CMLACO
	Caisse Régionale CMM
	Caisse Régionale CMMA
	Caisse Régionale CMN
	Caisse Régionale CMSE
	Caisse Régionale CMSMB
	Caisses CMA
	Caisses CMC
	Caisses CMCEE
	DRBC
	DRN
	DRO
	DRS
	Caisses CMDV
	Caisses CMIDF
	Caisses CMLACO
	Caisses CMM
	Caisses CMMA
	Caisses CMN
	Caisses CMSE
	Caisses CMSMB
	Fédération CMC
	Fédération CMCEE
	Fédération CMDV
	Fédération CMIDF
	Fédération CMLACO
	Fédération CMM
	Fédération CMMA
	Fédération CMN
	Fédération CMSE
	Fédération CMSMB
	Fédération CMA

Level	Company
Subsidiaries	Banque Européenne du Crédit Mutuel (BECM)
	Banque Européenne du Crédit Mutuel Monaco
	Banque Fédérative du Crédit Mutuel (BFCM)
	BECM Francfort
	BECM Saint Martin
	Cartes et Crédits à la Consommation
	CIC Iberbanco
	Crédit Mutuel Asset Management
	Crédit Mutuel Gestion
	Crédit Mutuel Immobilier
	Crédit Mutuel Caution Habitat
	Centre de conseil et de service
	CCLS
	Factofrance
	Cofacrédit
	Targo Deutschland GmbH
	Targo Dienstleistungs GmbH
	Targo Factoring GmbH
	Targo Finanzberatung GmbH
	Targo Technology GmbH
	Targo Technology GmbH Singapour Branch
	Targo Leasing GmbH
	Targo Management AG
	Targobank AG
	Targobank Spain
Press	Affiches d'Alsace Lorraine
	Alsacienne de Portage DNA
	Est Bourgogne Médias
	Groupe Républicain Lorrain Imprimerie (GRLI)
	Groupe Dauphiné Media
	Groupe Progrès
	Groupe Républicain Lorrain Communication (GRLC)
	La Liberté de l'Est
	La Tribune
	Le Dauphiné libéré
	Le Républicain lorrain
	Les Dernières Nouvelles d'Alsace
	L'Est républicain
	Médiaportage
	Presse Diffusion
	Publiprint Province No. 1
	Républicain Lorrain – TV news
	Républicain Lorrain Communication
	SAP Alsace
	SCI Le Progrès Confluence
	Société d'édition de l'hebdomadaire du Louhannais et du Jura (SEHLJ)
	Société d'investissements Médias (SIM)

3.2.3 Main management rules

The 2019 data collection process began in September 2018 in order to mobilize all the departments concerned and organize reporting levels and consistency checks. Data collection was broken down into the search for qualitative and quantitative information.

The CSR indicators selected are based notably on:

- article 225 of the Grenelle 2 Act;
- greenhouse gas assessments;
- decree No. 2011-829 of July 11, 2011;
- the cooperative reporting;
- the "Energy Transition Act for Green Growth", passed on August 18, 2015;
- article 173 of the Energy Transition Act enacted on December 31, 2015;
- the transposition of Directive No. 2014/95/EU of the European Parliament and of the Council of October 22, 2014 amending Directive No. 2013/34/EU as regards disclosure of non-financial and diversity information (Order No. 2017-1180 of July 19, 2017 and Decree No. 2017-1265 of August 9, 2017);
- the Sapin II Act on anticorruption adopted on November 8, 2016;
- the "duty of diligence" law adopted on February 21, 2017.

Governance indicators

Some of these indicators concern the cooperative governance of the group and the network of local banks. Most of this data is collected from a computer database used to manage elected-member mandates and functions (entered by Crédit Mutuel local ban managers as corporate changes are made to their boards) and from cooperative reporting (entered into an application by ban managers between mid-January and the end of February to report on corporate actions and events carried out during the previous year). Other data, notably that which is related to group membership, are supplied by the management-control information system.

Corporate indicators

The workforce data relates to the salaried employees on the payroll as at December 31, excluding trainees, temporary workers and external service providers. The data relating to days of absence includes all the absences of employees under permanent and short-term contracts and those on work/study programs in respect of the following: indemnified sick leave, non-indemnified sick leave, sick leave without a medical certificate, workplace accidents, special leave, leave to care for a sick child, prolonged unpaid leave (more than one month), sabbatical leave and work inability leave. It does not include paid leave or days off under collective agreements (compensatory time, seniority, marriage, etc.) or maternity or paternity leave. Lastly, the percentage of payroll expenses spent on training does not include Fongecif subsidies. Regarding the group's French entities, the training indicators include the hours of classroom training and the online hours prerequisite for face-to-face hours. As of fiscal year 2018, the number e-learning training hours are also counted.

Social indicators

Most of the social indicators come from the group "management control" information system. The criteria and parameters are computerized to ensure greater reliability and traceability of the information provided. On the other hand, the social indicators are for the most part supplemented by qualitative indicators underscoring the actions carried out by Crédit Mutuel Alliance Fédérale entities in their respective region.

Environmental indicators

Given the nature of the group's activities, noise, soil and other forms of pollution from discharges into the air, water and soil which seriously affect the environment at its operating sites do not appear to be significant. In addition, the group does not have a major impact on biodiversity. However, these aspects have been reintegrated into its overall CSR approach but are not included in this report. Crédit Mutuel has not recognized any provisions in its accounts in respect of environmental risk.

As information on the monitoring of energy and water consumption is not available for all Crédit Mutuel Alliance Fédérale agencies, a CCS Consulting and Services Center has developed a calculation system for estimating this consumption when necessary.

For foreign entities that are not integrated into the group's IT system, data was collected manually and then imported into the CSR consolidation application. This mainly concerns the press, the non-French entities of Cofidis Group, the non-French entities of GACM, Targobank in Germany and Targobank in Spain.

Most of the consumption data reported for Crédit Mutuel Alliance Fédérale (networks, head offices and subsidiaries) are taken from water and energy bills.

Data:

- consumption of hot and cold water supplied by urban networks was gathered from data provided by suppliers;
- consumption of electricity and gas: consumption data was provided by suppliers. Only the data concerning control rooms are still entered manually into the CONSOS collection tool and an extrapolation made for water consumption and other energies;
- consumption of water and other energies: as information relating to the monitoring of the consumption of certain forms of energy and water consumptions is not available for all buildings, a calculation system was deployed by CCS making it possible to estimate consumption levels when necessary. This information is extrapolated to complete:
  - missing monthly consumption data (in proportion to the number of months entered in the CONSOS tool),
  - consumption data missing from some meters (average consumption at m^2 multiplied by the surface area of the building). In most cases, published data covers the period from November 1, 2018 to June 30, 2019; the data collection period was changed in 2019 to enable better coverage to be ensured,

- consumption of paper for internal use: this is the combination of information provided by Sofedis (the central purchasing agency of Crédit Mutuel Alliance Fédérale), CCS for reprographics, as well as external suppliers if necessary and the service in charge of magazine subscriptions for Crédit Mutuel Alliance Fédérale;
- consumption of paper for external use: data except for Sofedis, are provided by the entities of the group's IT segment: Euro-Information Production and Euro P3C (consignments of checkbooks, credit cards and bank statements) and other suppliers, particularly for the preparation of documents for communication purposes;
- travel: the number of kilometers traveled by car fleets and the number of liters of diesel fuel and gasoline consumed by those fleets are estimated based on the information provided by CCS in charge of fleet management, on the basis of data obtained from fuel payment cards or on the basis of the internal monitoring of the consuming entities.

Fifty-two indicators are subject to a publication review, a data audit (on-site or remote) based on analytical reviews, substantiation tests on a sampling basis, comparison with sector performance ratios, interviews and an insurance report testifying to the existence of the information and expressing an opinion on its fairness, issued by the statutory auditors designated as an independent third party. These indicators mainly concern the entire reference scope, except for certain specific indicators, as detailed in the table below.

3.3 INFORMATION ON REGULATORY REQUIREMENTS

Information on the recently treated topics under the NFPS and excluded from the cross-reference table:

- fight against food insecurity: not applicable;
- animal welfare and responsible, fair and sustainable nutrition: not applicable;
- actions to fight tax fraud: in view of the late publication of the law (October 23, 2018), there are no details on this topic in the document. On the other hand, Crédit Mutuel Alliance Fédérale complies with its regulatory obligations in tax matters and ensures greater vigilance in the tax compliance of its customers.

Presentation of the business model	3.1.1 - Presentation of the scope and business model and the vigilance plan Section: Crédit Mutuel Alliance Fédérale's business model
Presentation of the main non-financial risks	3.1.1 - Presentation of the scope and business model and the vigilance plan Section: Crédit Mutuel Alliance Fédérale's non-financial risks and opportunities
Presentation of policies and indicators	3.1.2 - Strategic orientation and SMR positioning of Crédit Mutuel Alliance Fédérale

3.4 CSR POLICY OF THE TECHNOLOGY DIVISION

3.4.1 Quantitative data

Indicator code	Indicator description	Unit of expression	Quantity collected 2019
ENV04	Water consumption	Cubic meter	41,867
ENV05	Total energy consumption	Kilo Watt Hour	64,965,971
ENV05_01	Steam water in urban networks	Kilo Watt Hour	2,592,326
ENV05_02	Chilled water in urban networks	Kilo Watt Hour	208,981
ENV06	Electrical energy consumption	Kilo Watt Hour	56,403,279
ENV07	Gas energy consumption	Kilo Watt Hour	4,724,511
ENV08	Fuel energy consumption	Liters	103,377
ENV09	Total paper consumption	Tons	319.55
ENV10	Total consumption of paper for internal use	Tons	27.78
ENV11	Total paper consumption for external use	Tons	291
ENV13	Consumption of toner cartridges	Whole number	3,662
ENV15	Recycled used paper as output (waste)	Tons	267
ENV15L	Total labeled paper purchased	Tons	245
ENV15R	Total recycled paper purchased	Tons	1.49
ENV16	Used toner cartridges recycled after use	Whole number	3,292
ENV18	Business travel – air	Kilometers	5,475,513
ENV19	Business travel – train	Kilometers	8,772,780
ENV20	Vehicle fleet of the entity – number of km all vehicles	Kilometers	22,772,656
ENV23	Business travel – employee vehicle	Kilometers	390,549
ENV24	Business travel – collective transport – bus-cars-metro-tram	Kilometers	304,105
ENV25	Business travel – taxi & car rental	Kilometers	692,365
ENV31	Number of videoconferencing equipment	Whole number	276
ENV32	Number of videoconferences	Whole number	153,746
ENV33	Total duration of videoconferences	Centesimal hours	160,976
ENV34	Documents digitized (paper avoided)	Tons	299
GOUV01	Total number of members of the board of directors of the structure (in the sense of capitalistic company)	Whole number	59
GOUV02	Number of women on the board of directors of the structure (in the sense of capitalistic company)	Whole number	11
GOUV09_02	Subsidiaries: number of directors from the board of directors or supervisory board age < 40 years	Whole number	1
GOUV09_03	Subsidiaries: number of directors from the board of directors or supervisory board age 40-49 years	Whole number	4
GOUV09_04	Subsidiaries: number of directors from the board of directors or supervisory board age 50-59 years	Whole number	32
GOUV09_05	Subsidiaries: number of directors from the board of directors or supervisory board age ≥ 60 years	Whole number	22
SOC01	Total workforce in FTE	Full-Time Equivalent	4,984
SOC01_BIS	Registered workforce	Natural persons	5,018
SOC01_FM205	Workforce: women: managers abroad	Natural Persons	0
SOC01_FNM205	Workforce: women: non-managers abroad	Natural Persons	0
SOC01_F201	Female executives with open-ended contracts in France	Natural Persons	881
SOC01_F202	Female non-executives with open-ended contracts in France	Natural Persons	337
SOC01_F203	Female executives with open-ended contracts in France	Natural Persons	6
SOC01_F204	Female non-executives with fixed-term contracts in France	Natural Persons	37

Indicator code	Indicator description	Unit of expression	Quantity collected 2019
SOC01_F205	Workforce: Women abroad	Natural Persons	0
SOC01_HM215	Workforce: men: managers abroad	Natural Persons	2
SOC01_HNM215	Workforce: men: non-managers abroad	Natural Persons	0
SOC01_H211	Male executives with open-ended contracts in France	Natural Persons	2,692
SOC01_H212	Male non-executives with open-ended contracts in France	Natural Persons	954
SOC01_H213	Male executives with fixed-term contracts in France	Natural Persons	4
SOC01_H214	Male non-executives with fixed-term contracts in France	Natural Persons	105
SOC01_H215	Workforce: Men abroad	Natural Persons	2
SOC02	Total workforce France (Open-ended + Fixed-term contracts) – Natural Persons	Natural Persons	5,016
SOC03	Total workforce with fixed-term + open-ended contracts outside France	Natural Persons	2
SOC04	Total workforce with fixed-term + open-ended contracts – executives	Natural Persons	3,583
SOC05	Total workforce with fixed-term + open-ended contracts – non-executives	Natural Persons	1,433
SOC07	Workforce – Women (individuals)	Natural Persons	1,261
SOC08	Workforce – open-ended contract	Natural Persons	4,864
SOC08_NCADRE	Workforce – open-ended contract – non-executives	Whole number	1,291
SOC08BIS	Workforce – open-ended contract – women	Whole number	1,218
SOC09	Workforce – Open-ended contract	Natural Persons	152
SOC12	% open-ended contract employees	Percentage rate	96.96
SOC13	Total hires	Natural Persons	760
SOC14	Men hired	Natural Persons	515
SOC15	Women hired	Natural Persons	245
SOC16	Hires with open-ended contracts	Natural Persons	609
SOC17	Hires with fixed-term employment contracts	Natural Persons	151
SOC19	Number of employees with open-ended contracts that quit the organization	Natural Persons	220
SOC20	Number of employees with open-ended contracts that quit the organization on dismissals	Natural Persons	31
SOC27	Turnover (resignations + layoffs + end of probationary period + conventional breach of contract) / (individual workforce)	Percentage rate	4.06
SOC29	Number of full-time employees with open-ended or fixed-term contracts (including full-time parental leave)	Natural Persons	4,854
SOC30	Number of part-time employees with open-ended or fixed-term contracts and executives with reduced day package	Natural Persons	164
SOC31	% of full-time employees	Percentage rate	96
SOC32	% of part-time employees	Percentage rate	4
SOC38	Total number of days of absence	Working days	38,698
SOC39	Number of days of absence due to illness	Working days	36,645
SOC40	Number of days of absence due to workplace accidents	Working days	2,053
SOC41	Number of days of absence for maternity/paternity	Working days	8,167
SOC44	Number of declared workplace accidents with medical leave	Whole number	60
SOC46	Payroll invested in training (payroll expense for training in euros)	Euros	9,071,356
SOC47	% of payroll expense invested in training	Percentage rate	4.2
SOC48	Number of employees who have had at least one training session	Whole number	4,745
SOC49	% of trained employees	Percentage rate	94.59
SOC50	Total number of hours allocated to employee training	centesimal hours	132,846
SOC51	Average number of training hours per beneficiary employee	Working days	26
SOC52	Number of work-study trainings	Whole number	133
SOC53	Number of work-study trainings with professionalization contract	Whole number	53
SOC54	Number of work-study trainings with apprenticeship contract	Whole number	80
SOC57	Number of people in the management committees	Whole number	26
SOC58	Number of women in the management committees	Whole number	6

Indicator code	Indicator description	Unit of expression	Quantity collected 2019
SOC59	Number of women among managerial staff	Whole number	887
SOC60	% of women among managerial staff	Percentage rate	24
SOC61	Number of managers promoted in the year to a higher level of function	Natural Persons	459
SOC62	Number of women among managerial promotions	Whole number	112
SOC63	% of women among managerial promotions	Percentage rate	24.40
SOC68	Number of disabled workers in the total workforce	Whole number	89
SOC71	% of disabled workers in the total workforce	Percentage rate	1.77
SOC73	Gross payroll excluding employers' contributions (euros)	Euros	215,568,915
SOC74	Average annual compensation of employees with open-ended contracts – all statuses	Euros	43,780
SOC75	Average annual compensation of employees with open-ended contracts – non-executives – all statuses	Euros	32,191
SOC76	Average annual compensation of employees with open-ended contracts – executives – all statuses	Euros	47,968
SOC81	Total amount of bonus (profit-sharing and shareholding) (in euros – excluding employer contributions)	Euros	27,456,628
SOC82	Number of employees having received a profit-sharing and shareholding bonus	Whole number	4,760
SOC88	Workforce < 25 years old	Natural Persons	263
SOC89	Women < 25 years old	Natural Persons	59
SOC90	Workforce 25 – 29 years old	Natural Persons	499
SOC91	Women 25 – 29 years old	Natural Persons	139
SOC92	Workforce 30 – 34 years old	Natural Persons	824
SOC93	Women 30 – 34 years old	Natural Persons	203
SOC94	Workforce 35 – 39 years old	Natural Persons	777
SOC95	Women 35 – 39 years old	Natural Persons	181
SOC96	Workforce 40 – 44 years old	Natural Persons	789
SOC97	Women 40 – 44 years old	Natural Persons	208
SOC98	Workforce 45 – 49 years old	Natural Persons	764
SOC99	of which women 45 – 49 years old	Natural Persons	199
SOC100	Workforce 50 – 54 years old	Natural Persons	494
SOC101	Women 50 – 54 years old	Natural Persons	101
SOC102	Workforce 55 – 59 years old	Natural Persons	444
SOC103	Women 55 – 59 years old	Natural Persons	131
SOC104	Workforce 60 years old and older	Natural Persons	164
SOC105	Women 60 years old and older	Natural Persons	40
SOC107	Total gross annual compensation (in euros) of employees with open-ended contracts	Euros	212,950,274
SOC108	Total gross annual compensation (in euros) of non-executive employees with open-ended contracts	Euros	171,390,908
SOC109	Total gross annual compensation (in euros) of managerial employees with open-ended contracts	Euros	41,559,366

3.4.2 Specific report of the Technology Division (Euro-Information, EI)

As each year, this document brings together different entities working in the computer business. The scope has not changed and the main subsidiaries of Euro-Information are:

- **Euro-Information Développements** which develops the group's software tools;
- **Euro-Information Production** which manages the group's technical infrastructure and production;
- **Euro-Information Télécom** which deploys the group's mobile telephony offering;
- **Euro Protection Surveillance** which offers remote security services;
- **Euro-Information Services (EIS)** which installs, maintains and replaces IT equipment (workstations, ATMs, telephone, etc.).

These entities, whose legal form may vary, are all controlled by Crédit Mutuel Alliance Fédérale. As a result, they apply the rules and procedures particularly in their social, ethical and environmental responsibility aspects.

New regulations

The new regulations have led us to reflect concerning CSR (Corporate Social Responsibility) in terms of risk in 2019, to define a map of ESG (Environment, Social and Governance) risks containing scenarios and to define our concrete actions in terms of scenarios.

The main scenarios with which Euro-Information may be confronted are:

- the absence of dedicated SCR (Social and Cooperative Responsibility) governance;
- the fact that social and environmental issues are not taken into account in the purchasing policy;
- the failure of the IT systems security mechanism;
- the fact that the increasing greenhouse gas emissions contributing to climate change in the group's business activities are not taken into account;
- at the level of the internal functioning of the group entities: the absence of a policy for reducing the consumption of resources (water + paper related to a tertiary activity);
- at the level of the internal functioning of the group's entities: the absence of a waste prevention and management system.

New indicators were defined in 2019 and put in place, aiming to respond to these scenarios and enable management of these risks. So, for the first time, we will be able to see whether they are appropriate, whether they must be improved and we will be able to determine the trend that we are on.

3.4.2.1. Actions by scenario

The absence of dedicated SCR (Social and Cooperative Responsibility) governance

In 2018, the group defined a new strategic plan, ensemble#nouveaumonde, which provides a full expression of SMR (Social and Mutualist Responsibility). Euro-Information is part of this strategic plan and has an additional objective of providing the group with the IT resources necessary to this approach.

SMR is therefore fully integrated into governance and indicators on human and cooperative development have been defined and will be monitored. The subsidiaries of EI, a subsidiary of Crédit Mutuel Alliance Fédérale, have a common objective of reducing the carbon footprint by 30%.

In this context, each year, we also make changes to the CSR declaration tool, as well as to align it with the declaration scope. In 2018/2019, the tool was developed and supplemented with common resources to enable applicable companies to prepare their BEGES (greenhouse gas emissions report) and enter it on ADEME's website.

We also worked on the CSR declaration in 2019 for Sofedis in order to migrate data from their old GENERIX software into our EI internal tools. We included certain properties necessary to the CSR declaration in the product information sheet and we are working on the processing of declarations that will enable Sofedis to automatically provide the necessary information to its customers. It will be deployed in 2020.

The SMR software also controls the other regulatory documents. The BEGES (greenhouse gas emissions report) was prepared based on a group approach, validated by the managers and entered in the ADEME tool (EI/EIP, EID, EIS and EPS). For those declaring in the north-eastern part of France, the inspector from the DREAL validated our documents and sent an email per declaring entity to give the details, the ambition of the approach and the quality of the declaration.

The fact that social and environmental issues are not taken into account in the purchasing policy

As a reminder, the "Supplier Management Relationship" process is part of the certified Quality processes ISO 9001 V2015 monitored and audited by AFAQ (the last renewal audit took place in June 2017). In 2019, there was a follow-up audit that was positive. The process is written, published and shows the different steps of a beginning relationship, contractualization and management of the supplier relationship.

Under this process, the suppliers were classified into categories, the main ones being "essential and/or sensitive suppliers" (regulatory aspect for the Essential suppliers and economical strategic importance for Euro-Information or for its customers for the Sensitive suppliers; almost all Essential suppliers are also Sensitive). For the bidding process and in regular fashion, the purchasing teams request these suppliers to provide documents that can attest to their CSR procedures (or to provide the link to the document on the Internet) in order to know the content. This operation is applied in the purchasing process of equipment and/or software, but also in the context of buying immaterial computer services vis-à-vis IT services suppliers. We regularly update this process.

In addition, a sectoral purchasing policy has been developed for the group. It was implemented in 2017 and makes CSR practices easier to understand when it comes to purchasing. Euro-Information has taken this sectoral purchasing policy into account in its procedures. The purchasing policy includes the signature of a charter with our suppliers and the group has decided to initiate this approach with the largest suppliers. This process of affiliation started at the beginning of September 2018, with the charter being sent to the suppliers concerned. Signing the charter is now also part of the policy of beginning a new relationship. Some suppliers refuse to sign the charter, sending us a "similar" internal policy. This charter replaces the collection of documents formalizing their CSR approach, except for suppliers of services (IT services companies).

In addition, a new version of the internal rules of procedure issued at the end of 2018 recalls a certain number of elements concerning the EI policy with regard to relations with suppliers. A power of attorney was signed by the buyers reminding them of the respect related to obligations in terms of sectoral purchasing policy.

A "suppliers follow-up" committee ensures:

- the retrieval of ratings on essential and sensitive suppliers;
- the gathering of "financial ratings" for essential and sensitive suppliers established in France; this was expanded in 2019 to foreign suppliers;
- the retrieval or updating of CSR reports for these same suppliers, even though this functioning will be abandoned in 2020 due to the signature of the charter by the suppliers.

A report for 2019 will be prepared during the first quarter of 2020 by the monitoring committee, the aim being to collect all "financial" and "quality" ratings. We are already on the right trend, as we already have almost all of the ratings.

In addition, the study of new versions of equipment (PCs, printers, scanners, copiers) includes a CSR approach to energy consumption since 2013. We are continuing to deploy equipment that is ever more energy-efficient. The constant renewal of the installed base (see the section on the equipment circuit) therefore contributes to reducing our energy consumption.

The non-consideration of the increase in greenhouse gas emissions contributing to climate change in the business activities of the group and, at the level of the internal functioning of the group's entities, the absence of a waste prevention and management system

These two scenarios are taken into account in several parts of our activities. Here are the major actions:

GT Digital Moderation

At the end of 2019, CIGREF decided to set up a working group called GT Digital Moderation. It considers that awareness of digital energy and environmental issues is only just starting to become apparent, even though it is increasing and the growing impact of digital services on greenhouse gas emissions is becoming alarming. CIGREF began its studies on "eco-responsible IS" in 2009 and has constantly reiterated its commitment to this subject. With this working group, CIGREF undertakes to support its members in this "technical-energy" transition and has prepared tools and methods enabling IT departments to operationally contribute to the low carbon agendas of their companies.

Euro-Information has supported this group from the outset and is therefore taking part in the study that began in early December 2019.

Equipment circuit

On behalf of Euro-Information, Euro-Information Services (EIS) provides installation and maintenance services for IT equipment and associated logistics services.

In 2019, more than 11,700 man-days were dedicated to replacing end-of-life products (printers, workstations, laptops, inverters, PLCs, electronic payment terminals, etc.).

Nearly 134,223 defective products were processed by the repair shop, 51,524 uninstalled products were reconditioned and 38,110 were directed to our broker.

EIS pursued regular technical discussions with the group's call structures (SAM and STU) to have accurate diagnoses (by setting up a Diagnostic Assistance Tool called "DAT") to avoid unnecessary travel. In addition, in order to optimize the travel of its technicians, EIS continues to monitor an initial resolution indicator (RPC in French), the objective of which is to troubleshoot from the first intervention. This approach saved more than 20,500 trips in 2019 compared to 2011. In addition, the decrease in the percentage of recurrence in the area of ATMs saved 3,845 interventions compared to 2010.

The activity of trading in used computer equipment (broke) continues to evolve and thus makes it possible to avoid destruction of the equipment as far as possible.

As a reminder, to monitor this activity and its development, statistics were put in place in 2015 to monitor what happens to the installed base following an intervention. A device that is no longer in place is in one of following four states:

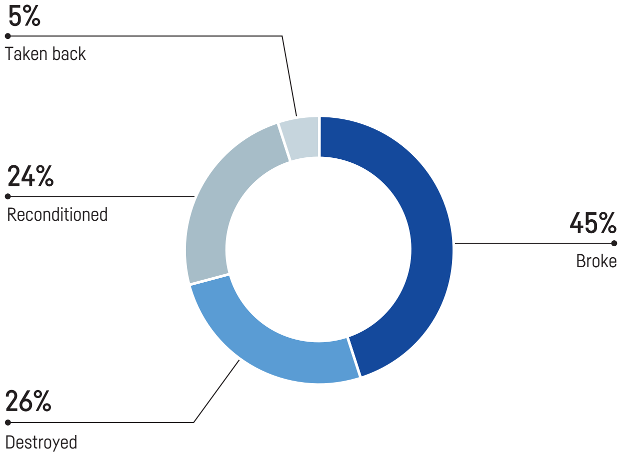
- restored (initial state);
- reconditioned (if repaired to be returned to the customer circuit);
- broke (resold);
- destroyed (if beyond repair or resale).

The goal is to reduce the time in the "restored" state and to send, where appropriate, to the broker, as soon as possible to allow reuse.

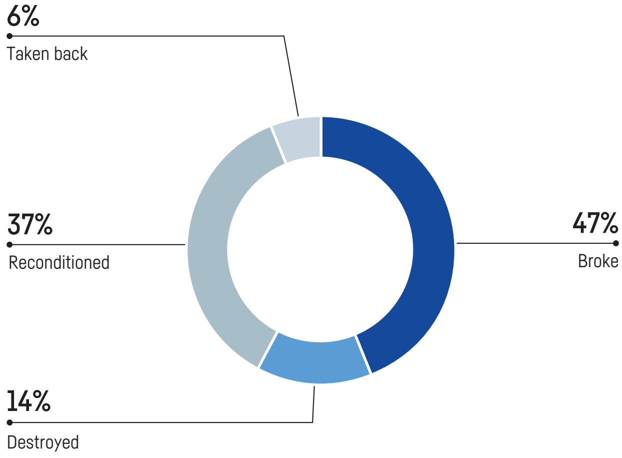
This analysis can be done by product families and customer federations from January 2014. We can therefore compare the last 5 years and see what will happen after 2, 3, 4 or 5 years. Customer entities may also perform their own analysis.

Analysis of all equipment

2019 – ALL EQUIPMENT



2018 – ALL EQUIPMENT



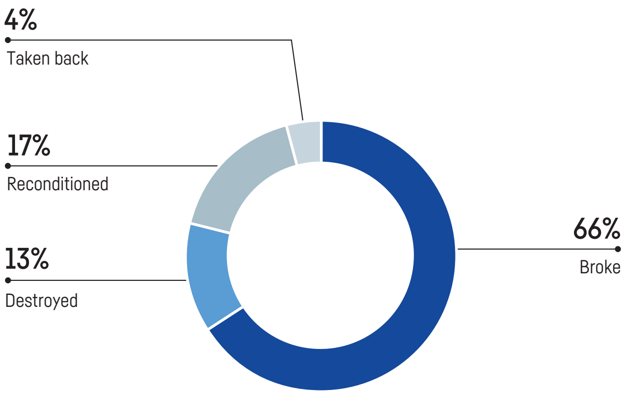
We are noticing a change in processing of the new generation in 2019. Between the installed base of 2018 and that of 2019, we see that the Reconditioned/Destroyed breakdown that represented 50% of the installed base was much less positive in 2019 than in 2018, because we have 26% of destruction against 14% in 2018.

The "Restored" portion has decreased slightly, which has the overall effect of maintaining the gain on the "Destruction" part obtained in 2017 (15% in 2017, 14% in 2018). However, we are making some progress in transfer to the *Broker*, with 45% against 43%. The analysis highlights that the change comes from the "readers" and "SIM card" families, which strongly increased in 2019 (85% and 99% destruction with a volume x3.5 and x2).

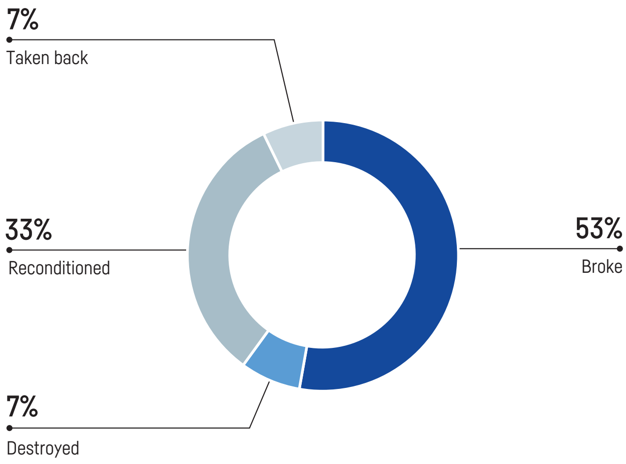
Analysis of screens, workstations and printers

The trend for large families of equipment (screens, workstations and portables, printers), which represented 50% of the movements in 2019, is logically different. For the *Broker* part, we move from 53% to 66%, for the reconditioning part from 33% to 17%, with destruction nevertheless moving from 7% to 13%.

2019 – SCREENS, WORKSTATIONS AND PRINTERS



2018 – SCREENS, WORKSTATIONS AND PRINTERS



Since 2018, the length of the history has provided understanding of the future of an installed base at 5 years and so, for the first time this year, it has been possible to compare 2 generations.

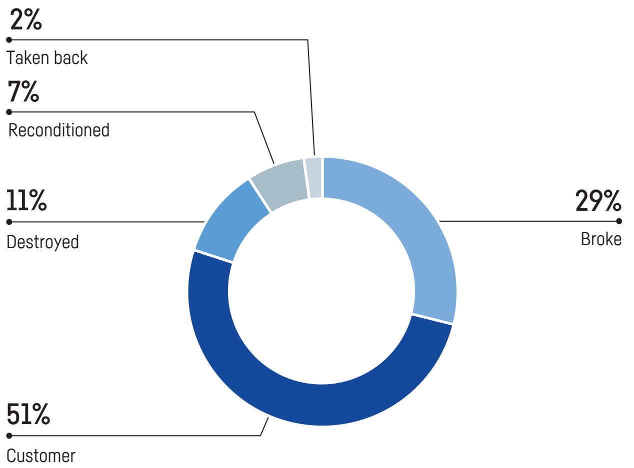
Out of an installed base of 630,000 references in 2014, the situation in 2018 was:

- about 50% were renewed;
- 30% were resold to brokers;
- 11% were destroyed;
- 7% were reconditioned.

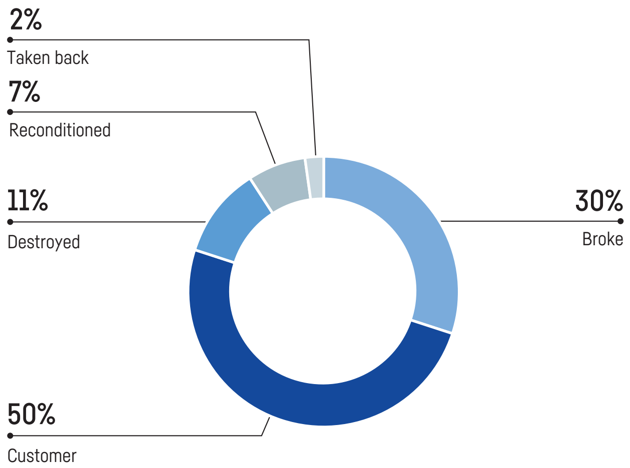
In 2019, we find:

- an increase in the installed base under management (initial installed base of 642,000 in 2015);
- stable volumes destroyed and reconditioned (11% and 2%);
- a minor variation between the customer installed base and broker installed base (51%/29% against 50%/30%) that we can associate with the extension in the service life of products.

2019 - TOTAL



2018 - TOTAL



We still see a variation on the major families of products:

For workstations and laptops, major tools of the group's employees, 82% were renewed in the 5-year period with 70% to the broker, 5% reconditioned and therefore only 4% destroyed.

Conversely, for the screens or printers family, we see that only about 37% of the installed base is renewed, with 20% going to the broker, 6-7% for reconditioning and 7-8% for destruction.

However, a uniform 2-3% of products are in the reconditioned state, which corresponds to equipment in the process of assignment to its new category.

IP phone management

We have signed a partnership with CONNEXING for our purchases of fixed IP telephones. This company resells recycled used IP phones. This company has an eco-responsible approach. Indeed, it builds on the project "AFIBERIA" provided by the NGO Planète Urgence and undertakes to plant one tree per eco-recycled phone bought or per phone restored to its customers. CONNEXING has defined three levels of eco-recycled partnership:

- Silver, for 100 trees planted;
- Gold, for 200 trees planted;
- Platinum, for 500 trees planted.

Over the last three years, we have obtained the Platinum level, with 3,850 trees planted for Euro-Information in 2019 (against 3,848 in 2018 and 3,598 in 2017), representing the equivalent of 35,998 kg of CO_2 saved.

It is also involved in the education of children (1 order greater than €1,500 = 1 hour of tutoring). We financed 34 hours of tutoring in 2019 (72 hours in 2018).

Also, EIS now works with CONNEXING for the repair or reconditioning of IP telephones in order to extend their service life.

Development of computer centers using the best ecological practices of the market

The development of the group requires constant IT developments and therefore a processing and storage capacity that is constantly evolving. Lille's Euro-Information's site is being expanded with the construction of a new machine room. The site will use free chilling (adaptation of the cooling method depending on the outside temperature) and confinement (disappearance of hot spots by separating the bays in a better way and building cold aisles) techniques representing a saving of 3,800,000 kWh for a charge of 1,000 W/m^2 (about €280,000 per year).

The implementation of these changes should make it possible to obtain a PUE (Power Usage Effectiveness) of less than 1.6 in this new room.

Real estate delivery is planned for mid-2020, to be brought into service at the end of the year.

The next project will be to replace the computer rooms in Strasbourg with a new datacenter, which will also deploy the latest innovations in energy optimization.

In addition, Euro-Information commissioned Carbone 4 to audit the carbon footprint of the two IT centers in Strasbourg and Lille in late 2018. The conclusions were given in 2019 and confirmed the avenues adopted to optimize future constructions.

As the solution was confirmed, the confinement began to be extended to the existing rooms to optimize the existing infrastructure and this will continue in 2020.

Energy optimization in the approach to real estate

Euro-Information also integrates the energy saving approach into its real estate projects, as all employees of Euro-Information Développements based in Strasbourg and its surrounding areas will be grouped together in a "Wacken 2" building. This building was delivered in mid-2019 and is built in accordance with all new energy standards and targets BEPOS certification, meaning an ability to produce more energy than it consumes. The relocations mainly took place in the last quarter of 2019. The energy impact will therefore be visible over 2020 for this development.

Energy consumption is also improved in the context of recurring work, with the deployment of LED lighting, both in the administrative offices and in the datacenter rooms.

We also come within the scope of ISO50001 certification that the group has decided to obtain. This project, launched in 2019, targets the local banks and branches, head offices and datacenters. We are therefore concerned by the last two scopes. The target is certification by mid-2020.

Setting up videoconferencing facilities to avoid travel

For several years, Euro-Information has been carrying out a unified communication project to enable meetings via videoconferencing with people from different regions and different countries without travel. The acceleration is continuing with training courses and by using this means of contact with the customer/member. We are continuing to develop the solution that enables video appointments with customers by using Skype over the web or on mobiles, with the following objectives:

- propose an additional channel for communication with customers;
- adapt ourselves to new communication habits, with the image of a modern bank 2.0;
- keep contact with customers who have less availability;
- regularly meet customers who are not local or who have reduced mobility;
- assist customers in their procedures on our online banking sites;
- facilitate tripartite meetings: Customer – Adviser – Business Expert (real estate, flows, assets, etc.), remotely to increase availability and reduce travel (agility, costs, risks);
- reduce the carbon impact by reducing physical travel.

The first figures concerning video appointments in local banks/branches in 2019:

- 84 pilots on December 31;
- 385 video appointments;
- 55% of appointments in 1 hour and 80% of appointments less than or equal to 1 hour.

We also continue to deploy new services to simplify access to videoconferencing. A new service deployed in 2019 enables a videoconference to be joined "in one click" in all of the group's videoconferencing rooms (new service **"Polycom OTD One Touch Dial"**).

It is no longer necessary to enter the prefix followed by the conference identifier to join a videoconference planned with Skype and Outlook. One just selects the meeting on the screen and validates.

PC shutdown at night

Euro-Information has been deploying a solution for shutting down PCs at night in institutions and branch offices for several years. A new version was deployed in 2018, which enables finer planning of shutdowns. Indeed, the tool is connected with the institution/branch office repository which contains the actual attendance times. This tool works every day and involves more than 45,000 PCs.

At the same time, a head-office version was put in place from the second half of 2018 (7,300 workstations by the end of 2018) and deployed on almost all of the scope in 2019, targeting more than 30,000 workstations.

To finish, this version is accompanied by the construction of a report for better understanding the impact of this shutdown and for measuring developments according to the actions carried out. The measures show that the maximum saving possible is about 60% of the time for the local bank/branch office workstations and about 45% for the head office workstations. The actual gain ranges between 35% and 40%.

The estimate for the cumulative group savings in 2019 is €160,000 in electricity (head offices/local banks/branches), which corresponds to about 265 tons of CO_2 not produced.

Reduction and processing of non-electronic waste

Euro-Information is gradually coming into compliance with the regulations on the disappearance of plastic in accordance with group directives and is improving its treatment of waste.

- recyclable cups in the drinks vending machines;
- napkins made of recycled paper;
- supplies of mugs and/or glass bottles on certain sites;
- centralized waste sorting terminal, with recycling circuit.

Breakdown in IT security

Several actions help to address this scenario, both in terms of security in the broad sense and the availability or security of data.

Security of the IS

Considering the processing of sensitive banking data and the numerous offers of services proposed by Euro-Information, very special attention is paid to all aspects of the IT system, which evolves each year to adapt to new risks and strengthen our defenses.

All means are therefore implemented to secure the community system.

Thus, based on the ISO 27001:2013 standard, an Information Security Management System (ISMS) is deployed on all of the production sites described above.

This ISO 27001:2013 standard is a recognized certification reference system. It provides a framework for implementing, maintaining and improving an Information Security Management System over time.

The ISMS challenges are:

- concretely improving the security of the Information System by:
  - putting in place an operational governance of security,
  - guiding security with a risk approach,
  - defining security rules,
  - ensuring the application of these rules;
- constantly improving the security of the Information System by:
  - measuring the security levels achieved,
  - performing a security watch,
  - taking into account new threats and developments in the IS,
  - reducing the impact and frequency of security incidents.

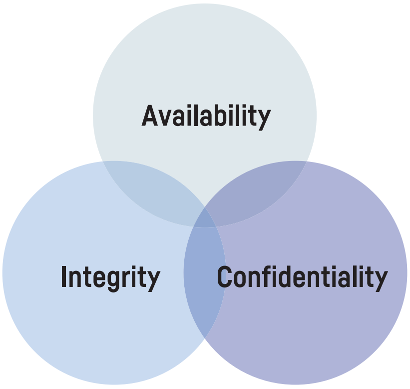
This ISMS enables:

- increasing trust among stakeholders (Shareholders, Supervisory Authorities, Banks, Federations, Partners, Suppliers, Personnel of Euro-Information);
- having a competitive advantage when responding to the bidding process;
- systematically treating IT security risks in the areas concerned;
- controlling security by means of indicators and not by measuring effort (cost, time, number of people, etc.).

The ISO 27001:2013 certification of this ISMS acquired on December 11, 2017 following the initial audit, was confirmed during the surveillance audit that took place from November 12 to 16, 2019.

The basic principles remain the following:

- **Availability:** provide a reliable system with permanent accessibility;
- **Confidentiality:** secure access, processing and data;
- **Integrity:** guarantee the reliability of the data.



to which we add:

- **Traceability:** knowing from where the information is coming, where it has been and where it is going;
- **Identification/authentication:** the security of information and access to it also involves the identification of those who access it, and their authentication (proving that a person is who they claim to be).

Security is monitored through the Security Control Tower whose missions can be summed up in three words:

- anticipation;
- detection;
- response.

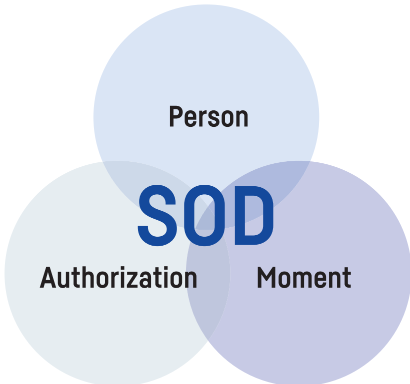
To cover these missions, the Security Control Tower consists of:

- a single point of contact for Security (SPOC – Security);
- a Security Operations Center (SOC), a true "radar" of IT security in charge of all aspects related to the detection of non-compliance;
- the CERT Crédit Mutuel Euro-Information to manage the resolution of security incidents, monitor and inform about threats.

Each week, the Operational Security control tower publishes a Security newsletter. It presents the past week's news on topics related to security generally and/or to news about bank security.

Human Resources and Organization Security is based primarily on:

- reinforced and clear security governance with a specialized team around the Information System Security Network and a network of security correspondents in the group's entities and business centers;
- permanent security awareness of the entire Euro-Information staff in e-learning and/or face-to-face training;
- a user charter associated with the internal rules. This charter illustrates the professional, respectful and responsible behavior that every employee of Euro-Information must display when using the resources of the Information System;
- an annual training plan guaranteeing the maintenance of Euro-Information's staff's skills in security matters;
- management of user access rights by powerful tools with regular and formal reviews;
- the security works on the principles of the SOD (Segregation of Duties) concept that meet the requirements of the legal standards and obligations (SOX, Basel II, ISO 27000, COBIT, ITIL, ISACA, CRBF 97-02, etc.) and based on the adequacy of three elements:



For example, Internet services are a part of the areas where security is indispensable. For this, there is complete segregation between the Internet and Intranet environments. State of the art protection is provided by:

- a firewall device;
- application gateways (proxies);
- demilitarized zones (DMZ);
- WAFs (application firewalls);
- antivirus software;
- BlueCoat filters;
- intrusion detection systems (IDS) and intrusion prevention systems (IPS);
- a hybrid solution to combat Denial of Services;
- the preservation of traces;
- the use of Q-RADAR, a tool to detect, warn and stem attacks on our information system (SIEM: Security Information and Event Management) with its power of analysis and correlation of hundreds of thousands of traces generated by our equipment;

- the intrusion tests conducted each year confirm the strength of our infrastructure, the quality of our applications and the IT teams' need to maintain a high level of expertise to deal with constantly evolving threats. New tools were deployed to manage these tests and manage and monitor the vulnerabilities detected.

All elements of our security system allow our commercial payment solution, known as Monético Paiement, to be certified each year since November 2007, at PCI-DSS level 1 (the highest level of security). This certification guarantees our customers the quality of performance of this solution on our technological infrastructure to store, process and transmit payment card information.

We have decided to increase the scope of certification. This ambitious and innovative project had a first success with the award, on April 30, 2019, of certification of batch 1.0 (acquisition scope) embodying five years of projects by more than 70 Euro-Information teams and aiming to provide this new environment to nearly 300 users. The installation of this new environment of nearly 500 machines (including two mainframe partitions) and 170 applications makes it the largest PCI-DSS certified scope in France and one of the largest in Europe.

This dedicated environment is only accessible with very restrictive means of access. The applications and systems are subject to draconian rules on the review of code, review of machine configurations, review of accesses, etc.

The next stages:

- add to this environment the remaining acquisition applications as well as self-service banking LSB *(Libre Service Bancaire)*, in several batches included gradually in the renewal audits;
- standardize the processes and working methods of the PCI DSS Monetico Paiement Service with the new scope;
- keep the environments compliant over time in order to renew the PCI DSS certifications each year.

To reach these objectives, Euro-Information has set up an internal "PCI Office" team, the purpose of which is to make sure, by challenging the teams throughout the year, that everything remains compliant for the annual renewal of the certifications.

Note the arrival of a new PCI 3DS certification audit on 3D/Secure processing, which is carried out by Euro-Information on behalf of the banks and customers of the group. The terms and conditions of this new audit are being defined.

The following also took place in 2019:

- the participation of the group in a 2019 financial marketplace exercise, "G7 cyber-attack", to test the robustness of our crisis-management systems and identify continuous improvement actions to be carried out;
- a broad program for instruction and communication on cyber security was launched in 2019. The objective is to develop a cyber culture within the group.

Installation of the new Z14 technology from IBM

In 2019, we finished the deployment of Z14 to replace the previous generation, the Z13; a project that began in 2018.

This new IBM Z14 was presented by IBM as the most powerful computer in the world, capable of handling more than 12 billion encrypted transactions per day. It automatically encrypts data associated with all applications, databases, or Cloud services. Cryptography now extends to all data, networks, external devices, or complete applications without modifying them.

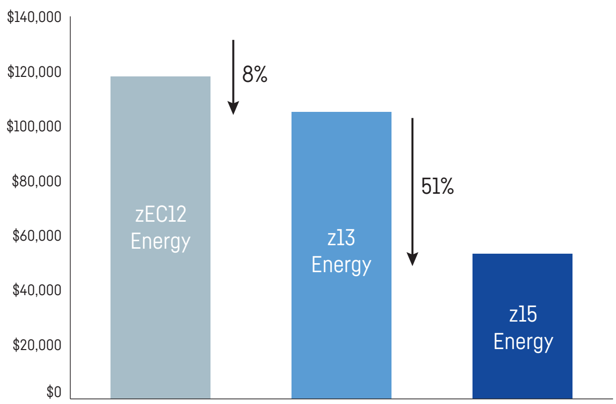
This new technology therefore brings increased performance and superior capabilities with a high level of security.

In 2020, we will begin testing Z15, which should provide us with better security, resilience and agility through:

- systematic encryption – data protection and guarantee of confidentiality in hybrid multi-clouds; control of access to data via controls based on rules, with the possibility of revoking access rights beyond the Z15 part;
- native cloud development – simplification of the tasks of developers, to improve their flexibility; easier integration of IBM Z15 into a hybrid cloud by means of agile deployment; simplified modernization of applications;
- instant resumption – IBM Z15 offers optimal levels of stability and availability, ensuring continuous execution of our vital business applications. The instant resumption function of IBM Z15 should halve the time necessary to return to our pre-shutdown SLA commitments.

In particular, these developments should simplify projects based on technology of the blockchain type or artificial intelligence.

IBM also communicates on the control of the energy consumption of its Z range (subject included in its strategic objectives). Each new generation must have better energy efficiency than the previous one. Tests by certain bodies show savings of 14% between Z14 and Z15 (51% between Z13 and Z15).



Certification of the new computer room

The plan to expand the Lille datacenter aims to set up a Tier-4 security level (Uptime institute), the maximum level of security for a datacenter with an uptime of 99.995% corresponding to an average annual downtime of 0.4 hours. In 2019, for the new computer rooms in Lille, we obtained official TIER IV design certification, the first part of the certification. This was published on the Uptime website on April 24, 2019.

At the beginning of 2020, the decision was therefore also taken at the EI level to launch Tier-4 operation sustainability certification for our datacenters, obviously beginning with the most modern one that will enter service. The aim is to be certified by the end of 2021. The lessons that will be learned from the first project must also be adapted to all of the existing datacenters when this is possible.

Project for securing personal data

Under the new European GDPR regulations, since 2018 we have been working on complete compliance with the texts for all scopes of the entities of the group.

It aims to ensure that the personal data of customers, prospects and employees is better protected and increases their control over their own data.

This regulation has created new obligations and requirements on customer information with respect to the collection, registration and storage of personal data.

We have broken down the GDPR program into 15 projects to cover the whole of the scope. This program is evaluated at about 24,000 man/days.

DPOs (Data Protection Officers) and DPCs (Data Protection Correspondents) were appointed in 2018 for each of the banks, federations and subsidiaries.

A compliance repository for all treatments has been implemented and is gradually being enriched.

The archiving and deletion of data stored for the Customer-Members and prospects (right to forget) is completely reviewed. The historical record has been cleaned and the processes of deletion and archiving are reviewed. Cleaning has also been done in the data relating to production, decision-making and in the documents in the Electronic Document Management (EDM) system.

An e-learning training course was distributed to all Euro-Information employees and to the School for directors to better inform and empower them concerning this new regulation. This training course will be extended to all personnel of the Crédit Mutuel and CIC networks.

The proposed improvement in the control of the localization of personal data is in progress via the gradual deployment of a data dictionary. We deployed the META software as data dictionaries. More than 400 applications should be integrated by the end of 2020.

Contracts with subcontractors have been completed to bring them into compliance, with the signature of amendments on the audit strategy for these subcontractors. A specific change was made for non-EU contracts.

We are also working on providing information to customers, for example with the online release of the personal data protection policy on the websites of Crédit Mutuel and CIC.

The new regulations also led to a peak in requests from customers. We have improved the process of monitoring requests and responses.

At the level of the internal functioning of the group entities: the absence of a policy for reducing the consumption of resources (water + paper related to a tertiary activity)

This scenario is also handled according to several aspects.

Reduction of paper consumption

The use of electronic signatures increased in 2019, through:

- 9.5 million signatures (against 8.4 million in 2018) corresponding to about 7.2 million contracts signed (lower due to multi-signatory contracts);
- 56% of the contracts were signed electronically this year (against 41% in 2018). There are therefore more electronic contracts than paper contracts.

This deployment also has an impact on energy consumption (Scope 3) because paper documents no longer need to be circulated to scanning centers by shuttle.

We are continuing to strongly develop the dematerialization of our documents. Thus, we have exceeded the volume of 4 billion documents in our EDM system.

In 2019, we put several projects into production, including those for real estate property reservation contracts, for the sale of housing units (in partnership with Bouygues and Legalife) or to feed the BAD newsfeed with pending sessions. In 2020, we will deploy e-mandates and HR documents.

The subject is not only dealt with in France; we will extend the use of ITSME (Belgian electronic identification) for Beobank and Cofidis Belgique. And we have a project to implement digital signatures for Cofidis contracts in the Czech Republic, Slovakia and Poland.

Concerning EDM storage, a project has been launched to optimize the storage of evidence files for the advanced signature.

Dematerialization of the electronic payslip (BPE) for the entire group has been generalized. 94.1% of the group employees receive BPE (94.4% in Euro-Information subsidiaries). The remaining percentage corresponds to employees who have refused the electronic payslip and have therefore retained the paper option.

At the end of 2019, the share of documents for the internal use of the group still in paper format was significantly down again, going from 0.72% to 0.51%.

Printing on MFP (multi-function printers for printing, photocopying, scanning, fax, etc.) through virtual mailboxes

This is a new approach to network printing (printing remains in the printer's memory until unlocked by the user). This process increases the level of security and saves paper by avoiding print jobs that people do not pick up, or those more voluminous than expected, that the user can interrupt while in progress.

This operation is based on a Watchdoc tool, which also has a statistical approach to printing to allow optimization of the resources required. This tool will raise awareness and make the user aware of the environmental and economic impacts of his prints, by specifying his consumption.

Watchdoc is fully deployed to enable secure printing on all group sites. Statistical tools under development will allow us to accurately assess the savings made with two-sided printing and securing but also the residual potential.

The first figures show about 40% of print jobs using both sides, with potential remaining savings valued at between 10% and 15%. For savings due to final non-printing, the average gain is about 2.3%. We see very large and atypical savings in March and November, probably following the dispatch of files that are much larger than expected (48% savings in February, 17% in November, which represents more than 10 million non-printed pages). The figures will be improved as soon as the developments are available.

Unbleached recycled paper

The willingness to use unbleached recycled paper is part of Crédit Mutuel Alliance Fédérale's CSR (Corporate Social Responsibility) policy. At first, the scope will be limited to the head offices. However, future extension to the network is not ruled out. A new type of paper integrating the technical and functional constraints and in line with our cost approach was validated in the first quarter of 2018 and added to the catalog. The decision on whether or not to use it is currently left for the assessment of the companies; the volumes are still low but are increasing. This nevertheless represents more than 95 tons of paper.

In addition and related to the scenarios in the "Social" and "Societal" aspects that the group is managing, the following actions took place:

- On the subject of travel between home and work, a new version of OPTIMIX for the management of car sharing is extended to large French cities via the NAVITIA route calculation engine. We are going to test a new tool for car sharing: the objective is probably to substitute OPTIMIX for a more comprehensive tool, probably "7e SENS", which offers more extensive car sharing functions: travel for training, professional travel and extension of home-work journeys to all towns, not only the large cities.
- We are also taking part in studies on promoting/controlling new modes of transport and the conditional deployment of telecommuting. New possibilities were made available for telecommuting, with adaptations, particularly during public transport strikes.
- Several sites have also set up mobility challenges as part of the Sustainable Development Week. For example, the Tassin site took part for the second time in the regional challenge and, in its category, obtained 19th place (9th for the metropolitan area) with nearly 46% participants.
- "La Nuit de l'Info" takes place every year, on the first Thursday of December, from sunset until sunrise the following day. It is a national competition that brings together students, teachers and companies to work together on the development of a web application. The participants have a period of one night to propose, implement and package a Web 2.0 application. During this night, the partners set challenges (such as the most user-friendly web interface, best system architecture, best collaboration, etc.) to the participating teams, offering prizes for the teams that are the most successful. Euro-Information has taken part for several years. In 2019, the challenge was to create the web application in the most eco-responsible manner possible. 14 teams were in competition with each other. There were two winning teams.

Here is the wording of the subject:

"Firstly, a few findings and projections:

  - According to Greenpeace, in 2017 the Internet industry represented 7% of worldwide electricity consumption. In 2025, it should increase to 20%, representing 5.5% of worldwide carbon emissions,
  - According to the University of Dresden, the consumption of the Internet throughout the world in 2030 will be equivalent to the consumption of humanity in 2008,
  - The average volume of a web page has been multiplied by 115 between 1995 and 2015, going from 14 kB to 1.6 MB! (concept of software obesity).

  The aim of the challenge is to deal with this subject during "La Nuit de l'Info" in the most eco-responsible manner possible. The requirement will be:

  - To design and program the website in accordance with the best practices of eco-web design,
  - To prepare a virtual application file for your website, to be sent to a digital labeling organization, "Green IT".

- A new functionality was tested in 2019: donation on ATMs. This experiment was carried out with the association France Alzheimer between the end of September and the end of November on the ATMs of Crédit Mutuel Île-de-France. The development makes it possible to request the tax receipt from the association.

  - More than €20,000 was received, representing about 250 donations,
  - 1 to 4 donations per CCM, 125 branches out of 177 registered at least one donation.

  France Alzheimer was very positive concerning the trial and this gives rise to significant possibilities. The process will be completely organized so that it can be triggered in case of a major event, and changes to the sequence of events and to the ergonomics will be made to reduce input errors.

- We have tried a new approach concerning the Christmas trees installed on the sites for Christmas. On the site at Fontenay-sous-Bois, two Christmas trees were installed at the end of 2019 in partnership with Reforest'Action and enabled 200 trees to be planted in a forest in Brazil.
- A significant action has been taken as part of the integration of people with disabilities. A partnership was concluded with the organization COMPETHANCE with the award of 2 grants to train people with Asperger's syndrome, who wish to become programmers. Under this partnership, Euro-Information Développements received, in 2018 and 2019:

  - 2 people at the Villeneuve-d'Ascq site,
  - 1 person at the Verlinghem site,
  - 1 student for the orientation course (Verlinghem site).

  This corresponds to an equivalent of 9.52 jobs for disabled workers.

- Since 2012, EIS has implemented a specific mechanism to promote eco-driving. This process continued in 2019 and the following actions were to be reported:
  - eco-driving training: three sessions and 17 people trained;
  - "eco-driving" reminders on the following topics:
    - How to properly manage ascents and descents,
    - In summer, use the air-conditioning with moderation,
    - With turbos, precautions are necessary,
    - Adopt calm driving!
  - Decrease in fuel consumption (6.70 in 2012 at launch):
    - average 6.14 l/100 km in 2017,
    - average 6.10 l/100 km in 2018,
    - average 6.02 l/100 km in 2019.

3.4.2.2 New indicators

To monitor our actions, a study has begun on defining relevant indicators. Concerning the security approach of the Information System, three angles make it possible to follow:

- Availability angle: the system is reliable and the QMS letter determines a target of 100% operation, 7 days a week and 24 hours a day. The primary applications are monitored with a target of more than 99%. We see that availability has been green for 12 months out of 12, with an annual average of 99.54% against 99.63% in 2018.

AVAILABILITY RATE OF PRIMARY TP APPLICATIONS

2018-01	2018-02	2018-03	2018-04	2018-05	2018-06	2018-07	2018-08	2018-09	2018-10	2018-11	2018-12
99.47%	99.16%	99.77%	99.81%	99.83%	99.82%	99.86%	99.77%	99.86%	99.60%	99.32%	99.34%

2019-01	2019-02	2019-03	2019-04	2019-05	2019-06	2019-07	2019-08	2019-09	2019-10	2019-11	2019-12
99.40%	99.35%	99.58%	99.52%	99.44%	99.68%	99.61%	99.72%	99.42%	99.60%	99.57%	99.53%

We are already at very high levels of availability and, although the annual average is slightly lower (-0.09%), the minimum monthly rate is 99.35% against 99.16% in 2018 (3 months in 2018 below the 2019 minimum).

- Claims angle: the treatments must be reliable and the malfunctions must be the least impacting possible. Computer claims costing more than €1,000 are analyzed. This number is very low. It was 246 in 2017, 239 in 2018 and 298 in 2019. The increase in 2019 is due to a high rate of damage in 2019 to ATMs, damage with a financial cost that was strongly down (-21%) and for which external factors are not always controllable. If we look at a slightly longer history (over 5 years), we see that the number of ATM claims was a maximum of 322 in 2016.
- Security angle: The system is constantly subjected to attacks to test its strength. Again, incidents arising from attacks should be limited in number if the cause is internal (we do not control the external volume) with the lowest possible impacts.

Ten categories of security incidents have been defined based on the standards of ENISA (European Network and Information Security Agency) with, for example:

- Intrusion (exploitation of vulnerabilities, accounts or applications compromised):

  This category is intended to classify all security incidents concerning the detection of intrusion in our systems or in our premises. This concerns, for example:
  - the discovery of a new account not known by the administrators of a machine,
  - the exploitation of vulnerabilities;
  - operations detected which are not explained (no associated AGATE, no planned intervention);
- Harm to availability (DDoS, theft, sabotage, etc.):

  This category is intended to classify all security incidents concerning harm to the logical or physical availability of our systems. This concerns, for example:
  - the theft of a portable computer,
  - a distributed denial of service (DDoS) attack on our networks,
  - the sabotage of a room or a system.

In 2018, there were, for example, 175 "impaired availability" type attacks (DDos, theft, sabotage, etc.) and 57 "attempted intrusion" type attacks.

In 2019, we had 277 attacks of the "harm to availability" type and 27 "intrusion attempts".

These indicators confirm the necessity of being equipped to counter attacks of the DDOS type. We have therefore deployed a solution to combat distributed denial of service (DDOS), which can quickly react in case of attacks of this type and improve supervision through this tool, which has, over the last few months, enabled us to react quickly and protect against attacks of this type.

3.5 CSR POLICY OF THE PRESS DIVISION

3.5.1 Quantitative data

Indicator code	Indicator description	Unit of expression	Quantity collected 2019
ENV01P	Newsprint	Tons	51,463
ENV02P	of which labeled paper	Tons	22,636
ENV03P	Aluminum plates	Tons	352.43
ENV04	Water consumption	Cubic meter	31,344
ENV04P	Newspaper ink and prints	Tons	694.26
ENV05	Total energy consumption	Kilo Watt Hour	39,441,338
ENV05_01	Steam water in urban networks	Kilo Watt Hour	153,264
ENV05_02	Chilled water in urban networks	Kilo Watt Hour	68,270
ENV05P	Packaging	Tons	193.87
ENV06	Electrical energy consumption	Kilo Watt Hour	27,890,540
ENV06P	Waste – reel start and end	Tons	3,512.05
ENV07	Gas energy consumption	Kilo Watt Hour	11,049,427
ENV07P	Waste - Fall of white paper from rotating machines	Tons	520.88
ENV08	Fuel energy consumption	Liters	27,990
ENV08P	Waste – print returns	Tons	6,968
ENV09	Total paper consumption	Tons	335
ENV09P	Waste – inserts	Tons	765
ENV10	Total consumption of paper for internal use	Tons	120.62
ENV11	Total paper consumption for external use	Tons	214
ENV13	Consumption of toner cartridges	Whole number	2,865
ENV15	Recycled used paper as output (waste)	Tons	6.92
ENV15L	Total labeled paper purchased	Tons	97.52
ENV15R	Total recycled paper purchased	Tons	0.41
ENV15RP	Recycled newspaper	Tons	46,711
ENV16	Used toner cartridges recycled after use	Whole number	2,494
ENV18	Business travel – air	Kilometers	320,235
ENV19	Business travel – train	Kilometers	1,385,661
ENV20	Vehicle fleet of the entity – number of km all vehicles	Kilometers	19,306,181
ENV23	Business travel – employee vehicle	Kilometers	3,150,987
ENV25	Business travel – taxi & car rental	Kilometers	79,651
ENV29P	Transport – transalliance	Tons	34,317
ENV30	Fugitive emissions of frigorific gases	Kilograms	283.37
ENV30P	Transport – La poste	Tons	1,366
ENV31	Number of videoconferencing equipment	Whole number	11
ENV32	Number of video-conferences	Whole number	413
ENV33	Total duration of videoconferences	centesimal hours	567.31
ENV34	Documents digitized (paper avoided)	Tons	62.92
GOUV01	Total number of members of the board of directors of the structure (in the sense of capitalistic company)	Whole number	52
GOUV02	Number of women on the board of directors of the structure (in the sense of capitalistic company)	Whole number	10
GOUV09_02	Subsidiaries: number of directors from the board of directors or supervisory board aged < 40 years	Whole number	4
GOUV09_03	Subsidiaries: number of directors from the board of directors or supervisory board aged 40-49 years	Whole number	5

Indicator code	Indicator description	Unit of expression	Quantity collected 2019
GOUV09_04	Subsidiaries: number of directors from the board of directors or supervisory board aged 50-59 years	Whole number	19
GOUV09_05	Subsidiaries: number of directors from the board of directors or supervisory board aged ≥ 60 years	Whole number	24
SOC01	Total workforce in FTE	Full-Time Equivalent	4,063
SOC01_BIS	Registered workforce	Natural Persons	6,251
SOC01_F201	Female executives with open-ended contracts in France	Natural Persons	900
SOC01_F202	Female non-executives with open-ended contracts in France	Natural Persons	1,892
SOC01_F203	Female executives with open-ended contracts in France	Natural Persons	47
SOC01_F204	Female non-executives with fixed-term contracts in France	Natural Persons	147
SOC01_H211	Male executives with open-ended contracts in France	Natural Persons	1,314
SOC01_H212	Male non-executives with open-ended contracts in France	Natural Persons	1,726
SOC01_H213	Male executives with fixed-term contracts in France	Natural Persons	57
SOC01_H214	Male non-executives with fixed-term contracts in France	Natural Persons	168
SOC02	Total workforce France (Open-ended + Fixed-term contracts) – Natural Persons	Natural Persons	6,251
SOC04	Total workforce with fixed-term + open-ended contracts – executives	Natural Persons	2,318
SOC05	Total workforce with fixed-term + open-ended contracts – non-executives	Natural Persons	3,933
SOC07	Workforce – Women (individuals)	Natural Persons	2,986
SOC08	Workforce – open-ended contract	Natural Persons	5,832
SOC08_NCADRE	Workforce – open-ended contract – non-executives	Whole number	3,618
SOC08BIS	Workforce – open-ended contract – women	Whole number	2,792
SOC09	Workforce – Open-ended contract	Natural Persons	419
SOC12	% open-ended contract employees	Percentage rate	93.29
SOC13	Total hires	Natural Persons	4,723
SOC14	Men hired	Natural Persons	2,082
SOC15	Women hired	Natural Persons	2,641
SOC16	Hires with open-ended contracts	Natural Persons	588
SOC17	Hires with fixed-term employment contracts	Natural Persons	4,135
SOC19	Number of employees with open-ended contracts that quit the organization	Natural Persons	873
SOC20	Number of employees with open-ended contracts that quit the organization on dismissals	Natural Persons	140
SOC29	Number of full-time employees with open-ended or fixed-term contracts (including full-time parental leave)	Natural Persons	3,437
SOC30	Number of part-time employees with open-ended or fixed-term contracts and executives with reduced day package	Natural Persons	2,814
SOC38	Total number of days of absence	Working days	49,553
SOC39	Number of days of absence due to illness	Working days	46,847
SOC40	Number of days of absence due to workplace accidents	Working days	2,706
SOC41	Number of days of absence for maternity/paternity	Working days	3,697
SOC43	Number of occupational illnesses	Whole number	14
SOC44	Number of declared workplace accidents with medical leave	Whole number	105
SOC46	Payroll invested in training (payroll expense for training in euros)	Euros	2,965,825
SOC47	% of payroll expense invested in training	Percentage rate	1.50
SOC48	Number of employees who have had at least one training session	Whole number	2,329
SOC49	% of trained employees	Percentage rate	37.25
SOC50	Total number of hours allocated to employee training	centesimal hours	58,786
SOC51	Average number of training hours per beneficiary employee	Working days	9.4
SOC52	Number of work-study trainings	Whole number	48
SOC53	Number of work-study trainings with professionalization contract	Whole number	44
SOC54	Number of work-study trainings with apprenticeship contract	Whole number	4

Indicator code	Indicator description	Unit of expression	Quantity collected 2019
SOC59	Number of women among managerial staff	Whole number	947
SOC60	% of women among managerial staff	Percentage rate	40.85
SOC61	Number of managers promoted in the year to a higher level of function	Natural Persons	166
SOC62	Number of women among managerial promotions	Whole number	69
SOC63	% of women among managerial promotions	Percentage rate	41.56
SOC68	Number of disabled workers in the total workforce	Whole number	227
SOC71	% of disabled workers in the total workforce	Percentage rate	3.63
SOC73	Gross payroll excluding employers' contributions (euros)	Euros	194,773,543
SOC74	Average annual compensation of employees with open-ended contracts – all statuses	Euros	31,949.56
SOC75	Average annual compensation of employees with open-ended contracts – non-executives – all statuses	Euros	21,942.44
SOC76	Average annual compensation of employees with open-ended contracts – executives – all statuses	Euros	48,302.67
SOC81	Total amount of bonus (profit-sharing and shareholding) (in euros – excluding employer contributions)	Euros	330,825
SOC82	Number of employees having received a profit-sharing and shareholding bonus	Whole number	955
SOC88	Workforce < 25 years old	Natural Persons	224
SOC89	Women < 25 years old	Natural Persons	117
SOC90	Workforce 25 – 29 years old	Natural Persons	293
SOC91	Women 25 – 29 years old	Natural Persons	136
SOC92	Workforce 30 – 34 years old	Natural Persons	340
SOC93	Women 30 – 34 years old	Natural Persons	189
SOC94	Workforce 35 – 39 years old	Natural Persons	507
SOC95	Women 35 – 39 years old	Natural Persons	248
SOC96	Workforce 40 – 44 years old	Natural Persons	558
SOC97	Women 40 – 44 years old	Natural Persons	276
SOC98	Workforce 45 – 49 years old	Natural Persons	854
SOC99	of which women 45 – 49 years old	Natural Persons	409
SOC100	Workforce 50 – 54 years old	Natural Persons	996
SOC101	Women 50 – 54 years old	Natural Persons	464
SOC102	Workforce 55 – 59 years old	Natural Persons	1,277
SOC103	Women 55 – 59 years old	Natural Persons	643
SOC104	Workforce 60 years old and older	Natural Persons	1,202
SOC105	Women 60 years old and older	Natural Persons	504
SOC107	Total gross annual compensation (in euros) of employees with open-ended contracts	Euros	186,329,888.6
SOC108	Total gross annual compensation (in euros) of non-executive employees with open-ended contracts	Euros	79,387,759.2
SOC109	Total gross annual compensation (in euros) of managerial employees with open-ended contracts	Euros	106,942,129.4

3.5.2 Specific report of the Press Division

Crédit Mutuel press activity includes around thirty companies, including eight companies publishing nine regional and departmental daily newspapers and two companies publishing three regional weekly newspapers, which represents information coverage in more than 24 departments in eastern France, plus more than nine hundred thousand copies sold per day, and nearly 6,300 employees[1].

These entities, whose legal form may vary, are all controlled directly or indirectly by Banque Fédérative du Crédit Mutuel, holding company of Crédit Mutuel Alliance Fédérale.

Like the rest of the group, they are constantly seeking to improve rules and procedures, particularly at the social, ethical and environmental responsibility levels.

The socioprofessional categories of press companies are journalists (1/3 of the press companies), employees, workers (or technicians depending on the entity) and executives (administrative or technical).

The contracts are mostly open-ended. Fixed-term contracts or temporary workers are also used.

Unlike other companies, porting companies (APDNA and MEDIAPORTAGE) have the distinction of mostly employing part-time employees. Indeed, the activity consists of carrying the newspaper in the morning, the daily working time is therefore less than 7 hours. For these entities, the proportion of part-time employees in relation to the total number of employees is more than 98%.

2019 was marked by several projects at various levels.

Extended Producer Responsibility (EPR)

Since 2018, publishing companies have been joining CITEO, a non-profit company created by the merger of Éco-emballages and Ecofolio, created by companies to reduce the environmental impact of packaging and paper.

They came together to respond to one of the measures of the energy transition law for green growth, which consists of making an annual declaration of the tonnage of paper put on the market.

Other than the approaches put in place during the 2019 fiscal year, such as advertising that promotes sorting, a supplement to raise awareness of recycling, participation in local events, the group's four printing centers began a PEFC printing certification procedure.

Obtaining this label guarantees to the consumer that the product purchased comes from responsible sources and that, through their purchase, they are participating in the sustainable management of forests.

With the support of an external service provider specialized in the field, the four printing centers obtained the PEFC label before the end of the year.

Continuation of the steps taken in previous years

Although the CITEO declaration and the setting up of PEFC certification required particular attention, the companies have nevertheless not abandoned the operations put in place over previous years. On the contrary, they continued their actions in terms of health and safety at work, by continuing training for the prevention of canine risk and road risk for newspaper carriers and salespeople. The companies also carried out actions to prevent psycho-social risks, and to raise awareness regarding workplace risks (musculo-skeletal disorders, staff awareness campaign on the ergonomics of workstations, etc.).

- In terms of buildings, by modernizing lighting systems, boilers or even by carrying out insulation work in the branches;
- In terms of the use of raw materials, especially paper, ink and plates which are the essential products for the production of a newspaper.

The reduction of waste-sheets and waste by means of various processes (acquisition of newer equipment to reduce the risk of sudden shutdowns, new adhesive for bonding the coils, automatic control of the cutting registers, etc.) makes it possible to reduce paper consumption (1% less waste corresponds to about 100 tons of paper saved).

In addition, all paper scraps (white paper, etc.) and unsold newspapers are sold to companies specializing in recycling and waste recovery (group contract with VEOLIA). *Le Dauphiné libéré* went even further this year by optimizing waste paper removals to reduce the number of truck rotations.

As far as the plates are concerned, our companies perform two levels of savings:

- in terms of water and electrical energy using specific plates (PLATINIUM KODAK plate);
- in terms of the waste produced by modifying the CTP (plate printing) lines or by blocking unauthorized plate outlets.

Finally, with regard to inks and other chemicals, newspapers are looking for less dangerous products for humans and the environment and to optimize the doses of solvents used (dosing pump). These products are also analyzed and compared to safety data sheets provided by the occupational health department or sent periodically to the DRIRE.

(1) Including salaried newspapers carriers – workforce (natural persons) as of December 31, 2019.

Restructuring operations

2019 was marked, firstly, by the continuation of the job protection plans at *Républicain Lorrain* and at *L'Alsace* following the closure of the printing centers respectively at Woippy and Mulhouse, as well as voluntary redundancy plans in the other newspapers of the group, and secondly, through the presentation of new projects forming part of the group's restructuring plan.

Therefore, it was decided to create advertising management entities for the Alsace and Lorraine Divisions through the partial contribution of assets from the entire advertising branch of the newspapers *L'Alsace, DNA, L'Est républicain, Républicain Lorrain* and *La Liberté de l'Est* to two new entities created for this purpose, EBRA MEDIAS ALSACE and EBRA MEDIAS LORRAINE FRANCHE-COMTÉ.

The decision to set up these advertising management entities aims to:

- create synergy between the titles' teams selling advertising;
- harmonize processes to make them competitive;
- create a genuine environment to enable our sales staff to become providers of communication solutions to customers.

The project, launched in March 2019, was completed on December 31. About 170 employees were transferred from the advertising services of the publishers to the two new advertising management entities.

Still with the aim of group cohesion, and especially performance, two other projects were presented during the fiscal year.

The first concerns the investment in the new printing facility on the Houdemont site.

The project, supported by BFCM, BECM and DGMIC, consists of constructing a building to receive a new rotary press.

The economic appropriateness of this industrial investment and its implementation is based on:

- a reduction of fixed maintenance costs;
- an improvement of industrial performance;
- a reduction of payroll expense related to setting up an industrial organization based on a workforce of 55 persons full-time equivalent.

Of course, the project will also be based on the construction of a training budget adapted for the acquisition of new working methods and an adequate workforce trained on the new industrial facility.

This infrastructure should be operational during the first quarter of 2021.

The second concerns services supporting the design of the newspaper, without which it could not exist. These services are the graphical studio, sequencing, digital traffic, entry of classified advertisements, customer-relations center and IT.

The aim is to create a center of expertise, in the form of an independent entity with no hierarchical attachment to a title, that can offer high-quality services at a market price.

Like the previous project, it is accompanied by a reduction of payroll expense towards a target organization based on nearly 290 persons.

This entity is planned to come into service on January 1, 2021.

3.6 REPORT OF THE INDEPENDENT THIRD PARTY ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION CONTAINED IN THE MANAGEMENT REPORT OF CAISSE FÉDÉRALE DE CRÉDIT MUTUEL

Fiscal year ended on December 31, 2019

Report of the independent third party on consolidated non-financial performance statement in the management report

To the shareholders' meeting,

As an independent third party, accredited by COFRAC under the number 3-1681 (scope of accreditation available on the www.cofrac.fr website) and member of the network of one of the statutory auditors of your cooperative company (hereinafter the "Entity"), we present to you our report on the consolidated non-financial performance statement for the fiscal year ended December 31, 2018 (hereinafter the "Statement"), presented in the management report in accordance with the legal and regulatory provisions of Articles L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code.

The entity's responsibility

The board of directors is responsible for preparing a statement in accordance with the legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied in respect of these risks and the results of these policies, including key performance indicators.

The Statement was prepared in application of the Entity's procedures (hereinafter the "Guidelines"), the significant items of which are presented in the Statement or available on request at the Entity's headquarters.

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code and the profession's code of ethics. Furthermore, we have implemented a quality control system that includes documented policies and procedures intended to ensure compliance with ethical rules, professional standards and applicable regulations and legislation.

Responsibility of the independent third party

Based on our work, our role is to formulate a reasoned opinion expressing moderate assurance as to:

- the Statement's compliance with the provisions stipulated in Article R.225-105 of the French Commercial Code;
- the truthfulness of the information provided in application of paragraph 3 of sections I and II of Article R.225-105 of the French Commercial Code, namely the results of the policies, including key performance indicators, and the actions relating to the main risks (hereinafter the "Information").

However, it is not our responsibility to express an opinion on the Entity's compliance with any other applicable legal and regulatory provisions, particularly those concerning anticorruption and combating tax evasion, nor on the compliance of the products and services with the applicable regulations.

Nature and scope of the work

Our work described below was carried out in accordance with the provisions of Article A. 225-1 et seq. of the French Commercial Code, with the professional standards of French statutory auditors' association *(Compagnie nationale des commissaires aux comptes)* relating to this work and with the ISAE 3000[1] international standard:

- we took due note of all the businesses included in the consolidation scope and of their exposure to the main risks;
- we assessed the appropriateness of the Guidelines with respect to their relevance, completeness, reliability, neutrality and comprehensibility, taking into account, if applicable, best practices in the sector;
- we verified that the Statement covers each category of information provided for in section III of Article L.225-102-1 on social and environmental matters as well as respect for human rights, anticorruption and combating tax evasion;
- we verified that the Statement contains the information provided in section II of Article R. 225-105 where relevant to the main risks and that it includes, where applicable, an explanation of the reasons why the information required by the 2nd subparagraph of section III of Article L. 225-102-1 is not included;
- we verified that the Statement presents the business model and the main risks related to the activity of all the entities included within the consolidation scope, including, whenever relevant and proportionate, the risks created by its business relations, products or services as well as the policies, procedures and results, including key performance indicators;
- we consulted documentary sources and conducted interviews to:
  - assess the identification, ranking and validation process for the main risks and the consistency of the results, including the key performance indicators selected with respect to the main risks and policies presented, and
  - corroborate the qualitative information (actions and results) that we considered most significant, as presented in Appendix 1. For certain risks: lack of consideration for the carbon footprint of the group's entities in the exercise of their activities, failure to consider specific rules on sectors that pollute when granting financing and the absence of prevention measures to reduce the carbon footprint of investments, lack of consideration for risks associated with climate change, our work was conducted at the level of the consolidating entity, for other risks, work was conducted at the level of the consolidating entity and in a selection of entities listed below: Cofidis, CIC Lyonnaise de Banque, Caisse Fédérale Loire-Atlantique Centre Ouest, CIC;
- we verified that the Statement covers the consolidation scope, i.e. all the entities included in the scope of consolidation in accordance with Article L. 233-16 with the limits specified in the Statement;
- we took due note of the procedures for internal control and risk management implemented by the entity and assessed the collection process aimed at ensuring the completeness and veracity of the Information;
- for the key performance indicators and the other quantitative results that we considered to be the most significant presented in Appendix 1, we implemented:
  - analytical procedures consisting of verifying the correct consolidation of collected data as well as the consistency of changes to them,
  - detailed tests based on sampling, consisting of verifying the proper application of definitions and procedures, and of reconciling data with supporting documents. This work was conducted with a selection of contributing entities listed below and covers 39% of the workforce and 36% of the group's energy consumption;
- we assessed the overall consistency of the Statement in relation to our knowledge of all of the companies included in the consolidation scope.

We consider that the work that we conducted in exercising our professional judgement enables us to formulate a conclusion of moderate assurance; a higher level of assurance would have required more extensive verification work.

Means and resources

Our work was conducted by a skilled team of five persons, took place between November 2019 and March 2020 and lasted for approximately fifteen weeks.

We carried out approximately ten interviews with the persons responsible for preparing the Statement representing in particular the departments in charge of defining policies, deploying them and collecting information.

(1) ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information.

Conclusion

Based on our work, we did not observe any significant misstatement likely to call into question the consolidated statement's compliance with the applicable regulatory requirements or the true and fair presentation of the Information, taken as a whole, in accordance with the Guidelines.

Paris-La Défense, April 9, 2020

Independent Third Party
ERNST & YOUNG et Associés

Caroline Delérable
Partner, sustainable development

Marc Charles
Partner

Appendix 1: Information considered to be the most important

SOCIETAL AND GOVERNANCE INFORMATION	
Quantitative information (including key performance indicators) ■ Training plans for elected members ■ Membership rate ■ Number of local banks ■ Number of new directors and elected members in local banks ■ Total number of director training hours	**Qualitative information (actions or results)** ■ Training plans for elected members ■ Adaptation of offerings
SOCIAL INFORMATION	
Quantitative information (including key performance indicators) ■ Workforce ■ Share of employees trained in digital transformation ■ Number of employees who have had at least one training session, total number of training hours ■ Rate of job rotation	**Qualitative information (actions or results)** ■ Employee training
ENVIRONMENTAL AND BUSINESS INFORMATION	
Quantitative information (including key performance indicators) ■ Building energy consumption ■ Number of renewable energy projects funded by networks ■ Outstanding renewable energy projects funded by networks	**Qualitative information (actions or results)** ■ Reduction of the carbon footprint of the group's buildings, clean travel policy ■ Sectoral policies for the integration of non-financial rules when financing ■ Actions to integrate ESG ratings when granting financing ■ Actions to take account of climate risk in investments via country limits

Every year, the city of Aix-en-Provence echoes with the sound of the Festival de Pâques. Thanks to the involvement of enthusiasts, classical music is reinventing itself and becoming more accessible. That is why CIC wanted to make the Festival de Pâques one of the major components of its cultural patronage action.

4

CORPORATE GOVERNANCE

4.1 BFCM – CORPORATE GOVERNANCE REPORT

4.1.1 Introduction

The provisions of Article L.225-37 of the French Commercial Code state that the board of directors shall present to the ordinary shareholders' meeting a corporate governance report alongside the management report.

In accordance with Article L.225-37-4 of the French Commercial Code, this report shall include:

- a list of all of the terms and duties exercised in any company by each corporate officer during the fiscal year;
- the composition of the board and the conditions for the preparation and organization of its work;
- a description of the diversity policy applied to the members of the board of directors with regard to criteria such as age, gender or qualifications and professional experience, and a description of the objectives of such a policy, its implementation procedures and the results obtained during the past fiscal year; this description shall be supplemented by information on the manner in which the company seeks a balanced representation of women and men within the committee established, if any, by Executive Management to assist it regularly in the performance of its general duties and on the results in terms of gender balance; in the 10% of positions with the highest level of responsibility;
- any restrictions that the board of directors may impose on the powers of the chief executive officer.

As it is not a company whose shares are admitted to trading on a regulated market, Banque Fédérative du Crédit Mutuel does not refer to the Afep-Medef Code.

Banque Fédérative du Crédit Mutuel complies with the corporate governance regulations applicable to credit institutions. To that end, it should be noted that the European Banking Authority (EBA) issued guidelines on internal governance on September 26, 2017 (EBA/GL/2017/11) as well as joint guidelines with the European Securities and Markets Authority (ESMA) on assessments of the suitability of members of the management body and holders of key positions on September 26, 2017 (EBA/GL/2017/12). In its compliance notice of June 4, 2018, the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) explained to the entities audited that it intended to comply fully with the internal governance guidelines and partially with the suitability assessment guidelines.

An excerpt from the ACPR's compliance notice on how to apply the suitability assessment guidelines is reproduced below:

"Without prejudice to the powers of the European Central Bank, the ACPR intends to comply partially with the fitness assessment guidelines of September 26, 2017. The ACPR intends to comply with the guidelines, with the exception of provisions for assessment by the supervisory authority of the fitness of holders of key positions at each appointment or renewal. The declaration of non-compliance applies to paragraphs 162 and 176 (transmission of results to the competent authority and documentation relating to internal assessment) and paragraphs 171 and 172 (assessment of the fitness of persons responsible for internal control functions and of the chief financial officer by the competent authority). This statement does not call into question the procedures already in place, which will continue to apply for the assessment of persons responsible for internal control at approval and in the event of a change of control.

In addition, the ACPR intends to apply the guidelines relating to attendance and the definition of independent members in the supervisory bodies with two reservations of interpretation:

- *formal independence is not an obligatory test of fitness under the regulations, which would be enforceable in the context of a review of an individual application. In French law, the implementation of the guidelines cannot therefore result in the rejection on this sole basis of an individual application for "fit and proper" reasons;*
- *mere non-compliance with one or more of the criteria listed in the guidelines (paragraph 91) does not disqualify a member from being defined as independent. These assumptions alone do not define independence and analysis of this attribute must also take into account other criteria, especially ones that might be developed by French companies pursuant to the French Commercial Code that could make it possible to achieve the same goal.*

Pursuant to paragraph 89) b) of the fitness assessment guidelines, the ACPR also intends not to require the attendance of independent members in CRD institutions wholly owned by a CRD institution and in CRD institutions that are of insignificant importance that are investment firms."

This corporate governance report explains how Banque Fédérative du Crédit Mutuel has implemented the guidelines in accordance with the ACPR Notice and its own interpretation.

4.1.2 Composition of the management bodies as of December 31, 2019

Board of directors

- Nicolas Théry, Chairman
- Michel Vieux, Vice Chairman
- Gérard Bontoux
- CFCM Maine-Anjou et Basse-Normandie, represented by Jean-Marc Busnel
- Gérard Cormorèche
- Claude Courtois
- Philippe Gallienne
- Albert Mayer
- Gislhaine Ravanel
- René Schwartz
- Francis Singler
- Alain Têtedoie
- Dominique Trinquet

Non-voting directors

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

Other participants

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

Executive Management

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

4.1.3 Positions and functions held by the corporate officers

Nicolas Théry

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

55 years old
Born December 22, 1965

Business address:
4 rue Frédéric Raiffeisen
67000 Strasbourg

Summary of main 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 topics and then international and European topics. In 2000, he became director of the Private Office of Florence Parly, Secretary of State for the Budget. From 2000 to 2002, he was Confederal Secretary to the CFDT, in charge of economic issues. He helped create the inter-union committee for employee savings schemes and the Vigeo rating agency created by Nicole Notat. From 2002 to 2009, he worked at the European Commission as director of cabinet of Pascal Lamy, Commissioner for International Trade, before joining the Directorate General for Enterprise and becoming director in the Directorate General for the Environment where he worked on climate change. In 2009, he joined Crédit Mutuel after holding various positions within the banking group. He was Chairman and CEO of CIC Est from 2012 to 2016.

Since 2014, he has been Chairman of Caisse Fédérale de Crédit Mutuel, Banque Fédérative du Crédit Mutuel and Crédit Industriel et Commercial. Since 2016, he has been Chairman of Confédération Nationale du Crédit Mutuel and Fédération du Crédit Mutuel Centre Est Europe. He also chairs the supervisory board of Groupe des Assurances du Crédit Mutuel.

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

Chairman of the board of directors
Appointed to the board: 2014
Term expires: 2020

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

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

Michel Vieux

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

69 years old
Born April 12, 1951

Business address:
130-132 avenue Victor Hugo
26009 Valence

Summary of main areas of expertise and experience

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

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

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

Vice Chairman of the board of directors
Appointed to the board: 2011
Term expires: 2020

Other offices held as of December 31, 2019

Chairman of the board of directors

Fédération du Crédit Mutuel Dauphiné-Vivarais
Caisse régionale du Crédit Mutuel Dauphiné-Vivarais
Caisse de Crédit Mutuel de Pierrelatte
Caisse de Crédit Mutuel de la Vallée du Rhône

Director

Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel

Director (representing CRCM Dauphiné-Vivarais)

Assurances du Crédit Mutuel Vie SAM

Honorary Chairman of the board of directors

Caisse de Crédit Mutuel Agriculture de Valréas

Co-Managing Partner

Sud-Est Transactions Immobilières

Non-voting director

Caisse Fédérale de Crédit Mutuel

Terms of office expired over the past five fiscal years

Member of the supervisory board

Banque Européenne du Crédit Mutuel

Director

Caisse Fédérale de Crédit Mutuel

Non-voting director

Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel

Gérard Bontoux

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

70 years old
Born March 7, 1950

Business address:
6 rue de la Tuilerie
31130 Balma

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2009
Term expires: 2021

Other offices held as of December 31, 2019

Chairman of the board of directors

Fédération du Crédit Mutuel Midi-Atlantique
Caisse régionale du Crédit Mutuel Midi-Atlantique

Vice Chairman of the board of directors

Caisse Fédérale de Crédit Mutuel

Director

Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
Caisse de Crédit Mutuel Toulouse St Cyprien

Permanent representative of Marsovalor, member of the board of directors

CIC Sud Ouest

Permanent representative of Caisse régionale du Crédit Mutuel Midi-Atlantique

Assurances du Crédit Mutuel Vie SAM

Terms of office expired over the past five fiscal years

Member of the supervisory board

Banque Européenne du Crédit Mutuel

Jean-Marc Busnel

61 years old

Born April 25, 1959

Business address:

43 boulevard Volney
53083 Laval

Summary of main areas of expertise and experience

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

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

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

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

Chairman of the board of directors
IDEA OPTICAL

Gérard Cormorèche

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

63 years old
Born July 3, 1957

Business address:
8 rue Rhin et Danube
69009 Lyon

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2001
Term expires: 2022

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

Non-voting director
Crédit Industriel et Commercial

Claude Courtois

66 years old
Born January 6, 1954

Business address:
494 avenue du Prado
13008 Marseille

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2019
Term expires: 2022

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

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

Philippe Galienne

64 years old

Born June 17, 1956

Business address:

17 rue du 11 Novembre
14052 Caen

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2019
Term expires: 2022

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

None

Albert Mayer

65 years old

Born September 17, 1955

Business address:

4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2018
Term expires: 2021

Offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

None

Gislhaine Ravanel

68 years old
Born September 30, 1952

Business address:
99 avenue de Genève
74054 Annecy

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2019
Term expires: 2022

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

Director
None

René Schwartz

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

63 years old
Born January 14, 1957

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main areas of expertise and experience

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

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

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

Director
Appointed to the board: 2018
Term expires: 2021

Other offices held as of December 31, 2019

Chairman
District des caisses de Crédit Mutuel de Mulhouse
Chairman of the board of directors
Caisse de Crédit Mutuel du Nouveau Monde
Director
Fédération du Crédit Mutuel Centre Est Europe

Terms of office expired over the past five fiscal years

Director
CARPA Mulhouse

Francis Singler

64 years old
Born July 18, 1956

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2018
Term expires: 2021

Other offices held as of December 31, 2019

Chairman
District des caisses de Crédit Mutuel de Sélestat
Chairman of the board of directors
Caisse de Crédit Mutuel Ried Centre Alsace
Member of the supervisory board
Euro Information Production
Director
Fédération du Crédit Mutuel Centre Est Europe

Terms of office expired over the past five fiscal years

None

Alain Têtedoie

66 years old
Born May 16, 1954

Business address:
10 rue de Rieux
44040 Nantes

Summary of main areas of expertise and experience

A graduate in horticulture, Alain Têtedoie is Chairman and CEO in the agri-food sector.

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

Director
Appointed to the board: 2007
Term expires: 2021

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

Director
Caisse Fédérale de Crédit Mutuel

Dominique Trinquet

70 years old
Born November 13, 1950

Business address:
18 rue de la Rochefoucauld
75009 Paris

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2019
Term expires: 2022

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

None

Departures during 2019[1]

Étienne Grad

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

68 years old
Born December 26, 1952

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 Chairman of Étienne Grad Conseil et Développement.

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

Since 1992 he has been the appointed Chairman of the board of directors of Caisse de Crédit Mutuel du cours de l'Andlau. Since 2010 he has been Chairman of the Communauté Urbaine de Strasbourg District of the Fédération du Crédit Mutuel Centre Est Europe.

Director
Appointed to the board: 2010
Term expires: 2019

Offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

Director
Banque Fédérative du Crédit Mutuel

(1) For the sake of transparency, the directors of Crédit Mutuel Alliance Fédérale whose terms of office within BFCM came to an end during 2019 but who also hold offices within Crédit Mutuel Alliance Fédérale are listed below.

Damien Lievens

50 years old
Born July 25, 1970

Business address:
105 Faubourg Madeleine
45920 Orléans

Summary of main areas of expertise and experience

Damien Liévens holds an agricultural vocational training certificate and an agricultural technician's certificate. He has been working on his family farm since 1998. He is the manager of SCEA LIEVENS and has been an active member of a Centre for Agricultural Technical Studies since 2002.

In 2000, he was appointed director of the Caisse de Crédit Mutuel de Brezolles, then Vice-Chairman of the board of directors in 2007. He holds offices in several Crédit Mutuel entities and has been a director of Caisse Agricole de Crédit Mutuel since 2015. He is Chairman of Fédération and Caisse Régionale du Crédit Mutuel du Centre and Caisse de Crédit Mutuel Agricole du Centre. He has also been a director of Confédération Nationale du Crédit Mutuel and Caisse Centrale du Crédit Mutuel, non-voting director of Caisse Fédérale de Crédit Mutuel since 2017, member of the board of directors of Banque Fédérative du Crédit Mutuel since 2017, member of the supervisory board of Banque Européenne du Crédit Mutuel, member of the board of directors of Fédération du Crédit Mutuel Agricole et Rural (representing Caisse de Crédit Mutuel Agricole du Centre), permanent representative of Caisse Régionale de Crédit Mutuel du Centre on the board of directors of Assurances du Crédit Mutuel Vie S. A.M. and non-voting director of CIC. Since 2019, he has been Chairman of the Confederal risk monitoring committee.

Director
Appointed to the board: 2015
Term expires: 2019

Offices held as of December 31, 2019

Chairman of the board of directors
Fédération régionale des caisses de Crédit Mutuel du Centre
Caisse régionale de Crédit Mutuel du Centre
Caisse de Crédit Mutuel Agricole du Centre
Vice Chairman of the board of directors
Caisse de Crédit Mutuel de Brezolles
Director
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
Fédération du Crédit Mutuel Agricole et Rural
Caisse Agricole Crédit Mutuel (CACM)
Member of the supervisory board
Banque Européenne du Crédit Mutuel
Non-voting director
Caisse Fédérale de Crédit Mutuel
Crédit Industriel et Commercial
Permanent representative of Caisse Fédérale du Crédit Mutuel du Centre, director
Assurances du Crédit Mutuel Vie SAM
Managing Partner
SCEA Lievens

Terms of office expired over the past five fiscal years

Member and Vice Chairman of the board of directors
Caisse Fédérale de Crédit Mutuel
Director
Banque Fédérative du Crédit Mutuel

Lucien Miara

71 years old
Born January 17, 1949

Business address:
494 avenue du Prado
13008 Marseille

Summary of main areas of expertise and experience

Holder of a DUT in business management, Lucien Miara has spent his entire career with Crédit Mutuel. He started in 1973 as an assistant manager and went on to become chief executive officer of Fédération du Crédit Mutuel Méditerrannéen in 1995.

Since 2006 he has been Chairman of the Fédération and the Caisse Régionale du Crédit Mutuel Méditerrannéen and holds offices both in local Crédit Mutuel banks and in the national Confédération Nationale du Crédit Mutuel.

Director
Appointed to the board: 2015
Term expires: 2021

Offices held as of December 31, 2019

Chairman of the board of directors
Fédération du Crédit Mutuel Méditerranéen
Caisse régionale du Crédit Mutuel Méditerranéen
Caisse de Crédit Mutuel Frontignan
Caisse de Crédit Mutuel Marseille Prado
Camefi

Member of the supervisory board
Euro-Information Production

Permanent representative of Caisse régionale du Crédit Mutuel Méditerranéen, director
Assurances du Crédit Mutuel Vie SAM
Assurance du Crédit Mutuel Vie

Permanent representative of BFCM, director
Banque Marocaine du Commerce Extérieur

Non-voting director
Caisse Fédérale de Crédit Mutuel
Crédit Industriel et Commercial

Terms of office expired over the past five fiscal years

Chairman of the board of directors
Caisse de Crédit Mutuel de Villeneuve-Loubet
Caisse de Crédit Mutuel Montpellier Alco
Caisse de Crédit Mutuel Marseille Saint Loup

Director
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
Banque Fédérative du Crédit Mutuel

Daniel Rocipon

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

72 years old
Born February 17, 1948

Business address:
99 avenue de Genève
74054 Annecy

Summary of main areas of expertise and experience

Holder of secondary diplomas in philosophy and elementary mathematics as well as a BEPC, Daniel Rocipon started his career at SNCF before being trained in management accounting at the Chambéry Chamber of Commerce. In 1979, he founded a stationery company, of which he became the Chairman and CEO from 1989 to 2009.

In 2011, he was elected Chairman of Caisse locale de Crédit Mutuel d'Albertville. He is Chairman of the Fédération and the Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc.

Director
Appointed to the board: 2016
Term expires: 2019

Offices held as of December 31, 2019

Chairman of the board of directors
Fédération du Crédit Mutuel Savoie-Mont Blanc
Caisse régionale du Crédit Mutuel Savoie-Mont Blanc
Caisse de Crédit Mutuel d'Albertville

Permanent representative of Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc, director
Assurances du Crédit Mutuel Vie SAM

Non-voting director
Caisse Fédérale de Crédit Mutuel

Terms of office expired over the past five fiscal years

Director
Caisse Fédérale de Crédit Mutuel
Banque Fédérative du Crédit Mutuel

Executives

Daniel Baal

63 years old
Born December 27, 1957

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

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
Appointed to the board: 2017
Term expires: 2020

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

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

Alexandre Saada

55 years old
Born September 5, 1965

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main areas of expertise and experience

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

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

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

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

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

None

4.1.4 Delegations of authority granted by the shareholders' meeting to the board of directors for capital increases currently in use

None.

4.1.5 Preparation and organization of the work of the board

4.1.5.1 Operation of the board of directors

Rules of operation of the board of directors

The workings of the board of directors are governed by Articles 14 to 18 of the Articles of Association.

Powers of the board of directors

The board of directors sets the course of the company's business and ensures its implementation. Subject to the powers expressly granted by law to shareholders' meetings and within the limits of the corporate purpose, it tackles any issues concerning the smooth running of the company and regulates those matters concerning it via its deliberations.

Composition of the board of directors

The company is administered by a board of directors comprising no fewer than three and no more than 18 members elected for renewable three-year terms, who maybe natural persons or legal entities.

The board of directors may appoint non-voting directors for three-year terms. They participate in the deliberations of the board of directors in an advisory capacity. They may, by a decision of the majority of non-voting directors present or represented, request a second deliberation by the board.

Age limit

The age limit is set at seventy for directors and seventy-five for non-voting directors. When those ages are reached, terms of office shall end at the shareholders' meeting following the date of the birthday.

Cumulative validity with an employment contract

No director shall have an employment contract with the company and its controlled subsidiaries.

Director skills and training

Banque Fédérative du Crédit Mutuel attaches great importance to the skills of its directors. To hold the position of director or non-voting director on Banque Fédérative du Crédit Mutuel's Board of Directors, each candidate must have experience as an elected member and as Chairman or Vice Chairman of the board of directors or Supervisory Board of a Crédit Mutuel local bank, participate in the bodies and work of his Crédit Mutuel district or federation, and take part in the training courses for elected members.

In accordance with the joint guidelines of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) and the provisions of the French Monetary and Financial Code, a new regulatory training program was introduced in 2019.

This program was overhauled and will be supplemented starting January 1, 2020 by a three-year training program designed to enable members of the boards of directors, supervisory boards and regulatory committees of the umbrella structures to update their knowledge and skills.

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 regarding Banque Fédérative du Crédit Mutuel and its private interests and/or other duties. The Crédit Mutuel Alliance Fédérale Code of Conduct applicable to Banque Fédérative du Crédit Mutuel aims to prevent and, if necessary, manage conflict of interest situations.

Service contracts

There are no service contracts linking any member of the board of directors or Executive Management to, and providing benefits to, Banque Fédérative du Crédit Mutuel or any of its subsidiaries.

Statement as to legal and criminal sanctions

During the past five years no member of the board of directors nor Executive Management has been convicted of fraud, no member of the board of directors nor Executive Management has gone in to bankruptcy or been associated with a court-ordered protection, receivership or liquidation procedure; and no charge or official public sanction has been upheld against a member of the board of directors or Executive Management by statutory or regulatory authorities (including designated professional bodies). Furthermore, during the past five years no member of the board has been disqualified by a court from acting as a member of an administrative, management or supervisory body of an issuer of securities or from acting in the management or business dealings of any issuer of securities.

Diversity of the board of directors

- Gender balance

  Banque Fédérative du Crédit Mutuel is not subject to the provisions of Article L.225-18-1 of the French Commercial Code. However, Crédit Mutuel Alliance Fédérale aims to increase the number of women members of its supervisory and management bodies.
- Regional representation

  The directors of Banque Fédérative de Crédit Mutuel come from all of the federations throughout the territory within the scope of Crédit Mutuel Alliance Fédérale.
- Representation of civil society

  The diversity of the directors of Banque Fédérative de Crédit Mutuel in terms of sociology, age, origin and gender tends to result in a board of directors that is representative of the customers and civil society.
- Strategic plan

  The work launched as part of the Crédit Mutuel Alliance Fédérale 2019/2023 strategic plan reaffirms the group's ambition to strengthen diversity in the composition of its governance.

Independence of directors

Some members of the board of directors may be classified as independent after a review of their situation by the Caisse Fédérale de Crédit Mutuel appointments committee.

This review must verify that there is no relationship between the director and BFCM, whether financial, family or personal.

- More specifically, a director can be classified as independent only if he or she meets the following conditions: he or she has not been a voting or non-voting director of the board of directors of a federation, an umbrella banking entity of Crédit Mutuel Alliance Fédérale or the Confederation for more than 12 years;
- He or she has not received an indemnity or compensation, in any form whatsoever (excluding reimbursement of expenses), within the Crédit Mutuel group in excess of an annual amount set in the charter governing the exercise of office of members of the boards of Crédit Mutuel Alliance Fédérale and in the provisions set forth by Confédération Nationale du Crédit Mutuel.

Assessment of the board of directors and its committees

The Crédit Mutuel Alliance Fédérale umbrella committees conduct an annual assessment of their operations and composition under the responsibility of the Caisse Fédérale de Crédit Mutuel appointments committee.

4.1.5.2 Work of the board in 2019

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

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

In 2019, the board of directors met five times. The meeting attendance rate for directors was 89% on average.

Meeting of February 20, 2019

The board of directors meeting of February 20, 2019 focused on the following topics in particular:

- Presentation of the balance sheet and financial statements as of December 31, 2018;
- Report of the group auditing and accounting committee (GAAC) that presented the following: adoption of the amendment to the internal rules of the GAAC, presentation of the GAAC self-assessment, summary of the external assessments of the control system;
- Approval of the annual and consolidated financial statements as of December 31, 2018;
- Creation of an asset management distribution structure;
- Update on the group's cash position and liquidity: authorization of issues;
- Report of the group risk monitoring committee;
- Approval of the group 2019 set of treasury rules;
- Approval of the CIC Marchés 2019 set of rules;
- Social and Cooperative Responsibility: approval of the sectoral policies for Civil Nuclear Energy and Defense & Security;
- Adoption of a charter governing the exercise of offices;
- Review and authorization of the continuation of previously authorized regulated agreements with an end date of June 1, 2019;
- Decision to no longer compensate the terms of office of the Chairman of the board of directors and the chief executive officer starting June 1, 2019;
- Establishment of prior approval by the board for any investment in excess of €100 million;
- Identification of risk takers in the supervisory bodies.

Meeting of April 4, 2019

The board of directors meeting of April 4, 2019 focused on the following topics in particular:

- Approval of the sale of BFCM shares held by Caisse Fédérale Antilles-Guyane to the Crédit Mutuel Antilles-Guyane local banks;
- Determination of the overall compensation package under the charter governing the exercise of offices of the members of the boards of directors and supervisory boards of the Crédit Mutuel Alliance Fédérale umbrella structures;
- Presentation of the annual internal control report;
- Approval of proposals for appointments and renewals submitted to the shareholders' meeting;
- Acknowledgment of the resignations of voting and non-voting directors and the non-renewal of directors' terms of office;
- Preparation and convening of the ordinary shareholders' meeting of May 10, 2019.

Meeting of July 25, 2019

The board of directors meeting of July 25, 2019 focused on the following topics in particular:

- Presentation of the BFCM consolidated financial statements as of June 30, 2019;
- Information on the Crédit Mutuel Alliance Fédérale consolidated financial statements;
- Reports of the group auditing and accounting committee meetings of April 25, 2019 and July 24, 2019 presenting the following items: annual internal control report, update on relations with the regulatory authorities, update on the application of Act No. 2017-399 of March 27, 2017 relating to the duty of vigilance of parent companies and principal companies;
- Approval of BFCM's consolidated financial statements as of June 30, 2019;
- Update on the group's cash position and liquidity;
- Update on merger and acquisition holding activities;
- Report of the group monitoring and risk committee meetings of April 11, 2019 and July 11, 2019: update on relations with the supervisor, validation of the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports and the risk appetite framework;
- Presentation of the summary of the operational risks;
- Presentation and review of the annual internal control report;
- Approval of the LCB-FT annual internal control report;
- Non-renewal of a non-voting director's term of office;
- Results of the elections to the Social and Economic Committee.

Meeting of November 15, 2019

The board of directors meeting of November 15, 2019 focused on the following topics in particular:

- Presentation of Crédit Mutuel Alliance Fédérale IFRS consolidated earnings as of September 30, 2019;
- Report of the group auditing and accounting committee (GAAC) meeting of September 20, 2019 presenting the following items: follow-up on the recommendations issued by the periodic control, launch of the self-assessment of the GAAC for 2019, presentation of the internal control functions assessment system (compliance, permanent control, periodic control);
- Report of the group risk monitoring committee of its meeting of October 24, 2019 presenting the following items: executive summary of the risk dashboard, credit risk measurement and monitoring framework, risk management function assessment questionnaire, presentation of the risk management department's organizational charts and staff, presentation of the crisis management and business continuity management system;
- Information on the operational risks;
- Relationships with supervisors and ECB follow-up letters: key supervisory issues, draft ECB SREP letter, submission of ECB follow-up letters;
- Approval of the 2020 training plan for directors;
- Preparation of the Chambre Syndicale and Interfédérale;
- Treasury and refinancing activity;
- External growth activity/disposals;
- Review and authorization of the regulated agreements: review of the regulated commitments made to the Chairman and the chief executive officer by Caisse Fédérale de Crédit Mutuel;
- Authorization of the Monetico dissolution agreement;
- Affiliation of new Crédit Mutuel branches.

Meeting of December 20, 2019

The board of directors meeting of December 20, 2019 focused on the following topics in particular:

- Authorization for BFCM to acquire shares of Groupe des Assurances du Crédit Mutuel

4.1.5.3 Crédit Mutuel Alliance Fédérale regulatory committees

Since the Banque Fédérative du Crédit Mutuel board of directors meeting of November 17, 2017, Banque Fédérative du Crédit Mutuel has been a member of the appointments and remuneration committees of Caisse Fédérale de Crédit Mutuel and, more broadly, of all Crédit Mutuel Alliance Fédérale regulatory committees, the umbrella committees of Crédit Mutuel Alliance Fédérale report on their work to the Banque Fédérative du Crédit Mutuel board of directors (see Section 4.2.5.3 of the corporate governance report of Caisse Fédérale de Crédit Mutuel relating to the regulatory committees of Caisse Fédérale de Crédit Mutuel).

4.1.5.4 Ethics

Crédit Mutuel Alliance Fédérale's code of conduct was approved in June 2018.

This registration document, which includes all regulatory and legal requirements relating to conduct, reiterates the principles that must be obeyed by each entity and employee of the group in the exercise of their activities. It is part of the group's overall objectives in terms of quality of customer service, integrity and rigor in the processing of transactions and compliance with regulations. It applies to all group entities in France and abroad, in accordance with local regulations.

In particular, the code of conduct contains provisions on preventing conflicts of interests, combating corruption and rules applicable to persons in possession of inside information.

The code of conduct is circulated to all employees and must be consulted by all on the intranet of each group entity.

This code is supplemented by the code of conduct, which applies to all elected representatives and employees as well as to all Crédit Mutuel Alliance Fédérale entities. Its purpose is to make known the group's commitments and the resulting rules of behavior in terms of respect for values and texts, respect for the individual, duty of good management, duty of confidentiality, duty of reserve, voluntary work and independence of elected representatives, duty of training and conflicts of interest.

4.1.5.5 Executive Management

Composition and prerogatives of Executive Management

In accordance with Article L.511-13 para. 2 of the French Monetary and Financial Code, banking regulations require the separation of the functions of Chairman of the supervisory body and Effective Manager of the institution. The effective management of the institution is assumed by at least two people. The effective management enjoys all powers attached to it by banking and financial laws and regulations, both internally and with respect to third parties.

Composition of Executive Management

The Executive Management of Banque Fédérative du Crédit Mutuel is composed of:

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

Prerogatives of Executive Management

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

4.1.6 Principles and rules of remuneration of identified individuals (Articles L.511-71 et seq. of the French Monetary and Financial Code)

Banque Fédérative du Crédit Mutuel applies the principles and rules of remuneration of identified individuals decided by Caisse Fédérale de Crédit Mutuel, which are presented in its report on corporate governance.

4.1.7 Principles for determining the compensation granted to corporate officers

As part of the implementation of a compensation and termination benefits package for the Chairman and the chief executive officer within Caisse Fédérale de Crédit Mutuel starting June 1, 2019, on February 20, 2019, the BFCM board of directors decided that service as Chairman of the board of directors would no longer be remunerated as of June 1, 2019.

Guiding principles

The non-executive corporate officers, i.e. all directors other than the Chairman of the board of directors, do not receive attendance fees. The federations to which Caisse Fédérale de Crédit Mutuel belongs are committed to the principle of voluntary directorship within the various bodies that make up Crédit Mutuel Alliance Fédérale. The corollary of this principle is to ensure that the directors have the necessary resources to perform their responsibilities, with the sole aim of ensuring the development, durability and respect of the values of Crédit Mutuel. A charter governing the exercise of offices of the members of the boards of directors or supervisory boards has been in place since January 1, 2019.

Implementation

The officers concerned are the Chairman of the board and the chief executive officer.

On February 20, 2019, the board of directors of Caisse Fédérale du Crédit Mutuel decided, on the proposal of the remuneration committee meeting of February 18, 2019, to allocate to:

- Nicolas Théry, as compensation for his appointment as Chairman of the board of directors, an annual compensation of €880,000 starting June 1, 2019. Said compensation shall be paid as from that date by Caisse Fédérale de Crédit Mutuel.

  It was also decided to change the termination benefit to two years' compensation as a corporate officer instead of the current one year, calculated on the basis of the average of the last twelve months preceding the end of his or her term of office.

  The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2019 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. To that end, it should be noted that Nicolas Théry has been an employee of the group since September 1, 2009 and that his employment contract was suspended with effect from November 14, 2014.

- Daniel Baal, as compensation for his appointment as chief executive officer, an annual compensation of €880,000 starting June 1, 2019. Said compensation shall be paid by Caisse Fédérale de Crédit Mutuel.

  It was also decided to change the termination benefit to two years' compensation as a corporate officer instead of the current one year, calculated on the basis of the average of the last twelve months preceding the end of his or her term of office.

  The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2019 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group.

  To that end, it should be noted that Daniel Baal was an employee of Caisse Fédérale du Crédit Mutuel from July 1, 1979 to September 30, 2001, then from February 2, 2004 to the present, and that his employment contract was suspended effective June 1, 2017.

The other positions and functions of the Chairman of the board of directors and the chief executive officer within the entities of Crédit Mutuel Alliance Fédérale are exercised on a voluntary basis as of that date.

The compensation received by both corporate officers is detailed in the tables below.

During the fiscal year, they also benefited from the group's collective insurance and supplementary pension plans.

However, they did not receive any other specific benefits.

No capital securities or securities giving access to capital or the right to acquire capital securities of BFCM or the CIC was allocated to them. In addition, they do not receive attendance fees because of their office, whether in Group companies or in other companies, but because of their functions within the group.

The group's key executives may hold assets or loans with the group's banks, under the conditions offered to all employees.

At December 31, 2019, only Nicolas Théry holds a loan of this type.

COMPENSATION RECEIVED BY THE GROUP'S KEY EXECUTIVES FROM JANUARY 1 TO DECEMBER 31, 2019

2019 *Amounts in euros[a]*	**Origin**	**Fixed portion**	**Variable portion[b]**	**Benefits[c]**	**Employer contributions for supplementary benefits**	**Total**
Nicolas Théry	Crédit Mutuel	711,462[1]		11,748	10,462	733,672
	CIC	104,167[1]			505	104,672
Daniel Baal	Crédit Mutuel	808,961[2]		3,881	9,447	822,289

(1) Annual compensation of €725,510 over 5 months (€475,510 for the Crédit Mutuel part and €250,000 for the CIC part) and annual compensation of €880,000 over 7 months for the Crédit Mutuel part.

(2) Annual compensation of €709,506 over 5 months and annual compensation of €880,000 over 7 months.

2018 *Amounts in euros[a]*	**Origin**	**Fixed portion[a]**	**Variable portion[b]**	**Benefits[c]**	**Employer contributions for supplementary benefits**	**Total**
Nicolas Théry	Crédit Mutuel	475,510		11,531	11,649	498,690
	CIC	250,000			1,189	251,189
Daniel Baal	Crédit Mutuel	709,506		3,881	9,262	722,649

(a) These are gross amounts corresponding to amounts paid during the year.

(b) Any variable portion paid to the chief executive officer would be decided by the remuneration committee of CFdeCM following the shareholders' meeting that approves the financial statements for the previous fiscal year for which it was paid. The variable portion paid in N would therefore be for Year N-1.

(c) Company cars and/or senior executive insurance policy (GSC).

4.2 CAISSE FÉDÉRALE DE CRÉDIT MUTUEL – CORPORATE GOVERNANCE REPORT

4.2.1 Introduction

The provisions of Article L.225-37 of the French Commercial Code state that the board of directors shall present to the ordinary shareholders' meeting a corporate governance report alongside the management report.

In accordance with Article L.225-37-4 of the French Commercial Code, this report shall include:

- a list of all of the terms and duties exercised in any company by each corporate officer during the fiscal year;
- the composition of the board and the conditions for the preparation and organization of its work;
- a description of the diversity policy applied to the members of the board of directors with regard to criteria such as age, gender or qualifications and professional experience, and a description of the objectives of such a policy, its implementation procedures and the results obtained during the past fiscal year; this description shall be supplemented by information on the manner in which the company seeks a balanced representation of women and men within the committee established, if any, by Executive Management to assist it regularly in the performance of its general duties and on the results in terms of gender balance; in the 10% of positions with the highest level of responsibility;
- any restrictions that the board of directors may impose on the powers of the chief executive officer.

As it is not a company whose shares are admitted to trading on a regulated market, Caisse Fédérale de Crédit Mutuel does not refer to the Afep-Medef Code.

Caisse Fédérale de Crédit Mutuel complies with the corporate governance regulations applicable to credit institutions. To that end, it should be noted that the European Banking Authority (EBA) issued guidelines on internal governance on September 26, 2017 (EBA/GL/2017/11) as well as joint guidelines with the European Securities and Markets Authority (ESMA) on assessments of the suitability of members of the management body and holders of key positions on September 26, 2017 (EBA/GL/2017/12). In its compliance notice of June 4, 2018, the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) explained to the entities audited that it intended to comply fully with the internal governance guidelines and partially with the suitability assessment guidelines.

An excerpt from the ACPR's compliance notice on how to apply the suitability assessment guidelines is reproduced below:

"Without prejudice to the powers of the European Central Bank, the ACPR intends to comply partially with the fitness assessment guidelines of September 26, 2017. The ACPR intends to comply with the guidelines, with the exception of provisions for assessment by the supervisory authority of the fitness of holders of key positions at each appointment or renewal. The declaration of non-compliance applies to paragraphs 162 and 176 (transmission of results to the competent authority and documentation relating to internal assessment) and paragraphs 171 and 172 (assessment of the fitness of persons responsible for internal control functions and of the chief financial officer by the competent authority). This statement does not call into question the procedures already in place, which will continue to apply for the assessment of persons responsible for internal control at approval and in the event of a change of control.

In addition, the ACPR intends to apply the guidelines relating to attendance and the definition of independent members in the supervisory bodies with two reservations of interpretation:

- *formal independence is not an obligatory test of fitness under the regulations, which would be enforceable in the context of a review of an individual application. In French law, the implementation of the guidelines cannot therefore result in the rejection on this sole basis of an individual application for "fit and proper" reasons;*
- *mere non-compliance with one or more of the criteria listed in the guidelines (paragraph 91) does not disqualify a member from being defined as independent. These assumptions alone do not define independence and analysis of this attribute must also take into account other criteria, especially ones that might be developed by French companies pursuant to the French Commercial Code that could make it possible to achieve the same goal.*

Pursuant to paragraph 89) b) of the fitness assessment guidelines, the ACPR also intends not to require the attendance of independent members in CRD institutions wholly owned by a CRD institution and in CRD institutions that are of insignificant importance that are investment firms."

This corporate governance report explains how Caisse Fédérale de Crédit Mutuel has implemented the guidelines in accordance with the ACPR Notice and its own interpretation.

4.2.2 Composition of the management bodies as of December 31, 2019

Board of directors

- Nicolas Théry, Chairman
- Gérard Bontoux, Vice Chairman
- Gérard Cormorèche
- Bernard Dalbiez
- Chantal Dubois
- Charles Gerber
- Étienne Grad
- Véronique Hemberger
- Christine Leenders
- Mireille Lefebure
- Jean-Louis Maître
- Élia Martins
- Laurence Miras
- Gérard Oliger
- Frédéric Ranchon
- Agnès Rouxel
- Daniel Schoepf
- Annie Virot

Directors representing the employees

- Audrey Hammerer
- François Troillard

Non-voting directors

- Bernard Basse
- Philippe Galienne
- Jean-François Jouffray
- Damien Lievens
- Gérard Lindacher
- Lucien Miara
- Marc Prigent
- Daniel Rocipon
- Alain Têtedoie
- Philippe Tuffreau
- Didier Vieilly
- Michel Vieux

Other participants

- In accordance with Article L.2312-72 of the French Labor Code, two representatives of the Social and Economic Committee attend the meetings of the board of directors in an advisory capacity.
- The by-laws of Caisse Fédérale de Crédit Mutuel also state that three representatives of representative trade union organizations, other than those that have appointed directors representing the employees, shall attend the meetings of the board of directors in an advisory capacity.

Executive Management

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

4.2.3 Positions and functions held by corporate officers

Directors

Nicolas Théry

55 years old
Born December 22, 1965

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Committee: GROUP RISK MONITORING

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 topics and then international and European topics. In 2000, he became director of the Private Office of Florence Parly, Secretary of State for the Budget. From 2000 to 2002, he was Confederal Secretary to the CFDT, in charge of economic issues. He helped create the inter-union committee for employee savings schemes and the Vigeo rating agency created by Nicole Notat. From 2002 to 2009, he worked at the European Commission as director of cabinet of Pascal Lamy, Commissioner for International Trade, before joining the directorate general for Enterprise and becoming director in the directorate general for the Environment where he worked on climate change. In 2009, he joined Crédit Mutuel after holding various positions within the banking group. He was Chairman and CEO of CIC Est from 2012 to 2016.

Since 2014, he has been Chairman of Caisse Fédérale de Crédit Mutuel, Banque Fédérative du Crédit Mutuel and Crédit Industriel et Commercial. Since 2016, he has been Chairman of Confédération Nationale du Crédit Mutuel and Fédération du Crédit Mutuel Centre Est Europe. He also chairs the supervisory board of Groupe des Assurances du Crédit Mutuel.

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

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

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

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

Gérard Bontoux

Committees: REMUNERATION (CHAIRMAN) | GROUP RISK MONITORING | APPOINTMENTS

70 years old
Born March 7, 1950

Business address:
6 rue de la Tuilerie
31130 Balma

Summary of main areas of expertise and experience

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

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

Vice Chairman of the board of directors
Appointment: 2009
Term expires: 2021

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

Member of the supervisory board
Banque Européenne du Crédit Mutuel

Gérard Cormorèche

Committee: GROUP AUDIT AND ACCOUNTING

63 years old
Born July 3, 1957

Business address:
8 rue Rhin et Danube
69009 Lyon

Holder of an engineering degree from the École Supérieure d'Agricultures d'Angers, Gérard Cormorèche is the manager of a cereal and vegetable farm and of the CORMORÈCHE SARL specialising 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
Appointed to the board: 2001
Term expires: 2022

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

Non-voting director
Crédit Industriel et Commercial

Bernard Dalbiez

62 years old
Born August 7, 1958

Business address:
494 avenue du Prado
13008 Marseille

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2019
Term expires: 2022

Other offices held as of December 31, 2019

Chairman

District Centre Est de la Fédération du Crédit Mutuel Méditerranéen

Chairman of the board of directors

Caisse de Crédit Mutuel Marseille Pelletan

Chairman of the supervisory board

Société Actimut

Vice Chairman of the board of directors

Fédération du Crédit Mutuel Méditerranéen

Non-voting director

Caisse Centrale du Crédit Mutuel
Confédération Nationale du Crédit Mutuel

Terms of office expired over the past five fiscal years

Member of the supervisory board

Banque Européenne du Crédit Mutuel

Chantal Dubois

68 years old
Born October 8, 1952

Business address:
10 rue de Rieux
44040 Nantes

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2017
Term expires: 2020

Other offices held as of December 31, 2019

Chairs

Fondation du Crédit Mutuel Loire-Atlantique – Centre Ouest

Vice Chairwoman of the board of directors

Caisse de Crédit Mutuel de Limoges Centre

Director

Fédération du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest
Caisse régionale du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest

Terms of office expired over the past five fiscal years

Permanent representative of Caisse Fédérale du Crédit Mutuel Loire Atlantique et Centre Ouest, director

DOM'AULIM ESH

Charles Gerber

Committee: GROUP AUDIT AND ACCOUNTING

66 years old
Born June 3, 1954

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main areas of expertise and experience

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

Director
Appointed to the board: 1999
Term expires: 2021

Other offices held as of December 31, 2019

Chairman

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

Chairman of the board of directors

Caisse de Crédit Mutuel de la Largue

Director

Fédération du Crédit Mutuel Centre Est Europe

Terms of office expired over the past five fiscal years

None

Étienne Grad

Committee: GROUP AUDIT AND ACCOUNTING

68 years old
Born December 26, 1952

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main areas of expertise and experience

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

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

Since 1992 he has been the appointed Chairman of the board of directors of Caisse de Crédit Mutuel du cours de l'Andlau. Since 2010 he has been Chairman of the Communauté Urbaine de Strasbourg District of the Fédération du Crédit Mutuel Centre Est Europe.

Director
Appointed to the board: 2018
Term expires: 2021

Other offices held as of December 31, 2019

Chairman

District des caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg

SAS GRAD Étienne Conseil et Développement

Chairman of the board of directors

Caisse de Crédit Mutuel Cours de l'Andlau

Vice Chairman of the board of directors

Fédération du Crédit Mutuel Centre Est Europe

Director

Crédit Industriel et Commercial

Terms of office expired over the past five fiscal years

Director

Banque Fédérative du Crédit Mutuel

Véronique Hemberger

Committee: GROUP AUDIT AND ACCOUNTING

69 years old
Born December 24, 1951

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2018
Term expires: 2021

Other offices held as of December 31, 2019

Chair

CME 67

UNCME

Permanent representative of BFCM, director

Fédération du Crédit Mutuel Centre Est Europe

Member of the District de la CUS

District des caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg

Terms of office expired over the past five fiscal years

None

Christine Leenders

Committees: GROUP RISK MONITORING | REMUNERATION

64 years old
Born February 21, 1956

Business address:
1 place Molière
49000 Angers

Summary of main areas of expertise and experience

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

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

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

Director
Appointed to the board: 2017
Term expires: 2020

Other offices held as of December 31, 2019

Chair

Le pied à l'étrier

Écurie le mors aux dents

Chairman of the board of directors

Caisse de Crédit Mutuel de Durtal-Seiches-sur-le-Loir

Director

Fédération du Crédit Mutuel Anjou

Caisse régionale du Crédit Mutuel d'Anjou

Caisse de Crédit Mutuel Agricole et Rural de l'Anjou

Manager

Les Landes

Terms of office expired over the past five fiscal years

None

Mireille Lefebure

68 years old

Born October 27, 1952

Business address:

105 faubourg Madeleine
45920 Orléans

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2017
Term expires: 2020

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

None

Jean-Louis Maître

63 years old

Born February 26, 1957

Business address:

99 avenue de Genève
74054 Annecy

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2019
Term expires: 2022

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

None

Élia Martins

50 years old

Born June 4, 1970

Business address:

18 rue de la Rochefoucauld
75009 Paris

Summary of main areas of expertise and experience

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

In 2013, she was elected Chair of the board of directors of Caisse de Crédit Mutuel Paris 8 Europe. Since 2008, she has been a member of the board of directors of the Fédération and the Caisse Régionale du Crédit Mutuel Île-de-France.

Director
Appointed to the board: 2018
Term expires: 2021

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

None

Laurence Miras

Committee: APPOINTMENTS

55 years old
Born April 4, 1965

Business address:
130-132 avenue Victor Hugo
26009 Valence

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2017
Term expires: 2020

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

None

Gérard Oliger

Committees: APPOINTMENTS (CHAIRMAN) | REMUNERATION

69 years old
Born July 7, 1951

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2018
Term expires: 2022

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

None

Frédéric Ranchon

54 years old
Born June 22, 1966

Business address:
61 rue Blatin
63000 Clermont-Ferrand

Summary of main areas of expertise and experience

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

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

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

Director
Appointed to the board: 2018
Term expires: 2021

Other offices held as of December 31, 2019

Chairman
Fédération du Crédit Mutuel Massif Central
Caisse régionale du Crédit Mutuel Massif Central
Managing Partner
SAXO
MAM
SAXO MOD
FARGES

Terms of office expired over the past five fiscal years

None

Agnès Rouxel

Committee: APPOINTMENTS

62 years old
Born April 20, 1958

Business address:
17 rue du 11 novembre
14052 Caen

Summary of main areas of expertise and experience

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

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

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

Director
Appointed to the board: 2017
Term expires: 2020

Other offices held as of December 31, 2019

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

Chair of the board of directors
Caisse de Crédit Mutuel Sainte-Adresse

Member and Chair of the Commission of Elected Representatives
Chambre de Commerce et d'Industrie Seine Estuaire

Member of the board
Conseil européen des entreprises et commerce – Conseil du commerce de France

Manager
JP2A
Genèse

Terms of office expired over the past five fiscal years

Member of the board of directors
MEDEF Seine Estuaire

Daniel Schoepf

Committee: GROUP RISK MONITORING (CHAIRMAN)

65 years old
Born March 9, 1955

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main areas of expertise and experience

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

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

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

Director
Appointed to the board: 2018
Term expires: 2020

Other offices held as of December 31, 2019

Chairman
Union des Caisses de Crédit Mutuel du District de Saverne

Chairman of the board of directors
Caisse de Crédit Mutuel Dettwiller

Director
Fédération du Crédit Mutuel Centre Est Europe
Éditions des Dernières Nouvelles d'Alsace
SAP L'Alsace

Permanent representative of BFCM, director
Assurances du Crédit Mutuel Vie SAM

Terms of office expired over the past five fiscal years

Member of the supervisory board
Banque Européenne du Crédit Mutuel

Annie Virot

Committee: REMUNERATION

65 years old
Born March 6, 1955

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main areas of expertise and experience

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

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

Director
Appointed to the board: 2017
Term expires: 2020

Other offices held as of December 31, 2019

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

Chair of the board of directors
Caisse de Crédit Mutuel de Dijon Darcy

Vice Chair of the board of directors
Fédération du Crédit Mutuel Centre Est Europe

Terms of office expired over the past five fiscal years

None

Directors representing employees

Audrey Hammerer

42 years old
Born January 8, 1978

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main areas of expertise and experience

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

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

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

Other offices held as of December 31, 2019

None

Terms of office expired over the past five fiscal years

None

François Troillard

Committee: REMUNERATION

62 years old
Born September 16, 1958

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main areas of expertise and experience

Holder of a bachelor's in Communications from Université Paris Sorbonne, François Troillard spent his entire career at Crédit Mutuel as an in-house journalist, an account manager and safety official before retiring in December 2019.

He served as the CFDT union's deputy national delegate before being named a director representing the employees on the board of Caisse fédérale de Crédit Mutuel in 2016.

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

Other offices held as of December 31, 2019

None

Terms of office expired over the past five fiscal years

None

Directors who term of office expired in 2019[1]

Lucien Miara

71 years old
Born January 17, 1949

Business address:
494 avenue du Prado
13008 Marseille

Summary of main areas of expertise and experience

Holder of a DUT in business management, Lucien Miara has spent his entire career with Crédit Mutuel. He started in 1973 as an assistant manager and went on to become chief executive officer of Fédération du Crédit Mutuel Méditerrannéen in 1995.

Since 2006, he has been Chairman of the Fédération and the Caisse Régionale du Crédit Mutuel Méditerrannéen and holds offices both in local Crédit Mutuel banks and in the national Confédération Nationale du Crédit Mutuel.

Director
Appointed to the board: 2015
Term expires: 2019

Offices held as of December 31, 2019

Chairman of the board of directors
Fédération du Crédit Mutuel Méditerranéen
Caisse régionale du Crédit Mutuel Méditerranéen
Caisse de Crédit Mutuel Frontignan
Caisse de Crédit Mutuel Marseille Prado
Camefi

Member of the supervisory board
Euro-Information Production

Director
Banque Fédérative du Crédit Mutuel

Non-voting director
Crédit Industriel et Commercial

Permanent representative of Caisse régionale du Crédit Mutuel Méditerranéen, director
Assurances du Crédit Mutuel Vie SAM
Assurance du Crédit Mutuel Vie

Permanent representative of Banque Fédérative du Crédit Mutuel, director
Banque Marocaine du Commerce Extérieur

Terms of office expired over the past five fiscal years

Chairman of the board of directors
Caisse de Crédit Mutuel de Villeneuve-Loubet
Caisse de Crédit Mutuel Montpellier Alco
Caisse de Crédit Mutuel Marseille Saint Loup

Director
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel

Daniel Rocipon

72 years old
Born February 17, 1948

Business address:
99 avenue de Genève
74054 Annecy

Summary of main areas of expertise and experience

Holder of secondary diplomas in philosophy and elementary mathematics as well as a BEPC, Daniel Rocipon started his career at SNCF before being trained in management accounting at the Chambéry Chamber of Commerce. In 1979, he founded a stationery company, of which he became the Chairman and CEO from 1989 to 2009.

In 2011, he was elected Chairman of Caisse locale de Crédit Mutuel d'Albertville. He is Chairman of the Fédération and the Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc.

Director
Appointed to the board: 2016
Term expires: 2019

Offices held as of December 31, 2019

Chairman of the board of directors
Fédération du Crédit Mutuel Savoie-Mont Blanc
Caisse régionale du Crédit Mutuel Savoie-Mont Blanc
Caisse de Crédit Mutuel d'Albertville

Non-voting director
Caisse Fédérale de Crédit Mutuel

Permanent representative of Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc, director
Assurances du Crédit Mutuel Vie SAM

Terms of office expired over the past five fiscal years

Director
Caisse Fédérale de Crédit Mutuel
Banque Fédérative du Crédit Mutuel

(1) For the sake of transparency, the directors of Crédit Mutuel Alliance Fédérale whose terms of office within CFdeCM came to an end during 2019 but who also hold offices within Crédit Mutuel Alliance Fédérale are listed below.

Senior management

Daniel Baal

63 years old
Born December 27, 1957

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main 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
Appointed to the board: 2017
Term expires: 2020

Other offices held as of December 31, 2019

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

Terms of office expired over the past five fiscal years

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

4

Éric Petitgand

56 years old

Born February 4, 1964

Business address:

4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main areas of expertise and experience

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

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

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

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

Other offices held as of December 31, 2019

Chairman and permanent representative of Banque Fédérative du Crédit Mutuel

Bischenberg

Deputy chief executive officer

Fédération du Crédit Mutuel Centre Est Europe

Vice Chairman

Monetico International

Chief executive officer

Caisse Fédérale de Crédit Mutuel Antilles-Guyane

Fédération du Crédit Mutuel Antilles-Guyane

Permanent representative of Caisse régionale du Crédit Mutuel, member of the supervisory board

Groupe des Assurances du Crédit Mutuel

Member of the supervisory board

Euro-Information

Member of the management committee

Euro-Information Télécom

Member of the board of directors

Centre de Conseil et de Service – CCS

Permanent representative of Placinvest, director

Crédit Mutuel Investment Managers

Director

Lyf

Terms of office expired over the past five fiscal years

Chairman

Filaction

Vice Chairman

Cemcice Servicios España

Member of the board of directors

Cautionnement Mutuel de l'Habitat

Member of the supervisory board

Euro Information Production

Member of the management board

Euro-Information Direct Services

Permanent representative of Caisse Fédérale de Crédit Mutuel, member of the management board

Euro-TVS

Euro-Information Épithète

Permanent representative of CIC Associés, director

Crédit Mutuel Asset Management

Chief executive officer

Caisse régionale du Crédit Mutuel Savoie-Mont Blanc

Fédération du Crédit Mutuel Savoie-Mont Blanc

Permanent representative of Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc, director

ACM – IARD S.A

4.2.4 Delegations of authority granted by the shareholders' meeting to the board of directors for capital increases currently in use

None.

4.2.5 Preparation and organization of the work of the board

4.2.5.1 Rules of operation of the board of directors

Rules of operation of the board of directors

The workings of the board of directors are governed by Articles 14 to 18 of the Articles of Association and is supplemented by internal rules approved by the board of directors on February 20, 2019.

Missions of the board of directors

The board of directors' missions include, but are not limited to, the following areas: strategic orientations; governance, internal control and accounts; risk management; communication; compensation; recovery and resolution.

Composition of the board of directors

The company is administered by a board of directors comprised of no fewer than three and no more than 18 members who may be natural persons or legal entities that represent members.

The board of directors also includes two directors representing the employees, in accordance with Article L.225-27-1 of the French Commercial Code.

The term of office of the directors is three years, one-third of which may be renewed each year.

The board of directors may appoint non-voting directors for three-year terms. They participate in the deliberations of the board of directors in an advisory capacity. They may, by a decision of the majority of non-voting directors present or represented, request a second deliberation by the board.

Age limit

The individual age limit is set at seventy for directors and seventy-five for non-voting directors. When those ages are reached, terms of office shall end at the shareholders' meeting following the date of the birthday.

Cumulative validity with an employment contract

No director shall have an employment contract with the company and its controlled subsidiaries (with the exception of employee directors, who are not affected by the rules for combining a directorship with an employment contract).

Director skills and training

Caisse Fédérale de Crédit Mutuel attaches great importance to the skills of its directors. To hold the position of director or non-voting director on Banque Fédérative du Crédit Mutuel's board of directors, each candidate must have experience as an elected member and as Chairman or Vice Chairman of the board of directors or supervisory board of a Crédit Mutuel local bank, participate in the bodies and work of his Crédit Mutuel district or federation, and take part in the training courses for elected members.

In accordance with the joint guidelines of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) and the provisions of the French Monetary and Financial Code, a new regulatory training program was introduced in 2019.

This program was overhauled and will be supplemented starting January 1, 2020 by a three-year training program designed to enable members of the boards of directors, supervisory boards and regulatory committees of the umbrella structures to update their knowledge and skills.

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 regarding Caisse Fédérale de Crédit Mutuel and its private interests and/or other duties. The Crédit Mutuel Alliance Fédérale code of conduct applicable to Caisse Fédérale de Crédit Mutuel aims to prevent and, if necessary, manage conflict of interest situations.

Service contracts

There are no service contracts linking any member of the board of directors or Executive Management to, and providing benefits to, Caisse Fédérale de Crédit Mutuel or any of its subsidiaries.

Statement as to legal and criminal sanctions

During the past five years no member of the board of directors has been convicted of fraud, no member of the board of directors has gone in to bankruptcy or been associated with a court-ordered protection, receivership or liquidation procedure; and no charge or official public sanction has been upheld against a member of the board of directors or Executive board by statutory or regulatory authorities (including designated professional bodies). Furthermore, during the past five years no member of said boards has been disqualified by a court from acting as a member of an administrative, management or supervisory body of an issuer of securities or from acting in the management or business dealings of any issuer of securities.

Diversity of the board of directors

- Gender balance

  The Copé-Zimmermann Act (Act No. 2011-103 of January 27, 2011, as amended in 2014) is applicable to Caisse Fédérale de Crédit Mutuel and has been implemented by the appointment of 7 female directors in 2017 and 2 female directors in 2018.

  As of December 31, 2019, the representation of women on the board of directors of Caisse Fédérale de Crédit Mutuel was 40%.

- Regional representation

  The directors of Caisse Fédérale de Crédit Mutuel come from all of the federations throughout the territory within the scope of Crédit Mutuel Alliance Fédérale.

- Representation of civil society

  The diversity of the directors of Caisse Fédérale de Crédit Mutuel in terms of sociology, age, origin and gender tends to result in a board of directors that is representative of customers and civil society.

- Strategic plan

  The work launched as part of the Crédit Mutuel Alliance Fédérale 2019/2023 strategic plan reaffirms the group's ambition to strengthen diversity in the composition of its governance.

Independence of directors

Some members of the board of directors may be classified as independent after a review of their situation by the appointments committee.

This review must verify that there is no relationship between the director and Caisse Fédérale de Crédit Mutuel, whether financial, family or personal.

- More specifically, a director can be classified as independent only if he or she meets the following conditions: he or she has not been a voting or non-voting director of the board of directors of a federation, an umbrella banking entity of Crédit Mutuel Alliance Fédérale or the Confederation for more than 12 years;
- he or she has not received an indemnity or compensation, in any form whatsoever (excluding reimbursement of expenses), within the Crédit Mutuel group in excess of an annual amount set in the charter governing the exercise of office of members of the boards of Crédit Mutuel Alliance Fédérale and in the provisions set forth by Confédération Nationale du Crédit Mutuel.

Assessment of the board of directors and its committees

The board of directors of Caisse Fédérale de Crédit Mutuel and its committees conduct an annual assessment of their operations and composition under the responsibility of the appointments committee.

4.2.5.2 Work of the board in 2019

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

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

In 2019, the board of directors met four times. The meeting attendance rate for directors was 94% on average.

Meeting of February 20, 2019

The board of directors meeting of February 20, 2019 focused on the following topics in particular:

- Presentation of the balance sheet and financial statements as of December 31, 2018;
- Report of the group auditing and accounting committee meeting of February 18, 2019 presenting the following items: amendment of the committee's internal rules, committee self-assessment, approval of the new organization of periodic control and the process for appointing inspector generals, summary of external assessments of the control system;
- Approval of the annual comprehensive and consolidated financial statements as of December 31, 2018;
- Report of the group risk monitoring committee (GRMC) meeting of January 8, 2019 presenting the following items: executive summary of the risk dashboard, update on relations with supervisors, 2018 preventive recovery plan, SCR analysis grid for corporate banking, update of the commitment reference framework, draft update on the GRMC internal rules, draft evaluation of the risk management function and the GRMC;
- Update on relations with supervisors: banking supervision priorities in 2019 of the ESM, summary of the ECB's main tasks, discussions with the ECB and the ACPR, ongoing and future missions, draft SREP letter;
- Validation of the group's Preventive Recovery Plan;
- Summary of the operating risks for 2018;
- Summary of the non-compliance risks for 2018;
- Validation of the CIC Marchés and Group treasury rules for 2019;
- Update on the impact of Brexit and the position of Crédit Mutuel Alliance Fédérale;
- Social and Cooperative Responsibility: approval of the sectoral policies for Civil Nuclear Energy and Defense & Security;
- Report of the appointments committee meeting of February 18, 2019 presenting the following items: update on the committee meetings held in 2018, appointments and renewals presented in early 2019;
- Report of the remuneration committee meeting of February 18, 2019 presenting the following items: extension of the scope of competence of the remuneration committee starting January 1, 2018, analysis and control of the group compensation policy, review of the internal audit report on the compliance of the group compensation policy with regulatory requirements, annual assessment of the implementation of the compensation policy and practices for risk takers (MRT), identification of risk takers in the supervisory bodies, review of the compensation of the Chairman and of the chief executive officer of the bank, indemnities of the members of the boards of the umbrella entities;

- Regulated agreements: termination benefits and supplementary and additional pension commitments concerning the Chairman of the board of directors and the chief executive officer;
- Adoption of internal rules for the board of directors;
- Adoption of a charter governing the exercise of offices.

Meeting of April 4, 2019

The board of directors meeting of April 4, 2019 focused on the following topics in particular:

- Convergence of Fédération Antilles Guyane subject to the suspensive condition of the Confederation's approval;
- Compliance issues: bank correspondence, handling of IFS alerts, AMF follow-up letter on the EMiR mission;
- Handling of International Financial Sanctions (IFS) alerts;
- SCR – Non-Financial Performance Statement (NFPS);
- Approval of the data quality governance framework;
- Report of the remuneration committee meeting of March 21, 2019 and approval of the annual report on the policy and practices for the compensation of risk takers and of the overall compensation package for risk takers;
- Breakdown of the overall compensation package under the charter governing the exercise of offices of the members of the boards of directors and supervisory boards;
- Reports of the appointments committee meetings of March 21, 2019 and April 1, 2019;
- Proposed changes in the composition of the board of directors;
- Proposals for the appointment of voting and non-voting directors to the boards of CNCM and CCCM;
- Presentation of the cooperative audit report;
- Preparation and convening of the combined shareholders' meeting of May 10, 2019.

Meeting of July 25, 2019

The board of directors meeting of July 25, 2019 focused on the following topics in particular:

- Presentation of the consolidated financial statements as of June 30, 2019;
- Report of the group's auditing and accounting committee meetings of April 25, 2019 and July 24, 2019: presentation of the 2018 annual internal control report (AICR) 2018, update on relations with regulatory authorities;
- Presentation of the E&Y audit report on the assessment of periodic control;
- Approval of the consolidated financial statements as of June 30, 2019;
- Presentation of the work of the rates committee and the technical committee on financial regulation;
- Updating of the asset/liability management (ALM) limits;
- Opinion of the Federal Works Council on the economic and financial position of the company;
- Group risk control and monitoring activities;
- Report of the group monitoring and risk Committee meetings of April 11, 2019 and July 11, 2019;
- Presentation of the risk appetite framework;
- Presentation of the risk mapping and the reports on the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP);
- Presentation of the summary of the operational risks;
- Presentation of the relationship with the supervisor;
- Follow-up on the bank correspondence action plan;
- Presentation and review of the annual internal control report consolidated scope and the annual internal control report corporate scope;
- Approval of the LCB-FT annual internal control report consolidated scope and the LCB-FT annual internal control report corporate scope;
- Validation of the GACM Preventive Recovery Plan;
- Reports of the appointments committee meetings of April 16, May 10 and June 18, 2019: reduction of the appointments committee's scope;
- Report of the remuneration committee of June 18, 2019: annual review of Crédit Mutuel Alliance Fédérale's compensation policy;
- Composition of the group risk monitoring committee;
- Composition of the group auditing and accounting committee;
- Presentation of the employee directors appointed to the board of directors of Caisse Fédérale de Crédit Mutuel;
- Result of the elections to the Social and Economic Committee.

Meeting of November 15, 2019

The board of directors meeting of November 15, 2019 focused on the following topics in particular:

- Crédit Mutuel Alliance Fédérale IFRS consolidated earnings as of September 30, 2019;
- Report of the group auditing and accounting committee (GAAC) meeting of September 20, 2019: presentation of relationship with the supervisor, launch of the GAAC 2019 self-assessment, presentation of the system for assessing internal control functions (compliance, permanent control, periodic control);
- Report of the group risk monitoring committee meeting of October 24, 2019;
- Information on the operational risks;
- Relations with supervisors and ECB follow-up letters;
- Approval of the 2020 training plan for directors;
- Preparation of the Chambre Syndicale and Interfédérale;
- Interest rate and liquidity risk management at the end of September 2019;
- Amendment of the internal rules of the board of directors;
- Report of the appointments committee;
- Report of the remuneration committee;
- Approval of the compensation policy;
- Appointment of the members of the employers' delegation to the joint committee;
- Approval of the Crédit Mutuel Massif Central migration date;
- Authorization of the Monetico dissolution agreement;
- Affiliation of new Crédit Mutuel branches.

4.2.5.3 Committees of the board of directors

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

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

Remuneration committee

Crédit Mutuel Alliance Fédérale, which is subject to supervision by the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) on a consolidated basis, decided at the meeting of the board of directors on February 27, 2015 to set up a remuneration committee in accordance with Article L.511-89 of the French Monetary and Financial Code.

The committee's scope of competence is:

- all credit institutions and finance companies;
- the Crédit Mutuel Alliance Fédérale entities consolidated by Caisse Fédérale de Crédit Mutuel taken as the parent company of the consolidated Crédit Mutuel Alliance Fédérale Group, which by virtue of their size, internal organization and the nature, scale, complexity and cross-border nature of their activity fall within the scope of consolidation by decision of the board of directors;
- with the exception of entities which, because of their activity, size or specific nature, have committees that comply with legal and regulatory provisions. In this case, these individual committees report to the Caisse Fédérale de Crédit Mutuel umbrella committees on the work performed and the information communicated.

The remuneration committee prepares the decisions that the board of directors takes concerning compensation, in particular compensation of employees that has an impact on risk and risk management.

It conducts an annual review of:

- the principles of the compensation policy of Crédit Mutuel Alliance Fédérale;
- the compensation, indemnities and benefits of any kind granted to corporate officers;
- the compensation policy and the level of allocations, specific categories of employees also known as risk takers: actual managers, persons exercising a control function, persons whose professional activities have a significant impact on the risk profile of the company or Crédit Mutuel Alliance Fédérale as well as any employee who, in view of his or her overall income, is in the same compensation bracket as risk takers and managers.

It analyzes and controls:

- directly the compensation of the Head of Risk Management and the Head of Compliance;
- the list of compensation exceeding a certain amount as well as the compensation of the population of employees identified as risk takers in all Crédit Mutuel Alliance Fédérale's activities;
- the terms and conditions of allocation, individual allocation and payment and, in particular, compliance with the deferral rules set forth in the compensation policy.

It regularly, at least annually, makes proposals on the compensation of the executive body and corporate officers.

In addition, the remuneration committee reviews the annual audit report on compensation policy and/or the follow-up report on audit assignments.

In addition, the remuneration committee verifies with Executive Management that the Risk, Control and Compliance Departments have been consulted by the human resources department for the definition and implementation of the compensation policy.

It shall also make any proposals to improve the effectiveness of the various procedures and the overall system or to adapt them to new circumstances and regulatory changes.

The remuneration committee reports to the board of directors on its work and presents its proposals to the board. It shall issue in its minutes such opinions and recommendations as it deems appropriate.

To carry out these tasks, the remuneration committee relies on market practices by any means it deems appropriate.

In order to ensure consistency within Crédit Mutuel Alliance Fédérale and in the absence of a mechanism on the subject, a coordination process for changes in the compensation of Executive Management – chief executive officers of Crédit Mutuel Alliance Fédérale entities was adopted by the board of directors on February 26, 2016.

The chief executive officers of the federations are involved in this process, and their opinion is consultative.

This system involves the Chairman of Caisse Fédérale de Crédit Mutuel, the Executive Management of Caisse Fédérale de Crédit Mutuel, the human resources department, the General Secretariat and the risk management department.

For the compensation of the chief executive officers of federations or regional banks that are partners of Crédit Mutuel Alliance Fédérale, the compensation is set by the board of directors of the federation or regional bank, on the proposal of the Chairman and after consulting the remuneration committee of Crédit Mutuel Alliance Fédérale. Before deciding on its proposal, the Chairman of the federation or regional bank consults the Chairman and the chief executive officer of Caisse Fédérale de Crédit Mutuel.

For the compensation of the other members of the Executive Management of Crédit Mutuel Alliance Fédérale, a coordination and consultation process led by the human resources department involves the Chairman and the chief executive officer of Caisse Fédérale de Crédit Mutuel upstream.

The remuneration committee delivers its opinion at the end of the coordination process. The remuneration committee reports to the board of directors.

The remuneration committee met four times during 2019, with an average attendance rate of 78%.

As of December 31, 2019, the remuneration committee was composed of a Chairman, four members including one employee director and one associate member:

- Chairman: Gérard Bontoux;
- Members: Christine Leenders, Gérard Oliger, François Troillard (employee director), Annie Virot;
- Associate member: Jean-François Jouffray.

Appointments committee

The appointments committee issues opinions on appointment or renewal and prepares the decisions to be taken by the board of directors.

It is the mission of the appointments committee, under the responsibility of the board of directors and in compliance with the French Monetary and Financial Code (Articles L.511-89, L.511-90, L.511-98 to L.511-101) in accordance with the CRD IV Directive, the Transposition Order of February 20, 2014 and the Order of November 3, 2014, to:

- identify and recommend to the board candidates suitable for the exercise of the functions of director, non-voting director, executive officer who may have the status of an effective manager (chief executive officer, chief operating officer, deputy chief executive officer and other senior executives), to propose their candidacy to the competent body;
- assess the balance and diversity of knowledge, skills and experience available individually and collectively to the members of the board of directors;
- specify the missions and qualifications required for the functions performed on the board and assess the time to be devoted to those functions;
- set a target to be achieved for the balanced representation of women and men on the board and develop a policy to achieve that target;
- prepare periodically, and at least once a year, an assessment of the structure, size, composition and effectiveness of the board of directors with respect to the tasks assigned to it, and submit it to the board of directors together with any useful recommendations;
- review periodically, and at least once a year, the knowledge, skills and experience of the members of the board of directors, both individually and collectively, and report thereon to the board;
- review periodically the policies of the board of directors with respect to the selection and appointment of the persons mentioned in Article L.511-13, the chief operating officers and the Head of Risk Management and make recommendations in that respect;
- ensure that the board is not dominated by one person or a small group of people under conditions that are detrimental to the interests of the bank.

The appointments committee met ten times during 2019, with an average attendance rate of 95%.

As of December 31, 2019, the appointments committee was composed of a Chairman, three members and two associate members:

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

Group auditing and accounting committee

The auditing and accounting committee is responsible for all matters relating to internal and external control, as well as the preparation of financial statements and financial information. It also periodically examines Crédit Mutuel Alliance Fédérale's exposure to risks of all kinds that may affect its various activities.

The missions of the GAAC include the following:

- Internal and external control:
  - ensures the existence of a document describing the organization and operation of the various control and compliance functions,
  - examines the internal audit plan once a year and asks for any additional work for the periodic audit,
  - ensures good coverage of internal control through permanent control and compliance,
  - ensures the adequacy of the resources of the various control and compliance functions,
  - reviews a summary of the main tasks of the periodic control as well as the results of the permanent and compliance controls,
  - receives communication of the annual report and the half-yearly internal control report,
  - ensures that the implementation of the recommendations made by the internal audit is effective,
  - is informed of the conclusions of the controls performed by the supervisory authorities and monitors the implementation of the recommendations made by those authorities,
  - examines the questions asked, if any, by the financial authorities or any other regulatory or judicial authority and the answers provided,
  - ensures the existence of rules of good conduct in matters of ethics,
  - ensures that the control, compliance and risk monitoring functions complement each other,
  - ensures that there is a whistle-blowing process open to employees, members and third parties,
  - ensures that internal data collection and control procedures guarantee the quality of the information provided,
  - reviews the outcome of the annual periodic control assessment process;
- Financial statements and financial information:
  - ensures that the process for producing accounting and financial information complies with the legal requirements, the recommendations of regulatory authorities and the internal procedures,
  - reviews significant changes in accounting policies,
  - reviews the changes, appropriateness and relevance of the scope of consolidation,
  - reviews the accounting treatment of significant transactions,
  - reviews the estimates used in the impairment tests,
  - periodically reviews significant litigation and off-balance sheet commitments,
  - reviews the financial statements (balance sheet, income statement and notes),

- reviews the main items of financial communication relating to the financial statements,
- meets with the finance department's representatives prior to the distribution of financial communication,
- periodically holds discussions with the external auditors, within the limits of the law on professional secrecy,
- reviews the financial communications relating to the financial statements (in particular the assumptions and estimates used by Executive Management if the company communicates regarding forecasts or trends),
- submits its recommendations to the competent boards for the selection and reappointment of statutory auditors,
- periodically reviews engagement letters relating to non-audit work entrusted to statutory auditors,
- reviews the conclusions of the statutory auditors' due diligence,
- reviews any significant disagreements between the statutory auditors and Executive Management,
- reviews the additional reports to the group auditing and accounting committee prepared by the statutory auditors for the EIPs that have delegated this regulatory provision to the committee,
- reviews the statutory auditors' letters of recommendations and the status of implementation of the recommendations,
- ensures compliance with the legal and regulatory provisions relating to the incompatibility of statutory auditors' assignments,
- ensures the independence of the statutory auditors;

- Risks:
  - reviews at least twice a year the cost of risk, the group's exposures, market and credit concentration limits, risk measurement methodologies, risk-taking policies and crisis management policies,
  - ensures the existence of a procedure for identifying and monitoring risks and the suitability of those procedures to changes in the external environment and/or activity,
  - reviews the risk mapping and action plans,
  - reviews the potential impact of significant risks, as estimated by the risk department,
  - ensures the existence of a risk dashboard that describes the risk exposure in detail,
  - ensures that procedures are in place to ensure compliance with the legal and regulatory obligations,
  - ensures that there is a process in place to identify and handle incidents and anomalies,
  - reviews the insurance program.

The auditing and accounting committee shall, where appropriate, propose to the various affected supervisory bodies the improvements and decisions of a prudential nature that it deems necessary in relation to the findings that it has reviewed, whether they come from internal or external audits.

The auditing and accounting committee met five times during 2019, with an average attendance rate of 87%.

As of December 31, 2019, the auditing and accounting committee was composed of a Chairman, four members and ten associate members:

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

Group risk monitoring committee

The risk monitoring committee issues opinions and advice in preparation for decisions made by the board of directors on general policy, thresholds and limits in matters of risk management.

The missions and attributes of the Alliance Fédérale risk monitoring committee include the following:

- Financial risks:
  - conduct an exhaustive review of the risks and exposures (quality, ratings, concentration, impairment) to which Crédit Mutuel Alliance Fédérale is exposed. Exhaustiveness is observed both in terms of types of risk and in terms of the businesses carried out by the group's banking and non-banking entities both in France and abroad,
  - analyze short- and medium-term liquidity ratios and monitor changes to them, in particular as part of the ILAAP procedure,
  - examine changes to the main regulatory (solvency and leverage) and operating ratios, in particular those relating to the consumption of shareholders' equity, by business lines and entities, as well as compliance with the amounts of shareholders' equity allocated by the supervisory bodies, in particular as part of the ICAAP procedure,
  - review changes in results in perspective with changes in risks, results and the consumption of shareholders' equity,
  - assess the quality of monitoring and control of all risks set forth in the Decree of November 3, 2014, in particular credit, market, overall interest rate, intermediation, settlement, liquidity and operational risks, for all group entities (in particular banks and insurance companies),
  - assist the supervisory body in its task of supervising the application of risk policies and strategies by the Executive Management that constitute the group's executive body. In this context, compliance with the limits of the risk indicators and any overruns are observed,
  - advise the supervisory body on current and future risk strategies and risk tolerance. In this context, the committee may propose to the supervisory body changes to the risk management system (addition and modification of indicators and/or limits), specific reports or comments on particular issues or risks, whether specific or general,
  - review risk-taking policies, overall risk management strategies, limits, cost of risk and associated controls, provisioning policies, risk measurement methodologies, and crisis management policies including the Preventive Recovery Plans (PRPs),

- propose to Executive Management any measures that may be necessary concerning the system of limits or alert thresholds for the main counterparties, economic sectors or geographical areas, as well as limits or alert thresholds for interest rate, liquidity and market risks;
- Non-financial risks and controls:
  - review changes in the financial or non-financial ratings of external agencies,
  - review the results of controls relating to compliance mechanisms, including the anti-money laundering and anti-terrorist financing mechanism,
  - review the significant alerts or incidents brought to its attention and the reduction measures implemented, with follow-up, in particular Information System Security;
  - review risk mapping and related control plans on an annual basis;
  - review the Emergency and Business Continuity Plan (EBCP) annually,
  - review, as part of its mission, whether the prices of the products and services mentioned in Books II and III of the French Monetary and Financial Code offered to customers are compatible with the Crédit Mutuel Alliance Fédérale risk strategy. If these prices do not correctly reflect the risks, it informs the board of directors and gives its opinion on the action plan to remedy the situation;
- Governance:
  - ensure that the nature, scope coverage, granularity, form and frequency of the risk information provided to the committee is adequate,
  - focus, twice a year, on the risks of CIC New York's activity as part of a "US risks committee" as requested by the local supervisory authorities,
  - ensure the adequacy of resources allocated to the risk management, permanent control and compliance functions,
  - review, on a quarterly basis, the monitoring of the recommendations issued by the Crédit Mutuel group audits assigned to the risk management function,
  - monitor the progress of regulatory projects that impact Crédit Mutuel Alliance Fédérale,
  - review and discuss follow-up letters received from various supervisors and review the responses to these letters,
  - ensure the proper integration of acquired subsidiaries into the Crédit Mutuel Alliance Fédérale risk management system,
  - be informed of the conclusions of the control missions conducted by the various supervisors and monitors the implementation of the recommendations made by those supervisors,
  - examine, without prejudice to the missions of the remuneration committee, whether the incentives stated by the compensation policy and practices are compatible with the situation of the company with regard to the risks to which it is exposed and of its capital, its liquidity and the probability and timing of expected profits;

Main duties of the Head of Risk Management:

- The Head of risk management reports on changes in the main risks as listed in the Order of November 3, 2014 on the internal control of companies in the banking, payment services and investment services sector, in particular credit, market, overall interest rate, intermediation, settlement, liquidity, operational and compliance risks;
- The Head of Risk Management informs the committee of the monitoring of any changes to or excesses of limits and alert thresholds, comments on regulatory developments and the supervisory missions of ACPR and JST (Joint Supervisory Team). He or she reviews the group's developments in its markets in France and abroad.

The risk monitoring committee met four times during 2019, with an average attendance rate of 81%.

As of December 31, 2019, the risk monitoring committee was composed of a Chairman, four members and eight associate members:

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

4.2.5.4 Ethics

Crédit Mutuel Alliance Fédérale's code of conduct was approved in June 2018.

This registration document, which includes all regulatory and legal requirements relating to conduct, reiterates the principles that must be obeyed by each entity and employee of the group in the exercise of their activities. It is part of the group's overall objectives in terms of quality of customer service, integrity and rigor in the processing of transactions and compliance with regulations. It applies to all group entities in France and abroad, in accordance with local regulations.

In particular, the code of conduct contains provisions on preventing conflicts of interests, combating corruption and rules applicable to persons in possession of inside information.

The code of conduct is circulated to all employees and must be consulted by all on the intranet of each group entity.

This code is supplemented by the code of conduct, which applies to all elected representatives and employees as well as to all Crédit Mutuel Alliance Fédérale entities. Its purpose is to make known the group's commitments and the resulting rules of behavior in terms of respect for values and texts, respect for the individual, duty of good management, duty of confidentiality, duty of reserve, voluntary work and independence of elected representatives, duty of training and conflicts of interest.

4.2.5.5 Ethics and compliance committee

An Ethics and compliance committee was established on a community basis by the Chambre Syndicale on December 9, 2006 to monitor the application of the code of conduct within Crédit Mutuel Alliance Fédérale entities.

It is composed of the members appointed by the Chambre Interfédérale, one elected member and one employee representative per partner Federation:

- the elected representatives are proposed by the board of directors of their home federation from among the elected representatives of that federation who participate in the Chambre Interfédérale or, failing that, from among the elected representatives sitting in the federal bodies;
- the employee representatives are proposed by the Works Council of their home federation from among the representatives who participate in the Chambre Interfédérale.

The director of Group Human Resources, the group General Secretariat, the Inspector General, the Heads of Compliance and the Heads of Elected Member Relations at the federations contribute to the committee's work in an advisory capacity.

The committee is chaired by an elected member of the Chamber representing the member banks. He or she is proposed by the board of directors of Fédération du Crédit Mutuel Centre Est Europe.

4.2.5.6 Executive Management

Composition and prerogatives of Executive Management

In accordance with Article L.511-13 para. 2 of the French Monetary and Financial Code, banking regulations require the separation of the functions of Chairman of the supervisory body and Effective Manager of the institution. The effective management of the institution is assumed by at least two people. The effective management enjoys all powers attached to it by banking and financial laws and regulations, both internally and with respect to third parties.

Composition of Executive Management

The Executive Management of Caisse Fédérale de Crédit Mutuel is composed of:

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

Prerogatives of Executive Management

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

4.2.6 Principles and rules of remuneration of identified individuals (Articles L.511-71 et seq. of the French Monetary and Financial Code)

The remuneration policy of Crédit Mutuel Alliance Fédérale, which belongs to its customers and members, is designed primarily to be sound and responsible and gives priority to aligning the interests of Crédit Mutuel Alliance Fédérale with those of its employees and to protecting the interests of its members and customers. It therefore takes its duty to advise very seriously.

Crédit Mutuel Alliance Fédérale believes that a company's remuneration policy is an important aspect of consistency in its strategy and risk management. Against this backdrop, Crédit Mutuel Alliance Fédérale has remained true to its mutualist values and has defined a policy whose principles are in accordance with the regulatory requirements and with industry practices, with the aim of:

- ensuring consistency between employee behavior and Crédit Mutuel Alliance Fédérale's long-term objectives, in particular with respect to developing risk management control;
- promoting career advancement through internal training and encouraging employees' long-term commitment;
- ensuring fair pay for work and retaining talented employees by offering them appropriate compensation that takes into consideration the competitive environment and is based on their level of seniority, expertise and professional experience;
- ensuring equal pay for men and women, based on classification, and more broadly fighting all forms of discrimination;
- making sure that shareholders' equity is regularly strengthened.

The remuneration policy builds on the Crédit Mutuel Alliance Fédérale risk appetite framework, which states that the remuneration of employees must not encourage excessive risk-taking and aims to avoid all conflicts of interest.

In that context, the overall remuneration policy therefore does not encourage risk-taking in excess of the level of risk defined by Crédit Mutuel Alliance Fédérale. It is guided by the principles of restraint and prudence implemented by Crédit Mutuel Alliance Fédérale, including for risk-takers.

Variable remuneration is strictly limited to a few business lines and functions and is not an incentive for employees to take risks that would not be in line with the guidelines from Executive Management and the board of directors, in particular for those employees whose activities are likely to have a significant impact on the institution's risk exposure.

The board of directors of Caisse Fédérale de Crédit Mutuel approved the Crédit Mutuel Alliance Fédérale remuneration policy, including the overall remuneration policy for staff whose professional activities are likely to have a significant impact on the institution's risk profile.

This general policy takes account of Article 104 of the Decree of November 3, 2014, Articles L.511-89 et seq. of the French Monetary and Financial Code, and Commission Delegated Regulation (EU) No. 604/2014 of March 4, 2014, which sets out the appropriate qualitative and quantitative criteria for identifying these categories of staff.

The latest version of the note on the compensation policy for risk takers was approved by the board of directors on February 21, 2018 and November 15, 2019.

The federations to which Caisse Fédérale de Crédit Mutuel belongs are committed to the principle of voluntary directorship within the various bodies that make up Crédit Mutuel Alliance Fédérale. The corollary of this principle is to ensure that the directors have the necessary resources to perform their responsibilities, with the sole aim of ensuring the development, durability and respect of the values of Crédit Mutuel. A charter governing the exercise of offices of the members of the boards of directors or supervisory boards has been in place since January 1, 2019. It sets the terms and conditions for the application of the principle of voluntary work by the elected representatives of Crédit Mutuel Alliance Fédérale, in particular by strictly defining the terms and conditions under which indemnities are allocated to ensure the exercise of certain strategic functions in the federations and umbrella entities of Crédit Mutuel Alliance Fédérale. It supplements the code of conduct that applies to all elected officials.

For all persons at Crédit Mutuel Alliance Fédérale who meet the above criteria, the overall amount of remuneration for 2019 as set out in the aforementioned Article L.511-73 was €109,903,000.

The report on the compensation policies and practices referred to in Article 266 of the Edict of November 3, 2014 concerning the internal controls of companies in the banking, payment services and investment services sector is published every year.

It gathers the approved quantitative information mentioned in Article 450 h) and 450 g) of EU Regulation 575/2013.

A preference for fixed remuneration, with variable remuneration strictly limited to a few specialized activities

Crédit Mutuel Alliance Fédérale has decided to prioritize fixed remuneration in keeping with its mutualist values and its responsibilities toward its customers and members. It incorporates its constant concern for sustainable development and employee career advancement into its policy.

For most of Crédit Mutuel Alliance Fédérale's employees, in particular all those who work for the networks, Crédit Mutuel Alliance Fédérale has decided to not set individual targets for customer sales that might generate variable remuneration.

Generally speaking, the components of additional compensation (benefits in kind, variable remuneration, etc.) are subject to restrictions and concern only specific situations in certain business lines or functions when justified by particular considerations. The variable remuneration practices for specialized businesses are therefore generally consistent with those of other banking groups: trading floor, structured financing, asset management, private equity, private banking and consumer credit.

A Group remuneration policy for Crédit Mutuel Alliance Fédérale in 2019

At its meeting of February 21, 2018, the board of directors of Caisse Fédérale de Crédit Mutuel approved the integration into its scope, as of fiscal year 2018, of the entities covered by the AIFM and UCITS V directives as well as those subject to the Solvency II directive.

Article L.511-91 of the French Monetary and Financial Code, established by Article 3 of Order No. 2014-158 of February 20, 2014, states that when a credit institution is part of a group subject to supervision by the French Prudential and Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) on a consolidated basis, the board of directors of such institution may decide that the functions assigned to the regulatory committees (risk, appointments, remuneration) be performed by the committee of the credit institution at which level supervision is exercised on a consolidated or sub-consolidated basis.

Within Crédit Mutuel Alliance Fédérale, all boards of directors of the entities – regardless of their activities and the applicable regulations, in France and abroad – delegate their remuneration authority to the "umbrella" committee (Caisse Fédérale de Crédit Mutuel). This includes the federations and regional banks (which "control" Caisse Fédérale), the consumer credit activity, the asset management activity and the insurance entities (which are in the consolidated accounting scope), the private equity, services and/or IT activities, the economic interest groups and the international private banking and subsidiary activities (including Banque Transatlantique, Banque de Luxembourg, CIC Suisse, Targobank in Germany and Targobank in Spain, which until now had individual remuneration committees).

The scope therefore goes beyond just the regulatory monitoring scope of the banking activity.

The boards of directors' delegations of authority took effect at the beginning of 2018 and the entities' regulatory committees, with the exception of the "umbrella" committee of Caisse Fédérale de Crédit Mutuel, were to be eliminated. The "umbrella" committee reports on its work to the board of directors of Caisse Fédérale de Crédit Mutuel, and to the boards of directors of the entities for the information that is relevant to them.

Coordination process for changes in the compensation of Crédit Mutuel Alliance Fédérale's senior executives

To ensure consistency, in the absence of a mechanism for the subject, a coordination process for changes in the compensation of Executive Management – chief executive officers of the entities was adopted at the board of directors meeting of February 26, 2016. The chief executive officers of the federations are involved in this process, and their opinion is consultative. This system involves the Chairman of Caisse Fédérale de Crédit Mutuel, the Executive Management of Caisse Fédérale de Crédit Mutuel, the human resources department, the risk management department and the General Secretariat.

The remuneration committee gives its opinion on a proposal for the coordination process. The remuneration committee reports to the board of directors.

4.2.7 Principles for determining the compensation granted to corporate officers

Guiding principles

Caisse Fédérale de Crédit Mutuel does not refer to the Afep-Medef Code, which is unsuitable in its case for a certain number of recommendations, given the structure of the shareholder base, which is made up entirely of Crédit Mutuel Alliance Fédérale entities.

The non-executive corporate officers, i.e. all directors other than the Chairman of the board of directors, do not receive attendance fees. The federations to which Caisse Fédérale de Crédit Mutuel belongs are committed to the principle of voluntary directorship within the various bodies that make up Crédit Mutuel Alliance Fédérale. The corollary of this principle is to ensure that the directors have the necessary resources to perform their responsibilities, with the sole aim of ensuring the development, durability and respect of the values of Crédit Mutuel. A charter governing the exercise of offices of the members of the boards of directors or supervisory boards has been in place since January 1, 2019.

Implementation

The officers concerned are the Chairman of the board and the chief executive officer.

On February 20, 2019, the board of directors of Caisse Fédérale du Crédit Mutuel decided, on the proposal of the remuneration committee meeting of February 18, 2019, to allocate to:

- Nicolas Théry, as compensation for his appointment as Chairman of the board of directors, an annual compensation of €880,000 starting June 1, 2019. Said compensation shall be paid as from that date by Caisse Fédérale de Crédit Mutuel.

  It was also decided to change the termination benefit to two years' compensation as a corporate officer instead of the current one year, calculated on the basis of the average of the last twelve months preceding the end of his or her term of office.

  The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2019 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. To that end, it should be noted that Nicolas Théry has been an employee of the group since September 1, 2009 and that his employment contract was suspended with effect from November 14, 2014.
- Daniel Baal, as compensation for his appointment as chief executive officer, an annual compensation of €880,000 starting June 1, 2019. Said compensation shall be paid by Caisse Fédérale de Crédit Mutuel.

  It was also decided to change the termination benefit to two years' compensation as a corporate officer instead of the current one year, calculated on the basis of the average of the last twelve months preceding the end of his or her term of office.

  The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2019 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group.

  To that end, it should be noted that Daniel Baal was an employee of Caisse Fédérale du Crédit Mutuel from July 1, 1979 to September 30, 2001, then from February 2, 2004 to the present, and that his employment contract was suspended effective June 1, 2017.

The other positions and functions of the Chairman of the board of directors and the chief executive officer within the entities of Crédit Mutuel Alliance Fédérale are exercised on a voluntary basis as of that date.

The compensation received by both corporate officers is detailed in the tables below.

During the fiscal year, they also benefited from the group's collective insurance and supplementary pension plans.

However, they did not receive any other specific benefits.

No capital securities or securities giving access to capital or the right to acquire capital securities of BFCM or the CIC was allocated to them. In addition, they do not receive attendance fees because of their office, whether in Group companies or in other companies, but because of their functions within the group.

The group's key executives may hold assets or loans with the group's banks, under the conditions offered to all employees.

At December 31, 2019, only Nicolas Théry held this type of loan.

COMPENSATION RECEIVED BY THE GROUP'S KEY EXECUTIVES FROM JANUARY 1 TO DECEMBER 31, 2019

2019 *Amounts in euros*[a]	Origin	Fixed portion	Variable portion[b]	Benefits[c]	Employer contributions for supplementary benefits	Total
Nicolas Théry	Crédit Mutuel	711,462[1]		11,748	10,462	733,672
	CIC	104,167[1]			505	104,672
Daniel Baal	Crédit Mutuel	808,961[2]		3,881	9,447	822,289

(1) Annual compensation of €725,510 over 5 months (€475,510 for the Crédit Mutuel part and €250,000 for the CIC part) and annual compensation of €880,000 over 7 months for the Crédit Mutuel part.

(2) Annual compensation of €709,506 over 5 months and annual compensation of €880,000 over 7 months.

2018 *Amounts in euros*[a]	Origin	Fixed portion	Variable portion[b]	Benefits[c]	Employer contributions for supplementary benefits	Total
Nicolas Théry	Crédit Mutuel	475,510		11,531	11,649	498,690
	CIC	250,000			1,189	251,189
Daniel Baal	Crédit Mutuel	709,506		3,881	9,262	722,649

(a) These are gross amounts corresponding to amounts paid during the year.

(b) Any variable portion paid to the chief executive officer would be decided by the remuneration committee of CF de CM following the shareholders' meeting that approves the financial statements for the previous fiscal year for which it was paid. The variable portion paid in N would therefore be for Year N-1.

(c) Company cars and/or senior executive insurance policy (GSC).

Since 2003, CIC has been a major partner of the Musée de l'Armée des Invalides as part of the enhancement of its heritage and cultural development. It supports numerous projects, notably the financing of various restorations and acquisitions of works, the development of temporary exhibitions and the promotion of the museum's musical season.

5

RISK FACTORS AND PILLAR 3

INTRODUCTION

The purpose of the Crédit Mutuel Alliance Fédérale's Pillar 3 report is to supply information supplementary to the minimum regulatory requirements concerning shareholders' equity and risks called for in Pillars I and II of the Basel agreements, in the form of additional data concerning equity and risks. These supplements primarily serve to meet the guidelines on reporting requirements found in part 8 of EU Regulation 575/2013 on capital requirements and the guidelines of the European Banking Authority on reporting liquidity coverage ratios (LCR).

Since the 2008 crisis, the Basel Committee, the bulk of whose directives have been transposed into European law, the regulatory authority and the European supervisor have sought to make banks stronger and more able to absorb economic shocks, notably by a stricter definition of shareholders' equity, more homogeneous rules for calculating weighted assets, and the introduction of a leverage ratio, a short-term liquidity coverage ratio (LCR) and a long-term one (NSFR or Net Stable Funding Ratio), a Single Supervisory Mechanism and a Single Resolution Mechanism.

Crédit Mutuel Alliance Fédérale has incorporated all of the regulatory changes and, from a solvency level already high before the crisis, continued to add to its shareholders' equity and its risk measurement and oversight system, as evidenced by the items cited in this section on Pillar 3.

The figures that have been checked for accuracy and consistency as required by article L.823-10 of the French Commercial Code are marked with the letter "v" for "verified".

GLOSSARY

Capital requirements	Capital requirement. Its amount is obtained by applying a rate of 8% to the weighted risks (or RWAs).
CCF	Credit Conversion Factor: This is the ratio between (i) the unused amount of a commitment that could be drawn and at risk at the time of a default and (ii) the amount of the commitment not yet used. Under the standardized approach, the regulator determines this factor. Under the internal ratings-based (IRB) approach, the CCF is calculated by the bank based on a review of its own customers' behavior.
CCR	Counterparty credit risk: risk of loss due to the default of a counterparty. RWAs and capital requirements concerning the Credit and Counterparty Risk include the amounts related to the hedging of CVAs inherent to over-the-counter derivatives other than credit derivatives recognized as reducing RWAs for credit risk, as well as RWAs and capital requirements pertaining to contributions to the default fund of a central counterparty.
CRM	Credit Risk Mitigation: Mitigation of credit risk by taking into account real and personal collateral and credit derivatives, or clearing or novation mechanisms.
CVA	Credit Valuation Adjustment: Accounting adjustment, introduced by IAS 39, to the fair value measurement of over-the-counter derivatives (interest-rate swaps whether or not they are collateralized, etc.). The adjustment involves incorporating a discount equal to the market value of the counterparty default risk into the valuation of products.
EAD	Exposure At Default Likely: Amount of exposure at risk at the time of default. This concerns the institution's on and off-balance sheet exposures in the event of counterparty default. Off-balance sheet exposures are converted to a balance sheet equivalent using internal or regulatory conversion factors.
EL	Expected Loss: expected loss in the event of default. It is determined by multiplying exposure at default (EAD) by probability of default (PD) and by loss given default (LGD).
LGD	Loss Given Default: Loss given default expressed as a percentage of EAD.
LGD*	A specific LGD for non-retail exposures using an in-house rating method.
PD	Probability of Default: expressed as a% over a one-year horizon and calculated by the bank based on its observation of default rates over a long-term period. PD is calculated by type of borrower and type of loan.
RWA	Risk Weighted Assets: value of assets based on banks' exposures and their associated risk levels, which depend on counterparties' creditworthiness, measured using the methods provided for in the Basel 2 framework

5.1 KEY FIGURES

5.1.1 Solvency

Solvency ratio

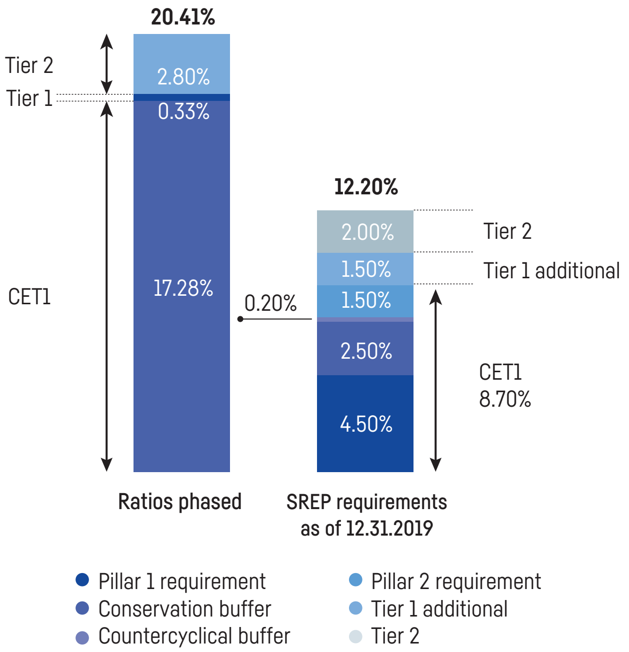
TABLE 1: SOLVENCY RATIOS

	Phased ratios[1]		Non-phased ratios[2]	
(in € millions)	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Common Equity Tier 1 capital (CET1)	38,995	35,438	38,995	35,474
Additional Tier 1 capital (AT1)	744	953	94	87
Tier 2 capital (T2)	6,331	5,856	6,953	6,685
TOTAL SHAREHOLDERS' EQUITY	**46,070**	**42,247**	**46,042**	**42,246**
TOTAL RISK-WEIGHTED ASSETS	**225,713**	**214,048**	**225,713**	**214,048**
Common Equity T1 (CET1) ratio	17.3%	16.6%	17.3%	16.6%
Tier 1 ratio (T1)	17.6%	17.0%	17.3%	16.6%
Overall ratio	20.4%	19.7%	20.4%	19.7%

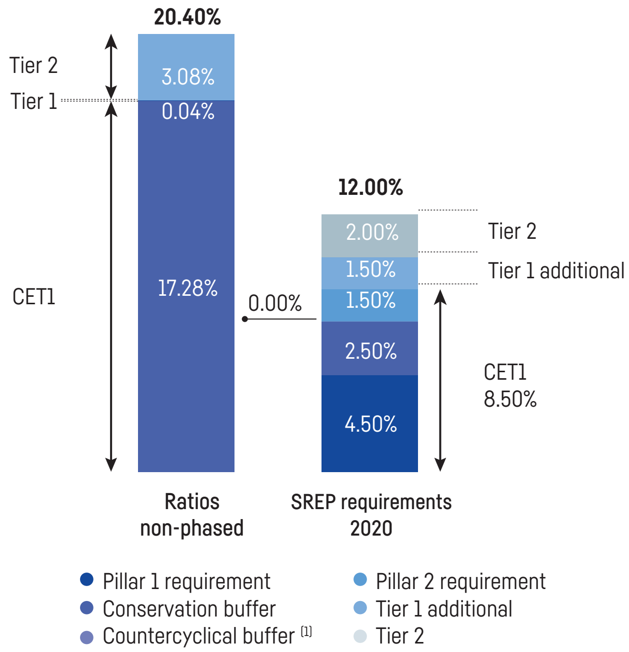
(1) With the application of transitional measures.
(2) Without transitional measures.

TABLE 2: REGULATORY REQUIREMENTS AND SOLVENCY RATIOS

PHASED RATIOS AND SREP 12/31/2019 REQUIREMENTS



NON-PHASED RATIOS AND 2020 SREP REQUIREMENTS

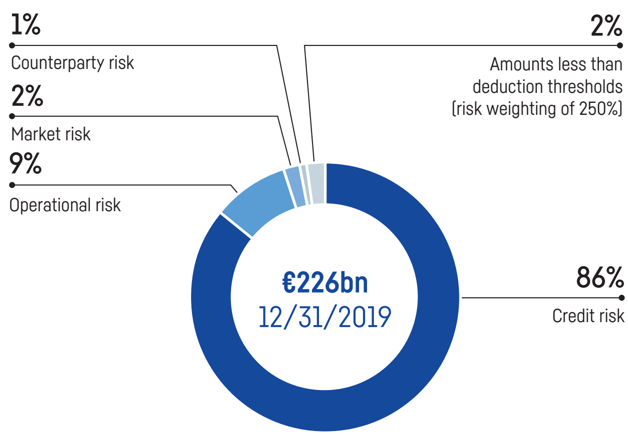


[1] according to the decision of HCSF, the BaFin and the BNB to fully release the buffer of counter-cyclical bank shareholders' equity, as a consequence of the crisis related to COVID19.

5

TABLE 3: RISK-WEIGHTED ASSETS (RWA) BY TYPE OF RISK

(in € millions)	12/31/2019	12/31/2018
Credit risk	195,224	183,290
Operational risk	19,149	19,620
Market risk	2,784	3,182
Counterparty risk	2,614	2,422
Securitization exposure in the banking book	953	822
Settlement risk	1	1
Amounts less than deduction thresholds (risk weighting of 250%)	4,988	4,711
TOTAL RWA	**225,713**	**214,048**



Credit Risk

TABLE 4: EXPOSURE AT DEFAULT (EAD) BY CATEGORY

(in € millions)	12/31/2019	12/31/2018
Retail clients	287,247	270,915
Businesses	131,616	124,418
Central governments and similar, and central banks	123,814	104,484
Institutions (banks)	30,271	29,999
Shares	13,974	13,784
Other assets	7,015	5,971
TOTAL EAD	**593,937**	**549,571**

Excluding counterparty credit risk and securitization exposure in the banking book.

EAD BROKEN DOWN BY CATEGORY

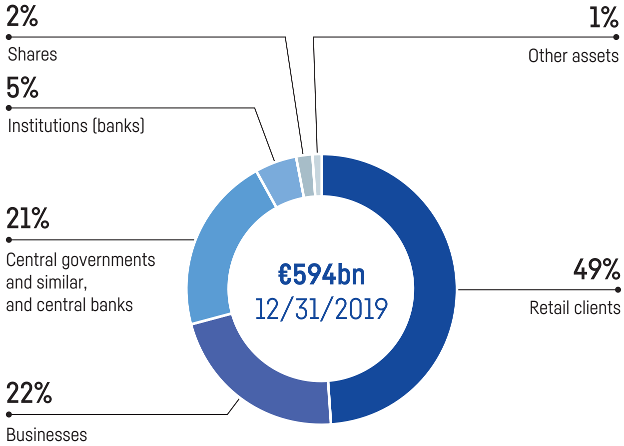
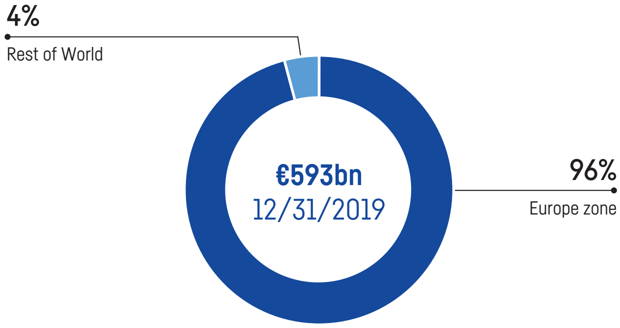


TABLE 5: EXPOSURE AT DEFAULT (EAD) BY GEOGRAPHIC AREA

(in € millions)	12/31/2019	12/31/2018
Europe zone	**568,965**	**526,296**
France	490,730	455,788
Germany	31,773	28,199
Other countries	46,462	42,309
Rest of World	**24,972**	**23,275**
United States	10,196	9,514
Other countries	14,776	13,761
TOTAL EAD	**593,937**	**549,571**

Excluding counterparty credit risk and securitization exposure in the banking book.

EAD BROKEN DOWN BY GEOGRAPHIC AREA



EAD BROKEN DOWN BY GEOGRAPHIC AREA – EUROPE

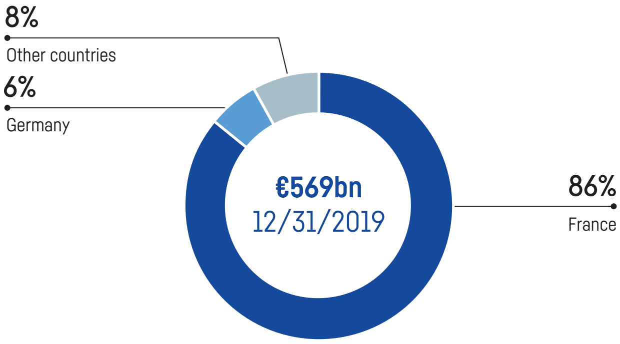


TABLE 6: RISK-WEIGHTED ASSETS (RWA) BY CATEGORY

(in € millions)	12/31/2019	12/31/2018
Businesses	82,831	76,395
Retail clients	58,598	53,998
Shares	44,257	44,146
Institutions (banks)	5,375	5,424
Central governments and similar, and central banks	2,611	2,470
Other assets	6,540	5,568
TOTAL RWA	**200,212**	**188,001**

Excluding counterparty credit risk and securitization exposure in the banking book.

RWA BROKEN DOWN BY CATEGORY

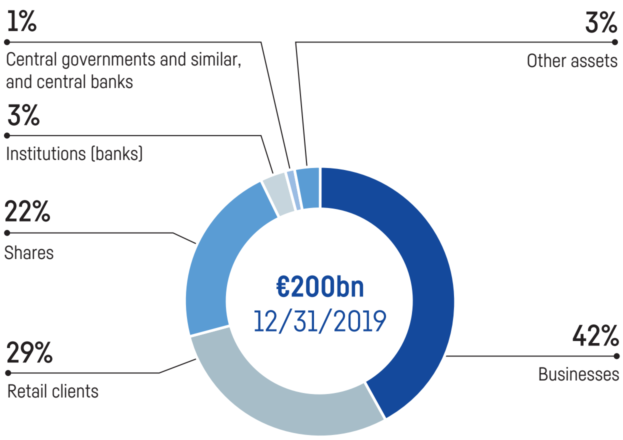
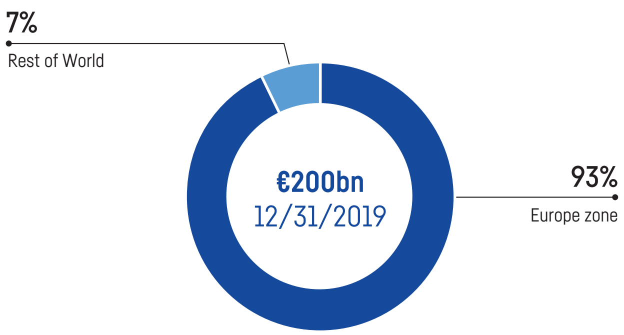


TABLE 7: RISK-WEIGHTED ASSETS (RWA) BY GEOGRAPHIC AREA

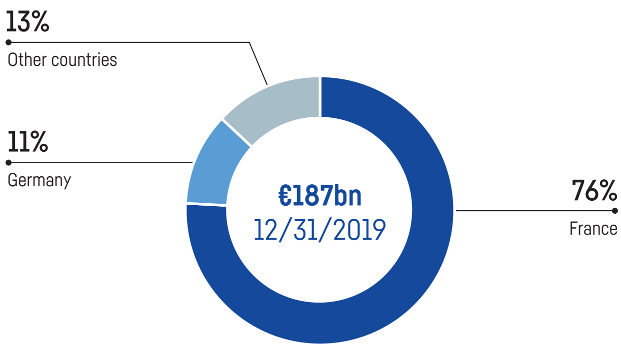
(in € millions)	12/31/2019	12/31/2018
Europe zone	**187,117**	**175,944**
France	141,445	135,769
Germany	20,406	18,648
Other countries	25,266	21,527
Rest of World	**13,095**	**12,057**
United States	4,687	4,477
Other countries	8,408	7,580
TOTAL RWA	**200,212**	**188,001**

Excluding counterparty credit risk and securitization exposure in the banking book

RWA BROKEN DOWN BY GEOGRAPHIC AREA



RWA BROKEN DOWN BY GEOGRAPHIC AREA – EUROPE



Leverage ratios

TABLE 8: LEVERAGE RATIOS

PHASED LEVERAGE RATIO[1]

(in € millions)	12/31/2019	12/31/2018
	Exempting savings centralized in the CDC	
Tier 1 capital	39,739	36,391
TOTAL LEVERAGE EXPOSURE (TOTAL EXPOSURE MEASURE)[2]	**611,219**	**571,778**
Leverage ratio	6.5%	6.4%

(1) With the application of transitional measures.
(2) Starting January 1, 2019 the group is allowed to deduct from its leverage exposure the centralized savings in the Caisse des Dépôts et Consignations.

NON-PHASED LEVERAGE RATIO[1]

(in € millions)	12/31/2019	12/31/2018
	Exempting savings centralized in the CDC	
Tier 1 capital	39,090	35,561
TOTAL LEVERAGE EXPOSURE (TOTAL EXPOSURE MEASURE)[2]	**611,219**	**571,778**
Leverage ratio	6.4%	6.2%

(1) Without transitional measures.
(2) Starting January 1, 2019 the group is allowed to deduct from its leverage exposure the centralized savings in the Caisse des Dépôts et Consignations.

5.1.2 Liquidity

TABLE 9: LIQUIDITY COVERAGE RATIOS (LCR)

Annual and average LCR *(in € millions)*	Annual LCR (end of month)		Average ratio at end of half-year (over 12 sliding months)[2]			
	12/31/2019	12/31/2018	6/30/2019	12/31/2019	6/30/2018	12/31/2018
Liquidity buffer (after weighting)	**92,792**	**74,758**	**82,131**	**85,906**	**79,061**	**79,170**
o/w Central Bank exposures and collections	*67,344*	*53,117*	*60,129*	*61,450*	*58,232*	*58,756*
o/w other HQLA[1]	*25,448*	*21,640*	*22,002*	*24,456*	*20,829*	*20,414*
Liquidity Coverage Ratio (LCR)	153.7%	125.8%	136.3%	142.8%	129.6%	131.2%

(1) High Quality Liquid Assets.
(2) Number of data points used to calculate averages: 12.

5.2 RISK FACTORS

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

- The mutual banking division or "regulatory scope" comprising: Crédit Mutuel banks, federations and the Caisse Fédérale de Crédit Mutuel.
- The capital division or "BFCM consolidated scope" comprising the Banque Fédérative du Crédit Mutuel (issuer) and all its subsidiaries.

Crédit Mutuel Alliance Fédérale is exposed to various risks associated with its activities of retail banking, insurance, corporate banking and capital markets, private banking and private equity. The group has set up a process to identify and measure risks related to its activities which enables it, at least once a year, to prepare the map of its most significant risks. The degree of materiality is derived from a rating system of gross risks according to risk indicators and expert opinions after taking the position in the economic cycle, the prospects for changes and the group's risk appetite into account. The risk mapping is subject to the validation of the boards of directors of the group.

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

After the reporting date of December 31, 2019, the COVID-19 pandemic and its spread throughout the world led to a global economic shock and a marked slowdown in activity. The recent and unprecedented nature of the health crisis makes it impossible, at this stage, to estimate its impact on the business, financial position, results and change to levels of risk for fiscal years 2020 and beyond. The impacts of this pandemic should nevertheless be negative for Crédit Mutuel Alliance Fédérale and increase the likelihood of the occurrence of some of the risk factors described herein.

The severity of the COVID-19 health crisis has led the national and European regulatory authorities to take a flexible approach regarding thresholds and/or extensions to the scheduled application of regulatory directives. These measures, such as the one-year extension of the final measures of the Basel III accords and the temporary adjustment of the certain required buffer levels, lighten the constraints initially planned for and discussed in the paragraphs below.

5.2.1 Credit Risk

Because of its business model, Crédit Mutuel Alliance Fédérale's primary risk is credit risk. Gross exposures (balance sheet, off-balance sheet, derivatives and repurchase agreements) to credit risk represented €702 billion on December 31, 2019, and mobilized about 90% of the group's Pillar 1 capital requirements pursuant to the Basel 3 regulations.

The impact of a downturn similar to that of 2008 on the profitability and solvency of Crédit Mutuel Alliance Fédérale could be material. The probability of such an occurrence is considered to be low. Nevertheless this deterioration could have four types of material impacts on the group's credit risk exposure.

1.1 The first impact would be related to the risk of financial loss due to the inability of counterparties to fulfill their contractual obligations (risk of default). The counterparties may be banks, financial institutions, industrial or commercial companies, states, investment funds or natural persons. This risk concerns the financing activities (which therefore appear on the balance sheet of Crédit Mutuel Alliance Fédérale) or guarantee activities (which appear off-balance-sheet) as well as other activities exposing the group to a risk of counterparty default, notably its activities related to the trading and settlement/delivery of financial instruments on the capital markets, and to insurance. The risk of default would firstly take the form of an increase in the number of non-performing loans (NPL, an indicator of default risk) and increased attention for European regulators and supervisors. It also results in a worsening of the cost of risk related to the provisioning of these non-performing loans. At December 31, 2019, Crédit Mutuel Alliance Fédérale's NPL ratio (NPL/gross loans) was 3.07% and the cost of risk was €1,061 million. When compared to outstanding gross loans, the cost of customer risk is 0.27%. However, after the 2008 crisis, the group's NPL rate climbed as high as 4.68% (December 31, 2009), generating a peak in the cost of risk of €1,987 million (the cost of customer risk representing 0.77% of the gross loans at the time), over a more restricted scope, given the acquisitions made by the group since 2009.

1.2 The second impact would depend on **the method used for calculating the weighted risks in the denominator of the solvency ratio**. In the standard method, the change in the quality of loans has little impact on the calculation of weighted risks and therefore on the solvency ratio. However, when the loan portfolios have an authorization from the supervisor to use internal models for the calculation of weighted risks, any worsening of the portfolios concerned aggravates the denominator of the solvency ratio. Within Crédit Mutuel Alliance Fédérale, nearly 70% of total exposure to credit risk is subject to internal rating for which the quality determines the calculation of the capital requirements pursuant to the credit risk under the Basel 3 method and therefore the group's solvency ratio. A worsening of the ratings for all or part of the portfolio would therefore lead to a deterioration of the group's solvency in relation to the risk of migration of ratings.

1.3 Due to the size of its portfolio of real estate loans (nearly 50% of customer loans), mainly in France, the group is **exposed to a downturn in the real estate market**. A scenario of this type would affect its cost of risk through an increase in defaults, as well as, concerning mortgage financing, if the value of the housing units given under guarantee became significantly and sustainably affected by a drop in the real estate market. Following the 2008 crisis, the cost of risk on the network's portfolio of real estate loans reached 0.10% of balance-sheet commitments during two years (2009 and 2010). It reached 0.02% of housing loans on the balance sheet in 2019.

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

5.2.2 Risks related to the macro economic and market environments (rates)

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

The net present value (or "NPV") sensitivity of the Crédit Mutuel Alliance Fédérale balance sheet, determined according to six regulatory scenarios, is below the 15% threshold for Tier-1 equity. Crédit Mutuel Alliance Fédérale is sensitive to a flattening of the yield curve, with a downward sensitivity of NPV of -8.48% relative to CET1 equity as of December 31, 2019. The sensitivity of net banking income at one and two years is determined according to several scenarios (increase and decrease of rates by 100 bps, increase and decrease of rates by 200 bps with a floor) and two stress scenarios (flattening/inversion of the yield curve and a sustained fall in short and long rates). The "sustained fall in short and long rates" scenario is the most unfavorable scenario for Crédit Mutuel Alliance Fédérale, with an impact of -4.08%, or -€495 million at December 31, 2019.

2.1 A prolonged low interest rate environment carries risks which could affect the Crédit Mutuel Alliance Fédérale's revenues or profitability. As a large portion of the Crédit Mutuel Alliance Fédérale's revenues are tied to the net interest margin, which directly impacts the group's profitability. Interest rate fluctuations are caused by a number of factors over which Crédit Mutuel Alliance Fédérale has no control, such as the level of inflation, the monetary policies of States, including that of the French State, in particular the level of regulated rates (Passbook savings rate "A," Passbook savings rate "bleu," etc.). Thus Crédit Mutuel Alliance Fédérale's revenues and profitability are impacted by the changes in interest rates at different points on the yield curve. The low interest rate environment in the markets for several years has significantly impacted the profitability of banks including Crédit Mutuel Alliance Fédérale. Because of the announcements made by the European Central Bank during the fall of 2019 in particular, these low interest rates will persist. This environment could adversely affect Crédit Mutuel Alliance Fédérale because it may be unable to sufficiently offset the fall in revenues related to granting loans at market levels with the level of interest rates for customer resources and regulated savings products (Passbook savings rate "A," Passbook savings rate "bleu," PEL (mortgage savings plans)) remunerated at rates above the market rate. This situation is increasing early repayments and renegotiations of real estate loans and other fixed rate loans to individuals and companies seeking to benefit from the low interest rates. Crédit Mutuel Alliance Fédérale must also deal with a new production of loans with particularly low rates. In addition, in order to comply with its regulatory liquidity constraints, Crédit Mutuel Alliance Fédérale must place excess liquidity with the central bank at negative interest rates. Customers meanwhile are not charged for bank deposits which contributes to reducing the interest margin and the bank's profitability. All these factors could markedly impact the group's activity, financial position and results.

2.2 Likewise a sudden hike in interest rates could have a material adverse effect on the Crédit Mutuel Alliance Fédérale's net banking income and profitability. The end of a prolonged period of low interest rates, particularly from a tightening of monetary policy, brings risks for the banking sector in general, and for Crédit Mutuel Alliance Fédérale in particular. A sudden departure from these levels of rates could have an adverse impact on the bank's revenues and profitability. This hike in interest rates could have a marked impact on the cost of refinancing in the banking sector markets for short-term and medium-term debt issues. At the same time, Crédit Mutuel Alliance Fédérale could have difficulty in immediately passing on the interest rate hike to housing loans and other fixed rate loans granted to individuals and companies while the cost of customer deposits would tend to increase more rapidly. Certain volatile demand deposits which are unremunerated today would be transformed into remunerated term or passbook type deposits. Some of the volatile deposits would also be steered towards off-balance-sheet supports like UCITS and life insurance.

2.3 Significant fluctuations in the values of securities portfolios and derivative products could also adversely impact Crédit Mutuel Alliance Fédérale's net profit and equity. The net carrying amount of the liquid assets portfolio is adjusted on the balance sheet on each reporting date. Fair value adjustments of assets are recognized through shareholders' equity. Any unfavorable changes in the markets and in particular changes to the value of the liquid assets portfolio could impact equity and consequently the Crédit Mutuel Alliance Fédérale's prudential ratios. These value adjustments could also have an impact on the carrying amount of the Crédit Mutuel Alliance Fédérale''s assets and liabilities, and impact its net profit and equity.

2.4 Changes to the reference indexes, particularly Euribor and Libor, could also affect Crédit Mutuel Alliance Fédérale at different levels. On the subject of the regulations relative to reference indices, it should be noted that some of them (LIBOR, EURIBOR, EONIA) will be considered as non-compliant indices from January 1, 2022, and may not be used in new contracts and financial instruments. Attention must be paid to the transition towards new indices in certain areas. The first relates to the level of rates of substitution by which the structure (old index/new index) differs technically and requires an adjustment margin to be added. The methodology for certain indices has already been communicated, such as the EONIA Index which is recalibrated to the €STER + spread (€uro Short-Term Rate). However, the methodology for other indices still remains to be defined by the authorities. The second relates to the transition from the old to the new index, which could potentially lead to a risk of asymmetry in treatment between various balance sheet items (assets and liabilities) and their hedging.

5.2.3 Regulatory/prudential risk

Crédit Mutuel Alliance Fédérale's regulatory environment is described in the dedicated section *supra* "2.1.2 Regulatory environment" of chapter 2. The group is subject to significant banking regulation, some of which is not reflected in its ratios but could have a significant impact on them. As specified in 1.2, a large majority of the group's exposures are approved by the supervisor for calculation using the internal risk weighting model. However, changes to the "finalization of Basel 3" regulations will adversely impact the calculation of risk weightings and therefore the solvency ratio of the group. The probability of the occurrence of this risk is almost certain but it will gradually occur between 2022 and 2027.

3.1 The finalization of the Basel 3 agreements specifies that for portfolios with a low risk of default authorized for the IRBA method (notably the internal calculation of the parameters covering probability of default and loss given default), the internal parameter "loss given default" may no longer be used for calculating weighted risk. It will be replaced by a standard value fixed at 40% for all establishments from January 1, 2022, which will increase the capital requirements on exposures. For the group, this will concern counterparties that are "banks" and "large corporates" (groups having more than €500 million in consolidated revenue), representing about €90 billion of balance-sheet and off-balance-sheet exposure on December 31, 2019.

3.2 From 2022, an "output floor" will gradually be put in place, the aim of which is to limit the gains in equity arising from internal models for calculating risk weightings in the denominator of the solvency ratio. As specified in 1.2, about 70% of the group's exposures have a risk weighting taken from internal models, most of which are well below the standard weighting. The application of the output floor will be done gradually between 2022 (50%) and 2027 (72.5%) and will adversely impact the solvency ratio.

3.3 As specified in 1.3, the group's exposure to real estate risks is significant. They will also be unfavorably affected by the regulations when the new standard method applies in 2022. This new approach will use the Loan-To-Value indicator (LTV, the ratio between the amount of the loan and the market value of the property) to weight the risk of exposures. The higher the LTV, the higher the risk weighting, up to 100%, while the weighting in the current standard weighting method for exposures guaranteed by a mortgage or an equivalent surety – i.e. €148 billion on December 31, 2019 – is 35% (and 14% using the internal method). This new methodology will also have the consequence of making capital requirements relative to portfolios of property receivables more sensitive to a drop in property prices (portfolios using the standard method and portfolios using an internal method via the output floor mechanism mentioned in 2.2).

3.4 The aim of the Targeted Review of Internal Models or TRIM carried out by the European Central Bank (ECB) with European banking institutions may result in a decline of the level of CET1, because of additional requirements on the RWA or additional prudential margins on Basel parameters (PD, LGD, CCF).

3.5 The transposition into national law of the European BRRD 2 directive (Bank Recovery and Resolution Directive) adopted in December 2018 by the Council of the EU and the Parliament will result in new measures and obligations for banks' resolution mechanism. According to the methods for the directive coming into force, the requirements concerning the MREL ratio (Minimum Requirement for own funds and Eligible Liabilities) to be respected could be reinforced. The Crédit Mutuel group's MREL requirements also, defacto, constrains the structure of the Crédit Mutuel Alliance Fédérale's debt (because of its weight in the Crédit Mutuel group) and will require it to instead fund through the subordinated debt markets, impacting the cost, strategy and potentially the Crédit Mutuel Alliance Fédérale financing capacity.

3.6 The national regulator (BaFIN) in Germany, the group's second domestic market, wishes to restrict the level of life insurance commission paid by the insured to the distributor, with a potential impact on the revenue of the Targobank subsidiary in Germany.

5.2.4 Liquidity and financing risks

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

Crédit Mutuel Alliance Fédérale's Liquidity risk can be understood as being the regulatory short-term liquidity coverage ratio (LCR) between highly liquid assets when faced with net outflows of liquidity at 30 days in stress scenarios. Crédit Mutuel Alliance Fédérale's average LCR totals 142.8% over 2019 which represents an excess of €25 billion on average compared to minimum regulatory requirements. Crédit Mutuel Alliance Fédérale's liquidity reserve is comprised of deposits with central banks, securities and available receivables which are eligible for central bank refinancing. Crédit Mutuel Alliance Fédérale's liquidity reserve totals €134.6 billion as of December 31, 2019.

The loans/deposits ratio or commitment ratio is an accounting indicator and not a regulatory indicator which complements the battery of liquidity indicators. Subject to the regulatory treatment (leak rate in particular) of deposits counted in the calculation of the LCR, the improvement in this ratio contributes positively to the LCR. This indicator stood at 114.2% on December 31, 2019.

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

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

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

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

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

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

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

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

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

BFCM is Crédit Mutuel Alliance Fédérale's main issuer. BFCM's ratings therefore impact the group. Ratings notably involve an examination of the governance, strategy, quality and diversity of sources of revenue, the capital adequacy, the quality and structure of the balance sheet, the management of risks and the risk appetite. The BFCM's long term ratings on December 31, 2019, are A+ for Fitch Ratings, Aa3 for Moody's and A for Standard & Poor's (this agency rates the Crédit Mutuel group and its main issuers). Thus, a drop in these credit ratings, and particularly a deterioration in the factors contributing to the financial rating, could have a material impact on the refinancing of Crédit Mutuel Alliance Fédérale and the subsidiaries operating in the financial markets (including CIC). This could restrict access to refinancing, increase its costs and reduce the group's growth capacity. Thus, a deterioration could significantly impact the group's liquidity position, its profit/(loss) and profitability and trigger obligations in certain bilateral contracts and collateralized financing agreements, and consequently have a negative impact on its profitability and business continuity.

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

5.2.5 Risks connected to insurance activities

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

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

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

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

Furthermore a crash in the equity or real estate market would lead to impairments of euro contract assets. GACM would have to recognize provisions for unrealized losses.

The structure of the investment portfolio (€101.8 million) is divided as follows: 77% interest rate products, 11% shares and comparable, 6% real estate (the remaining 6% is placed in monetary supports). At December 31, 2019, market risks accounted for 54% of GACM's SCR.

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

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

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

At December 31, 2019, the underwriting risks accounted for 37% of GACM's SCR, of which 14% is connected to life underwriting risk, 13% to health underwriting risk and 10% to the non-life underwriting risk.

5.2.6 Operational risks

This is the risk of losses resulting from the inappropriateness or failure of internal processes, or due to external events which are deliberate, accidental or natural. Operational risks also include risks of non-compliance and reputation, including legal risks, as well as risk of harm to the group's image which could occur due to non-compliance with regulatory or legal obligations or ethical standards.

The main risk factors associated with operational risks are:

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

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

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

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

At the end of 2019, €1.5 billion of capital was allocated to cover the losses generated by this risk. At that same date, the ratio between the allocation of equity capital (potential loss) and losses (proven loss) stood at 14 (representing €1.5 billion of equity capital allocated for proven loss of €108 million). The main risks of potential loss are (i) fraud (external and internal) and (ii) risks related to the policy towards customers, products and commercial practices (including legal risk). The risks with the greatest impact on proven loss in 2019 were (i) fraud, (ii) errors and (iii) policy towards customers, products and commercial practices. Fraud represented 45% of the group's proven loss in 2019 (of which 42% for external fraud) and 45% of potential loss (the portion relative to capital requirements for operational risks). Crédit Mutuel Alliance Fédérale's total loss experience (excluding recoveries of insurance, where applicable) accounted for around 0.7% of the group's net banking income in 2019.

5.2.7 Market risks

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

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

The main risk factors associated with market risks are:

7.1 **A worsening of economic prospects adversely impacting the financial markets** to the extent they are supposed to reflect the financial health of issuers of the equity and debt securities that are traded in them. The valuation of securities would drop and the volatility of the valuation level would increase. The effect on the activities of CIC Marchés would be negative. In particular, the investment business line would suffer from adverse financial market conditions to the extent that this business line, on the basis of an assumption of an improvement of the economy, takes a position on increasing stock market valuations and on a better rating quality of the issuers of debt. In addition, the commercial business line would also suffer from poor market conditions. Commissions from the brokerage activity would drop with transactions covering amounts that would be reduced due to the lower valuation level. Furthermore, the number of transactions on the primary market (initial public offers, capital increases and debt issues) would trend downwards, which implies less commission.

7.2 **Monetary policy** is another factor which has strong impact on market risks. The accommodating monetary policy of the ECB influences the net interest margin of the bank, and consequently its profitability is strongly affected by this (maintenance at a low level).

To summarize, the market risk to which the group's capital markets activities, CIC Marchés, is exposed is low. The equity capital allocated to CIC Marchés is €555 million (1.2% of overall regulatory equity capital, which stood at €46 billion on December 31, 2019). At the end of 2019, €314 million of this limit was used (against €800 million in 2008). The one-day 99% VaR on the trading portfolio stood at €4 million at the end of 2019. 2019 net banking income was €312 million and income before tax €104 million.

5.2.8 Governance risk

The regulations give the resolution authority the power to start insolvency proceedings in respect of Crédit Mutuel Alliance Fédérale or BFCM if the issuer defaults or if the group to which it belongs is failing or is likely to fail (and no reasonable prospect exists that another measure could prevent this failure within a reasonable period of time) with the objective of ensuring critical function continuity, avoiding risks of contagion, recapitalizing or restoring the institution's viability. These powers must be implemented in such a way so that losses, subject to certain exceptions, are borne first by the impairment or conversion of equity instruments, then by holders of additional Tier-1 and Tier-2 equity instruments (such as subordinated bonds), then by holders of senior non-preferred bonds and finally by holders of senior preferred bonds in accordance with the priority order of their claims.

Resolution authorities also have extensive powers to implement the resolution tools for institutions and groups subject to an insolvency procedure, which may include the total or partial transfer of the institution's business to a third party or to a bridge institution, the separation of the institution's assets, mergers, the substitution of the institution as debtor in respect of debt instruments, the total or partial impairment of regulatory equity instruments, the dilution of regulatory equity instruments through the issuance of new equity securities, the total or partial impairment or conversion of debt instruments into equity securities, the modification of the terms of debt instruments (including the modification of the maturity and/or the amount of interest payable and/or the temporary suspension of payments), the suspension of the listing and admission to trading of financial instruments, the dismissal of executives or the appointment of a special director.

Implementing these means and powers with respect to Crédit Mutuel Alliance Fédérale or BFCM could give rise to significant structural changes and a total or partial impairment, change or variation of the rights of creditors (including shareholders and unitholders). After the transfer of all or part of the activities or the separation of the assets of Crédit Mutuel Alliance Fédérale, exercising these powers could also leave bond investors (even without any impairment or conversion) in the position of creditors of an institution whose remaining businesses or assets would be insufficient to satisfy the claims held by all or some of its creditors.

5.2.9 Climate risks

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

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

1. Investing in financing projects with a strong climate impact;
2. Assisting companies in the transformation of their economic models;
3. Reinforcing environmental requirements in the rules for granting financing;
4. Aligning sectoral policies to combat the use of coal and unconventional hydrocarbons through its climate strategy;
5. Integrating the direct and indirect impacts of climate risk on the group's activities into Crédit Mutuel Alliance Fédérale's risk mapping.

The management of the risks connected to climate change (physical risk and transition risk) is integrated into Crédit Mutuel Alliance Fédérale's financial risk management system. All projects are presented to Crédit Mutuel Alliance Fédérale's Risk Committee (executive body) and then the Risk Monitoring Committee (deliberative body), and form part of the strategic risk monitoring which is directly connected to the Chairman and Executive Management. These works are also performed in close collaboration with the Risk Department of Confédération Nationale du Crédit Mutuel.

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

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

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

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

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

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

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

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

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

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

5.3 RISK MANAGEMENT (EU OVA)

Crédit Mutuel Alliance Fédérale is a cooperative bank, not listed for trading and owned wholly by its members. It is not on the list of Global Systemically Important Financial Institutions (G-SIFIs)[1]. As of December 31, 2019 only the Crédit Mutuel group is listed by the ACPR among the other systemically important institutions (O-SII)[2], in accordance with article L.511-41-1 A of the French Monetary and Financial Code.

The group's strategy is based on long-term values which promote controlled, sustainable and profitable growth. Retail banking is its core business, as demonstrated by the share of credit risk (90% at 12/31/2019) in its total capital requirements and the predominance of the retail book in its total exposures. The CIC group operates predominantly in France and in neighboring European countries (Germany, Belgium, Luxembourg, Switzerland and Spain).

True to its cooperative model, Crédit Mutuel Alliance Fédérale strives to maintain and strengthen the financial strength from which its derives its soundness and durability. Regular allocations to reserves shore up its financial health. Its Common Equity Tier 1 (CET1) solvency ratio of 17.3%, applying transitional measures, positions it among the safest of European banks.

The group's approach to risk management is designed around its risk profile, its strategy and the appropriate risk management systems.

5.3.1 Risk appetite

Crédit Mutuel Alliance Fédérale's risk appetite framework evolved from the group's desire to have a general framework setting out its core principles with regard to risk. These result from its cooperative character and its choice of retail bank insurance.

In summary, the aim of the CIC group's risk tolerance policy is to:

- give Executive Management and the board of directors an acceptable level of confidence and comfort as regards the understanding and management of the full range of risks in line with the achievement of the group's objectives;
- be implemented at all levels within the group so as to provide a comprehensive view and enable best practice to be harmonized;
- identify the potential events likely to affect the group and its risk management.

The policy as to risk tolerance establishes a coherent framework in which the group's various businesses can develop in accordance with the values of Crédit Mutuel. It is intended to promote a strong and proactive culture regarding risk management. It is based on a medium-and long-term view and incorporated into our decision-making processes.

The group Audit, Compliance and risk management department monitors and oversees how the risk tolerance principles are applied.

The risk tolerance policy is taken into account when setting the strategic, financial and marketing objectives to benefit our members and customers.

The risk tolerance policy follows from the strategic guidelines set by Executive Management and the board of directors. It enables the group to:

- conduct business activities for which it has satisfied itself that the risks are adequately understood, controlled and managed;
- aim to achieve a level of profitability within a specified timescale which would not be detrimental to sound risk management;
- present the business lines' and entities' risk profiles with regard to earnings, capital consumption and financing requirements generated;
- identify risks in advance and manage them proactively, always adhering to the company's prudential profile.

Crédit Mutuel Alliance Fédérale has based its risk policy on three main foundations:

- ICAAP (Internal Capital Adequacy Assessment Process). At the conclusion of the risk analysis process, the capital level is deemed to be sufficient to cover the risk exposure. The ICAAP report, prepared in accordance with the Confédération Nationale du Crédit Mutuel (CNCM) methodology, and the economic capital projections and capital adequacy ratio over a three-year horizon, are updated annually and presented to the group risk committee and the group risk monitoring committee;
- ILAAP (Internal Liquidity Adequacy Assessment Process). The Crédit Mutuel Alliance Fédérale's liquidity risk tolerance policy is extremely cautious, with the aim of guaranteeing the funding of its activities over the long term; it is monitored by the control committees and the operational committees. To identify, measure and manage liquidity risk while meeting the needs of the entities and business lines, the group's asset-liability management (ALM) and treasury staff have established management indicators together with warning limits and alert thresholds; the reliability of operating procedures is checked on a regular basis using regulatory and internal stress scenarios;
- a comprehensive limits process. Several limits systems cover the majority of activities and risks, i.e., limits on credit risk (unit concentration limits, sector limits, country, sovereign and geographical limits, limits specific to each special-area loan committee, and as regards the network, uncentralized limits in each regional group), limits on interest rate, liquidity and ALM risks, limits on capital markets (specific limits by business line and set of rules, and exhaustive risk indicators and warning levels).

(1) The indicators resulting from QISs dedicated to their identification are published in the group's corporate site in a document entitled "Indicateurs de systémicité" (Systemicity Indicators).
(2) The list of other systemically important institutions (O-SII) is published in the ACPR site.

5.3.2 Management of risks

5.3.2.1 Risk oversight system

5.3.2.1.1 Risk management function

The risk department (RD) of Crédit Mutuel Alliance Fédérale covers the activities of all of its entities, networks, business lines and French and foreign subsidiaries and branches, excluding non-financial activities (press, domotics, etc.). It is responsible for Risk Management, as defined in the Decree of November 3, 2014 concerning the internal control of banking institutions, at the central level of Crédit Mutuel Alliance Fédérale for every organizational unit.

It works closely with the risk department of the Confédération Nationale du Crédit Mutuel (CNCM) and with the risk officers appointed in each entity of Crédit Mutuel Alliance Fédérale.

The RD is independent of the line managers and is tasked with detecting, measuring, and monitoring risks throughout Crédit Mutuel Alliance Fédérale and with reporting to executive and supervisory bodies, in particular Executive Management and the board of directors. It forms an integral part of the internal control and risk management system of Crédit Mutuel Alliance Fédérale and relies on the work of the teams from the Permanent Control and Compliance departments, with whom it forms the Risk, Permanent Control and Compliance department.

More specifically, the RD's missions and objectives are to:

Detect

- Collect and process the risk data concerning all of the banking and non-banking activities of Crédit Mutuel Alliance Fédérale in France and abroad.
- Have data collection tools with the required granularity level to measure and analyze the risks of Crédit Mutuel Alliance Fédérale.
- Identify and analyze emerging risks in respect of the structural or economic contexts of the activities, sectors or geographic areas concerned.
- Ensure the good quality of the data produced and disseminated, and the implementation of the regulatory BCBS 239 principles regarding risk data management, aggregation and reporting through the defining and deployment of a data quality management framework.

Measure

- Assess the risks, as well as the level and type of exposure of Crédit Mutuel Alliance Fédérale and its different components, in order to detect major risks and emerging risks, taken individually and on the global scale.
- Set up a system to measure risks and track indicators for each category of risks (credit, liquidity, interest rate, market, solvency, operational, non-compliance, insurance, etc.), in line with the risk appetite of Crédit Mutuel Alliance Fédérale.
- Establish a detection system involving early warning (alert threshold) in the event of a breach of the risk appetite of Crédit Mutuel Alliance Fédérale or one of its entities, and define an associated escalation procedure.
- Produce, in coordination with the risk department of CNCM, a risk map assessing the materiality of each Group risk, covering the relevant scope.

Monitor

- Track the activities involving risk-taking and risk exposures, in respect of the risk appetite, the risk limits defined, and the ensuing capital and liquidity requirements.
- Monitor any breaches of limits and ensure they are managed in accordance with applicable measures and procedures.
- Ensure that identified risks are effectively monitored, measured and controlled by the operational units and that the risk mitigation measures are properly implemented.

Report and alert

- Produce a risk dashboard at least every three months focused on analyzing the risks that Crédit Mutuel Alliance Fédérale and its different components are facing.
- Steer and coordinate the risk committees within executive management (group risk committee) and supervisory bodies (risk monitoring committee).
- Prepare support material, notes and analyses of major or emerging risks for executive and supervisory bodies, in particular the Executive Management, the risk committee and the board of directors.
- Inform the executive and supervisory bodies, in particular the Executive Management, the risk committee and the board of directors, of all significant risks of which they need to be informed across all Crédit Mutuel Alliance Fédérale entities.
- Alert the executive and supervisory bodies, in particular the Executive Management, the risk committee and the board of directors, in the event of any malfunctions detected within the framework of its risk oversight mission, in particular the exceeding of alert thresholds and limits.
- Advise the executive and supervisory bodies, in particular the Executive Management, the risk committee and the board of directors, on the measures that could be taken to reduce risks, in line with the group's risk appetite and strategy.
- Intervene whenever required to steer decisions that could generate major risks.
- Where appropriate, report any risks deemed highly significant to the board of CNCM and ultimately to the supervisory authorities.

Governance

- Define and implement, subject to the board of director's scrutiny and approval, the risk governance framework and management policy of Crédit Mutuel Alliance Fédérale, in particular the risk appetite underpinning the indicators and risk limits.
- Steer, in coordination with the risk department of CNCM, the annual measures involved in the Supervisory Review and Evaluation Process (SREP) conducted by the ECB, including the risk appetite framework, the ICAAP and the ILAAP.
- Coordinate the network of risk officers in charge of the measurement, monitoring and management of risks within the different entities and structures of Crédit Mutuel Alliance Fédérale, in order to disseminate the "risk" culture and risk appetite of Crédit Mutuel Alliance Fédérale.
- Manage, in coordination with CNCM's risk department, the operational risk management system, and implement the crisis management system and the appropriate Emergency and Business Continuity Plans (EBCP) for the business activities involved.
- Steer, in coordination with CNCM's risk department, the Crédit Mutuel group's Prevention and Recovery Plan (PRP) and the work concerning the group's resolution in respect of the requests of the Single Resolution Board (SRB).

Moreover, the Executive Management has also tasked the Risk Department (RD) with:

- handling all relations with supervisory authorities (ECB, ACPR, AMF, BDF, etc.) in France and abroad and coordinating the monitoring of audits and supervisory interviews, as well as the implementation and fulfilment of the recommendations issued;
- ensuring an economic and prudential watch over all issues relating to the regulatory environment pertaining to banking and insurance, and concerning the group's positioning in relation to its main competitors' ranking, changes in strategy and results;
- handling relations with financial and non-financial rating agencies;
- defining and implementing the policy of Crédit Mutuel Alliance Fédérale in terms of Social and Cooperative Responsibility (SCR), in particular concerning sector policies.

5.3.2.1.2 Oversight of internal control processes

Group risk monitoring committee (French acronym CSRG)

It is made up of directors representing all the Crédit Mutuel federations that belong to the Caisse Fédérale de Crédit Mutuel. Besides the members appointed by the deliberative bodies, others taking part in the work of the Group Risk Monitoring Committee (GRMC) are: the Chairman of the Caisse Fédérale de Crédit Mutuel (committee member), the chief executive officer, the chief financial officer, the chief lending officer and the director of Risks, Permanent Control and Compliance of Crédit Mutuel Alliance Fédérale.

The GRMC is a specialized committee of the board of directors. It assists the supervisory body and issues recommendations aimed at preparing the decisions of the board of directors concerning the general risk policy and the risk management thresholds and limits for all entities of Crédit Mutuel Alliance Fédérale. It examines the risks and supervises the work of the RD and Group Risk Committee (GRC) based on the files and dashboards prepared and presented by the chief risk officer. The chief risk officer prepares the documents, files and performance indicators submitted to the committee for review and leads the meetings. The members of the CSRG have all the sources of information and documentation that they need from the bank auditors, internal and external control staff, the statutory auditors and the finance and risk departments.

The members of the CSRG report to their respective deliberative body, with assistance from the GRD, on the information and decisions that come out of their meetings. A report detailing the main monitored risk indicators is presented and discussed at each meeting. The summaries of the risk committee meetings are sent to the secretaries of the boards of directors.

It meets at least every three months and whenever necessary.

Group risk committee (GRC)

It is chaired by the chief executive officer of Crédit Mutuel Alliance Fédérale and is made up of the group's main senior executives and business managers. The GRC helps the executive body to examine the risks in all banking and non-banking activities consolidated with Crédit Mutuel Alliance Fédérale.

It issues opinions and recommendations aimed at assisting the executive body concerning the general policy of Crédit Mutuel Alliance Fédérale and its risk management thresholds and limits. It examines the risks to which the group is exposed based on the files and dashboards prepared and presented by the chief risk officer and subsequently examined by the GRMC. This independent oversight is based on standardized, periodic reports (risk dashboard) providing exhaustive information on credit risks, market risks, operational risks, interest rate risks, liquidity risks, non-compliance risks and risks related to the group's specialized business lines (insurance, consumer credit, private banking, factoring, etc.).

It meets at least every three months and whenever necessary.

5.3.2.2 Methods and tools

5.3.2.2.1 Tools

The harmonization of methods and tools for controlling risks was continued. Common tools were developed, which include functionalities dedicated to management.

Periodic control applications

These are aimed at providing a mapping of network risks, by consolidating all types of assignments based on a common catalog of points of control. They are regularly updated. Access to the information necessary for carrying out the controls is provided by the IT system.

Given the group's growth, software has been created for monitoring the implementation of recommendations issued in their audits by the group's various periodic control departments and the supervisory authorities. A new version of this software was rolled out in the second half of 2019.

Permanent control applications

Permanent controls on the network are performed remotely, essentially by using data from the information system. They supplement the first level controls which are performed daily by the managers of the operational entities and the regional functions for organization, assistance and control. They are implemented in the "internal control portals", which structure and plan the various work to be done concerning risk coverage.

The automated detection of cases that raise a "risk alert" according to predetermined malfunction criteria, are an essential element in the proper control of credit risk. Other types of controls enable assessment of the quality of the results obtained and can divide resources or direct missions accordingly.

Compliance applications

Work continued on the implementation of systems for legal and regulatory surveillance and monitoring of compliance risk. The compliance function also has its own control areas within the "internal control portals" allowing it to check that regulatory provisions are being applied, in particular with regard to business and professional ethics, protecting customers' interests, performing investment services and combating money laundering and the financing of terrorism.

5.3.2.2.2 Procedures

They are distributed over the intranet and are permanently accessible via search engines to all employees. The control applications refer to them and links have been created to facilitate consultation and use. "Framework procedures" have been established at group level (central control functions) in a number of areas, in particular compliance and periodic control.

5.3.2.3 Risk management and oversight

5.3.2.3.1 Risk management

Credit risk management is organized into two structures: one focusing on the granting of loans and the other on risk measurement and the monitoring of commitments.

A set of commitments guidelines summarizes the internal procedures of the lending arm of Crédit Mutuel Alliance Fédérale in accordance with applicable statutory, organizational and regulatory provisions. It describes in particular the system for granting loans. It contains attachments relating to capital markets activities as well as to the subsidiaries directly concerned.

A set of guidelines for the measurement and monitoring of credit risk summarizes all internal management rules and practices for the proper management of credit risk within the framework of the regulatory, accounting, statutory and organizational provisions applicable within Crédit Mutuel Alliance Fédérale. It particularly describes the procedures for credit risk measurement and monitoring, the management of at-risk items, reporting and communications. The management of liquidity and interest-rate risks of the group's banks is centralized at the level of the BFCM. Hedges are allocated to the entities concerned, in accordance with their needs. They are no longer authorized to take hedging decisions individually.

Overall measurement of market risk is based on the regulatory framework. Capital market activities are monitored in accordance with procedures that are formally recorded and independent in terms of organization and control.

The management of operational risk is performed and controlled in accordance with group procedures, coordinated by dedicated units. In particular, the security of the information systems and the putting in place of business continuity plans form part of the work carried out in this area.

5.3.2.3.2 Risk oversight

This is carried out by dedicated, independent teams, which have at their disposal tools designed on the one hand to provide a comprehensive aggregate overview of commitments, and on the other to carry out ongoing monitoring of risk, in particular by means of an advance detection system for anomalies and monitoring of adherence to limits as well as changes in internal ratings.

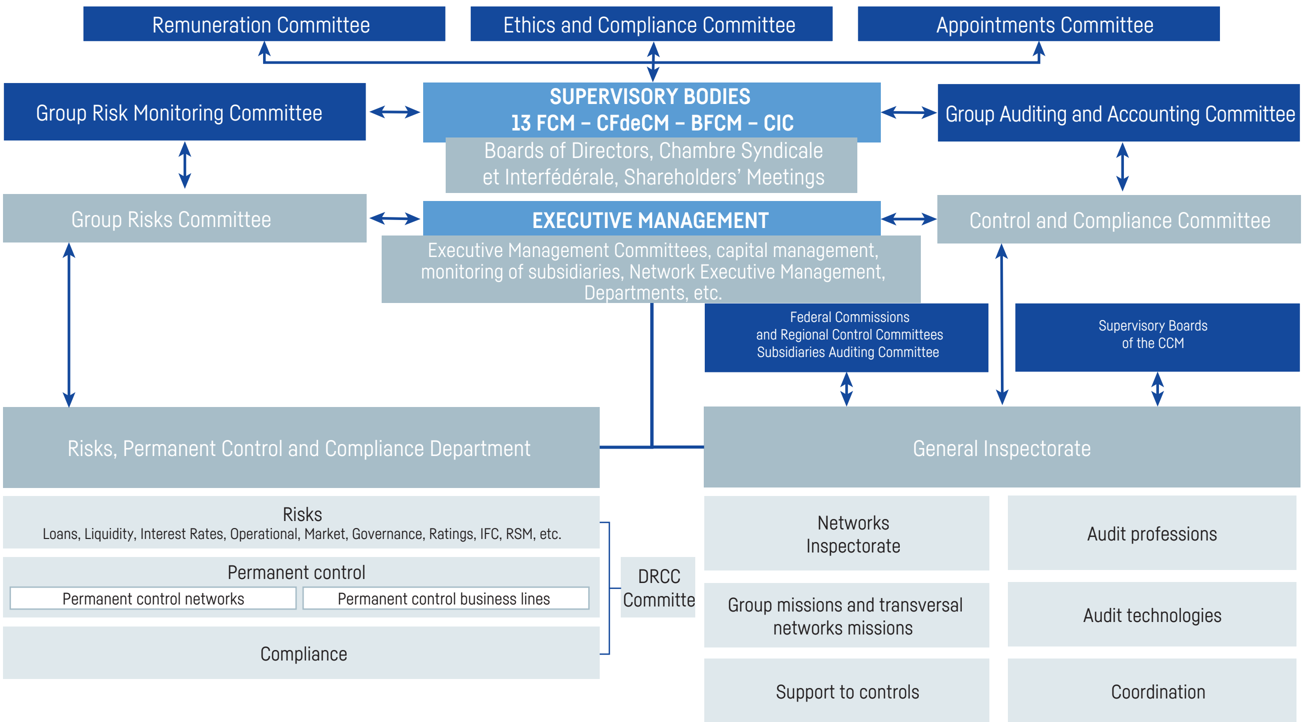
Information for assessing trends in credit, market, ALM and operational risks is provided regularly to the management bodies and other responsible persons concerned. The risk department carries out general management with regard to the regulatory capital consumed by each activity by reference to the risks incurred and the return obtained.

5.3.3 Internal control system

5.3.3.1 General framework

Internal control and risk management are fully integrated into the group's organization with the aim of ensuring compliance with regulatory requirements and proper risk control and operational security, as well as improved performance.

THE GROUP'S INTERNAL CONTROL AND RISK MONITORING SYSTEM



5.3.3.1.1 Regulatory framework

As the basis of sound management of banking activities, the principles and methods applicable in the area of internal control and risk measurement are governed by numerous French and European legislative and regulatory provisions, supplemented by a number of international standards.

In this respect, the main regulatory text applicable to the Crédit Mutuel Alliance Fédérale's internal control system is the ministerial Decree of November 3, 2014. This order, which defines the conditions for the implementation and monitoring of internal control in credit institutions and investment companies transposes into French regulations the requirements of the European Directive 2013/36/EU dated July 26, 2013 (known as the "CRD4 Directive").

Covering the classification of risks, compliance and risk monitoring, it includes specifications of the principles relating to control of operations and internal procedures, the accounting organization and the processing of information, systems for measuring risks and profit/loss, systems for the monitoring and control of risks, documentation and information systems and the monitoring of flows.

5.3.3.1.2 A shared system

In accordance with the four basic principles set by the Basel Committee (universality, independence, impartiality and allocation of adequate resources) and reiterated in the above-mentioned Decree, the group ensures that its internal control system is suited to its size and operations.

In the same way, it ensures that it is adapted to the size of the risks incurred by its activities and that the employees involved in internal control can carry out their work in the best possible conditions.

Within the group, the principles governing internal control are reflected in the guidelines issued by general management and rolled out using shared methods and tools that ensure the development of quality standards.

The internal control and risk measurement system is designed in particular to:

- fully cover the full range of the group's banking and insurance operations;
- list, identify, aggregate and track risks on a consolidated basis in a consistent manner;
- communicate clear and reliable information (particularly accounting and financial information), both internally and externally;

- ensure compliance with applicable laws and regulations, internal standards, and instructions and guidelines established by executive management;
- ensure the proper operation of internal processes and the safeguarding of assets.

More broadly, the processes in place are aimed at helping to ensure proper control of activities while at the same time improving the effectiveness of processes and organization.

5.3.3.1.3 A structured system

One of the key purposes of the organization is to ensure the quality and completeness of the internal control system. Both for itself and the businesses it controls, the group ensures that this system is underpinned by a set of procedures and operational limits that match regulatory requirements and applicable internal and professional standards. To ensure the high quality of its internal control system, the group has implemented a policy of ongoing improvement, which is also designed to adapt it to regulatory developments.

The identification and control of key risks by means of benchmarks, mapping of controls, and monitoring of risks using appropriate limits, formal procedures and dedicated tools are constant objectives for the group's internal control and risk management departments. Analytical tools and tracking dashboards make it possible to perform regular reviews of the various risks to which the group is exposed, including counterparty, market, asset-liability management and operational risks. In accordance with regulatory requirements, the group issues an annual report in the format recommended by the French Prudential Supervision and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR), on internal control and on risk measurement and oversight, in light of which a detailed review of control processes is carried out.

5.3.3.1.4 An integrated and independent system

In line with the group's values, the control system put in place is designed to develop a prudent and top quality risk management culture throughout the group.

Within this framework, the first level of risk management and control is performed by the operational managers, who are responsible for the operations they carry out. As the first level of control, operational management is an integral part of the system with responsibility for preventing risk as well as for putting in place the corrective measures designed to remedy the dysfunctions identified.

The group's entities also have a second level of control, identified within dedicated teams. To ensure the necessary independence of these second-level controls, employees assigned to control tasks have no operational responsibilities and report directly to the central staff departments, which thereby ensures their independent judgment and assessment.

The central staff departments are responsible for defining, overseeing and coordinating all the local and cross-group systems. They organize and supervise the control work. In addition, they use their expertise and independence to help define standard controls.

5.3.3.2 Internal control system

The process has a threefold objective:

- to separate the periodic, permanent and compliance controls into distinct functions in accordance with regulatory requirements;
- to standardize internal control work throughout the group by creating an organization based on standardized methods and tools, and on the same principles of complementarity, subsidiarity, and independence of controls;
- have an overall and transversal view of risks of all kinds to ensure reliable, regular and comprehensive reporting to the Executive Management and to the deliberative body.

5.3.3.2.1 Organization of controls

In accordance with the Decree of November 3, 2014, the system comprises three functions:

- periodic control;
- permanent control;
- compliance.

The last two, which have since end-2017 reported to a joint risk, control and compliance department, are subject to periodic control by the first. The consistency of the overall system is ensured by a control and compliance committee chaired by an effective manager. This committee reports to the group auditing and accounting committee, which represents the group's supervisory bodies.

To perform their functions, the control departments have permanent and unrestricted access to individuals, premises, hardware, software and information of any kind useful to the performance of their work throughout the group.

Breakdown by type of control

Independently of the controls performed by management teams as part of their operational activities, controls are performed by:

- periodic control staff, for in-depth, audit-style assignments, carried out in cycles spanning several fiscal years;
- permanent control staff, for all work of a recurring nature using mainly remote applications;
- compliance staff, in particular for the application of regulations and internal and professional standards including those designed to combat money laundering and financing of terrorism.

The periodic control department is responsible for supervising the overall quality of the internal control system, the effectiveness of risk monitoring and management as well as the smooth workings of permanent control and compliance.

Split between network and business lines

Control functions have been split into two structures, one dealing with the retail banking network and the other with the business lines (corporate banking, capital markets activities, asset management, financial services, cash management, etc.), with managers appointed for both at the group level.

A common support unit for the various kinds of control

The periodic control, permanent control and compliance functions are assisted by a common support unit which is responsible for:

- developing the tools and keeping them up to date and in good working order;
- preparing the reporting instruments needed for monitoring control operations and assignments, and centralizing information for the management bodies, at the central and local (regional and subsidiary) levels;
- ensuring that control tools are complementary between the various functions so as to provide optimal cover of group risks.

5.3.3.2.2 Oversight of internal control processes

Group control and compliance committee

Chaired by the chief executive officer, the compliance committee holds regular meetings with the staff responsible for periodic, permanent and compliance controls and risk management, with the following objectives:

- coordinating the process and ensuring that the work and assignments of the various parties involved are complementary, such that all risks are covered;
- establishing control plans and reviewing the outcomes of assignments carried out by the periodic control units as well as the work done by the permanent control and compliance functions and proposing any improvements that might be required to the executive body;
- analyzing the conclusions of external inspections, in particular those carried out by the supervisory authorities;
- monitoring implementation of the resulting recommendations.

The control and compliance committee also review a certain number of activities and documents that serve as points of reference. It met four times in 2019 (March 4, June 24, September 16, and December 3).

Group auditing and accounting committee

In order to meet regulatory requirements and rules of governance, the Crédit Mutuel Alliance Fédérale has an auditing and accounting committee. It is composed of voluntary and independent directors from the cooperative base of the group. Several of its members have particular skills in accounting and finance. The executive body, the control departments and the finance division are represented on it. Training seminars help members to keep up to date with new developments.

This committee:

- examines the provisional internal control schedule;
- is informed of the conclusions of inspections carried out by the periodic control function and of the results of the permanent and compliance controls;
- takes due note of the conclusions of external controls, particularly of any recommendations made by the supervisory authorities;
- is informed of actions carried out to give effect to the main recommendations issued in internal and external control reports;
- assesses the effectiveness of the internal control systems;
- receives up-to-date information on the group's risk position;
- proposes to the various deliberative bodies such improvements as it deems necessary in view of the findings of which it has been made aware.

In the area of financial reports, it:

- is responsible for monitoring the process for preparing financial information;
- examines the annual company and consolidated financial statements;
- assesses the manner in which they have been drawn up and satisfies itself as to the appropriateness and consistency of the accounting principles and methods applied;
- participates in the selection of statutory auditors;
- supervises the statutory audit of the accounts.

The group auditing and accounting committee carries out a self-assessment of its activities, based on an assessment by the Permanent Control unit, the Compliance unit and the General Inspectorate, in the aim of improving its operation in the light of past experience. The last self-assessment was carried out in November 2019.

The group auditing and accounting committee met four times in 2019 (February 18, April 25, July 24 and September 20). These meetings were the subject of minutes intended for the deliberative bodies of the different federations.

It examined the financial statements for the year ended December 31, 2019 in its meeting of February 17, 2020 and had no particular observations to make.

Remuneration committee

In accordance with articles L.511-89, 102 and 103 of the French Monetary and Financial Code and 104 of the internal control order, Crédit Mutuel Alliance Fédérale has set up a single remuneration committee, the scope of which extends to all its subsidiaries. It gives its opinions on the proposals made by the board of directors after consulting the risk and compliance divisions and reviews and approves the compensation policy on an annual basis. This committee also verifies that the principles defined by the deliberative body have been effectively implemented. The remuneration committee reports regularly to the deliberative body.

Group ethics and compliance committee

Created within the scope of consolidation of the Crédit Mutuel Alliance Fédérale, this committee has been instrumental in establishing a code of ethics for the group. Each year it draws up a report on the group's implementation of and compliance with ethical principles and the code of conduct.

5.3.3.3 Accounting data and means of control at the group level

The Finance Department of Crédit Mutuel Alliance Fédérale is in charge of running the general accounts of the Group's main credit institutions and, in this respect, carries out accounting checks.

The preparation of the Group's consolidated financial statements and financial communication is also the responsibility of the Finance Department, which submits them to the Group Auditing and Accounting Committee, then presents them to the deliberative bodies.

Control of the annual financial statements

The accounting system

The accounting architecture

This is based on an IT platform shared throughout 15 Crédit Mutuel federations and CIC's regional banks, which includes accounting and regulatory functions, in particular for:

- the chart of accounts, the structure of which is identical for all institutions of the same type managed through this platform;
- defining the automated templates and procedures shared by all the banks (means of payment, deposits and credits, day-to-day transactions, etc.);
- reporting tools (SURFI, consolidation software input, etc.) and oversight tools (management control).

The administration of the common accounting information system is entrusted to the “Accounting Procedures and Systems” division.

The latter is more specifically in charge of:

- managing the shared chart of accounts (creating accounts, defining the characteristics of the accounts, etc.);
- defining shared accounting procedures and systems, in accordance with tax and regulatory requirements; if necessary, the division concerned consults the tax department and the systems are validated by a procedure involving various operational managers.

The “Accounting Procedures and Systems” division is independent, both hierarchically and operationally, from the accounting production services themselves, thus allowing a separation between the functions of design and administration of the accounting architecture and the other operational departments.

Within the Group, all accounts are obligatorily allocated to an operational department which is responsible for maintaining and verifying the accounts. The organization and procedures in place make it possible to comply with Article 85 of the Decree of 3 November 2014 and to guarantee the existence of the audit trail.

Chart of accounts

This is divided into two broad sections: third-party captions, showing payables and receivables for individual third parties, and the general accounting captions.

Dedicated accounts are used for third party deposits and loans, enabling them to be monitored. For custody of negotiable securities, a “stock” accounting system distinguishes between securities owned by third parties and those owned by the bank.

The chart of accounts for all the credit institutions using the shared IT platform contains unique identifiers and is managed by the “Accounting Procedures and Systems” division.

The chart of accounts defines the following account properties:

- regulatory characteristics (link to the chart of accounts of credit institutions linked to the prudential regulatory statements – PCEC, link to the publishable financial statements item, etc.);
- certain tax aspects (VAT position, etc.);
- management characteristics (whether compulsory or not, link with the consolidated chart of accounts, length of time online transactions are stored, IFRS characteristics, etc.).

Processing tools

Those for the accounting information are essentially based on internal applications prepared by the Group’s IT services. There are also specialized applications, external or internal, particularly software for producing management reporting, balances or account statements, a utility for processing file requests, software for consolidation, processing regulatory statements, and managing capital assets and tax declarations.

Procedure for data aggregation

In accordance with the model defined by the Crédit Mutuel Alliance Fédérale, accounting data is aggregated for the following entities:

- the Group (e.g. CIC);
- the federation made up of one or more banks or other legal entities;
- the bank belonging to a federation. The bank (branches and central departments) is broken down into branches, which represent the basic unit of the accounting system. It is at this level that accounting entries are recorded.

Accounting consistency of management data

Each branch comprises an external branch for recording financial accounting data. The first records the general accounts entries and the second records the analytical accounting. At the individual branch level, the figures used for management accounting purposes are obtained by combining the internal and external data. The Group result is obtained by adding together the balances of the branches. Links are established between financial accounting captions and the codes attributed to the products marketed by the bank. Cost accounting data are used to determine the results by business segment.

Control methods

Automated controls

A series of automated controls are carried out when accounting records are processed and before transactions are allocated to ensure that records are balanced and valid, and to update the audit trail of the captions affected by the transaction. In-house tools are used to control accounting transactions on a daily basis and to detect any discrepancies.

A dedicated automatic account control application has been in use since 2010 to manage limit amounts for accounting allocation, differentiated by type of account (third party/general accounts), by direction (debit/credit), by IT application code, by entity and by sector of activity within the entity. The tool has two levels of control:

- an alert threshold;
- a maximum amount.

The control applies to real-time or batch processing from all applications which do not require validation of movements according to the “4 eyes” principle. When the alert threshold is exceeded an event is sent to the customer relationship manager. When the maximum amount is exceeded the accounting flow is blocked, which is then diverted to an accrual account and assumes validation according to the “4 eyes” principle before definitive accounts allocation.

In all cases, movements above the alert threshold (automatically when processing files and after forcing for real-time) are logged and archived in the event management system.

Closing process controls

At the time of each closing, the accounting results are compared with the forecast administrative data for validation. The forecast administrative data is prepared by independent divisions of the accounting production departments (management and budgetary control).

This analysis particularly concerns:

- interest margins; for interest-rate instruments, including deposits, loans and off-balance-sheet transactions, the management accounting department calculates expected yields and costs based on average historical data. These are then compared with the interest rates actually recognized, for validation business segment by business segment;

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- commission levels; based on business volume indicators, the management accounting department estimates the volume of commissions received and payable, compared with recognized data;
- overhead (personnel costs and other general operating expenses);
- net additions to provisions for loan losses (level of provisioning and recognized losses).

Procedures put in place

Accounting procedures and templates are documented. For the network, procedures are posted on the bank's intranet.

Levels of control

Daily accounting controls are performed by the appropriate employees within each branch.

The accounting control departments also have a general mission covering, in particular, regulatory controls, the monitoring of substantiating documentation for internal accounts and branch identifiers, control of the foreign currency positions, control of NBI per activity, the accounting plans and procedures in relation to Crédit Mutuel Alliance Fédérale and the interface between the back offices and the statutory auditors for half-yearly and annual closures.

Furthermore, the control departments (periodic, permanent and compliance) also perform accounting work. A dedicated accounting control portal has been put in place.

Applying controls

Automated accounting controls

An automated daily control procedure based on the bank's daily balance allows the verification of balance sheet and off-balance sheet positions, asset/liability balances by branch and by currency, and the monitoring of technical accounts. This procedure is also applied to the general ledger at the end of each month.

Evidencing the accounts

All the accounts on the balance sheet are justified either by an automated control or by a validation of the account performed by the service responsible for it. Reporting per service ensures that the results of the controls performed are collected.

Controls on the consolidated financial statements

Accounting policies and principles

Adapting to regulatory developments

The system is periodically updated in line with regulatory developments (IFRS) or to improve the reliability of financial statement preparation.

IFRS compliance

The accounting principles fixed by the IFRS standards have been applied in the Group's entities since January 1, 2005. A summary of this is included in the consolidated financial statements.

Foreign subsidiaries apply the principles and methods defined by the Group for the transition from local standards to French and international standards in the consolidation packages and their financial reporting.

The annual financial statements prepared in accordance with IFRS are documented in the central information system for the entities using the common information system.

The accounting managers of the various Crédit Mutuel Alliance Fédérale entities meet twice a year to prepare the half-yearly and annual closings.

Individual company financial statements in accordance with IFRS are prepared for the relevant entities in the central IT system, using the same organization and team as for those drawn up in accordance with French (CNC) standards.

Reporting and consolidation

Consolidation process

The Group uses a consolidation chart of accounts. Within the shared information system, each account in the chart of accounts is linked to the consolidation chart of accounts, in an identical way for all companies using the shared chart. This link is unique to each account, with regard to all companies managed under this chart.

The consolidated financial statements are prepared in accordance with a timetable distributed to all the subsidiaries and the statutory auditors, which includes, where applicable, changes in procedures and standards to be incorporated. Each consolidated subsidiary has one person in charge of its closing process and another in charge of reporting intercompany transactions between fully consolidated companies. In accordance with their professional standards, the statutory auditors for the consolidation also give the statutory auditors of the consolidated companies instructions aimed at ensuring that the subsidiary complies with the various rules.

A dedicated software package, one of the main standard tools on the market, is used to consolidate the accounts. Data input (consolidation packages) is partially automated, using an interface developed on the accounting information system. This system makes it possible to automatically retrieve balances and ensure that company-only and consolidated data are consistent.

Reporting and data control

Companies cannot submit their consolidation package before a number of consistency checks that are programmed into the input software have been carried out. These control checks, established by the consolidation departments, cover a large number of aspects (changes in equity, provisions, non-current assets, cash flows, etc.). "Blocking" controls prevent a package from being transmitted by the subsidiary and can only be overridden by the central consolidation departments.

Consistency checks against company-only data are also performed by the consolidation department upon receipt of the consolidation packages (level of results, intermediate balances, etc.). Finally, systematic reconciliation statements between company-only and consolidated data are generated for equity and earnings. This process, which ensures consistency in the transition between the statutory and consolidated series, is carried out without using the consolidation software, thus leading to validation of the consolidated data.

Analysis of accounting and financial information

The consolidated financial statements are analyzed compared to the previous fiscal year and compared to the budget and the quarterly accounting and financial reporting. These are organized by themes (cost of risk, progress of outstanding loans and deposits, etc.). The changes observed are corroborated by the services concerned, such as the lending department and the management control for the various entities.

Each entity's contribution to the consolidated financial statements is also analyzed.

The accounting principles used, which have a significant impact, were first reviewed and validated by the statutory auditors. The statutory auditors are regularly invited to attend meetings of the Board of Directors to approve the financial statements and to the meetings of the Auditing Committee (see below).

Each time a closing involves the publication of financial data, this information is presented to the Executive Management and Board of Directors by the Finance Department. This report presents the breakdown of income, the balance sheet position and the current business situation, including the reconciliation of non-accounting data (rates, average capital, etc.).

The accounting work is regularly presented to the Group's Auditing and Accounting Committee.

Conclusion

Drawing on common methods and tools, the internal control and risk oversight mechanism fits into Crédit Mutuel Alliance Fédérale's system of controls, forming a coherent whole, appropriately adapted to the Group's different activities in France and internationally. It meets banking and finance regulatory requirements and conforms to the operational principles established by the Group. It is our ongoing objective to consolidate and further improve efficiency.

5.4 SCOPE OF REGULATORY FRAMEWORK

Pursuant to EU Regulation No. 575/2013 of the European Parliament and the European Council relative to capital requirements applicable to credit institutions and investment firms (referred to as the "CRR"), the accounting and regulatory entities are the same but how they are consolidated is not.

With respect to Crédit Mutuel Alliance Fédérale, the consolidation method differs primarily for entities in the insurance sector, publishing operations and special purpose entities. These are consolidated by the equity method, regardless of the percentage of control.

The differences between the accounting and regulatory consolidations of Crédit Mutuel Alliance Fédérale as at December 31, 2019 are given in the tables below.

TABLE 10: DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY CONSOLIDATION SCOPES AND A MATCHING OF ITEMS IN THE FINANCIAL STATEMENTS TO THE REGULATORY RISK CATEGORIES (EU LI1)

			Carrying amounts of items				
(in € millions)	Carrying amounts as per the published financial statements	Carrying amounts per the regulatory consolidation	subject to the credit risk framework	subject to the counter-party risk framework[1]	subject to provisions relating to securi-tization	subject to the market risk framework[1]	not subject to capital requirements or subject to deduction from equity
Assets							
Cash, central banks – Assets	71,171	71,171	71,171	-	-	-	-
Financial assets at fair value through profit or loss	31,907	33,510	5,143	16,990	-	28,344	-
Hedging derivatives – Assets	2,420	2,420	-	2,420	-	-	-
Financial assets at fair value through other comprehensive income	30,459	30,468	24,194	-	6,274	-	-
Securities at amortized cost	2,813	7,814	7,314	-	-	-	500
Loans and receivables to credit institutions and similar, at amortized cost	40,825	40,313	34,342	5,958	-	-	13
Loans and receivables due from customers at amortized cost	384,535	385,906	384,859	984	-	-	63
Revaluation adjustment on rate-hedged books	2,079	2,079	-	-	-	-	2,079
Short-term investments in the insurance business line and reinsurers' share of technical provisions	129,869	-	-	-	-	-	-
Current tax assets	1,611	1,340	1,340	-	-	-	-
Deferred tax assets	1,529	967	965	-	-	-	3
Accruals and other assets	9,342	9,173	9,173	-	-	-	-
Non-current assets held for sale	726	-	-	-	-	-	-
Deferred profit-sharing	-	-	-	-	-	-	-
Investment in associates	620	8,945	8,694	-	-	-	250
Investment properties	89	89	89	-	-	-	-
Property, plant and equipment and finance leases	3,669	3,371	3,371	-	-	-	-
Intangible assets	735	610	-	-	-	-	610
Goodwill	4,118	3,927	-	-	-	-	3,927
TOTAL ASSETS	**718,519**	**602,103**	**550,654**	**26,353**	**6,274**	**28,344**	**7,445**

(in € millions)	Carrying amounts as per the published financial statements	Carrying amounts per the regulatory consolidation	Carrying amounts of items: subject to the credit risk framework	subject to the counter-party risk framework[1]	subject to provisions relating to securi-tization	subject to the market risk framework[1]	not subject to capital requirements or subject to reduction from equity
Liabilities							
Central banks – Liabilities	715	715	-	-	-	-	715
Financial liabilities at fair value through profit or loss	18,854	19,305	-	18,321	-	19,276	-
Hedging derivatives – Liabilities	2,291	2,291	-	2,291	-	-	-
Due to credit institutions	36,461	36,570	-	3,281	-	-	33,289
Due to customers	336,806	342,605	-	3	-	-	342,601
Debt securities	124,792	132,272	-	-	-	-	132,272
Revaluation adjustment on rate-hedged books	-4	-4	-	-	-	-	-4
Current tax liabilities	787	658	-	-	-	-	658
Deferred tax liabilities	1,295	468	466	-	-	-	1
Accruals and other liabilities	11,628	11,112	-	2,500	-	-	8,612
Liabilities on assets held for sale	725	-	-	-	-	-	-
Technical provisions	117,138	-	-	-	-	-	-
Liabilities to credit institutions – JV	7,306	-	-	-	-	-	-
Debt securities – JV	-	-	-	-	-	-	-
Trading derivatives	1	-	-	-	-	-	-
Liabilities to cred. inst.	153	-	-	-	-	-	-
Hedging derivatives – Liabilities	-	-	-	-	-	-	-
Other liabilities	391	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Subordinated debt issued by insurance cos.	300	-	-	-	-	-	-
Provisions for risks and expenses	3,498	2,654	-	-	-	-	2,654
Subordinated debt issued by bank	8,235	8,317	-	-	-	-	8,317
Total shareholders' equity	47,146	45,140	-	-	-	-	45,140
Shareholders' equity attributable to the group	43,827	43,827	-	-	-	-	43,827
Share capital and related pay-ins	6,482	6,482	-	-	-	-	6,482
Consolidated reserves – Group	33,552	33,552	-	-	-	-	33,552
Unrealized gains and (losses) recognized directly in equity – Group	961	961	-	-	-	-	961
Net profit – Group	2,832	2,832	-	-	-	-	2,832
Shareholders' equity – Non-controlling interests	3,319	1,313	-	-	-	-	1,313
TOTAL LIABILITIES	**718,519**	**602,103**	**466**	**26,397**	**-**	**19,276**	**574,255**

(1) Financial assets may contain counterparty and market risks. This concerns derivatives and repurchase agreements.

TABLE 11: MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES (EU LI2)

(in € millions)		Total items involved	Items subject to: credit risk framework	counterparty risk framework[1]	securitization provision	market risk framework
1	**Carrying amount of assets in the regulatory consolidation (per Table LI1)**	**611,625**	**550,654**	**26,353**	**6,274**	**28,344**
2	**Carrying amount of liabilities and equity in the regulatory consolidation (per Table LI1)**	**46,140**	**466**	**26,397**	**-**	**19,276**
3	**Total per the regulatory consolidation**	**565,485**	**550,188**	**-44**	**6,274**	**9,068**
4	**Off-balance-sheet commitments**	**124,220**	**124,099**		**121**	
	OBO valuation diff.	**-84,570**	**-84,570**		**-**	
5	Valuation diff.	2,986		2,986	-	
6	Diff. due to differing rules for offsetting other than those already in line[2]	9,009		9,714		-705
7	Diff. from the inclusion of provisions	4,818	4,818	-	-	-
8	Diff. due to prudential filters	-	-	-	-	-
9	Other	-597	-597	-	-	-
10	**Regulatory amount of exposures**	**621,351**	**593,937**	**12,656**	**6,396**	**8,363**

(1) The data presented equal the net value of assets and liabilities of derivatives and repurchase agreements.
(2) Net credit balances after offsets are excluded from counterparty risk.

TABLE 12: DESCRIPTION OF SCOPE OF CONSOLIDATION DIFFERENCES (EU LI3)

Name of the entity/ combination	Accounting consolidation method	Regulatory method: Full consolidation	Proportional consolidation	Not consolidated, not deducted[1]	Deducted	Description of entity
Groupe des Assurances du Crédit Mutuel[2]	**Full consolidation[3]**			**X**		**Insurance companies**
Publishing[2]	**Full consolidation[4]**			**X**		**Other activities**
Banque du Groupe Casino	Equity method		X			Banking network subsidiaries
Bancas	Equity method		X			Banking network subsidiaries
FCT CM-CIC Home loans	Full consolidation			X		Banking network subsidiaries
LYF SA (formerly Fivory)	Equity method		X			Banking network subsidiaries
Euro Automatic Cash	Equity method		X			Logistics and holding company services
EI Télécom	Full consolidation			X		Logistics and holding company services
Euro Protection Surveillance	Full consolidation			X		Logistics and holding company services
LYF SAS (formerly Fivory SAS)	Equity method		X			Logistics and holding company services

(1) Refers to entities exempt from the deduction from equity or benefiting from the Danish Compromise. They are included in the RWA for calculating credit risk.
(2) Detail by entity appears in Appendix 1.
(3) Except ASTREE Assurances, which is equity-accounted.
(4) Except Journal de la Haute-Marne and Lumedia, which are equity-accounted.

Detail by entity of the description of the differences between consolidation scopes is presented in Appendix 1.

5.5 REGULATORY CAPITAL

5.5.1 Components of regulatory capital

Since January 1, 2014, regulatory capital has been determined in accordance with section 1 of EU Regulation No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending EU Regulation No. 648/2012 (referred to as the "CRR"), supplemented by technical standards (delegated regulations and EU implementing regulations of the European Commission).

Capital is the sum of:

- Tier 1 capital: consisting of Common Equity Tier 1 (CET1) capital net of deductions and Additional Tier 1 (AT1) capital net of deductions;
- Tier 2 (T2) capital net of deductions.

The European regulations allow credit institutions a transitional period to achieve compliance with these requirements. Therefore, at December 31, 2019, transitional provisions still applied to certain components of shareholders' equity.

Tier 1 capital

Common Equity Tier 1 (CET 1) capital consists of share capital instruments and the associated share premiums, reserves (including those relating to accumulated other comprehensive income) and retained earnings. Total flexibility of the payments is required and the instruments must be perpetual.

AT1 capital consists of perpetual debt instruments with no incentive or obligation to redeem (in particular step-ups in interest rates). AT1 instruments are subject to a loss absorption mechanism which is triggered when the CET1 ratio is below a minimum threshold of 5.125%. The instruments can be converted into shares or reduced in nominal value. Total payment flexibility is required, and coupon payments may be canceled at the issuer's discretion.

Common Equity Tier 1 capital is determined using the shareholders' equity carried on the group's accounting statements[1], calculated on the regulatory consolidation after applying "prudential filters" and a certain number of regulatory adjustments.

Beginning January 1, 2018, due to the end of the transitional clauses applied to unrealized gains arising from the equity-accounting of investments in associates (excluding shares used as cash flow hedges), those investments are no longer filtered and are now fully incorporated into common equity.

Conversely, unrealized gains and losses recognized for accounting purposes directly in equity due to a cash flow hedge and those relating to other financial instruments, including debt instruments, continue to be eliminated.

The other regulatory adjustments to CET1 mainly involve:

- anticipation of dividend distributions;
- deducting goodwill and other intangible assets;
- the negative difference between provisions and expected losses as well as expected losses on equities;
- value adjustments due to requirements for conservative valuation;
- deferred tax assets that rely on future profitability and do not arise from temporary differences net of related tax liabilities;
- gains or losses recorded by the institution on liabilities measured at fair value and that result from changes in the institution's credit standing;
- gains and losses at fair value on derivatives recognized as liabilities on the institution's statement of financial position and that result from changes in the institution's credit standing.

In addition, direct, indirect and synthetic holdings in CET1 instruments of financial sector entities are included in full in the threshold and are not therefore deducted from CET1.

Tier 2 capital

Tier 2 capital consists of subordinated debt instruments with a minimum maturity of 5 years. Incentives for early repayment are prohibited.

The amount of "eligible capital" is more limited. This concept is used to calculate large exposure thresholds and non-financial investments weighted at 1.250%. This is the sum of:

- Tier 1 capital; and
- Tier 2 capital, capped at 1/3 of Tier 1 capital.

(1) *See Table 13: Reconciliation of the financial balance sheet, the regulatory balance sheet and shareholders' equity.*

TABLE 13: RECONCILIATION OF THE FINANCIAL BALANCE SHEET, THE REGULATORY BALANCE SHEET AND SHAREHOLDERS' EQUITY

	(in € millions)	Accounting consolidation	Regulatory consolidation	Difference
	Equity	**47,147**	**45,142**	
①	**Shareholders' equity – attributable to the group – exc. OCI**	**42,866**	**42,866**	**-**
	Subscribed capital and issue premiums	6,482	6,482	-
	Consolidated reserves – Group	33,552	33,552	-
	Consolidated earnings – Group	2,832	2,832	-
②	**Shareholders' equity – non-controlling interests – exc. OCI**	**2,994**	**1,304**	**1,690**
	Consolidated reserves – Non-controlling interests	2,680	1,172	1,508
	Consolidated net income – Non-controlling interests	314	132	182
③	**Unrealized gains or losses – Attributable to the group**	**961**	**961**	**-**
	o/w equity instruments	622	622	-
	o/w debt instruments	658	658	-
	o/w cash flow hedges	2	2	-
	Unrealized gains or losses – Non-controlling interests	**326**	**11**	**315**
	Other balance sheet items			
④	Intangible assets (a)	735	610	125
	Goodwill (Inc. In the value of equity-accounted investments)	4,194	4,177	17
⑤	Deferred taxes			
	Assets	1,529	967	562
	o/w DTA from tax loss	*3*	*3*	-
	Liabilities	1,295	468	827
	o/w DTL from intangible assets (b)	*52*	*52*	-
⑥	Subordinated debt	8,535	8,317	-84

	(in € millions)	CET1	AT1	T2
	Own funds	**38,995**	**744**	**6,331**
①	**Shareholders' equity – attributable to the group**	**44,002**		
	Called-up capital paid in and issue premiums*	6,470		
	Prior year earnings not distributed	34,768		
	Profit or loss (attributable to the group)	2,832		
	(-) Share of interim profits or ineligible closing date profits	-68		
②	**Shareholders' equity – Non-controlling interests**	**551**	**94**	**125**
	Eligible non-controlling interests*	551	94	125
③	**Unrealized gains or losses – Attributable to the group**	**-255**		
	*o/w capital instruments**	*44*		
	*o/w debt instruments**	*-27*		
	o/w cash flow hedges	*2*		
	Other balance sheet items put into the calculation of equity capital	**-5,303**	**650**	**6,206**
④	(-) Gross amount of other intangible assets, Inc. DTL on intangible assets (a) – (b)	-559		
	(-) Goodwill on intangible assets	-4,177		
⑤	(-) DTA dependent on future profits and not arising from temporary differences net of related tax liabilities	-2		
⑥	Subordinated debt*		650	6,632
	Deductions and prudential filters (details on following page)	-565		-426

Asterisks (*) indicate the existence of transitional clauses.

Differences from the regulatory balance sheet numbered below can be explained as follows:

1. the difference reflects the treatment required by the notice of the General Secretariat of the ACPR concerning capital gains and losses on the books of companies accounted by the equity method (*cf.* Point 3);
2. non-controlling interests are subject to a special calculation under the CRR;
3. the difference reflects the treatment required by the notice of the General Secretariat of the ACPR concerning capital gains and losses on the books of companies accounted by the equity method (*cf.* Point 1);
4. intangible assets deducted from equity includes the related deferred tax liabilities;
5. deferred tax assets and liabilities are subject to special treatment under European regulations;
6. subordinated debt held in shareholders' equity differs from the accounting statements due to items considered ineligible by the CRR regulation and the calculation of a regulatory discount over the past 5 years for fixed-term debts.

(in € millions)	CET1	AT1	T2
Detail on deductions and prudential filters	**-565**		**-426**
(-) Securitization positions that can, optionally, be weighted 1,250%	-13		
(-) Instruments of relevant entities in which the institution does not have a material investment *			
(-) Instruments of relevant entities in which the institution has a material investment *			-500
Excess deductions by level of capital			
Using the IRB approach, the negative difference between provisions and expected losses	-433		
Using the IRB approach, the positive difference between provisions and expected losses			74
Credit risk adjustments – Standard approach			
Prudential filter: Reserve for cash flow hedges	-2		
Prudential filter: Value adjustments due to requirements for conservative valuation	-115		
Prudential filter: Gains or losses in the JV resulting from own credit risk on derivative liability instruments	-2		
Other			

The principal characteristics of capital instruments in the format of Appendix II to EU implementing Regulation No. 1423/2013 of December 20, 2013 are presented in Appendix 2.

Likewise, detailed information on equity in the format of Appendix VI to EU implementing Regulation No. 1423/2013 of December 20, 2013 are presented in Appendix 3.

5.5.2 Capital requirements

TABLE 14: OVERVIEW OF RISK-WEIGHTED ASSETS (EU OV1)

		RWA (Risk-weighted assets)		Minimum requirements for equity
(in € millions)		2019	2018	2019
	Credit risk (excl. counterparty risk – CCR)	**195,224**	**183,290**	**15,618**
Article 438(c)(d)	o/w standard approach	55,855	51,289	4,468
Article 438(c)(d)	o/w basic Internal ratings-based approach	12,775	11,305	1,022
Article 438(c)(d)	o/w advanced internal ratings-based approach	86,804	80,635	6,944
Article 438(d)	o/w shares in IRB approach	39,790	40,061	3,183
Article 107, Article 438(c)(d)	**Counterparty risk**	**2,614**	**2,422**	**209**
Article 438(c)(d)	o/w market value	1,877	1,569	150
Article 438(c)(d)	o/w initial exposure	-	-	-
	o/w standard approach applied to counterparty risk (SA - CCR)	-	-	-
	o/w internal models method (IMM)	-	-	-
Article 438(c)(d)	o/w amount of risk exposure for contributions to the default fund of an SPC	155	191	12
Article 438(c)(d)	o/w CVA	582	662	47
Article 438(e)	**Settlement risk**	**1**	**0**	**0**
Article 449(o)(i)	**Securitization exposure in the banking book**	**953**	**822**	**76**
	o/w internal ratings-based approach (IR)	410	761	33
	o/w supervisory formula method	-	-	-
	o/w internal valuation approach	-	-	-
	o/w standard approach (SA)	543	61	43
Article 438(e)	**Market risk**	**2,784**	**3,182**	**223**
	o/w standard approach (SA)	2,784	3,182	223
	o/w approaches based on the internal models method (IMM)	-	-	-
Article 438(e)	**Major exposures**	**-**	**-**	**-**
Article 438(f)	**Operational risk**	**19,149**	**19,620**	**1,532**
	o/w base indicator approach	1,654	1,582	132
	o/w standard approach	706	720	56
	o/w advanced measurement approach	16,789	17,318	1,343
Article 437(2), Article 48 and Article 60	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**4,988**	**4,710**	**399**
Article 500	**Floor adjustment**	**-**	**-**	**-**
	TOTAL	**225,713**	**214,048**	**18,057**

5.6 PRUDENTIAL METRICS

5.6.1 Solvency ratio

The group's solvency ratios at December 31, 2019, after consolidation of net profit/(loss) after estimated dividend distribution, are presented in the following table.

TABLE 15: SOLVENCY RATIOS

(in € millions)	12/31/2019	12/31/2018
COMMON EQUITY TIER 1 CAPITAL (CET1)	**38,995**	**35,438**
Capital	6,470	6,152
Eligible reserves before adjustments	37,828	34,624
Deductions from Common Equity Tier-1 capital	-5,303	-5,338
ADDITIONAL TIER 1 CAPITAL (AT1)	**744**	**953**
TIER 2 CAPITAL (T2)	**6,331**	**5,856**
TOTAL REGULATORY CAPITAL	**46,070**	**42,247**
Risk-weighted assets for purposes of credit risk	203,197	190,583
Risk-weighted assets for purposes of market risk	3,367	3,845
Risk-weighted assets for purposes of operational risk	19,149	19,620
TOTAL RISK-WEIGHTED ASSETS	**225,713**	**214,048**
SOLVENCY RATIOS		
Common Equity T1 (CET1) ratio	17.3%	16.6%
Tier 1 ratio	17.6%	17.0%
Overall ratio	20.4%	19.7%
For information: Ratios without transitional clauses		
Common Equity T1 (CET1) ratio	17.3%	16.6%
Tier 1 ratio	17.3%	16.6%
Overall ratio	20.4%	19.7%

Under the CRR[1], the total capital requirement is set at 8% of Risk-Weighted Assets (or RWA).

In addition to the minimum CET1 requirement, Crédit Mutuel Alliance Fédérale has since January 1, 2016 gradually become subject to extra capital requirements which take the form of:

- a capital conservation buffer, mandatory for all institutions: 2.5% of weighted risks at December 31, 2019;
- a counter-cyclical equity buffer specific to each institution equal to 0.2% of weighted risks at December 31, 2019.

The counter-cyclical buffer, established in case of excessive credit growth (notably a deviation from the loans-to-NBI ratio), applies nationally when so decided by a designated authority and, because of reciprocity agreements, covers the exposures located in that country regardless of the nationality of the bank. In France, the counter-cyclical capital buffer rate is set by the French Financial Stability Board (*Haut Conseil de Stabilité Financière* – HCSF).

On July 1, 2019, the HSCF set the counter-cyclical capital buffer rate at 0.25% for exposures in France.

On April 3, 2019, the HCSF published its decision to raise the countercyclical capital buffer rate to 0.5%, applicable from April 2, 2020. This decision was confirmed by the HSCF on January 13, 2020.

However, in its press release of March 18, 2020, the HCSF decided to fully ease the banks' countercyclical capital buffer rate and to set it at 0% until further notice. The aim of this move is to support small- and medium-size businesses, who depend on bank financing.

Since January 1, 2019, the mandatory recognition of counter-cyclical capital buffer rates set in other countries is capped at 2.5%. Any ratios above that must be explicitly recognized by the French Financial Stability Board.

In 2020, the following changes had been expected:

- from January 1, 2020, exposures in Luxembourg were to be subject to a counter-cyclical capital buffer of 0.25%;
- from July 1, 2020, exposures in Germany were to be subject to a countercyclical capital buffer of 0.25%;
- from July 1, 2020, exposures in Belgium were to be subject to a countercyclical capital buffer of 0.5%, requiring a recognition decision on the part of the HSCF.

(1) CRR: part 3/title 1/chapter 1/section 1/article 92.

However, at the time of publication of Pillar 3 of Crédit Mutuel Alliance Fédérale, the following decisions were taken:

- in its press release of March 18, 2020, BaFin fully eased the banks' countercyclical capital buffer due to come into effect on July 1, 2020;
- in its decision of March 10, 2020, BNB fully eased the banks' countercyclical capital buffer which was due to come into effect on July 1, 2020.

Crédit Mutuel Alliance Fédérale's specific counter-cyclical capital buffer ratio is calculated as the weighted average of counter-cyclical buffer ratios applied in the countries where the group's relevant credit exposures are located.

Crédit Mutuel Alliance Fédérale is not subject to the OSII (Other Systemically Important Institutions) buffer, which applies solely at the nationally consolidated level.

TABLE 16: AMOUNT OF COUNTER-CYCLICAL CAPITAL BUFFER SPECIFIC TO THE INSTITUTION

(in € millions)		12/2019	12/2018
010	Total risk-weighted assets	225,713	214,048
020	Counter-cyclical capital buffer ratio specific to the institution	0.2036%	0.0202%
030	Required counter-cyclical capital buffer specific to the institution	460	43

TABLE 17: GEOGRAPHICAL BREAKDOWN OF RELEVANT CREDIT EXPOSURES FOR THE CALCULATION OF THE COUNTER-CYCLICAL CAPITAL BUFFER

	12/2019											
	General credit exposures		Trading book exposures		Securitization exposures		Capital requirements					
(in € millions)	Amount exposed to risk using standard approach	Amount exposed to risk using IR approach	Sum of long and short positions in the trading book	Value of trading book exposures using internal models	Amount exposed to risk using standard approach	Amount exposed to risk using IR approach	Of which: General credit exposures	Of which: trading book exposures	Of which: securitization exposures	Total	Weighting of capital requirements	Counter-cyclical buffer ratio
France	21,215	348,035			522	829	10,892		12	10,905	70.31%	0.25%
United Kingdom	760	2,825			27	334	185		6	191	1.22%	1.00%
Ireland	79	820			26	36	45		1	45	0.29%	1.00%
Hong Kong	15	821			0	84	31		0	31	0.20%	2.00%
Sweden	82	1,122			0	0	25		0	25	0.16%	2.50%
Czech Republic	204	8			0	0	15		0	15	0.10%	1.50%
Norway	36	484			0	0	12		0	12	0.08%	2.50%
Denmark	78	151			0	0	11		0	11	0.07%	1.00%
Slovakia	115	2			0	0	8		0	8	0.05%	1.50%
Bulgaria	8	1			0	0	1		0	1	0.00%	0.50%
Lithuania	4	0			0	0	0		0	0	0.00%	1.00%
Iceland	1	0			0	0	0		0	0	0.00%	1.75%

	12/2018											
	General credit exposures		Trading book exposures		Securitization exposures		Capital requirements					
(in € millions)	Amount exposed to risk using standard approach	Amount exposed to risk using IR approach	Sum of long and short positions in the trading book	Value of trading book exposures using internal models	Amount exposed to risk using standard approach	Amount exposed to risk using IR approach	Of which: exposures General credit exposures	Of which: exposures of trading portfolio	Of which: exposures of securitization	Total	Weighting of capital requirements	Counter-cyclical buffer ratio
United Kingdom	700	2,550				503	156		6	161	1.10%	1.00%
Hong Kong	31	978				82	35		0	35	0.24%	1.88%
Sweden	99	842				0	18		0	18	0.12%	2.00%
Norway	21	374				6	7		0	7	0.05%	2.00%
Czech Republic	156	9				0	12		0	12	0.08%	1.00%
Slovakia	67	3				0	5		0	5	0.03%	1.25%
Lithuania	4	0				0	0		0	0	0.00%	0.50%
Iceland	1	0				0	0		0	0	0.00%	1.25%

5.6.2 Major risks

Banks must measure and limit their exposures to a single recipient, customer or group of customers.

Article 395 of EU Regulation No. 575/2013 of June 26, 2013 states that net outstandings to a single recipient may not be greater than 25% of the bank's equity.

Article 392 of EU Regulation No. 575/2013 of June 26, 2013 states that gross outstandings to a single recipient greater than 10% of the bank's equity must be reported as a large risk.

Crédit Mutuel Alliance Fédérale does not have a large gross outstanding with a single recipient[1] (customer or customer group) reaching the threshold of 10% of the bank's equity.

TABLE 18: MAJOR RISKS

BUSINESSES

Concentration of risks *(in € millions)*	12/31/2019	12/31/2018
COMMITMENTS IN EXCESS OF €300 MILLION		
Number of counterparty groups	56	55
Total commitments *(in € millions)*, of which	37,369	34,882
Total assets	14,340	14,273
Total off-balance sheet	23,029	20,609
COMMITMENTS IN EXCESS OF €100 MILLION		
Number of counterparty groups	202	191
Total commitments *(in € millions)*, of which	60,733	56,365
Total assets	27,242	26,570
Total off balance sheet	33,491	29,795

Source: "Large Risks" declaration across Crédit Mutuel Alliance Fédérale exc. Banque Casino.
Commitments: balance sheet + off balance sheet uses.
Public administrations, central banks and intra-group exposures are not considered to be single "customer" recipients.

BANKS

Concentration of risks *(in € millions)*	12/31/2019	12/31/2018
COMMITMENTS IN EXCESS OF €300 MILLION		
Number of counterparty groups	8	8
Total commitments *(in € millions)*, of which	5,097	4,757
Total assets	4,116	3,572
Total off-balance sheet	981	1,185
COMMITMENTS IN EXCESS OF €100 MILLION		
Number of counterparty groups	22	26
Total commitments *(in € millions)*, of which	7,455	7,517
Total assets	5,956	5,709
Total off-balance sheet	1,499	1,809

Source: "Large Risks" declaration across Crédit Mutuel Alliance Fédérale.Commitments: balance sheet + off balance sheet uses.Public administrations, central banks and intra-group exposures are not considered to be single "customer" recipients.

(1) Public administrations, central banks and intra-group exposures are not considered to be single "customer" recipients.

5.6.3 Supplementary supervision of financial conglomerates

Crédit Mutuel Alliance Fédérale is one of the financial conglomerates supervised by SGACPR.

The bank operates as a financial conglomerate because of the insurance group Groupe des Assurances du Crédit Mutuel (GACM), a subsidiary of Crédit Mutuel Alliance Fédérale.

This subsidiary markets a broad line of life insurance, personal insurance, property insurance and liability insurance, the great majority of it through the banking networks of the Crédit Mutuel group.

As a dispensation from articles 36 and 43 of CRR and in accordance with article 49 of that regulation, the SGACPR (acronym for the General Secretariat of the French prudential supervisory and resolution authority) has authorized the group not to deduct capital instruments in insurance industry entities from its Common Equity Tier 1 capital but to adopt the so-called “weighted average exposure” method, which consists of weighting the shares held in the group’s subsidiary insurance entities in the denominator of the solvency ratio.

Consequently and in accordance with the Order of November 3, 2014, the group is further subject to an extra requirement in terms of capital by using so-called “accounting consolidation” per the IFRS.

Thus the insurance entities fully consolidated for accounting purposes are also fully consolidated for regulatory purposes in calculating the extra requirement.

This supplementary supervision of the conglomeration has three aspects:

- calculating the extra requirement in terms of capital adequacy;
- tracking the concentration of risks by recipient;
- auditing intra-group transactions between the banking and insurance segments, with detail provided for transactions over a certain threshold.

The first aspect, concerning the extra capital-adequacy requirement, makes it possible to check annually the coverage of the conglomerate’s consolidated accounting equity (including the regulatory adjustments and transitional arrangements found in the CRR) of the solvency requirements for both the banking and insurance segments.

The conglomerate’s minimum capital requirement is 100%, calculated as follows:

$$\text{Conglomerate Ratio} = \frac{\text{Total shareholders' equity of the conglomerate}}{\text{Banking requirements + Insurance requirements}}$$

At December 31, 2019, the group’s conglomerate had a capital requirements coverage ratio of 174% (175% in 2018) after inclusion of earnings net of estimated dividends.

The second aspect, concerning concentration of risks per recipient on a consolidated basis, consists of reporting the accumulated gross risks on a single recipient greater than 10% of the conglomerate’s consolidated equity or than €300 million, with at least the 10 largest exposures in the institutions and the 10 largest in the unregulated financial entities. The banking and insurance segments are kept separate with respect to each recipient.

The group holds a total of gross outstandings representing 10% of the conglomerate's equity capital with only one beneficiary.

The last aspect, concerning the audit of intra-group transactions, calls for a summary plus detail by type of transaction between the conglomerate’s banking and insurance segments with respect to refinancing, off-balance sheet commitments and income exchanged.

TABLE 19: NON-DEDUCTIBLE HOLDINGS IN INSURANCE COMPANIES (EU INS1)

(in € millions)	12/2019	12/2018
Capital instruments held in a financial sector entity in which the institution owns a large investment not deducted from equity (before risk-weighting)	8,073	8,335
TOTAL RWA	**29,870**	**30,838**

5.6.4 Leverage ratio

The procedures for managing excessive leverage risk have been validated by the Caisse Fédérale de Crédit Mutuel board of directors and concern the following points:

- the leverage ratio is one of the key indicators of solvency, and monitoring it is the responsibility of the risk committees of Crédit Mutuel Alliance Fédérale;
- an internal limit has been defined at the Crédit Mutuel Alliance Fédérale level;
- if the limit set by the supervisory body is breached, a specific procedure has been laid out, involving the executive management of the group in question and the boards of directors of the group and of Crédit Mutuel Alliance Fédérale.

TABLE 20: LEVERAGE RATIO – JOINT STATEMENT (LRCOM)

Main components of the leverage ratio

(in € millions)		Exposures on 12/31/2019	Exposures on 12/31/2018
BALANCE SHEET (EXCLUDING DERIVATIVES AND TEMPORARY SALES OF SECURITIES)			
1	Balance sheet items (excluding derivatives, temporary sales of securities, fiduciary assets, but including collateral)	574,525	530,942
2	(Assets deducted to determine Tier 1)	-434	-349
3	**Total balance sheet exposures (excl. derivatives, temporary sales of securities and fiduciary assets) – sum of lines 1 and 2**	**574,091**	**530,593**
DERIVATIVES			
4	Replacement cost for all derivatives (i.e., net of eligible margin calls received)	1,136	947
5	Add-on for future potential exposures associated with derivatives (mark-to-market method)	2,973	3,016
7	(Deductions of cash margin calls paid as part of transactions in derivatives)	-2,482	-2,255
9	Effective notional amount adjusted for credit derivatives sold	8,474	7,893
10	(Adjusted effective notional offsets and deductions of add-ons for credit derivatives sold)	-6,315	-5,534
11	**Total exposures from derivatives – sum of lines 4 to 10**	**3,786**	**4,067**
EXPOSURES FROM TEMPORARY SALES OF SECURITIES			
12	Gross assets equal to temporary sales of securities (without offset) after adjusting for transactions accounted as sales	15,990	17,819
14	Exposures to counterparty credit risk from assets related to temporary sales of securities	13	55
16	**Total exposures from temporary sales of securities – sum of lines 12 to 14**	**16,003**	**17,874**
OTHER OFF-BALANCE SHEET EXPOSURES			
17	Off-balance sheet exposures in gross notional amount	112,109	106,672
18	(Adjustments and equivalent credit risk amounts)	-70,819	-67,037
19	**Other off-balance sheet exposures – sum of lines 17 to 18**	**41,289**	**39,635**
EXEMPT EXPOSURES UNDER ARTICLES 429.7 AND 429.14 OF THE CRR (ON AND OFF-BALANCE SHEET)			
EU-19a	(Exemption of intra-group exposures (individual basis) per article 429.7 of the CRR (on and off-balance sheet))	-	-
EU-19b	(Exempt exposures under article 429.14 of the CRR (on and off-balance sheet))(1)	-23,950	-
SHAREHOLDERS' EQUITY AND TOTAL EXPOSURE			
20	**Tier 1**	**39,739**	**36,391**
21	**Total exposures – sum of lines 3, 11, 16, 19, EU-19a and EU-19b**	**611,219**	**592,169**
LEVERAGE RATIO			
22	**Leverage ratio**	**6.5%**	**6.1%**
TRANSITIONAL ARRANGEMENTS CHOSEN AND AMOUNTS OF DE-RECOGNIZED FIDUCIARY ITEMS			
EU-23	Transitional arrangements chosen to define the measurement of equity	YES	YES

(1) Starting January 1, 2019 the group is allowed to deduct from its leverage exposure the centralized savings in the Caisse des Dépôts et Consignations. This deduction was not integrated into the figures presented above.

TABLE 21: SUMMARY OF RECONCILIATION OF ACCOUNTING ASSETS AND EXPOSURES FOR LEVERAGE RATIO PURPOSES (LRSUM)

RECONCILIATION BETWEEN THE CONSOLIDATED ACCOUNTING ASSETS AND THE EXPOSURES USED IN THE LEVERAGE RATIO

(in € millions)		Exposures on 12/31/2019	Exposures on 12/31/2018
1	**Consolidated assets in the reported financial statements**	**718,519**	**667,364**
2	Adjustments for entities in the accounting consolidation but outside the regulatory consolidation	-116,416	-107,819
3	(Adjustments for fiduciary assets recognized in the accounting balance sheet under the applicable accounting framework but left out of the leverage ratio calculation in accordance with article 429.13 of the CRR)	N/A Crédit Mutuel Alliance Fédérale	
4	Adjustments for derivatives	-1,764	-2,129
5	Adjustments for temporary sales of securities (SFTs)	-544	-489
6	Adjustments for off-balance sheet items (converted to credit equivalents)	41,289	39,635
EU-6a	(Adjustments for intra-group exposures left out of the leverage ratio calculation, in accordance with article 429.7 of the CRR)	-	-
EU-6b	(Adjustments for exposures left out of the leverage ratio calculation, in accordance with article 429.14 of the CRR) – CDC receivable	-23,950	-
7	Other adjustments	-5,915	-4,393
8	**TOTAL LEVERAGE RATIO EXPOSURE**	**611,219**	**592,169**

TABLE 22: BREAKDOWN OF EXPOSURES ON THE BALANCE SHEET – EXCEPT DERIVATIVES, SFTS AND EXEMPT EXPOSURES (LRSPL)

BREAKDOWN OF EXPOSURES TAKEN INTO ACCOUNT FOR THE LEVERAGE RATIO

(in € millions)		Exposures on 12/31/2019	Exposures on 12/31/2018
EU-1	**Total balance sheet exposures[1] o/w:**	**548,093**	**528,687**
EU-2	**Trading book exposures**	**14,072**	**13,991**
EU-3	**Banking book exposures, o/w:**	**534,021**	**514,697**
EU-4	Covered bonds	5,241	2,995
EU-5	Exposures treated as sovereign	94,243	98,542
EU-6	Exposures from regional governments, multilateral development banks, international organizations and public sector entities not treated as sovereign	4,968	5,072
EU-7	Institutions	23,771	25,609
EU-8	Covered by a real estate mortgage	159,829	150,784
EU-9	Retail exposures	127,043	119,690
EU-10	Corporate exposures	85,763	80,488
EU-11	Exposures in default	5,398	5,027
EU-12	Other exposures (stock, securitizations and other assets unrelated to credit exposures)	27,765	26,488

(1) Exc. derivatives, temporary sales of securities and exempt exposures.

5

5.7 CAPITAL ADEQUACY

Pillar 2 of the Basel accord requires banks to carry out their own assessment of their economic capital and to use stress scenarios to assess their capital requirements in the event of an economic downturn. The effect of this pillar is to structure the dialog between the bank and the supervisor on the adequacy of the institution's capital.

Governance and approach

The work done by the Crédit Mutuel group to bring it into compliance with the requirements of Pillar 2 fits into the improvements made to the credit risk measuring and monitoring procedures. During 2008, the Crédit Mutuel group introduced its internal capital assessment process in accordance with the Internal Capital Adequacy Assessment Process (ICAAP). This assessment approach has since been gradually enhanced and is now formalized by a national framework process, validated by the board of directors of CNCM on March 2, 2016 as part of the general risk appetite framework and applies at all levels of the Crédit Mutuel group.

The ICAAP approach is fully integrated into the risk governance framework, which can be understood as having the following stages:

- identification of the significant risks incurred by the bank and the associated procedures, tied directly to risk monitoring;
- assessment of the capacity of these risks to be absorbed on an ongoing basis by the regulatory capital adequacy requirements in Pillar 1;
- determination of the level of any additional economic capital to be allocated.

Every year, Crédit Mutuel Alliance Fédérale updates its capital adequacy assessment process based on a set of measures applicable throughout the Crédit Mutuel group. It identifies the risks to which it is exposed through its activities; it maps them out and checks that the regulatory capital requirements effectively cover the potential risks to its capital position and, if such is not the case, determines the additional amount to be taken into account in respect of its economic capital requirements. Following this process, it ensures that the trajectories of the regulatory and economic ratios (in terms of central scenario and adverse scenarios) are in line with the alert thresholds set by the board of directors of Crédit Mutuel Alliance Fédérale, within the scope of the quantitative risk appetite.

The process firstly rests on the identification of the risks and the associated risk appetite, and on the calculation – in accordance with national methodologies – of the minimum economic capital requirements, with the understanding that:

- economic capital requirements are the same as regulatory capital requirements (top quality at the national level since they mainly consist of CET1 and reserves). When the economic assessment of stresses affects the value of the capital, the economic capital is equal to the difference between the regulatory capital and the impact of the stress on the capital (in accordance with Principle 5 §68 of the ECB Guide to the internal capital adequacy assessment process (ICAAP);
- economic capital requirements are equal to the regulatory requirements (where applicable) combined with the economic allowances decided by the governing bodies.

The impacts measured focus on the accounting and prudential figures rather than on the economic value of Crédit Mutuel Alliance Fédérale (EBA/CP/2016/10, section 6.1, §29.d). The results are integrated in the three-year regulatory capital and risk forecasts (EBA/CP/20165/10, section 6.1, §29.e), in a central scenario and under stress conditions.

The methodologies for the identification of risks and quantification of capital requirements are defined within the framework of the Crédit Mutuel group's national governance. Their implementation and the allocation of economic capital to supplement the regulatory capital in the subsidiaries is the responsibility of their executive officers. At the end of the fiscal year, the information compiled must be sufficient to enable the governing bodies to determine the capital adequacy of Crédit Mutuel Alliance Fédérale.

In general, and in keeping with its very low risk appetite, the methodologies developed are robust and based on a high level of conservatism, at least equivalent to that used in Pillar 1 models. The assessment of the economic capital requirements to cover identified risks is thus primarily based on the internal models developed for the calculation of regulatory capital requirements (whether approved or not). In all cases, the outstandings measured using internal models are compared with the regulatory capital requirements declared to the supervisor (which may be measured in the standard way if the models used have not been approved).

For risks covered by the Internal Capital Adequacy Assessment Process (ICAAP) and for which there is no specific capital requirement under Pillar 1, the economic capital requirement is assessed either by extending the models used in Pillar 1 beyond the regulatory scope (such is the case for CVA, for example), or on the basis of the difference between a stress situation and a central scenario (such is the case for interest rate risks or sovereign spread risks).

The economic vision is then integrated into the solvency ratio projection exercise (equity and risk-weighted forecasts), which is carried out in a central scenario (the same as the one used for SREP reporting) and according to two stressed approaches over a three-year horizon.

The results cover the consolidated scope of Crédit Mutuel Alliance Fédérale, and the subsidiaries adapt them to their own scope. The defining of specific methodologies (particularly for areas with risks which are specific to an entity or a business line) is also requested where justified, in transparency with the national risk management bodies.

Stress scenarios

The stress methodologies are defined and validated on the national level to determine the economic capital requirements (by the same bodies, irrespective of the objective of the stress test, (EBA/GL/2016/10, section 5.4, §27.b and c) and apply to the entire scope covered by the ICAAP.

The stress scenarios are developed in connection with the global mapping of risks making it possible to identify material risks for the group.

Thus, the risks identified as significant and principal in the mapping are taken into account in the stress scenarios in order to quantify their potential impact on Crédit Mutuel Alliance Fédérale under stressed conditions.

The stresses are calibrated on the basis of plausible assumptions. They are based on potential future macro-economic scenarios (3 years), in connection with interest rates or historical scenarios, in connection with the cost of risk, etc.

The rationale behind the definition of relevant stress scenarios with regards to ICAAP takes account of the fact that Crédit Mutuel Alliance Fédérale could be subjected to an external shock, which could be systemic or isolated (idiosyncratic affecting a single entity), whether internal or external.

In general, a hypothetical future shock could come from:

- a severe economic downturn, potentially for a long period;
- or in a more isolated way, a crisis outside the group in connection with volatile markets or the collapse of a major economic player (a company, a bank or even a country);
- or in an isolated way, but within Crédit Mutuel Alliance Fédérale, via the materialization of a specific risk, essentially concerning operations (at Group level, operational risks particularly include legal and compliance risks).

The developed stresses are typical for a banking group largely focused on retail banking. With regard to solvency, this concerns the risk of default and changed ratings (or credit risk), interest rate and exchange rate risk, operational and market risks.

The stress test methodology is applied taking into account the regional risk mapping, notably by analyzing the relevance of enriching the common foundation with specific scenarios related to vulnerabilities specific to the subsidiaries.

In accordance with the regulatory requirements (EBA/GL/2018/04 art. 84), Crédit Mutuel Alliance Fédérale also conducts reverse stress tests within its stress test program, sharing the same internal governance as other types of stress tests.

Through these reverse stress tests, Crédit Mutuel Alliance Fédérale measures the bank's distance from a situation placing it beyond its risk appetite, or even under administration, and determines the starting point and circumstance(s) under which the graduated risk management system put in place on the decision of the board of directors would require an increasingly detailed action plan in order to return to the risk appetite set by Crédit Mutuel Alliance Fédérale, and the analysis of the adequacy of its stress tests, in particular the ICAAP and ILAAP stress tests, in view of these results.

The results of the implementation of all ICAAP stress tests on the key solvency indicators (particularly on earnings, capital, weighted risks, and in fine, the three-year solvency ratios) are the main basis of the capital adequacy report and form an essential tool to determine the economic capital allocations.

Finally, the results of the ICAAP are presented on a quarterly basis to the Crédit Mutuel group's key executives, demonstrating that the group has adequate capital to cover its exposure in line with its risk appetite.

5.8 CREDIT RISK

5.8.1 General qualitative information on credit risk (EU CRA)

A business model centered on retail banking

Because of its business model, Crédit Mutuel Alliance Fédérale's primary risk is credit risk. That model is largely focused on development of retail banking, with an extension to (primarily French) corporate lending since the acquisition of the CIC. Since its consolidation into Crédit Mutuel Alliance Fédérale, CIC has focused its own development on individual customers as well. The group's retail banking activities, coupled with the distribution of insurance products to retail clients, account for the great majority of Crédit Mutuel Alliance Fédérale's sources of revenue. Nearly half of the outstanding consumer loans of Crédit Mutuel Alliance Fédérale consist of residential real estate loans to individuals and over 70% of customer exposures involve retail customers.

A credit policy aimed at prudent growth

The credit risk policy identifies the markets and type of financing with which each network and specialized department of Crédit Mutuel Alliance Fédérale may be involved. It sets the lending criteria by type of customer or product, based mainly on the solvency of the borrowers and explicitly mentions the possible restrictions on the distribution of credit, either through the general policy (including specific or prohibited markets and products, "unbankable" persons, old lawsuits, bad ratings, etc.) or through sector policies that match the group's commitment to the environment and to financing energy transition. These policies are reviewed regularly for a further analysis of environmental, social and governance risks, primarily by incorporating into the lending process an extra-financial scoring of the counterparties being studied.

This risk policy supports several objectives:

- help manage the business by keeping loan commitments within limits and in line with the group's risk appetite;
- reduce the cost of risk over the long term;
- measure capital requirements;
- provide an effective response to Basel 3 and to the regulations as to internal control, and ensure a return on the investment made in regulatory compliance.

The risk policy is worked out within the framework of the group's risk appetite as approved by the board of directors of Crédit Mutuel Alliance Fédérale, by means of a system of limits and alert thresholds, particularly as to concentration of loans by borrower, by sector and by geography. These limits use the Crédit Mutuel group rating system described in the "Risk Management" portion of the management report.

The risk policy is circulated through all entities in the Crédit Mutuel Alliance Fédérale consolidation by means of an intranet deployed in the group's French and foreign entities.

Reinforced risk management system

Organizational structure of the division

In accordance with the regulations in effect, the risk management organization separates the following processes:

- granting of loans;
- assessing risks, overseeing loans and managing at-risk items.

These two functions are independent of each other and report to different management lines. The granting of loans comes under the lending department while the assessment of risks, oversight of loans and management of at-risk items comes under the risk, permanent control and compliance department.

1/ Loan origination system

Loan origination is a sequence based on customer knowledge, risk assessment and the decision to lend.

Customer knowledge

Knowledge of the customer and the targeting of prospects depend on close ties with the economic environment. The segmentation of customers into different risk categories guides the commercial prospecting. A credit file supports the decision to lend.

Risk assessment

Risk assessment is based on the analyses conducted at several stages, using formalized processes, including:

- customer ratings;
- risk groups;
- weighting of outstandings in line with the type of product and the collateral taken.

Employees receive regularly reviewed training in risk containment.

Customer rating: a single system for the whole group

In accordance with the regulations, the rating is central to the credit risk system: origination, payment, pricing and tracking. Accordingly, all delegations of lending authority rely on rating the counterparty. Generally speaking, the lending arm approves the internal rating of all applications it deals with.

Rating algorithms and expert models have been developed to improve the group's credit risk assessment and to comply with the regulatory requirements concerning internal rating approaches.

This rating system is used throughout the Crédit Mutuel group.

The definition of rating methodologies is done under the responsibility of the Confédération Nationale du Crédit Mutuel (CNCM) for all portfolios. Nevertheless, the regional entities are directly involved in carrying out and approving working parties' assignments on specific subjects and the work related to data quality and applications acceptance tests.

The group's counterparties eligible for internal approaches are rated by a single system.

Models (algorithms or matrices) are used to differentiate and correctly classify risk. The value scale reflects the manner in which the risk changes and is broken down into nine non-default positions (A+, A-, B+, B-, C+, C-, D+, D- and E+) and three default positions (E-, E= and F).

The monitoring of the mass rating models focuses on three main aspects: stability assessment, performance assessment and additional analyses. This monitoring is conducted under the aegis of CNCM for each rating model.

Risk groups (counterparties)

A "group of related customers" means the natural persons or legal entities who fit together in terms of risk because one of them holds direct or indirect control over the other(s) or because there are connections between them such that it is likely that if one of them ran into financial difficulty, particularly financing or repayment problems, the others would experience financing or repayment problems.

The risk groups are put together based on a written procedure that includes the provision of sub-paragraph 39 of paragraph 1 of article 4 of EU Regulation 575/2013.

Weighting of income and guarantees

To evaluate the counterparty risk, a weighting may apply to the nominal commitment. This combines the type of loan and type of collateral.

The lending decision

The lending decision is principally based on:

- a formal risk analysis of the counterparty;
- a rating of the counterparty or group of counterparties;
- the level of delegations;
- the "second pair of eyes" principle;
- the not-to-exceed rules of the existing authorizations depending on equity;
- the yield suited to the risk profile and the consumption of equity capital.

The decision-making channels are automated and managed in real time, as soon as the investigation phase of a loan request is complete, the electronic application is transmitted to the right decision-making level.

Levels of delegation

The customer relationship manager is responsible for the comprehensiveness, quality and reliability of the information collected. In accordance with article No. 107 of the order dated November 3, 2014, he/she prepares credit files intended to formalize all information of a qualitative and quantitative nature on each counterparty. He/she checks the relevance of elements collected either from customers or from external tools (sectoral studies, annual reports, legal information, rating agencies) or internal tools made available to him/her. Each customer relationship manager is responsible for the decisions that he/she takes or instructs and has an *intuitu personae* delegation.

For cases for which the amount exceeds the *intuitu personae* delegations, the decision is taken by a commitments decision committee, for which the rules of functioning are the subject of procedures.

The delegations are based on flexible lending caps that vary with:

- the rating;
- the total amount of loans to one counterparty or risk group, possibly weighted by the type of loan involved or by the eligible security;
- exclusions from the delegation.

Role of lending unit

Each regional bank has a lending team, which reports directly to Executive Management and is independent of the operational departments. Its main mission is ensuring the appropriateness of lending decisions by means of the second review of credit applications and checking that the yield on the loans are in keeping with the risk.

2/ System for assessing risks, overseeing credit risks and managing at-risk items

In accordance with regulatory requirements, loans are monitored by national and regional organizational units.

Risk assessment

To measure risks, Crédit Mutuel Alliance Fédérale has various tools enabling an aggregate, static and dynamic approach:

- exposure to one counterparty or group of counterparties;
- production and outstandings along dimensions tailored to the business lines concerned (rating, market, loan products, business segment, yield).

Each commercial entity employs informational software and so can check on a daily basis that caps allocated to each of its counterparties are being respected.

Overseeing credit risks

The risk unit, along with other interested parties, contributes to the formal quarterly oversight of the quality of credit risks in each business line.

The risk unit's oversight system becomes involved independently from loan origination, as a supplement to and in coordination with other actions taken, primarily by first-tier control and permanent control teams. The objective is to detect at-risk situations as far in advance as possible, based on criteria defined by customer segment, either computer assisted or through the relevant operating and lending managers.

Under the CRBF 93-05 regulation, the corporate regulatory limits of Crédit Mutuel Alliance Fédérale are determined according to the regulatory capital and internal ratings of counterparties. Regulatory limits are monitored according to specific conditions (including frequencies) defined in dedicated procedures.

The monitoring of overruns and account functioning anomalies is done through advanced risk detection tools (management of debtors/sensitive risks/automatic reports in negotiated collection/…), based both on external and internal criteria, notably the rating and the functioning of accounts. These indicators are intended to make it possible to identify and deal with credit files as far in advance as possible. This detection is automated, systematic and exhaustive.

Permanent control of credit risks

Network permanent control is independent of lending. It provides second-level control of credit risks. Counterparties that show warning signals are reviewed, and entities accumulating negative indicators are identified. The objective of the control is to see that appropriate risk strategies are applied and that suitable corrective measures are taken.

In this way extra security is added to the management of credit risk.

Management of at-risk items

A unified definition of default compliant with Basel and accounting requirements.

A unified definition of default has been adopted for the entire Crédit Mutuel group. Based on the alignment of prudential standards on the accounting service (regulation ANC No. 2014-07 dated November 26, 2014/regulation (EU) No. 575/2013). It is expressed by the correspondence between the Basel concept of debt in default and the accounting concept of disputed and non-performing loans. The computer software factors in contagion, extending the downgrading to related outstandings.

Detection of at-risk items

The practice consists of comprehensively identifying receivables to be placed "under at-risk items" then assigning them to the category corresponding to their situation: sensitive (non-downgraded), non-performing, irrevocable non-performing or disputed. All receivables are subject to an automated monthly identification process using internal and external indicators that have been configured in the information system. Downgrading, in accordance with the prevailing regulatory criteria, is carried out automatically.

Transition to default, provisioning, reclassification as performing

Processing the transition to default, provisioning and the reclassification as performing comply with prudential rules in force, with automation on a monthly basis, which keeps the process comprehensive. In November 2019, Crédit Mutuel Alliance Fédérale rolled out the EBA's new definition of default for all exposures approved using the internal method.

Management of customers downgraded to non-performing or disputed

The counterparties concerned are managed differently according to the gravity of the situation: in the branch by the customer relationship manager or by dedicated teams specialized by market, type of counterparty or collection mode.

Relationship among the management functions for credit risk, risk monitoring, compliance assurance and internal auditing

Crédit Mutuel Alliance Fédérale is careful to separate loan writing and loan management from operational control and auditing. This separation is ensured primarily by having these functions report to different and independent departments:

- originating and managing loans, located in the group lending department;
- monitoring and controlling the risk and compliance of transactions, located in the risk, control and compliance department;
- internal audit, located in the General Inspection division – Network auditing for third level control of transactions carried out in the networks and in the General Inspection division – Business line auditing for third-level control of loans handled by specialized business lines.

The risk, permanent control and compliance department coordinates the credit oversight system, mainly through the quarterly meetings of the commitments oversight committee and the at-risk items committees for the monitoring of doubtful risks in particular and the allocation of the group's main commitments to the proper risk classes. The department, working with the lending department, suggests the alert thresholds and internal limits on credit risk and ensures that the credit risk system is operating smoothly and that executive and deliberative bodies are kept informed of risk levels. Its permanent controls office performs second-level controls of credit transactions and verifies that the first-level control tasks have been properly performed by the operational staff and by the lending officers.

The General Inspection division ensures that the entire system is operating correctly, including the second-level system carried out by the risks, permanent control and compliance department, through general or specific inspections of loans.

The credit risk, risk monitoring, compliance assurance and internal auditing management system is described in detail in section 5.3 "Risk management".

5.8.2 Exposures

The Crédit Mutuel group has focused on the most advanced forms of the Basel 2 accord, beginning with its core business, retail customers. The French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) has authorized the group to use its internal ratings system to calculate its regulatory capital requirements in respect of credit risk:

- using the advanced method, as from June 30, 2008, for the retail customer portfolio;
- using the foundation method, as from December 31, 2008, for the bank portfolio;
- using the advanced method, as from December 31, 2012, for the corporate and bank portfolio;
- using the advanced method, as from March 31, 2018, for the real estate development portfolio.

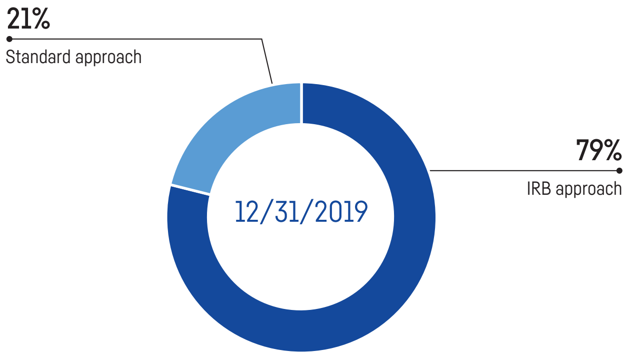
As part of the roll-out plan (transitioning to the IR method), the projects of using the advanced method throughout the factoring subsidiaries of the Crédit Mutuel group in France, Cofidis France and Targobank AG are well under way. The latter entities represent 9% of the Institutions, Corporate and Retail customers regulatory books.

The percentage of exposures approved under the advanced internal rating method for the Institutions, Corporate and Retail customers regulatory books was 79% at December 31, 2019.

TABLE 23: FRACTION OF GROSS EXPOSURES UNDER THE ADVANCED AND STANDARD METHODS

MEASURE ON THE SCOPE OF INSTITUTIONS, CORPORATE AND RETAIL CUSTOMERS

SHARE OF EXPOSURE AT 12/31/19



SHARE OF EXPOSURE AT 12/31/18

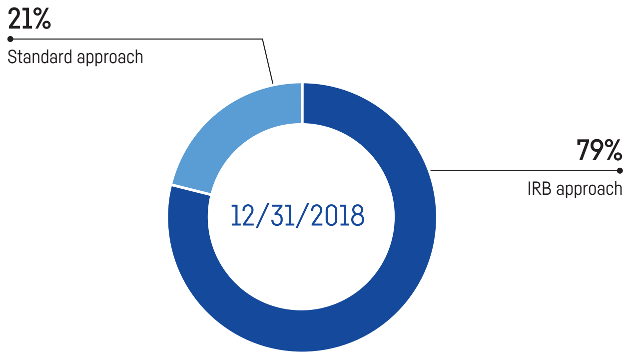


TABLE 24: TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES (EU CRB-B)

As of 12/31/2019 *(in € millions)*	Net exposures at end of period	Average net exposures over the year
Governments and central banks	-	-
Institutions (banks)	30,632	30,347
Businesses	130,213	128,051
o/w: Specialized lending	10,341	10,016
o/w: SMEs	28,525	27,741
Retail clients	262,848	257,232
o/w: Secured by real estate mortgages	142,544	140,117
o/w: SMEs	22,131	21,501
o/w: Non-SMEs	120,413	118,616
o/w: revolving	17,721	17,322
o/w: Other retail customers	102,582	99,793
o/w: SMEs	29,257	28,688
o/w: Non-SMEs	73,325	71,105
Shares	13,265	13,159
Other assets	5,375	5,597
Total IRB approach	**442,333**	**434,385**
Governments and central banks	90,387	81,768
Regional or local authorities	5,658	5,822
Public sector (public organizations excluding central governments)	26,653	25,903
Multilateral development banks	670	684
International organizations	925	878
Institutions (bank)	1,721	1,679
Businesses	38,014	36,260
o/w: SMEs	4,904	4,554
Retail clients	47,288	45,989
o/w: SMEs	9,945	9,772
Exposures secured by real estate mortgages	6,811	7,311
o/w: SMEs	462	465
Exposures in default	1,998	1,889
Exposures presenting an especially high risk	924	606
Covered bonds	36	33
Exposures to institutions and companies given a short-term credit evaluation	-	-
Exposures in the form of UCIT shares or equities	4	4
Equity exposures	412	468
Other assets	1,639	1,706
Total standard approach	**223,140**	**210,999**
TOTAL	**665,473**	**645,384**

12/2018	Net exposure at end of period	Average net exposures over the year
Central governments or central banks	-	-
Institutions (banks)	29,735	31,608
Businesses	122,361	117,860
o/w: Specialized financing	9,327	8,954
o/w: SMEs	26,756	26,161
Retail clients	248,288	243,224
Exposures secured by real estate mortgages	134,730	131,425
SMEs	20,425	19,858
Non-SME	114,305	111,567
Revolving	16,464	16,042
Other – retail clients	97,094	95,757
SMEs	27,923	27,718
Non-SMEs	69,171	68,039
Shares	13,200	12,812
Other assets	4,695	4,717
Total IRB approach	**418,279**	**410,222**
Central governments or central banks	75,011	77,156
Regional or local authorities	5,503	5,257
Public sector (public organizations excluding central governments)	22,950	22,356
Multilateral development banks	765	811
International organizations	713	768
Institutions (banks)	2,437	1,731
Businesses	35,736	34,262
o/w: SMEs	4,642	3,451
Retail clients	44,051	42,367
o/w: SMEs	9,572	8,829
Exposures secured by real estate mortgages	6,997	6,623
o/w: SMEs	457	327
Exposures in default	1,783	1,640
Exposures presenting an especially high risk	497	515
Covered bonds	25	35
Exposures from institutions and companies given a short-term credit evaluation	-	-
Exposures in the form of UCIT shares or equities	3	1
Equity exposures	449	352
Other assets	1,276	1,313
Total standard approach	**198,197**	**195,186**
TOTAL	**616,476**	**605,408**

TABLE 25: GEOGRAPHICAL DISTRIBUTION OF EXPOSURES (EU CRB-C)

	Net exposure												
As of 12/31/2019 *(in € millions)*	Europe zone	France	Germany	Belgium	Spain	Luxembourg	The Netherlands	United Kingdom	Other	Rest of World	United States	Canada	Other	Total
Governments and central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions (banks)	27,732	22,151	547	304	121	212	608	905	2,882	2,900	682	888	1,330	30,632
Businesses	117,833	101,931	3,866	1,382	771	2,485	2,166	2,384	2,848	12,380	5,539	203	6,638	130,213
Retail clients	261,682	259,311	213	287	109	178	36	377	1,170	1,166	288	63	815	262,848
Shares	12,139	12,052	3	15	0	62	0	1	7	1,127	154	0	972	13,265
Other assets	5,281	5,264	3	5	0	0	0	10	0	94	75	0	18	5,375
Total IRB approach	**424,666**	**400,709**	**4,632**	**1,994**	**1,001**	**2,937**	**2,810**	**3,677**	**6,907**	**17,666**	**6,738**	**1,155**	**9,773**	**442,333**
Governments and central banks	82,670	71,979	3,991	759	1,067	1,377	206	21	3,268	7,718	4,319	273	3,126	90,387
Regional or local authorities	5,632	5,152	477	0	1	1	0	0	1	26	0	25	0	5,658
Public sector (public organizations excluding central governments)	26,653	26,156	493	0	0	5	0	0	0	0	0	0	0	26,653
Multilateral development banks	0	0	0	0	0	0	0	0	0	670	0	0	670	670
International organizations	0	0	0	0	0	0	0	0	0	925	0	0	925	925
Institutions (banks)	1,472	586	454	11	82	68	0	114	157	249	190	18	41	1,721
Businesses	35,984	8,745	14,069	947	1,467	1,850	659	895	7,353	2,029	734	81	1,214	38,014
Retail clients	47,240	13,596	24,600	1,263	2,497	153	21	61	5,048	48	8	3	37	47,288
Exposures secured by real estate mortgages	6,743	285	29	126	1,075	1,391	1	34	3,802	68	2	0	66	6,811
Exposures in default	1,957	1,075	421	36	177	10	11	47	180	41	9	0	32	1,998
Exposures presenting an especially high risk	815	404	33	1	0	67	0	0	309	109	1	109	0	924
Covered bonds	36	36	0	0	0	0	0	0	0	0	0	0	0	36
Exposures from institutions and companies given a short-term credit evaluation	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures in the form of UCIT shares or equities	4	0	0	0	0	4	0	0	0	0	0	0	0	4
Equity exposures	214	92	3	4	3	77	0	0	35	198	198	0	0	412
Other assets	1,639	400	632	150	136	194	2	0	124	0	0	0	0	1,639
Total standard approach	**211,060**	**128,506**	**45,202**	**3,298**	**6,506**	**5,198**	**900**	**1,173**	**20,278**	**12,080**	**5,460**	**510**	**6,110**	**223,140**
TOTAL	**635,726**	**529,215**	**49,833**	**5,292**	**7,507**	**8,135**	**3,710**	**4,850**	**27,185**	**29,746**	**12,198**	**1,665**	**15,883**	**665,473**

As of 12/31/2018 *(in € millions)*	**Net exposure**													
	Europe zone	**France**	**Ger-many**	**Bel-gium**	**Spain**	**Luxem-bourg**	**The Nether lands**	**United King-dom**	**Other**	**Rest of World**	**United States**	**Canada**	**Other**	**Total**
Governments and central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions (banks)	26,638	22,212	217	287	26	403	434	769	2,290	3,097	840	1,012	1,246	29,735
Businesses	110,132	95,532	3,605	1,238	639	2,076	2,058	2,105	2,879	12,230	5,718	177	6,335	122,361
Retail clients	247,249	245,029	216	289	94	166	32	359	1,064	1,039	253	53	733	248,288
Shares	12,242	12,159	2	16	0	62	0	1	2	957	70	0	887	13,200
Other assets	4,670	4,650	4	11	0	0	0	5	0	24	18	0	6	4,695
Total IRB approach	**400,932**	**379,582**	**4,044**	**1,841**	**759**	**2,708**	**2,524**	**3,238**	**6,235**	**17,347**	**6,898**	**1,241**	**9,207**	**418,279**
Governments and central banks	68,194	58,414	3,311	452	782	548	484	22	4,180	6,816	3,753	172	2,891	75,011
Regional or local authorities	5,409	5,211	180	0	15	1	0	0	2	94	0	94	0	5,503
Public sector (public organizations excluding central governments)	22,937	22,550	379	0	0	8	0	0	0	13	0	13	0	22,950
Multilateral development banks	0	0	0	0	0	0	0	0	0	765	0	0	765	765
International organizations	0	0	0	0	0	0	0	0	0	713	0	0	713	713
Institutions (banks)	2,332	673	515	24	78	53	38	768	183	105	38	12	55	2,437
Businesses	33,897	9,604	13,529	983	1,458	1,832	553	852	5,086	1,839	586	45	1,209	35,736
Retail clients	43,954	12,883	23,083	1,233	2,257	225	20	94	4,159	97	31	3	63	44,051
Exposures secured by real estate mortgages	6,941	240	25	69	996	1,059	4	39	4,509	56	1	0	55	6,997
Exposures in default	1,728	933	401	30	171	10	8	29	146	54	14	0	40	1,783
Exposures presenting an especially high risk	463	394	11	0	0	23	0	0	35	34	1	32	1	497
Covered bonds	25	25	0	0	0	0	0	0	0	0	0	0	0	25
Exposures from institutions and companies given a short-term credit evaluation	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures in the form of UCIT shares or equities	3	0	0	0	0	3	0	0	0	0	0	0	0	3
Equity exposures	312	186	3	10	3	77	0	0	33	138	138	0	0	449
Other assets	1,276	302	400	161	147	186	0	0	80	0	0	0	0	1,276
Total standard approach	**187,472**	**111,415**	**41,837**	**2,962**	**5,907**	**4,027**	**1,106**	**1,805**	**18,412**	**10,725**	**4,561**	**373**	**5,792**	**198,197**
TOTAL	**588,404**	**490,998**	**45,880**	**4,803**	**6,666**	**6,735**	**3,630**	**5,043**	**24,648**	**28,072**	**11,459**	**1,614**	**14,999**	**616,476**

Crédit Mutuel Alliance Fédérale is fundamentally a French and European firm. The geographic breakdown of net exposures at December 31, 2019 reflects that, with 95% of commitments in the European region.

5

TABLE 26: CONCENTRATION OF EXPOSURES BY TYPE OF INDUSTRY OR COUNTERPARTY (EU CRB-D)

Net exposures by type of industry or counterparty as of 12/31/2019 *(in € millions)*	Public admini-stration	Banks and financial insti-tutions	Indivi-duals	Sole proprie-tors	Farmers	Non-profit organi-zations	Travel & leisure	Chemis-try	Distri-bution	Auto-motive industry	Construc-tion & Building Materials	Manu-facturing goods and services	Health-care	Other financial activities
Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions (banks)	-	30,632	-	-	-	-	-	-	-	-	-	-	-	-
Businesses	-	-	-	240	1,136	1,574	4,527	1,620	11,157	3,405	9,999	9,249	3,380	8,051
Retail clients	-	-	213,259	15,529	6,382	625	2,283	41	3,863	704	2,942	2,043	424	2,262
Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total IRB approach	**-**	**30,632**	**213,259**	**15,769**	**7,518**	**2,199**	**6,810**	**1,660**	**15,020**	**4,108**	**12,940**	**11,292**	**3,803**	**10,312**
Governments and central banks	90,387	-	-	-	-	-	-	-	-	-	-	-	-	-
Regional or local authorities	5,658	-	-	-	-	-	-	-	-	-	-	-	-	-
Public sector (public organizations excluding central governments)	26,653	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	670	-	-	-	-	-	-	-	-	-	-	-	-	-
International organizations	925	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions (banks)	-	1,721	-	-	-	-	-	-	-	-	-	-	-	-
Businesses	-	-	0	5	25	31	146	116	2,273	1,130	756	995	249	162
Retail clients	-	-	37,058	129	115	145	109	25	829	143	1,051	633	140	72
Exposures secured by real estate mortgages	-	-	4,055	219	-	-	22	1	15	3	20	8	12	6
Exposures in default	39	0	1,199	27	4	3	12	1	128	12	92	76	15	9
Exposures presenting an especially high risk	-	-	9	-	1	0	22	2	100	14	46	65	6	5
Covered bonds	-	36	-	-	-	-	-	-	-	-	-	-	-	-
Exposures from institutions and companies given a short-term credit evaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of UCIT shares or equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total standard approach	**124,332**	**1,757**	**42,322**	**379**	**145**	**180**	**311**	**146**	**3,344**	**1,302**	**1,964**	**1,777**	**422**	**253**
TOTAL	**124,332**	**32,389**	**255,581**	**16,148**	**7,663**	**2,379**	**7,121**	**1,806**	**18,365**	**5,410**	**14,904**	**13,069**	**4,225**	**10,566**

(1) CIC Suisse, BDL and the leasing and factoring entities in Germany purchased from General Electric: no data for customer segment books.

Crédit Mutuel Alliance Fédérale has traditionally shown a good diversity in its exposures. Such great diversity enables it to reduce the risk of concentration that might exist with heavy exposure to one sector. The two most significant sectors are private individuals (38%) and public administration (19%).

Industrial transportation	Household products	Real estate development	Other real estate (Inc. rental and RE Invest. cos.)	Utilities	Food & beverages	Media	Holdings companies & conglomerates	High technology	Oil & Gas Commodities	Telecommunications	Other group subsidiaries[1]	Miscellaneous	Shares	Other assets	Total
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,632
6,916	2,796	9,667	12,881	3,016	6,302	2,593	9,564	4,328	5,126	1,418	296	10,972	-	-	130,213
1,192	322	-	1,969	246	570	175	976	199	95	16	-	6,732	-	-	262,848
-	-	-	-	-	-	-	-	-	-	-	-	-	13,265	-	13,265
-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,375	5,375
8,108	**3,119**	**9,667**	**14,850**	**3,261**	**6,873**	**2,768**	**10,540**	**4,528**	**5,222**	**1,434**	**296**	**17,704**	**13,265**	**5,375**	**442,333**
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90,387
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,658
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,653
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	670
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	925
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,721
426	266	33	168	366	507	132	286	553	219	227	23,725	5,217	-	-	38,014
302	82	-	87	39	144	67	91	74	45	8	5,027	874	-	-	47,288
5	1	-	185	2	6	0	1	-	1	-	2,194	57	-	-	6,811
25	37	3	32	4	16	19	12	12	6	2	114	98	-	-	1,998
13	6	3	3	5	18	5	5	7	10	3	269	16	292	-	924
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	4	-	4
-	-	-	-	-	-	-	-	-	-	-	-	-	412	-	412
-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,639	1,639
771	**392**	**39**	**475**	**415**	**691**	**222**	**394**	**646**	**281**	**240**	**31,329**	**6,262**	**707**	**1,639**	**223,140**
8,879	**3,510**	**9,706**	**15,325**	**3,677**	**7,564**	**2,990**	**10,934**	**5,174**	**5,503**	**1,674**	**31,625**	**23,966**	**13,973**	**7,014**	**665,473**

TABLE 27: MATURITY OF GROSS EXPOSURES (BROKEN DOWN BY REMAINING MATURITY)

Gross exposures as of 12/31/2019 *(in € millions)*	< 1 month	1 month < D < 3 months	3 months < D < 1 year	1 year < D < 2 years	2 years < D < 5 years	D > 5 years	Indefinite	Total
BALANCE SHEET								
Governments and central banks	72,951	2,389	4,515	2,303	4,788	30,956	115	118,017
Institutions	4,426	11,899	2,571	1,979	4,994	8,041	32	33,942
Businesses	26,877	9,499	9,207	9,831	27,857	24,079	18	107,367
Retail clients	16,293	6,518	21,284	26,552	67,453	141,340	1	279,440
TOTAL	**120,547**	**30,304**	**37,576**	**40,665**	**105,092**	**204,417**	**165**	**538,766**
OFF-BALANCE SHEET								
Governments and central banks	118	1	83	183	300	359	4	1,048
Institutions	2,034	84	440	181	389	322	291	3,740
Businesses	21,347	3,732	6,456	5,841	18,444	2,961	7,579	66,360
Retail clients	23,878	2,163	2,268	3,181	913	9,083	1,928	43,413
TOTAL	**47,377**	**5,979**	**9,246**	**9,385**	**20,046**	**12,725**	**9,802**	**114,561**

Gross exposure on 12/31/2018 *(in € millions)*	< 1 month	1 month < D < 3 months	3 months < D < 1 year	1 year < D < 2 years	2 years < D < 5 years	D > 5 years	Indefinite	Total
BALANCE SHEET								
Governments and central banks	58,571	1,779	4,782	2,252	4,448	26,348	10	98,191
Institutions	4,800	6,709	2,824	7,380	4,418	7,440	19	33,591
Businesses	28,094	9,302	8,185	9,230	23,897	21,751	596	101,056
Retail clients	15,579	6,323	20,341	25,463	63,925	131,922	32	263,584
TOTAL	**107,045**	**24,113**	**36,132**	**44,324**	**96,688**	**187,462**	**657**	**496,421**
OFF-BALANCE SHEET								
Governments and central banks	148	12	86	56	652	400	4	1,359
Institutions	1,897	81	343	199	457	714	351	4,042
Businesses	21,046	3,557	4,767	5,996	17,666	2,487	7,079	62,596
Retail clients	22,405	2,166	2,273	3,100	831	8,745	1,263	40,783
TOTAL	**45,496**	**5,816**	**7,469**	**9,350**	**19,606**	**12,346**	**8,697**	**108,780**

5.8.3 Credit quality of assets

Impaired and overdue exposures

A unified definition of default has been adopted for the entire Crédit Mutuel group. Based on the principle of aligning prudential information with accounting information (CRC 2002-03), this definition matches the Basel concept of loans in default and the accounting concept of non-performing loans and loans in litigation. The computer software factors in contagion, extending the downgrading to related outstandings. The controls carried out by internal audit and by the statutory auditors ensure the reliability of the procedures for identifying defaults used to calculate capital requirements.

Since November 2019, Crédit Mutuel Alliance Fédérale has been applying the new definition of regulatory default in accordance with the EBA's guidelines and the regulations' technical standards on applicable materiality thresholds.

The main changes arising from the implementation of this new definition are the following:

- the analysis of the default now focuses on the borrower rather than on the contract;
- the number of days of unpaid or late installments is appraised for each borrower (obligor) or group of borrowers (joint obligors) in the case of a joint commitment;
- the default is triggered after 90 consecutive days of unpaid or late installments on the part of an obligor or joint obligors. The countdown of the number of days begins upon the simultaneous exceeding of two thresholds – the absolute materiality threshold (€100 Retail, €500 Corporate) and the relative materiality threshold (late payment of over 1% of balance sheet commitments). The countdown is reset when this is no longer the case for one of the thresholds;
- the scope of contagion of the default covers all of the obligor's debts and the individual credit obligations of joint obligors;
- the minimum probation period is three months before the return of non-restructured assets to a performing loan status.

Crédit Mutuel Alliance Fédérale has opted to roll out the new definition of default using the EBA's two-step approach:

- Step 1 – This consists in presenting a self-assessment and an authorization request to the supervisor. Crédit Mutuel Alliance Fédérale obtained a deployment agreement in October 2019;
- Step 2 – This consists in implementing the new definition of default, and then adjusting the models after an observation period of 12 months for new defaults.

Crédit Mutuel Alliance Fédérale deems that the new definition of default, as laid down by the EBA, is representative of an objective proof of impairment in accounting terms. The group has thus aligned the definitions of default in accounting terms (Status 3) and regulatory terms.

The definitions and financial information concerning payment arrears are provided in the part of the financial report titled "Payment arrears".

Impairment for credit risk

IFRS 9 went into mandatory effect on January 1, 2018 and replaced IAS 39 "Financial instruments: Recognition and Measurement". It laid out new rules in terms of:

- classification and measurement of financial instruments (phase 1);
- impairment of the credit risk of financial assets (phase 2);
- hedge accounting, apart from macro-hedging transactions (phase 3).

It should be noted that the group does not apply the transitional arrangements related to IFRS 9 (equity, capital ratios and leverage ratios that already reflect the total impact of IFRS 9.)

Pursuant to IFRS 9, Crédit Mutuel Alliance Fédérale divides all debt instruments measured at amortized cost or at fair value through equity into three categories:

- Status 1: provisioned 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: provisioned 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: category comprising credit-impaired financial assets for which there is an objective indication of impairment related to an event that has occurred since the loan was granted. This category is equivalent to the set of outstandings currently impaired individually under IAS 39.

Consequently and in accordance with the position of the EBA, all the group's write downs for credit risk are the result of specific impairments.

Definition of the boundary between Statuses 1 and 2

Crédit Mutuel Alliance Fédérale uses models developed for regulatory purposes and so segregates its outstandings in that manner:

- Low Default Portfolios (LDP);
- High Default Portfolios (HDP).

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 means measuring the risk at the borrower level since the Crédit Mutuel system for rating its counterparties is the same throughout the group. All of the group's counterparties eligible for internal approaches are rated by the system. This system is based on:

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

It should be noted that Crédit Mutuel Alliance Fédérale immediately puts into Status 1 any performing exposure that no longer meets the criteria for Status 2 classification (both qualitative and quantitative).

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 these qualitative criteria, Crédit Mutuel Alliance Fédérale adds qualitative ones such as installments unpaid or late by more than 30 days, and the fact that a loan has been restructured.

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

Statuses 1 and 2 – Calculating expected credit losses

Expected credit losses are measured by multiplying the outstanding 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 the prudential models and are adapted to meet the IFRS 9 requirements. They are used both for assigning loans to a status and for calculating expected losses.

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 dimension included in the probability of default combines three scenarios—optimistic, neutral and pessimistic—which are weighted to reflect the group's 5-year forecast of the business cycle, arrived at by the chief executive officers of the regional groups and of the Crédit Mutuel group. The group mainly relies on macroeconomic data (GDP, unemployment rate, inflation rate, short-term and long-term interest rates, etc.) available from the OECD. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

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

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

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

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

Status 3 – Non-performing receivables

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. An analysis is done at each closing contract by contract. 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.

At December 31, 2019 outstandings and impairments by status break down as follows:

TABLE 28: BREAKDOWN OF OUTSTANDINGS AND IMPAIRMENTS BY STATUS

As of 12/31/2019 *(in € millions)*	Provisionable balance sheet outstandings[1]	Impairment
Status 1	435,681	-946
Status 2	21,703	-1,065
Status 3	12,348	-6,687
TOTAL	**469,732**	**-8,698**

As of 12/31/2019 *(in € millions)*	Off-balance sheet outstandings before provisionable CCF	Provisions
Status 1	122,312	-95
Status 2	1,854	-48
Status 3	336	-139
TOTAL	**124,502**	**-282**

(1) Exposure at amortized cost and in fair value through equity. The exposure concerns debt instruments and customer loans including loans to credit institutions and central banks (excluding demand deposits).

As of 12/31/2018 *(in € millions)*	Provisionable balance sheet exposure[1]	Write-downs
Status 1	422,556	-868
Status 2	22,335	-1,007
Status 3	12,046	-6,521
TOTAL	**456,936**	**-8,395**

As of 12/31/2018 *(in € millions)*	Off-balance-sheet outstandings before provisionable CCF	Provisions
Status 1	117,727	-83
Status 2	2,199	-47
Status 3	300	-137
TOTAL	**120,226**	**-267**

(1) Exposure at amortized cost and in fair value through equity. The exposure concerns debt instruments and customer loans including loans to credit institutions and central banks (excluding demand deposits).

Restructured exposures

An exposure is restructured after a debtor encounters financial difficulties. This takes the form of concessions made to the debtor by the group, e.g., changing the terms of the loan agreement such as the interest rate or the maturity, partial forgiveness or additional financing that would not have been granted in absence of the difficulties. In its information systems the group has ways to identify the restructured exposures in its performing and non-performing books, as defined by the principles enunciated by the EBA on October 23, 2013. Restructuring does not automatically mean classification in default (Status 3) but does mean classification in Status 2 at least.

The following tables break down the non-performing and litigated loans and the provisions related to them as at December 31, 2019 by business sector or type of counterparty, their Basel treatment and their geographic area.

TABLE 29: CREDIT QUALITY OF EXPOSURES BY CATEGORY OF EXPOSURE AND BY INSTRUMENT (EU CR1-A)

	Gross exposures				
As of 12/31/2019 *(in € millions)*	**Performing exposures**	**Non-performing exposures**	**Specific provisions**	**Collective provisions**	**Net exposure**
Governments and central banks	-	-	-	-	-
Institutions (banks)	30,637	1	7	-	30,632
Businesses	129,500	2,417	1,705	-	130,213
o/w: Specialized lending	10,244	128	31	-	10,341
o/w: SMEs	28,165	906	545	-	28,525
Retail clients	261,012	4,804	2,969	-	262,848
o/w: Secured by real estate mortgages	141,426	2,239	1,121	-	142,544
o/w: SMEs	21,865	579	313	-	22,131
o/w: Non-SMEs	119,561	1,660	807	-	120,413
o/w revolving	17,709	136	123	-	17,721
o/w: Other retail customers	101,877	2,430	1,725	-	102,582
o/w: SMEs	28,740	1,674	1,157	-	29,257
o/w: Non-SMEs	73,137	756	568	-	73,325
Shares	13,267	-	2	-	13,265
Other assets	5,375	-	0	-	5,375
Total IRB approach	**439,792**	**7,223**	**4,682**	**-**	**442,333**
Governments and central banks	90,400	-	13	-	90,387
Regional or local authorities	5,661	-	3	-	5,658
Public sector (public organizations excluding central governments)	26,653	-	0	-	26,653
Multilateral development banks	670	-	0	-	670
International organizations	925	-	0	-	925
Institutions (banks)	1,721	-	1	-	1,721
Businesses	38,096	-	82	-	38,014
o/w: SMEs	4,906	-	2	-	4,904
Retail clients	48,251	-	963	-	47,288
o/w: SMEs	9,955	-	10	-	9,945
Exposures secured by real estate mortgages	6,820	-	9	-	6,811
o/w: SMEs	463	-	0	-	462
Exposures in default	-	5,087	3,089	-	1,998
Exposures presenting an especially high risk	924	-	0	-	924
Covered bonds	36	-	-	-	36
Exposures from institutions and companies given a short-term credit evaluation	-	-	-	-	-
Exposures in the form of UCIT shares or equities	4	-	-	-	4
Equity exposures	412	-	-	-	412
Other assets	1,639	-	-	-	1,639
Total standard approach	**222,214**	**5,087**	**4,161**	**-**	**223,140**
TOTAL	**662,006**	**12,310**	**8,844**	**-**	**665,473**

As of 12/31/2018 *(in € millions)*	Gross exposures		Specific provisions	Collective provisions	Net exposure
	Performing exposures	Non-performing exposures			
Central governments or central banks	-	-	-	-	-
Institutions (banks)	29,739	1	5	-	29,735
Businesses	121,895	1,940	1,474	-	122,361
o/w: Specialized financing	9,272	89	33	-	9,327
o/w: SMEs	26,437	879	561	-	26,756
Retail clients	246,282	5,061	3,054	-	248,288
Exposures secured by real estate mortgages	133,437	2,423	1,130	-	134,730
SMEs	20,133	610	319	-	20,425
Non-SMEs	113,303	1,813	811	-	114,305
Revolving	16,460	136	132	-	16,464
Other – retail customers	96,385	2,502	1,792	-	97,094
SMEs	27,441	1,708	1,226	-	27,923
Non-SMEs	68,944	793	566	-	69,171
Shares	13,201	-	2	-	13,200
Other assets	4,695	-	0	-	4,695
Total IRB approach	**415,812**	**7,002**	**4,535**	**-**	**418,279**
Central governments or central banks	75,012	-	1	-	75,011
Regional or local authorities	5,507	-	3	-	5,503
Public sector (public organizations excluding central governments)	22,950	-	0	-	22,950
Multilateral development banks	765	-	0	-	765
International organizations	713	-	0	-	713
Institutions (banks)	2,437	-	0	-	2,437
Businesses	35,817	-	81	-	35,736
o/w: SMEs	4,649	-	7	-	4,642
Retail clients	44,962	-	911	-	44,051
o/w: SMEs	9,582	-	10	-	9,572
Exposures secured by real estate mortgages	7,008	-	11	-	6,997
o/w: SMEs	457	-	0	-	457
Exposures in default	-	4,722	2,939	-	1,783
Exposures presenting an especially high risk	497	-	0	-	497
Covered bonds	25	-	-	-	25
Exposures from institutions and companies given a short-term credit evaluation	-	-	-	-	-
Exposures in the form of UCIT shares or equities	3	-	-	-	3
Equity exposures	449	-	-	-	449
Other assets	1,276	-	-	-	1,276
Total standard approach	**197,421**	**4,722**	**3,946**	**-**	**198,197**
TOTAL	**613,233**	**11,724**	**8,481**	**-**	**616,476**

TABLE 30: CREDIT QUALITY OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES (EU CR1-B)

As of 12/31/2019 *(in € millions)*	Gross exposures				
	Performing exposures	Non-performing exposures	Specific provisions	Collective provisions	Net exposure
Public administration	124,310	41	19	-	124,332
Banks and financial institutions	32,395	2	7	-	32,389
Individuals	254,206	6,540	5,165	-	255,581
Individual business owners	16,016	375	243	-	16,148
Farmers	7,557	251	145	-	7,663
Non-profit organizations	2,382	18	21	-	2,379
Travel & leisure	6,974	405	258	-	7,121
Chemistry	1,806	10	10	-	1,806
Distribution	17,983	907	526	-	18,365
Automotive	5,384	94	67	-	5,410
Construction & building materials	14,667	443	206	-	14,904
Manufacturing goods and services	12,905	354	191	-	13,069
Healthcare	4,219	39	32	-	4,225
Other financial activities	10,471	348	253	-	10,566
Industrial transportation	8,735	263	119	-	8,879
Household products	3,450	130	69	-	3,510
Real estate development	9,647	187	128	-	9,706
Other real estate (incl. rental and RE invest.)	15,260	180	115	-	15,325
Utilities	3,610	84	17	-	3,677
Food & beverages	7,504	176	116	-	7,564
Media	2,961	63	35	-	2,990
Holdings companies & conglomerates	10,750	353	169	-	10,934
High technology	5,145	58	30	-	5,174
Oil & gas commodities	5,470	200	167	-	5,503
Telecommunications	1,646	34	7	-	1,674
Other group subsidiaries[1]	31,567	161	103	-	31,625
Miscellaneous	23,999	593	625	-	23,966
Shares	13,974	-	2	-	13,973
Other assets	7,015	-	0	-	7,014
TOTAL	**662,006**	**12,310**	**8,844**	**-**	**665,473**

(1) CIC Suisse, BDL, leasing and factoring entities in Germany purchased from General Electric.

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As of 12/31/2018 *(in € millions)*	Gross exposures Performing exposures	Non-performing exposures	Specific provisions	Collective provisions	Net exposure
Public administration	104,946	35	8		104,974
Banks and financial institutions	32,201	1	5		32,197
Individuals	238,639	6,508	5,002		240,145
Individual business owners	15,039	402	258		15,183
Farmers	7,174	254	150		7,278
Non-profit organizations	2,231	21	23		2,229
Travel & leisure	6,595	359	218		6,736
Chemistry	1,542	14	10		1,547
Distribution	17,694	884	513		18,065
Automotive	4,729	102	64		4,768
Construction & building materials	13,024	432	216		13,239
Manufacturing goods and services	11,536	346	197		11,685
Healthcare	3,934	35	26		3,943
Other financial activities	10,082	372	273		10,181
Industrial transportation	7,746	191	105		7,832
Household products	2,661	98	61		2,698
Real estate development	6,294	186	127		6,353
Other real estate (incl. rental and RE invest.)	16,382	168	100		16,450
Utilities	3,638	21	9		3,649
Food & beverages	7,246	184	118		7,312
Media	2,585	41	30		2,596
Holdings companies & conglomerates	10,142	131	71		10,201
High technology	5,304	44	25		5,323
Oil & gas commodities	5,664	205	146		5,723
Telecommunications	1,883	51	6		1,928
Other group subsidiaries[1]	29,831	98	84		29,845
Miscellaneous	24,733	542	635		24,640
Shares	13,784	-	2		13,783
Other assets	5,971	-	0		5,971
TOTAL	**613,233**	**11,724**	**8,481**	**-**	**616,476**

(1) CIC Suisse, BDL, leasing and factoring entities purchased from General Electric.

TABLE 31: CREDIT QUALITY OF EXPOSURES BY GEOGRAPHIC AREA (EU CR1-C)

As of 12/31/2019 *(in € millions)*	Gross exposures				
	Performing exposures	Non-performing exposures	Specific provisions	Collective provisions	Net exposure
Europe zone	**632,439**	**12,010**	**8,723**		**635,726**
France	526,158	8,982	5,926		529,215
Germany	49,927	1,475	1,569		49,833
Belgium	5,230	149	87		5,292
Spain	7,418	580	492		7,507
Luxembourg	8,130	31	27		8,135
The Netherlands	3,702	13	5		3,710
United Kingdom	4,807	65	22		4,850
Other	27,067	714	596		27,185
Rest of World	**29,566**	**300**	**120**		**29,746**
United States	12,168	79	49		12,198
Canada	1,665	1	2		1,665
Other	15,734	220	70		15,883
TOTAL	**662,006**	**12,310**	**8,844**	**-**	**665,473**

As of 12/31/2018 *(in € millions)*	Gross exposures				
	Performing exposures	Non-performing exposures	Specific provisions	Collective provisions	Net exposure
Europe zone	**585,287**	**11,519**	**8,402**		**588,404**
France	488,045	8,786	5,833		490,998
Germany	45,939	1,450	1,508		45,880
Belgium	4,793	93	82		4,803
Spain	6,582	515	430		6,666
Luxembourg	6,726	42	33		6,735
The Netherlands	3,625	10	5		3,630
United Kingdom	5,012	49	18		5,043
Other	24,567	575	494		24,648
Rest of World	**27,945**	**205**	**78**		**28,072**
United States	11,414	86	41		11,459
Canada	1,614	2	2		1,614
Others	14,917	118	35		14,999
TOTAL	**613,233**	**11,724**	**8,481**	**-**	**616,476**

TABLE 32: MATURITY OF PAST-DUE EXPOSURES (EU CR1-D)

as of 12/31/2019 (in € millions)	Gross carrying amount						
	Performing loans		Non-performing loans				
	No arrears or in arrears ≤ 30 days	> 30 days ≤ 90 days	Probability of arrears or in arrears ≤ 90 days	In arrears > 90 days and ≤ 180 days	In arrears > 180 days and ≤ 1 year	In arrears > 1 years ≤ 5 years	In arrears > 5 years
Loans	491,332	1,035	2,799	405	644	7,911	404
Debt securities	38,388	-	48	-	-	136	-
TOTAL	**529,720**	**1,035**	**2,847**	**405**	**644**	**8,047**	**404**

as of 12/31/2018 (in € millions)	Gross carrying amount						
	Performing loans		Non-performing loans				
	No arrears or in arrears ≤ 30 days	> 30 days ≤ 90 days	Probability of arrears or in arrears ≤ 90 days	In arrears > 90 days and ≤ 180 days	In arrears > 180 days and ≤ 1 year	In arrears > 1 year ≤ 5 years	In arrears > 5 years
Loans	467,965	1,198	2,691	379	639	7,658	286
Debt securities	35,177	-	261	-	-	134	-
TOTAL	**503,142**	**1,198**	**2,952**	**379**	**639**	**7,791**	**286**

TABLE 33: NON-PERFORMING AND FORBORNE EXPOSURES (EU CR1-E)

as of 12/31/2019 (in € millions)	Gross carrying amount of performing and non-performing exposures							Accumulated impairment and negative adjustment of fair value attributable to Credit Risk				Sureties and guarantees received	
		o/w performing loans with arrears >30 days and ≤ 90 days	o/w per-forming restruc-tured loans	o/w Non-performing loans				o/w performing loans		o/w Non-performing loans			
					o/w loans in default	o/w loans downgra-ded on the books	o/w restruc-tured loans		o/w restruc-tured loans		o/w restruc-tured loans	o/w Non-per-forming loans	o/w restruc-tured loans
Debt securities	**38,573**	**-**	**-**	**185**	**185**	**185**	**136**	**18**	**-**	**168**	**-**	**-**	**-**
Loans and advances	**504,529**	**1,035**	**766**	**12,163**	**12,163**	**12,163**	**2,309**	**1,993**	**72**	**6,519**	**1,113**	**2,853**	**1,005**
of which: small and medium- sized enterprises	*133,031*	*390*	*217*	*4,686*	*4,686*	*4,686*	*478*	*554*	*8*	*2,288*	*204*	*1,579*	*408*
of which: Households – loans secured by residential real estate	*94,535*	*82*	*94*	*1,117*	*1,117*	*1,117*	*252*	*134*	*4*	*360*	*66*	*698*	*275*
of which: Households – consumer credit	*43,746*	*374*	*384*	*4,036*	*4,036*	*4,036*	*930*	*968*	*55*	*2,849*	*511*	*29*	*14*
Off-balance sheet	**124,502**		**8**	**336**	**336**		**6**	**143**	**-**	**139**	**-**	**93**	**8**

TABLE 34: CREDIT QUALITY OF FORBORNE EXPOSURES (TEMPLATE 1)

	Gross carrying amount/nominal amount of restructured exposure				Impairment and cumulative negative fair value related to the credit risk		Collateral and financial guarantees received on restructured exposure	
	Performing loans	Non-performing loans			On restructured performing loans	On restructured non-performing loans		o/w collateral and guarantees on restructured non-performing loans
			o/w loans in default	o/w impaired loans				
Loans and advances	**766**	**2,309**	**2,309**	**2,309**	**-72**	**-1,113**	**1,005**	**663**
Due to central banks	0	0	0	0	0	0	0	0
Public administration	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial institutions	17	83	83	83	-1	-54	44	29
Non-financial corporate	262	1,011	1,011	1,011	-11	-471	652	437
Households	487	1,215	1,215	1,215	-60	-587	309	197
Debt instruments	**0**	**136**	**136**	**136**	**0**	**0**	**0**	**0**
Loan commitments given	**8**	**6**	**6**	**6**	**0**	**0**	**8**	**0**
TOTAL	**774**	**2,452**	**2,452**	**2,452**	**-72**	**-1,113**	**1,013**	**663**

TABLE 35: CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY AGING OF PAST DUE DAYS (TEMPLATE 3)

GROSS CARRYING AMOUNT/NOMINAL AMOUNT

	Performing loans			Non-performing loans					
as of 12/31/2019 *(in € millions)*		No arrears or in arrears ≤ 30 days	Arrears > 30 days ≤ 90 days		Probability of arrears or in arrears ≤ 90 days	Arrears > 90 days ≤ 180 days	Arrears > 180 days ≤ 1 year	Arrears > 1 year	o/w loans in default
Loans and advances	**419,584**	**418,550**	**1,035**	**12,163**	**2,799**	**405**	**644**	**8,315**	**12,163**
Due to central banks	115	115	0	0	0	0	0	0	0
Public administration	6,399	6,367	33	40	16	0	0	24	40
Credit institutions	35,000	35,000	0	1	0	0	0	1	1
Other financial institutions	10,393	10,386	7	190	74	0	1	116	190
Non-financial corporate	187,400	186,890	510	6,526	1,757	120	108	4,541	6,526
o/w: SMEs	128,346	127,956	390	4,686	884	99	81	3,622	4,686
Households	180,277	179,792	485	5,406	952	285	535	3,634	5,406
Debt instruments	**38,388**	**38,388**	**0**	**185**	**48**	**0**	**0**	**136**	**185**
Due to central banks	840	840	0	0	0	0	0	0	0
Public administration	16,103	16,103	0	0	0	0	0	0	0
Credit institutions	11,104	11,104	0	1	1	0	0	0	1
Other financial institutions	5,956	5,956	0	140	4	0	0	136	140
Non-financial corporate	4,385	4,385	0	44	44	0	0	0	44
Off-balance-sheet commitments	**124,166**			**336**					**336**
Due to central banks	45			0					0
Public administration	1,334			0					0
Credit institutions	31,223			43					43
Other financial institutions	3,039			3					3
Non-financial corporate	59,678			271					271
Households	28,848			18					18
TOTAL	**582,138**	**456,937**	**1,035**	**12,683**	**2,847**	**405**	**644**	**8,452**	**12,683**

TABLE 36: PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS (TEMPLATE 4)

	Gross carrying amount/nominal amount						Accumulated impairment and negative adjustment of fair value attributable to Credit Risk							Collateral and financial guarantees received	
	Performing loans			Non-performing loans			Accumulated impairment and adjustment of fair value on performing loans			Accumulated impairment and adjustment of fair value on non-performing loans					
as of 12/31/2019 *(in € millions)*		o/w status 1	o/w status 2		o/w status 2	o/w status 3		o/w status 1	o/w status 2		o/w status 2	o/w status 3	Partial cumulative reversals	On performing loans	On non-performing loans
Loans and advances	**419,584**	**397,986**	**21,598**	**12,163**		**12,163**	**-1,993**	**-930**	**-1,063**	**-6,519**		**-6,519**		**244,041**	**2,853**
Due to central banks	115	115	0	0		0	0	0	0	0		0		0	0
Public administration	6,399	6,302	97	40		40	-9	-7	-2	-3		-3		1,340	14
Credit institutions	35,000	35,000	0	1		1	-2	-2	0	0		0		116	0
Other financial institutions	10,393	10,042	350	190		190	-18	-13	-4	-86		-86		3,479	78
Non-financial corporate	187,400	174,870	12,530	6,526		6,526	-783	-327	-457	-3,049		-3,049		111,108	1,961
o/w: SMEs	128,346	118,718	9,628	4,686		4,686	-554	-187	-367	-2,288		-2,288		89,413	1,579
Households	180,277	171,657	8,620	5,406		5,406	-1,181	-581	-600	-3,380		-3,380		127,998	800
Debt instruments	**38,388**	**37,695**	**105**	**185**		**185**	**-18**	**-16**	**-2**	**-168**		**-168**		**0**	**0**
Due to central banks	840	823	0	0		0	0	0	0	0		0		0	0
Public administration	16,103	16,070	33	0		0	-4	-4	0	0		0		0	0
Credit institutions	11,104	11,037	17	1		1	-8	-7	-2	-1		-1		0	0
Other financial institutions	5,956	5,840	0	140		140	-1	-1	0	-138		-138		0	0
Non-financial corporate	4,385	3,925	55	44		44	-4	-4	0	-29		-29		0	0
Off-balance-sheet commitments	**124,166**	**122,312**	**1,854**	**336**		**336**	**-143**	**-95**	**-48**	**-139**		**-139**		**16,015**	**93**
Due to central banks	45	45	0	0		0	0	0	0	0		0		0	0
Public administration	1,334	1,334	0	0		0	0	0	0	0		0		658	0
Credit institutions	31,223	30,974	249	43		43	-2	-2	0	-21		-21		176	4
Other financial institutions	3,039	3,004	35	3		3	-5	-4	-1	-2		-2		426	1
Non-financial corporate	59,678	58,575	1,104	271		271	-115	-73	-42	-115		-115		10,445	82
Households	28,848	28,382	466	18		18	-21	-16	-5	-1		-1		4,310	5
TOTAL	**582,138**	**557,994**	**23,557**	**12,683**		**12,683**	**-2,154**	**-1,041**	**-1,113**	**-6,826**		**-6,826**		**260,056**	**2,946**

TABLE 37: COLLATERAL OBTAINED BY TAKING POSSESSION AND EXECUTION PROCESSES (TEMPLATE 9)

As of 12/31/2019 *(in € millions)*	Collateral obtained by taking possession (accumulated)	
	Value at initial recognition	Cumulative negative change
Property, plant and equipment		
Other than property, plant and equipment	54	-10
Residential real estate property	54	-10
TOTAL	**54**	**-10**

5.8.4 Reconciliation of adjustments for credit risk

The following table shows the change over time in the balance of adjustments for credit risk.

TABLE 38: CHANGE IN THE BALANCE OF ADJUSTMENTS FOR CREDIT RISK (EU CR2-A)

as of 12/31/2019 *(in € millions)*	Cumulative adjustments for specific credit risk	Cumulative adjustments for general credit risk
Opening balance	**-8,395**	
Increases due at origination and on acquisition	-758	
Decreases due on derecognition	261	
Changes due to changes in (net) credit risks	-197	
Changes due to (net) amendments without derecognition	-151	
Change due to updating the models	0	
Reversals of provisions due to classification in loss	694	
Currency translation adjustment	0	
Recombination of companies, including acquisitions/disposals of subsidiaries	0	
Other	-151	
Closing balance	**-8,698**	

5.8.5 Standard approach

Exposures treated using the standard method is given in the table below.

Crédit Mutuel Alliance Fédérale uses the evaluations of rating agencies to measure the sovereign risk in its exposures linked to central governments and central banks. Since September 2017, the group has relied primarily on the estimates provided by the Banque de France with regard to its corporate exposures.

The cross-reference table used to match the credit quality steps to the external ratings adopted is the one called for by regulation.

TABLE 39: BREAKDOWN OF EXPOSURES UNDER THE STANDARDIZED APPROACH (EU CR5)

Categories of exposure as of 12/31/2019 *(in € millions)*	Weighting									
	0%	10%	20%	35%	50%	75%	100%	150%	250%	Total
Governments and central banks	88,148	0	374	0	105	0	66	0	550	89,244
Regional or local authorities	391	0	5,096	0	0	0	0	0	0	5,487
Public sector (public organizations excluding central governments)	27,464	0	0	0	0	0	0	0	0	27,464
Multilateral development banks	670	0	0	0	0	0	0	0	0	670
International organizations	925	0	0	0	0	0	0	0	0	925
Institutions (banks)	2	0	1,477	0	72	0	1	0	0	1,552
Businesses	0	0	724	0	2,298	0	19,607	121	0	22,751
Retail clients	0	0	0	0	0	34,755	0	0	0	34,755
Exposures secured by real estate mortgages	0	0	0	5,129	1,458	57	68	0	0	6,713
Exposures in default	9	0	0	0	0	0	1,271	658	0	1,938
Exposures presenting an especially high risk	0	0	0	0	0	0	0	894	0	894
Covered bonds	0	36	0	0	0	0	0	0	0	36
Exposures from institutions and companies given a short-term credit evaluation	0	0	0	0	0	0	0	0	0	0
Exposures in the form of UCIT shares or equities	0	0	0	0	0	0	4	0	0	4
Equity exposure	0	0	0	0	0	0	411	0	1	412
Other assets	0	0	0	0	0	0	1,639	0	0	1,639
TOTAL	**117,609**	**36**	**7,671**	**5,129**	**3,934**	**34,812**	**23,068**	**1,673**	**551**	**194,484**

Categories of exposure as of 12/31/2018 (in € millions)	Weighting									
	0%	10%	20%	35%	50%	75%	100%	150%	250%	Total
Central governments or central banks	72,788	0	319	0	46	0	41	0	510	73,705
Regional or local authorities	84	0	5,256	0	0	0	0	0	0	5,340
Public sector (public organizations excluding central governments)	23,921	0	28	0	0	0	0	0	0	23,950
Multilateral development banks	765	0	0	0	0	0	0	0	0	765
International organizations	713	0	0	0	0	0	0	0	0	713
Institutions (banks)	16	0	2,055	0	49	0	1	0	0	2,121
Businesses	0	0	707	0	1,840	0	18,353	173	0	21,073
Retail clients	0	0	0	0	0	31,931	0	0	0	31,931
Exposures secured by real estate mortgages	0	0	0	5,370	1,352	149	66	0	0	6,936
Exposures in default	4	0	0	0	0	0	1,148	556	0	1,708
Exposures presenting an especially high risk	0	0	0	0	0	0	0	474	0	474
Covered bonds	0	25	0	0	0	0	0	0	0	25
Exposures from institutions and companies given a short-term credit evaluation	0	0	0	0	0	0	0	0	0	0
Exposures in the form of UCIT shares or equities	0	0	0	0	0	0	3	0	0	3
Equity exposures	0	0	0	0	0	0	449	0	1	449
Other assets	0	0	0	0	0	0	1,276	0	0	1,276
TOTAL	**98,291**	**25**	**8,367**	**5,370**	**3,287**	**32,080**	**21,337**	**1,202**	**511**	**170,469**

Totals include outstandings weighted 250%, which are deferred assets.

The exposure to governments and central banks is nearly entirely weighted 0%. The capital requirements for this book demonstrate a sovereign risk for Crédit Mutuel Alliance Fédérale limited to high-quality counterparties.

5.8.6 Internal rating system

Rating procedures and parameters

Rating algorithms and expert models have been developed to improve the group's credit risk assessment and to comply with the regulatory requirements concerning internal rating approaches.

Confédération Nationale du Crédit Mutuel is responsible for defining the rating methodologies for all portfolios. Nevertheless, the regional entities are directly involved in carrying out and approving working parties' assignments on specific subjects and the work related to data quality and applications acceptance tests. Therefore, in carrying out the accreditation work, the subsidiaries draw support from the expertise of the entity concerned, the staff employed by their parent company (risk and finance) and the Confédération Nationale staff.

The counterparty rating system is common to the entire Crédit Mutuel group.

Probability of default (PD) is the likelihood that a counterparty of the bank will default within a one-year period. The group's counterparties eligible for internal approaches are rated by a single system which is based on:

- statistical algorithms or "mass ratings" reliant on one or more models based on a selection of variables that are representative and predictive of risk;
- rating grids developed by experts.

These models are used to differentiate and correctly classify risk. The value scale reflects the manner in which the risk changes and is broken down into eleven positions including nine performing positions (A+, A-, B+, B-, C+, C-, D+, D-and E+) and two default positions (E- and F).

In the so-called "mass" corporate and retail scopes, following the internal rating process, each borrower is given a score. Based on this score as well as other characteristics, performing borrowers are grouped into homogeneous risk classes, prior to measuring the regulatory PD parameter. The grouping analyses are performed on the segments defined for the purposes of modeling the algorithms. A risk class' probabilities of default are then estimated on the basis of the historical default rates observed on the exposures belonging to this class, based on a record of more than ten years of observations. Safety margins are added to reflect the uncertainty of estimates.

In the other scopes, too few defaults are available to ensure the relevance and reliability of statistical estimates. The probabilities of default associated with the internal ratings are calibrated on the basis of external data.

Loss Given Default (LGD) is the ratio of the loss on an exposure in the event of a counterparty default to the amount of exposure at the time of default, including also additional drawdowns made after the transfer to non-performing.

Internal models for estimating LGD have been developed by the group and approved for the corporate and retail bank exposure classes.

In the "mass" corporate and retail scopes, LGD is calculated separately for each class, the classes being defined according to the type of loan and nature of the collateral. LDG is estimated based on the updated monthly collections observed for each class. Safety margins are added to reflect the uncertainty of estimates and the "downturn" nature of LGD. The calculations are based on an internal record of defaults and losses covering more than ten years.

In the other scopes, for which there are too few defaults to ensure the relevance and reliability of statistical estimates, LGDs are estimated on the basis of quantitative information provided by experts, benchmarks and external data and a conservative approach (the downturn effect is taken into account).

The **conversion factor** (CCF) is the ratio of the portion currently undrawn of a credit line that could be drawn and would therefore be exposed in the event of default and the portion of said credit currently undrawn.

In the case of the corporate and retail customers books, the Crédit Mutuel group calculates the conversion factors (CCF) using an internal method approved for financing commitments. In the case of secured loans and Banking exposures, regulatory values (standardized approach) are applied.

In the corporate and retail scopes, the internal CCFs are estimated based on average historical CCFs weighted by the number of contracts, using a product-focused segmentation. They are calibrated on the basis of internal data.

The parameters used to calculate weighted risks are national and apply to all group entities.

Model mapping

Parameter modeled	Category of exposure	Portfolios	Number of models	Methodology
PD	**Institutions**	Financial institutions	2 models: Banks, Covered Bonds	Expert-type models based on grids containing qualitative and quantitative variables
	Businesses	Large Corporates (LC) (Rev > €500 million)	6 models depending on the type of counterparty and sector	Expert-type models based on grids containing qualitative and quantitative variables
		"Mass" corporate (Rev < €500 million)	3 models	Quantitative type models with qualitative grids provided by experts
		Acquisition financing, Large Corporates	1 model	Expert-type model based on grid containing qualitative and quantitative variables
		Corporate acquisition financing	1 model	Quantitative type models combined with qualitative grids provided by experts
		Specialized lending	Spec. asset lending: 6 models according to the asset type, Spec. project lending: 4 models according to the industry, Spec. real estate lending: 1 model	Expert-type model based on a grid containing qualitative and quantitative variables
		Other Corporate	2 models: RE Invest. Cos., Insurance	Expert-type models based on grids containing qualitative and quantitative variables
	Retail	Individuals	6 models depending on the type of loan (real estate, personal, etc.)	Quantitative type models
		Legal Entities	4 models depending on type of customer	Quantitative type models
		Individual business owners	3 models depending on type of business (merchants, artisans, etc.)	Quantitative type models
		Farmers	6 models depending on the condition of the account and type of operation (cyclical or not)	Quantitative type models
		Non-profit organizations	1 model	Quantitative type models
		SCIs (RE partnerships)	1 model	Quantitative type models
LGD	**Institutions**	Financial institutions	1 model	Expert type model dependent on the counterparty and the contract, based on qualitative and quantitative information
	Businesses	Large Corporates (LC), Acquisition financing, RE Invest. cos. and Insurance	1 model with sector parameters	Expert type model dependent on the counterparty and the contract, based on qualitative and quantitative information
		"Mass" corporate	1 model applied to 8 segments according to the type of loan and nature of security	Quantitative type models based on flow of internal collections
	Retail		1 model applied to 10 segments according to the type of loan and nature of security	Quantitative type models based on internal collection flows
CCF	**Businesses**	"Mass" corporate	1 model applied to 4 segments according to the type of loan	Quantitative model, calibration of CCFs based on internal data
	Retail		1 model applied to 8 segments according to the type of loan	Quantitative model, calibration of CCFs based on internal data

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TABLE 40: IRB APPROACH – CREDIT RISK EXPOSURES BY EXPOSURE CLASS AND PD RANGE (EU CR6)

As of 12/31/2019 *(in € millions)*	PD range	Gross exposures initially on balance sheet	Exposures Pre-CCF off-balance sheet	Average CCF (%)	EAD
GOVERNMENTS AND CENTRAL BANKS					
	0 to < 0.15	0	0	0	0
	0.15 to < 0.25	0	0	0	0
	0.25 to < 0.50	0	0	0	0
	0.50 to < 0.75	0	0	0	0
	0.75 to < 2.50	0	0	0	0
	2.50 to < 10.00	0	0	0	0
	10.00 to < 100.00	0	0	0	0
	100.00 (default)	0	0	0	0
	Sub-total	**0**	**0**	**0**	**0**
INSTITUTIONS (BANKS)					
	0 to < 0.15	26,391	2,268	32	27,053
	0.15 to < 0.25	172	313	63	379
	0.25 to < 0.50	750	263	60	873
	0.50 to < 0.75	0	0	0	0
	0.75 to < 2.50	168	51	36	187
	2.50 to < 10.00	129	84	31	157
	10.00 to < 100.00	13	35	38	32
	100.00 (default)	1	0	0	1
	Sub-total	**27,625**	**3,014**	**38**	**28,682**
BUSINESSES					
	0 to < 0.15	7,375	13,964	46	14,063
	0.15 to < 0.25	0	0	0	0
	0.25 to < 0.50	13,897	16,620	43	21,022
	0.50 to < 0.75	8,506	1,444	44	9,145
	0.75 to < 2.50	30,564	10,933	45	35,215
	2.50 to < 10.00	10,676	3,341	50	12,258
	10.00 to < 100.00	1,493	465	49	1,693
	100.00 (default)	2,073	194	80	2,251
	Sub-total	**74,583**	**46,962**	**45**	**95,648**
o/w: Specialized lending					
	0 to < 0.15				
	0.15 to < 0.25				
	0.25 to < 0.50				
	0.50 to < 0.75				
	0.75 to < 2.50				
	2.50 to < 10.00				
	10.00 to < 100.00				
	100.00 (default)				
	Sub-total				

	Average PD (%)	Number of debtors	Average LGD (%)	Average maturity (years)	RWA	Density of RWAs (%)	EL	Corrected values & provisions
	0.00	0	-	0	0	0	0	0
	0.00	0	-	0.0	0	0	0	0
	0.00	0	-	0.0	0	0	0	0
	0.00	0	-	0.0	0	0	0	0
	0.00	0	-	0.0	0	0	0	0
	0.00	0	-	0.0	0	0	0	0
	0.00	0	-	0.0	0	0	0	0
	0.00	0	-	0.0	0	0	0	0
	0.00	**0**	**-**	**0.0**	**0**	**0**	**0**	**0**
	0.04	185	34	2.5	3,661	14	3	5
	0.23	44	39	2.5	231	61	0	0
	0.43	44	37	2.5	679	78	1	1
	0.00	0	-	0.0	0	0	0	0
	1.02	32	26	2.5	143	77	1	0
	2.82	44	40	2.5	235	150	2	0
	21.61	30	41	2.5	88	275	3	0
	99.98	1	45	2.5	0	0	0	0
	0.10	**380**	**34**	**2.5**	**5,039**	**18**	**11**	**7**
	0.10	296	30	2.5	3,019	21	4	6
	0.00	0	-	0.0	0	0	0	0
	0.34	4,631	27	2.5	7,834	37	19	16
	0.54	5,145	22	2.5	3,125	34	11	6
	1.28	15,241	28	2.5	22,255	63	122	70
	4.41	5,235	29	2.5	11,594	95	148	202
	17.69	1,420	28	2.5	2,498	148	80	85
	100.00	1,952	61	2.5	1,153	51	1,354	1,287
	3.84	**33,920**	**28**	**2.5**	**51,480**	**54**	**1,738**	**1,672**

As of 12/31/2019 *(in € millions)*	PD range	Gross exposures initially on balance sheet	Exposures Pre-CCF off-balance sheet	Average CCF (%)	EAD
o/w: SMEs					
	0 to < 0.15	0	0	0	0
	0.15 to < 0.25	0	0	0	0
	0.25 to < 0.50	3,942	511	52	4,209
	0.50 to < 0.75	5,361	698	48	5,695
	0.75 to < 2.50	11,168	1,687	49	11,994
	2.50 to < 10.00	3,566	599	54	3,891
	10.00 to < 100.00	539	94	45	581
	100.00 (default)	822	84	90	898
	Sub-total	**25,397**	**3,673**	**51**	**27,267**
RETAIL CLIENTS					
	0 to < 0.15	86,515	11,288	34	90,403
	0.15 to < 0.25	31,769	4,150	36	33,279
	0.25 to < 0.50	39,172	2,894	36	40,215
	0.50 to < 0.75	14,174	2,808	34	15,123
	0.75 to < 2.50	33,227	5,638	38	35,384
	2.50 to < 10.00	20,203	2,775	40	21,316
	10.00 to < 100.00	6,027	372	39	6,171
	100.00 (default)	4,687	117	80	4,780
	Sub-total	**235,774**	**30,043**	**36**	**246,671**
o/w: Exposures secured by mortgage on real estate					
	0 to < 0.15	48,532	1,369	41	49,092
	0.15 to < 0.25	19,448	518	41	19,660
	0.25 to < 0.50	27,785	640	41	28,048
	0.50 to < 0.75	7,163	184	42	7,240
	0.75 to < 2.50	19,986	620	41	20,243
	2.50 to < 10.00	11,121	283	42	11,241
	10.00 to < 100.00	3,723	52	42	3,745
	100.00 (default)	2,230	8	41	2,234
	Sub-total	**139,990**	**3,675**	**41**	**141,503**
o/w: SMEs					
	0 to < 0.15	0	0	0	0
	0.15 to < 0.25	1,380	37	42	1,395
	0.25 to < 0.50	6,310	131	42	6,365
	0.50 to < 0.75	4,576	116	42	4,626
	0.75 to < 2.50	4,387	157	42	4,453
	2.50 to < 10.00	3,271	121	43	3,323
	10.00 to < 100.00	1,354	24	42	1,365
	100.00 (default)	578	1	42	578
	Sub-total	**21,857**	**587**	**42**	**22,105**

	Average PD (%)	Number of debtors	Average LGD (%)	Average maturity (years)	RWA	Density of RWAs (%)	EL	Corrected values & provisions
	0.00	0	-	0.0	0	0	0	0
	0.00	0	-	0.0	0	0	0	0
	0.31	2,681	21	2.5	1,039	25	3	1
	0.54	3,832	21	2.5	1,807	32	7	4
	1.29	9,026	21	2.5	5,205	43	33	26
	4.46	2,980	22	2.5	2,517	65	38	38
	17.42	854	22	2.5	559	96	22	21
	100.00	1,199	65	2.5	688	77	532	455
	5.03	**20,572**	**23**	**2.5**	**11,816**	**43**	**635**	**545**
	0.07	2,593,295	14	0.0	2,214	2	9	7
	0.20	1,006,540	15	0.0	1,891	6	10	8
	0.37	531,611	15	0.0	3,632	9	22	15
	0.59	619,865	18	0.0	1,947	13	16	11
	1.39	1,286,400	16	0.0	7,045	20	80	82
	5.00	726,348	17	0.0	7,802	37	182	278
	20.41	246,579	17	0.0	4,007	65	211	275
	100.00	159,240	53	0.0	1,749	37	2,376	2,294
	3.23	**7,169,878**	**16**	**0.0**	**30,286**	**12**	**2,905**	**2,969**
	0.07	376,778	14	0.0	1,237	3	5	4
	0.19	142,919	14	0.0	1,112	6	5	4
	0.37	193,525	15	0.0	2,604	9	15	10
	0.58	36,327	17	0.0	968	13	7	5
	1.32	145,776	15	0.0	4,371	22	39	44
	4.74	71,817	15	0.0	5,201	46	79	145
	19.69	25,485	15	0.0	3,000	80	110	167
	100.00	19,681	46	0.0	747	33	965	742
	2.82	**1,012,308**	**15**	**0.0**	**19,240**	**14**	**1,226**	**1,121**
	0.00	0	-	0.0	-	-	-	-
	0.16	10,377	15	0.0	61	4	0	0
	0.36	36,576	17	0.0	539	8	4	1
	0.58	22,779	17	0.0	577	12	5	3
	1.57	22,999	17	0.0	1,032	23	12	11
	4.86	17,174	17	0.0	1,487	45	27	37
	19.19	8,081	16	0.0	994	73	43	65
	100.00	4,261	48	0.0	240	41	260	195
	5.08	**122,247**	**17**	**0.0**	**4,929**	**22**	**350**	**313**

As of 12/31/2019 *(in € millions)*	PD range	Gross exposures initially on balance sheet	Exposures Pre-CCF off-balance sheet	Average CCF (%)	EAD
o/w: Non-SMEs					
	0 to < 0.15	48,532	1,369	41	49,092
	0.15 to < 0.25	18,069	481	41	18,266
	0.25 to < 0.50	21,475	509	41	21,683
	0.50 to < 0.75	2,586	68	42	2,615
	0.75 to < 2.50	15,599	463	41	15,790
	2.50 to < 10.00	7,850	162	41	7,917
	10.00 to < 100.00	2,369	28	41	2,381
	100.00 (default)	1,652	7	41	1,655
	Sub-total	**118,133**	**3,088**	**41**	**119,398**
o/w: Revolving					
	0 to < 0.15	2,343	5,708	20	3,491
	0.15 to < 0.25	1,116	1,616	20	1,441
	0.25 to < 0.50	528	594	20	647
	0.50 to < 0.75	785	881	20	962
	0.75 to < 2.50	1,491	1,198	20	1,732
	2.50 to < 10.00	781	400	20	861
	10.00 to < 100.00	213	55	20	224
	100.00 (default)	130	6	20	132
	Sub-total	**7,388**	**10,457**	**20**	**9,489**
o/w: Other retail customers					
	0 to < 0.15	35,639	4,211	52	37,820
	0.15 to < 0.25	11,204	2,017	48	12,178
	0.25 to < 0.50	10,859	1,661	40	11,520
	0.50 to < 0.75	6,227	1,742	40	6,921
	0.75 to < 2.50	11,749	3,820	43	13,409
	2.50 to < 10.00	8,301	2,092	44	9,214
	10.00 to < 100.00	2,091	265	42	2,202
	100.00 (default)	2,326	104	86	2,415
	Sub-total	**88,396**	**15,911**	**46**	**95,678**
o/w: SMEs					
	0 to < 0.15	0	0	100	0
	0.15 to < 0.25	2,354	527	38	2,551
	0.25 to < 0.50	3,384	882	32	3,663
	0.50 to < 0.75	4,646	1,186	32	5,027
	0.75 to < 2.50	5,743	1,385	34	6,220
	2.50 to < 10.00	5,768	1,223	37	6,218
	10.00 to < 100.00	1,445	198	36	1,517
	100.00 (default)	1,582	91	89	1,664
	Sub-total	**24,922**	**5,492**	**35**	**26,860**

Average PD (%)	Number of debtors	Average LGD (%)	Average maturity (years)	RWA	Density of RWAs (%)	EL	Corrected values & provisions
0.07	376,778	14	0.0	1,237	3	5	4
0.20	132,542	14	0.0	1,052	6	5	4
0.37	156,949	14	0.0	2,065	10	11	9
0.57	13,548	16	0.0	391	15	2	2
1.24	122,777	14	0.0	3,340	21	27	33
4.68	54,643	14	0.0	3,714	47	52	107
19.98	17,404	14	0.0	2,005	84	67	102
100.00	15,420	45	0.0	507	31	706	547
2.40	**890,061**	**14**	**0.0**	**14,311**	**12**	**875**	**807**
0.08	529,740	30	0.0	56	2	1	1
0.21	196,809	30	0.0	52	4	1	1
0.38	76,376	30	0.0	38	6	1	1
0.51	152,567	30	0.0	71	7	1	1
1.50	276,869	30	0.0	287	17	8	6
5.29	144,909	30	0.0	344	40	14	10
19.75	44,288	30	0.0	189	84	13	10
100.00	22,581	56	0.0	30	23	71	94
2.75	**1,444,139**	**31**	**0.0**	**1,066**	**11**	**110**	**123**
0.06	1,686,777	13	0.0	922	2	3	2
0.20	666,812	15	0.0	727	6	4	3
0.36	261,710	15	0.0	990	9	6	4
0.61	430,971	18	0.0	909	13	8	5
1.49	863,755	16	0.0	2,387	18	33	33
5.28	509,622	18	0.0	2,256	24	89	123
21.71	176,806	18	0.0	818	37	87	98
100.00	116,978	59	0.0	972	40	1,339	1,457
3.88	**4,713,431**	**16**	**0.0**	**9,980**	**10**	**1,569**	**1,725**
0.00	0	-	0.0	-	-	-	-
0.20	63,204	18	0.0	160	6	1	1
0.33	68,358	18	0.0	304	8	2	1
0.63	71,483	19	0.0	646	13	6	4
1.62	104,927	19	0.0	1,168	19	19	15
5.49	117,196	19	0.0	1,470	24	64	60
22.44	50,870	19	0.0	541	36	64	71
100.00	39,736	60	0.0	771	46	934	1,005
9.29	**515,774**	**21**	**0.0**	**5,061**	**19**	**1,090**	**1,157**

as of 12/31/2019 *(in € millions)*	PD range	Gross exposures initially on balance sheet	Exposures Pre-CCF off-balance sheet	Average CCF (%)	EAD
o/w: Non-SMEs					
	0 to < 0.15	35,639	4,211	52	37,820
	0.15 to < 0.25	8,851	1,490	52	9,626
	0.25 to < 0.50	7,475	779	49	7,856
	0.50 to < 0.75	1,581	556	56	1,894
	0.75 to < 2.50	6,006	2,435	49	7,189
	2.50 to < 10.00	2,534	869	53	2,996
	10.00 to < 100.00	646	66	59	685
	100.00 (default)	744	12	63	752
	Sub-total	**63,475**	**10,419**	**51**	**68,818**
Shares	0 to < 0.15	0	0	0	0
Shares	0.15 to < 0.25	0	0	0	0
Shares	0.25 to < 0.50	0	0	0	0
Shares	0.50 to < 0.75	0	0	0	0
Shares	0.75 to < 2.50	0	0	0	0
Shares	2.50 to < 10.00	0	0	0	0
Shares	10.00 to < 100.00	0	0	0	0
Shares	100.00 (default)	0	0	0	0
Shares	Sub-total	0	0	0	0
TOTAL	**TOTAL**	**320,586**	**74,971**	**43**	**352,161**

Average PD (%)	Number of debtors	Average LGD (%)	Average maturity (years)	RWA	Density of RWAs (%)	EL	Corrected values & provisions
0.06	1,686,777	13	0.0	922	2	3	2
0.20	603,608	14	0.0	566	6	3	2
0.37	193,352	13	0.0	686	9	4	3
0.54	359,488	17	0.0	262	14	2	1
1.37	758,828	14	0.0	1,219	17	14	18
4.84	392,426	17	0.0	786	26	25	63
20.09	125,936	17	0.0	277	40	23	27
100.00	77,242	56	0.0	201	27	405	452
1.77	**4,197,657**	**14**	**0.0**	**4,919**	**7**	**479**	**568**
0.00	0	-	0	-	-	-	-
0.00	0	-	0.0	-	-	-	-
0.00	0	-	0.0	-	-	-	-
0.00	0	-	0.0	-	-	-	-
0.00	0	-	0.0	-	-	-	-
0.00	0	-	0.0	-	-	-	-
0.00	0	-	0.0	-	-	-	-
0.00	0	-	0.0	-	-	-	-
0.00	0	-	0.0	-	-	-	-
3.22	**7,037,609**	**21**	**2.5**	**80,635**	**23**	**4,503**	**4,499**

As of 12/31/2018 *(in € millions)*	PD range	Gross exposures initially on balance sheet	Exposures Pre-CCF off-balance sheet	Average CCF (%)	EAD
INSTITUTIONS (BANKS)					
	0 to < 0.15	25,388	2,230	36	26,111
	0.15 to < 0.25	347	402	68	663
	0.25 to < 0.50	572	234	60	669
	0.50 to < 0.75	0	0	0	0
	0.75 to < 2.50	78	131	47	140
	2.50 to < 10.00	214	120	29	249
	10.00 to < 100.00	11	12	38	20
	100.00 (default)	1	0	0	1
	Sub-total	**26,611**	**3,129**	**42**	**27,853**
BUSINESSES					
	0 to < 0.15	7,554	13,693	46	13,869
	0.15 to < 0.25	0	0	58	0
	0.25 to < 0.50	13,600	14,840	45	20,160
	0.50 to < 0.75	9,589	2,733	46	10,847
	0.75 to < 2.50	26,789	9,268	49	31,021
	2.50 to < 10.00	9,829	2,672	51	11,118
	10.00 to < 100.00	1,557	500	47	1,720
	100.00 (default)	1,683	168	83	1,823
	Sub-total	**70,600**	**43,874**	**47**	**90,557**
o/w: SMEs					
	0 to < 0.15	0	0	0	0
	0.15 to < 0.25	0	0	0	0
	0.25 to < 0.50	3,685	498	48	3,926
	0.50 to < 0.75	5,298	778	49	5,678
	0.75 to < 2.50	10,376	1,565	52	11,187
	2.50 to < 10.00	3,213	384	51	3,411
	10.00 to < 100.00	564	75	41	595
	100.00 (default)	806	74	89	871
	Sub-total	**23,943**	**3,374**	**51**	**25,667**
RETAIL CLIENTS					
	0 to < 0.15	79,972	9,994	34	83,385
	0.15 to < 0.25	30,043	3,592	36	31,330
	0.25 to < 0.50	44,453	3,572	41	45,910
	0.50 to < 0.75	6,332	2,339	35	7,145
	0.75 to < 2.50	31,472	4,231	39	33,107
	2.50 to < 10.00	19,926	3,687	41	21,435
	10.00 to < 100.00	6,222	446	40	6,399
	100.00 (default)	4,953	107	79	5,038
	SUB-TOTAL	**223,374**	**27,968**	**37**	**233,750**

	Average PD (%)	Number of debtors	Average LGD (%)	Average maturity (years)	RWA	Density of RWAs (%)	EL	Corrected values & provisions
	0.04	166	36	2.5	3,500	13	3	1
	0.23	54	36	2.5	354	53	1	0
	0.42	38	36	2.5	482	72	1	1
	0.00	0	-	0.0	0	0	0	0
	1.02	36	49	2.5	191	136	1	0
	2.80	39	43	2.5	394	158	3	1
	21.61	29	51	2.5	64	326	2	1
	99.96	2	45	2.5	0	0	1	1
	0.10	**364**	**36**	**2.5**	**4,985**	**18**	**12**	**5**
	0.10	322	31	2.5	2,995	22	4	5
	0.20	1	39	2.5	0	50	0	0
	0.34	4,519	28	2.5	7,587	38	19	19
	0.57	6,393	23	2.5	4,024	37	14	6
	1.31	13,598	28	2.5	19,441	63	113	68
	4.43	5,208	29	2.5	10,209	92	135	167
	17.89	1,484	27	2.5	2,320	135	84	76
	100.00	2,005	67	2.5	960	53	1,185	1,098
	3.50	**33,530**	**29**	**2.5**	**47,536**	**52**	**1,556**	**1,439**
			-					
	0.00	0	-	-	-	-	-	-
	0.00	0	-	-	-	-	-	-
	0.32	2,551	23	3	1,022	26	3	1
	0.55	3,787	22	3	1,826	32	7	3
	1.31	8,899	22	3	4,873	44	32	28
	4.53	2,982	23	3	2,215	65	35	30
	18.63	919	22	3	570	96	25	21
	100.00	1,227	70	3	584	67	562	477
	5.17	**20,365**	**24**	**3**	**11,091**	**43**	**664**	**561**
	0.07	2,061,431	15		2,142	3	8	6
	0.18	838,693	15		1,716	5	9	7
	0.37	1,101,771	15		4,125	9	26	18
	0.62	573,756	20		889	12	9	6
	1.34	1,253,512	16		6,462	20	75	74
	4.92	644,457	17		7,500	35	177	236
	19.92	355,905	17		3,980	62	219	286
	100.00	174,190	50		1,300	26	2,413	2,421
	3.48	**7,003,715**	**16**		**28,114**	**12**	**2,935**	**3,054**

5

As of 12/31/2018 *(in € millions)*	PD range	Gross exposures initially on balance sheet	Exposures Pre-CCF off-balance sheet	Average CCF (%)	EAD
o/w: Exposures secured by mortgage on real estate					
	0 to < 0.15	44,969	1,409	41	45,548
	0.15 to < 0.25	18,378	484	41	18,577
	0.25 to < 0.50	32,027	766	42	32,346
	0.50 to < 0.75	936	38	43	953
	0.75 to < 2.50	18,886	516	42	19,101
	2.50 to < 10.00	11,027	383	42	11,188
	10.00 to < 100.00	3,571	48	42	3,591
	100.00 (default)	2,416	8	42	2,419
	Sub-total	**132,209**	**3,651**	**41**	**133,722**
o/w: SMEs					
	0 to < 0.15	0	0	0	0
	0.15 to < 0.25	1,250	37	42	1,265
	0.25 to < 0.50	9,147	204	42	9,234
	0.50 to < 0.75	658	22	45	668
	0.75 to < 2.50	4,073	134	43	4,130
	2.50 to < 10.00	3,170	120	44	3,223
	10.00 to < 100.00	1,298	20	43	1,306
	100.00 (default)	609	1	43	609
	Sub-total	**20,205**	**538**	**43**	**20,436**
o/w: Non-SMEs					
	0 to < 0.15	44,969	1,409	41	45,548
	0.15 to < 0.25	17,128	447	41	17,312
	0.25 to < 0.50	22,879	562	41	23,112
	0.50 to < 0.75	278	16	41	285
	0.75 to < 2.50	14,813	382	41	14,971
	2.50 to < 10.00	7,857	263	41	7,966
	10.00 to < 100.00	2,273	28	42	2,285
	100.00 (default)	1,807	7	41	1,809
	Sub-total	**112,003**	**3,113**	**41**	**113,286**
o/w: Revolving					
	0 to < 0.15	2,168	5,078	20	3,188
	0.15 to < 0.25	1,059	1,504	20	1,362
	0.25 to < 0.50	512	564	20	625
	0.50 to < 0.75	760	851	20	932
	0.75 to < 2.50	1,439	1,136	20	1,667
	2.50 to < 10.00	604	347	20	673
	10.00 to < 100.00	329	109	20	351
	100.00 (default)	131	5	20	132
	Sub-total	**7,002**	**9,595**	**20**	**8,930**

	Average PD (%)	Number of debtors	Average LGD (%)	Average maturity (years)	RWA	Density of RWAs (%)	EL	Corrected values & provisions
	0.07	359,128	14		1,169	3	4	3
	0.18	139,527	14		992	5	5	4
	0.37	217,551	15		2,963	9	18	13
	0.64	6,433	16		127	13	1	1
	1.25	144,168	15		3,945	21	35	42
	4.64	73,441	15		5,021	45	77	137
	19.51	25,488	15		2,792	78	105	162
	100.00	21,076	43		705	29	995	767
	3.04	**986,812**	**15**		**17,714**	**13**	**1,239**	**1,130**
	0.00	0	-		-	-	-	-
	0.16	9,458	15		52	4	0	0
	0.37	50,953	16		754	8	6	4
	0.66	3,536	17		88	13	1	1
	1.49	21,783	16		863	21	10	10
	4.73	17,070	16		1,317	41	25	37
	18.81	8,111	16		884	68	40	63
	100.00	4,366	45		174	29	260	203
	5.43	**115,277**	**17**		**4,132**	**20**	**340**	**319**
	0.07	359,128	14		1,169	3	4	3
	0.18	130,069	14		940	5	4	4
	0.37	166,598	14		2,210	10	12	9
	0.59	2,897	15		39	14	0	0
	1.19	122,385	14		3,082	21	25	31
	4.60	56,371	14		3,703	46	52	100
	19.90	17,377	14		1,908	84	65	99
	100.00	16,710	43		531	29	735	564
	2.61	**871,535**	**15**		**13,582**	**12**	**899**	**811**
	0.08	491,729	34		60	2	1	0
	0.20	190,316	34		53	4	1	1
	0.38	76,524	34		40	6	1	0
	0.53	151,340	34		79	8	2	1
	1.53	270,671	34		312	19	9	6
	4.65	118,004	34		279	41	11	7
	16.75	72,684	34		299	85	20	13
	100.00	23,945	57		29	22	73	104
	2.91	**1,395,213**	**34**		**1,152**	**13**	**117**	**132**

As of 12/31/2018 *(in € millions)*	PD range	Gross exposures initially on balance sheet	Exposures Pre-CCF off-balance sheet	Average CCF (%)	EAD
o/w: Other – retail customers					
	0 to < 0.15	32,836	3,507	52	34,649
	0.15 to < 0.25	10,606	1,604	49	11,392
	0.25 to < 0.50	11,914	2,242	46	12,939
	0.50 to < 0.75	4,635	1,450	43	5,260
	0.75 to < 2.50	11,148	2,579	46	12,339
	2.50 to < 10.00	8,295	2,957	43	9,573
	10.00 to < 100.00	2,323	289	47	2,458
	100.00 (default)	2,407	95	85	2,488
	Sub-total	**84,164**	**14,722**	**47**	**91,098**
o/w: SMEs					
	0 to < 0.15	0	0	44	0
	0.15 to < 0.25	2,171	474	38	2,352
	0.25 to < 0.50	3,921	902	34	4,227
	0.50 to < 0.75	3,672	947	32	3,979
	0.75 to < 2.50	5,356	1,192	36	5,786
	2.50 to < 10.00	5,857	1,261	38	6,333
	10.00 to < 100.00	1,505	184	38	1,574
	100.00 (default)	1,629	79	88	1,699
	Sub-total	**24,110**	**5,039**	**37**	**25,951**
o/w: Non-SMEs					
	0 to < 0.15	32,836	3,507	52	34,649
	0.15 to < 0.25	8,435	1,130	53	9,040
	0.25 to < 0.50	7,993	1,340	54	8,712
	0.50 to < 0.75	963	503	63	1,281
	0.75 to < 2.50	5,792	1,388	55	6,553
	2.50 to < 10.00	2,439	1,696	47	3,240
	10.00 to < 100.00	818	105	63	884
	100.00 (default)	778	16	72	789
	Sub-total	**60,054**	**9,683**	**53**	**65,147**
TOTAL	**TOTAL**	**320,586**	**74,971**	**43**	**352,161**

	Average PD (%)	Number of debtors	Average LGD (%)	Average maturity (years)	RWA	Density of RWAs (%)	EL	Corrected values & provisions
	0.06	1,210,574	14		912	3	3	2
	0.18	508,850	15		672	6	3	3
	0.36	807,696	15		1,121	9	7	5
	0.64	415,983	18		683	13	6	4
	1.46	838,673	17		2,205	18	31	26
	5.28	453,012	17		2,200	23	89	91
	20.99	257,733	18		889	36	94	111
	100.00	129,169	56		566	23	1,344	1,550
	4.18	**4,621,690**	**17**		**9,247**	**10**	**1,578**	**1,792**
	0.09	1	18		0	3	-	0
	0.19	59,556	18		137	6	1	1
	0.34	74,070	17		335	8	3	2
	0.67	58,656	18		491	12	5	3
	1.61	99,816	18		1,003	17	17	14
	5.57	122,807	18		1,389	22	64	62
	22.55	52,042	18		523	33	65	73
	100.00	40,764	56		387	23	918	1,072
	9.81	**507,712**	**20**		**4,265**	**16**	**1,072**	**1,226**
	0.06	1,210,573	14		912	3	3	2
	0.18	449,294	15		534	6	2	2
	0.36	733,626	14		786	9	5	3
	0.54	357,327	19		192	15	1	1
	1.32	738,857	16		1,202	18	14	13
	4.70	330,205	16		811	25	25	29
	18.22	205,691	19		366	41	30	38
	100.00	88,405	56		179	23	426	478
	1.94	**4,113,978**	**15**		**4,983**	**8**	**507**	**566**
	3.22	**7,037,609**	**21**	**2.5**	**80,635**	**23**	**4,503**	**4,499**

Backtesting

The quality of the ratings system is monitored using national procedures which specify the topics to be reviewed, the warning thresholds and responsibilities of the personnel involved. These documents are updated by the Confédération Nationale du Crédit Mutuel risk department if necessary as decisions are ratified.

Reporting of the monitoring of the mass rating models focuses on three main aspects:

- stability assessment;
- performance assessment;
- and various additional analyses.

These reports are created for each mass rating model on a quarterly basis and supplemented by reviews and annual and half-yearly audits at a deeper level of detail, in that all of the elements making up each models are analyzed.

As regards the expert grids, the approach includes comprehensive annual monitoring based on performance tests, with an analysis of rating concentrations, of transition matrices and of consistency with the external rating system.

The annual review of default probabilities is carried out before new estimates are made of that regulatory parameter. Depending on the portfolio, the annual review is supplemented by an intermediate review, conducted semi-annually. The procedures for tracking LGD and CCFs are implemented on an annual basis, their main objective being to validate, at the segment level, the values used by these parameters. In the case of loss given default, this validation is carried out mainly by verifying the strength of the prudence margin calculation methods and by reconciling the LGD estimators with the most recent data and actual figures. As regards the CCF, it is validated by reconciling the estimators with the most recent CCFs observed.

Since a nation-wide procedure have been established for monitoring the parameters, the quantitative elements relating to the back-testing of the parameters and to the change in RWA under the internal ratings-based approach are presented in the confederal Pillar 3 report.

Permanent and periodic control

The Crédit Mutuel group's Basel 2 permanent control plan comprises two levels. At the national level, permanent control is involved, on the one hand, in validating new models and significant adjustments made to existing models and, on the other, the ongoing monitoring of the internal ratings system, especially its parameters. At the regional level, CNCM's Permanent Control acts as guidance, coordination and standardization for the entire Crédit Mutuel group control function, covering the controls relating to the overall suitability of the internal rating system, the operational aspects related to the production and calculation of ratings, the credit risk management procedures directly related to the internal rating system and the quality of the data.

As for periodic control, the Crédit Mutuel group's audit unit carries out an annual review of the internal rating system. A framework procedure defines the type of assignments to be carried out on an ongoing basis on the Basel 2 procedures as well as the breakdown of responsibilities between the regional and national audit units.

Additional quantitative information

The risk-weighted assets of equity exposures are obtained using the simple risk-weighted approach, which involves applying specific risk weighting to the carrying amounts of the exposures.

The risk-weighted assets of "specialized financing" exposures are obtained using the slotting criteria method.

TABLE 41: RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER THE IRB APPROACH (EU CR8)

Balance sheet and off-balance-sheet *(in € millions)*	RWA	Capital requirements
RWA December 2018	**189,014**	**15,121**
Total assets	10,148	812
Asset qualitym	-1,314	-105
Model upgrades	0	0
Methodology and policy	0	0
Acquisitions and disposals	0	0
Currency movements	0	0
Other[1]	3,473	278
RWA December 2019	**201,320**	**16,106**

(1) O/w impact of approval of new default.

TABLE 42: IRB APPROACH – BACKTESTING OF PD PER EXPOSURE CLASS (EU CR9)

The information associated with this table is treated at the national level in the Crédit Mutuel group's Pillar 3 report.

TABLE 43: IRB – SPECIALIZED LENDING AND EQUITIES (EU CR10)

EQUITIES UNDER THE SIMPLE WEIGHTING METHOD AS OF 12/31/2018 (IN € MILLIONS)

Categories	Amount of exposure	Weighting	RWA	Capital requirements
Exposures in capital requirements	2,044	190%	3,884	311
Exposures to equities traded on regulated exchanges	8	290%	22	2
Other equity exposure[1]	9,762	370%	36,127	2,890
Large investments in the financial sector[2]	1,385	250%	3,463	277
TOTAL	**13,200**		**43,496**	**3,480**

(1) Including €8,335 million of exposures related to the Groupe des Assurances du Crédit Mutuel, treated according to the Danish compromise.
(2) Including Banque de Tunisie and Caisse Centrale de Crédit Mutuel.

5.9 COUNTERPARTY RISK

Qualitative information reporting requirements on CCR (EU CCRA)

Objectives and risk management policies regarding CCR

In terms of trading room counterparty risk, the objective in managing it is to estimate the economic loss that the group would suffer in the event of instant default by a counterparty before applying a recovery rate.

Method used to allocate internal capital operating limits for counterparty credit risk exposures

The limits on trading room credit risk and counterparty risk are internal ratings of the counterparties and of the type of exposure to them, such as money market instruments, investment in equity or debt securities, derivative products and repurchase agreements.

Policies concerning guarantees and other risk mitigation techniques and counterparty risk assessment

In keeping with what is indicated in the CCR1 statement, trading room counterparty transactional risk is calculated (i) using the market price method accompanied by an add-on for exposures through derivatives and (ii) using the general method based on financial collateral for exposures through repurchase transactions. Margin call flows (collateralization) mitigate the risks of these exposures. Hedging through CDSs may also be used to manage credit risk for certain Large Corporate counterparties. Lastly, as regards the mitigation of counterparty risk, the measures applied are: (i) signing offsetting contracts with certain counterparties or certain products (*cf.* close-out netting in the event of default by a counterparty) and (ii) offsetting transactions on certain over-the-counter derivatives with a central counterparty.

The policies applied as regards exposure to correlation risk

The risk of unfavorable correlation, known as wrong way risk, is monitored for both of its components, specific risk and general risk. A procedure for monitoring specific correlation risk is in place to detect transactions that might create exposure. General correlation risk is calculated by combing a scenario where the probabilities of default (historical and market) deteriorate and a scenario where the primary risk factors to which the portfolio is sensitive are altered.

TABLE 44: CCR EXPOSURE ANALYSIS BY APPROACH (EU CCR1)

As of 12/31/2019 *(in € millions)*		Notional amounts	Replacement cost/ current market value	Potential future credit exposure	Effective positive exposure anticipated	Multiplier	EAD (Value exposed to post-ARC risk)	RWA
1	Method using market prices		4,011	2,231			3,338	1,780
2	Initial exposure							
3	Standardized approach							
4	IMM (for derivatives and SFTs)							
5	o/w equity financing transactions							
6	o/w derivatives and deferred settlement transactions							
7	o/w resulting from a contractual cross product netting agreement							
8	Simple method based on financial collateral (for SFTs)							
9	General method based on financial collateral (for SFTs)						8,454	80
10	VaR for SFTs							
11	**TOTAL**							**1,860**

As of 12/31/2018 *(in € millions)*		Notional amounts	Replacement cost/ current market value	Potential future credit exposure	Effective positive exposure anticipated	Multiplier	EAD (Value exposed to post-ARC risk)	RWA
1	Method using market prices		3,236	2,311			3,319	1,515
2	Initial exposure							
3	Standardized approach							
4	IMM (for derivatives and SFTs)							
5	o/w equity financing transactions							
6	o/w derivatives and deferred settlement transactions							
7	o/w exposure from a cross-product clearing agreement							
8	Simple method based on financial collateral (for SFTs)							
9	General method based on financial collateral (for SFTs)						9,479	33
10	VaR for SFTs							
11	**TOTAL**							**1,548**

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TABLE 45: CVA CAPITAL REQUIREMENT (EU CCR2)

As of 12/31/2019 *(in € millions)*		Amount of the exposure	RWA
1	**Total portfolios subject to advanced CVA requirement**		
2	**i)** VaR component (including 3x multiplier)		
3	**ii)** SVaR component under stress (including the 3x multiplier)		
4	**Total portfolios subject to standard CVA requirement**	**1,777**	**582**
EU4	**Total of method based on original exposure**		
5	***TOTAL SUBJECT TO THE CVA CAPITAL CHARGE***	**1,777**	**582**

As of 12/31/2018 *(in € millions)*		Amount of exposure	RWA
1	**Total portfolios subject to advanced CVA requirement**		
2	**i)** VaR component (including 3x multiplier)		
3	**ii)** SVaR component under stress (including the 3x multiplier)		
4	**Total portfolios subject to standard CVA requirement**	**1,970**	**662**
EU4	**Total of method based on original exposure**		
5	***TOTAL SUBJECT TO THE CVA CAPITAL CHARGE***	**1,970**	**662**

TABLE 46: STANDARDIZED APPROACH – CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTING (EU CCR3)

	EAD						
	Weighting						
Categories of exposure as of 12/31/2019 *(in € millions)*	0%	2%	20%	50%	75%	100%	Total
Central governments or central banks	0	0	0	0	0	0	0
Regional or local authorities	5	0	0	0	0	3	8
Public sector (public organizations excluding central governments)	1	0	0	0	0	3	4
Multilateral development banks	0	0	0	0	0	0	0
International organizations	0	0	0	0	0	0	0
Institutions (banks)	0	863	46	0	0	0	908
Businesses	0	0	0	0	0	133	133
Retail clients	0	0	0	0	22	0	22
Institutions and companies given a short-term credit evaluation	0	0	0	0	0	0	0
Other assets	0	0	0	0	0	0	0
TOTAL	**6**	**863**	**46**	**0**	**22**	**139**	**1,075**

	Weighting						
Categories of exposure as of 12/31/2018 *(in € millions)*	0%	2%	20%	50%	75%	100%	Total
Central governments or central banks	0	0	0	0	0	0	0
Regional or local authorities	7	0	0	0	0	3	10
Public sector (public organizations excluding central governments)	1	0	0	0	0	3	5
Multilateral development banks	12	0	0	0	0	0	12
International organizations	0	0	0	0	0	0	0
Institutions (banks)	0	1,060	37	0	0	0	1,098
Businesses	0	0	0	0	0	140	140
Retail clients	0	0	0	0	1	0	1
Institutions and companies given a short-term credit evaluation	0	0	0	0	0	0	0
Other assets	0	0	0	0	0	15	15
TOTAL	**21**	**1,060**	**38**	**0**	**1**	**162**	**1,282**

TABLE 47: IRB APPROACH – CCR EXPOSURES BY PORTFOLIO AND PD SCALE (EU CCR4)

Amounts as of 12/31/2019 *(in € millions)*	PD range	EAD	Average PD	Average LGD	Average range	RWA	RWA density
INSTITUTIONS (BANKS)							
	0 to < 0.15	7,449	0.06	14	1.8	381	5
	0.15 to < 0.25	860	0.23	20	1.9	224	26
	0.25 to < 0.50	41	0.44	0	1.5	12	30
	0.50 to < 0.75	0	0.00	0	0.0	0	0
	0.75 to < 2.50	0	0.00	0	0.0	0	0
	2.50 to < 10.00	0	0.00	0	0.0	0	0
	10.00 to < 100.00	0	0.00	0	0.0	0	0
	100.00 (default)	0	0.00	0	0.0	0	0
	Sub-total	**8,349**	**0.08**	**15**	**1.8**	**617**	**7**
BUSINESSES							
	0 to < 0.15	2,146	0.05	13	2.4	182	8
	0.15 to < 0.25	0	0.00	0	0.0	0	0
	0.25 to < 0.50	157	0.36	36	2.5	83	53
	0.50 to < 0.75	99	0.55	29	2.5	50	51
	0.75 to < 2.50	339	1.10	48	2.5	368	109
	2.50 to < 10.00	165	3.79	25	2.5	128	77
	10.00 to < 100.00	6	19.39	41	2.5	15	229
	100.00 (default)	2	100.00	45	2.5	0	0
	Sub-total	**2,914**	**0.54**	**20**	**2.5**	**825**	**28**
RETAIL CLIENTS							
	0 to < 0.15	3	0.08	45		0	2
	0.15 to < 0.25	2	0.23	45		0	5
	0.25 to < 0.50	0	0.00	0		0	0
	0.50 to < 0.75	0	0.51	45		0	8
	0.75 to < 2.50	0	1.63	45		0	14
	2.50 to < 10.00	0	5.97	45		0	19
	10.00 to < 100.00	0	18.21	45		0	25
	100.00 (default)	0	0.00	0		0	0
	Sub-total	**6**	**0.55**	**45**		**0**	**5**
TOTAL		**11,269**	**0.20**	**16**	**2.4**	**1,442**	**13**

Amounts as of 12/31/2018 *(in € millions)*	PD range	EAD	Average PD	Average LGD	Average range	RWA	RWA density
INSTITUTIONS (BANKS)							
	0.00 to < 0.15	7,735	0.05	13	1.8	422	5
	0.15 to < 0.25	1,051	0.23	17	1.8	237	23
	0.25 to < 0.50	670	0.44	2	1.2	1	0
	0.50 to < 0.75	0	0.00	0	0.0	0	0
	0.75 to < 2.50	0	0.00	0	0.0	0	0
	2.50 to < 10.00	0	0.00	0	0.0	0	0
	10.00 to < 100.00	0	0.00	0	0.0	0	0
	100.00 (default)	0	0.00	0	0.0	0	0
	Sub-total	**9,456**	**0.10**	**13**	**1.8**	**660**	**7**
BUSINESSES							
	0.00 to < 0.15	2,321	0.05	8	2.5	121	5
	0.15 to < 0.25	0	0.00	0	0.0	0	0
	0.25 to < 0.50	221	0.35	34	2.5	103	47
	0.50 to < 0.75	64	0.54	37	2.5	41	63
	0.75 to < 2.50	202	1.19	35	2.5	165	82
	2.50 to < 10.00	56	4.25	43	2.5	80	143
	10.00 to < 100.00	13	17.32	43	2.5	31	227
	100.00 (default)	2	99.99	45	2.5	0	0
	Sub-total	**2,879**	**0.39**	**14**	**2.5**	**540**	**19**
RETAIL CLIENTS							
	0.00 to < 0.15	2	0.09	45		0	3
	0.15 to < 0.25	1	0.23	45		0	5
	0.25 to < 0.50	0	0.00	0		0	0
	0.50 to < 0.75	1	0.53	45		0	9
	0.75 to < 2.50	0	1.29	45		0	13
	2.50 to < 10.00	0	4.34	45		0	18
	10.00 to < 100.00	0	12.86	45		0	21
	100.00 (default)	0	0.00	0		0	0
	Sub-total	**4**	**0.50**	**45**		**0**	**5**
TOTAL		**12,339**	**0.17**	**13**	**2.4**	**1,201**	**10**

TABLE 48: CREDIT DERIVATIVE EXPOSURES (EU CCR6)

As of 12/31/2019 *(in € millions)*	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notional amounts			
Single-name credit default swaps	10,638	6,695	
Index credit default swaps	2,294	1,779	
Total index credit default swaps			
Credit options			
Other credit derivatives			
TOTAL NOTIONALS	**12,932**	**8,474**	
Fair values			
Positive fair value (asset)	-	111	
Negative fair value (liability)	133	37	

As of 12/31/2018 *(in € millions)*	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notional amounts			
Single-name credit default swaps	8,033	4,868	
Index credit default swaps	2,611	3,025	
Total index credit default swaps			
Credit options			
Other credit derivatives			
TOTAL NOTIONALS	**10,644**	**7,893**	
Fair values			
Positive fair value (asset)	-	93	
Negative fair value (liability)	91	30	

TABLE 49: RWA FLOW STATEMENTS OF CCR EXPOSURES UNDER THE INTERNAL MODEL METHOD (EU CCR7)

Derivatives and repurchase agreements *(in € millions)*	RWA	Capital requirements
RWA December 2018	**1,569**	**126**
Total assets	-27	-2
Asset quality	269	22
Model upgrades	0	0
Methodology and policy	0	0
Acquisitions and disposals	0	0
Currency movements	0	0
Other	65	5
RWA December 2019	**1,877**	**150**

TABLE 50: EXPOSURES TO CENTRAL COUNTERPARTIES (EU CCR8)

As of 12/31/2019 *(in € millions)*	**EAD post-CRM**	**RWA**
EXPOSURES TO QCCPs (TOTAL)		
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
(i) Over-the-counter derivatives	650	13
(ii) Listed derivatives	114	2
(iii) SFTs	92	2
(iv) Netting sets in which cross-product netting has been approved		
Segregated initial margin	1,530	
Non-segregated initial margin		
Pre-funded default fund contributions	41	155
Alternative calculation of equity requirements for exposures		
EXPOSURES TO NON-QCCPs (TOTAL)		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
(i) Over-the-counter derivatives		
(ii) Listed derivatives		
(iii) SFTs		
(iv) Netting sets in which cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Pre-funded default fund contributions		
Unfunded default fund contributions		

As of 12/31/2018 *(in € millions)*	**EAD post-CRM**	**RWA**
EXPOSURES TO QCCPs (TOTAL)		
Exposures for transactions with eligible central counterparties (excluding initial margins and contributions to default funds); of which		
(i) Over-the-counter derivatives	631	13
(ii) Listed derivatives	221	4
(iii) SFTs	209	4
(iv) Netting sets in which cross-product netting has been approved		
Segregated initial margin	2,721	
Non-segregated initial margin		
Pre-funded default fund contributions	80	191
Alternative calculation of equity requirements for exposures		
EXPOSURES TO NON-QCCPs (TOTAL)		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
(i) Over-the-counter derivatives		
(ii) Listed derivatives		
(iii) SFTs		
(iv) Netting sets in which cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Pre-funded default fund contributions		
Unfunded default fund contributions		

5.10 CREDIT RISK MITIGATION TECHNIQUES

Financial, personal and physical collateral may be used directly to reduce the calculation of capital requirements measured for credit risk and included in the calculation of the group's solvency ratio. The use of guarantees as risk mitigation techniques is, however, subject to compliance with the eligibility and minimum requirement conditions imposed by the regulations.

5.10.1 Netting and collateralization of repurchase transactions and over-the-counter derivatives

When a framework agreement is entered into with a counterparty, the signatory entity nets the latter's exposure.

With credit institution counter-parties, the Crédit Mutuel group supplements these agreements with collateralization agreements (CSA). The operational management of these agreements is based on the TriOptima platform.

Regular margin calls significantly reduce the residual net credit risk on over-the-counter derivatives and repurchase transactions.

5.10.2 Description of the main categories of collateral taken into account by the institution

The Crédit Mutuel group uses guarantees in different ways when calculating weighted risks, depending on the type of borrower, the calculation method applied for the exposure covered and the type of guarantee.

For retail banking customer contracts based on an advanced IRB approach, the guarantees are used as an element for segmenting the loss in the event of default, calculated statistically on all the group's nonperforming loans and loans in litigation. For this scope, the group therefore does not use risk mitigation techniques in its capital requirements calculation.

For contracts concerning the "Sovereign" and "Institution" portfolios and, to some extent, the "Corporate" portfolio, personal collateral and financial collateral are used as risk mitigation techniques, as defined by regulations:

- Personal collateral corresponds to the undertaking made by a third party to replace the primary debtor in the event of default by the latter. By extension, credit derivatives (protective calls) fall into this category;
- Financial collateral is defined by the group as a right of the institution to liquidate, retain or obtain the transfer or ownership of certain amounts or assets such as pledged cash deposits, debt securities, shares or convertible bonds, gold, UCITS shares, life insurance policies and instruments of any kind issued by a third party and repayable on request.

Use of the guarantee is only effective if said guarantee meets the legal and operational criteria laid down by the regulations. Downstream processing to calculate weighted risks taking into account risk mitigation techniques is largely automated. Verification of compliance with the eligibility and minimum requirements conditions imposed by the regulations must be conducted and formalized when the guarantee is processed.

5.10.3 Procedures applied to value and manage instruments constituting physical collateral

The valuation procedures for guarantees vary depending on the type of instrument comprising the physical collateral. Generally speaking, research carried out within the Crédit Mutuel group is based on statistical estimation methodologies, integrated directly into the applications, using external indices with potential discounts applied depending on the type of asset accepted as collateral (for example, the valuation of assets financed under finance leases takes into account the economic obsolescence of the asset). For real-estate collateral, the initial valuation is generally calculated using the acquisition cost or construction value of the asset.

On an exceptional basis, specific procedures include expert valuations, particularly in cases where the limits set for outstandings are exceeded. These procedures are drawn up at the national level.

To perform the controls necessary for compliance with the conditions related to the guarantee agreements and the guarantors, the identification of guarantees in the information systems, and compliance with the standards and rules on eligibility in force at the Crédit Mutuel group, the regional groups use common tools and dedicated operational procedures that list the types of guarantees that are deemed eligible, present the IT mechanisms developed in the guarantee management applications to define eligibility, and detail the questions the asset manager must answer to determine the eligibility of the guarantee when it is processed. These procedures are regularly updated by the CNCM and submitted for validation by the Basel 3 governance bodies. The permanent control department is involved in second-level controls to verify the eligibility and its justification.

The guarantee is periodically revalued over its lifetime in accordance with the rules set out in the procedures.

5.10.4 Main categories of protection providers

With the exception of intra-group guarantees, the main categories of protection providers taken into account are mutual guarantee companies such as Crédit Logement.

TABLE 51: CREDIT RISK MITIGATION (CRM) TECHNIQUES – GENERAL OVERVIEW (EU CR3)

(in € millions) **As of 12/31/2019**	Unsecured exposures – Carrying amount	Secured exposures – Carrying amount[1]	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	615,684	4,613	3,443	1,170	0
Total debt securities	24,188	0	0	0	0
Total exposures	**639,872**	**4,613**	**3,443**	**1,170**	**0**
of which defaulted	5,558	65	14	51	0

(1) Column only includes secured exposures that are subject to a credit risk mitigation technique in the regulatory sense. The small amount of secured exposures reflects the fact that for retail customer contracts based on an advanced IRB approach the guarantees are used as an element for segmenting the loss in the event of default and, as such, CRM techniques are not used.

(in € millions) **As of 12/31/2018**	Unsecured exposures – Carrying amount	Secured exposures – Carrying amount[1]	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	571,533	4,596	3,641	955	0
Total debt securities	20,595	0	0	0	0
Total exposures	**592,129**	**4,596**	**3,641**	**955**	**0**
of which defaulted	5,174	64	20	43	0

(1) Column only includes secured exposures that are subject to a credit risk mitigation technique in the regulatory sense. The small amount of secured exposures reflects the fact that for retail customer contracts based on an advanced IRB approach the guarantees are used as an element for segmenting the loss in the event of default and, as such, CRM techniques are not used.

Under the standardized approach, small discrepancies between exposure amounts pre-and post-CRM show that the impact of the collateral is not material.

Potential concentrations resulting from CRM measures (by guarantor and by sector) are monitored as part of credit risk management and included in the quarterly report, in particular the monitoring of compliance with concentration limits (monitoring carried out after guarantors are taken into account). No specific concentration has resulted from implementation of CRM techniques.

TABLE 52: STANDARDIZED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS (EU CR4)

	Net exposure		EAD		RWAs and RWA density	
Categories of exposure as of 12/31/2019 *(in € millions)*	**Amount on-balance sheet**	**Amount off-balance sheet**	**Amount on-balance sheet**	**Amount off-balance sheet**	**RWA**	**RWA density (%)**
Governments and central banks	89,583	804	89,020	223	1,569	2
Regional or local authorities	5,236	421	5,358	129	1,020	19
Public sector (public organizations excluding central governments)	26,409	244	27,187	277	0	0
Multilateral development banks	670	0	670	0	0	0
International organizations	925	0	925	0	0	0
Institutions (banks)	1,416	304	1,411	141	332	21
Businesses	20,243	17,770	19,558	3,193	20,981	92
Retail customers	33,997	13,291	33,749	1,006	25,071	72
Exposures secured by real estate mortgages	6,613	198	6,613	100	2,608	39
Exposures in default	1,966	32	1,916	22	2,258	117
Exposures presenting an especially high risk	895	29	879	14	1,332	149
Covered bonds	36	0	36	0	4	10
Exposures from institutions and companies given a short-term credit evaluation	0	0	0	0	0	0
Exposures in the form of UCIT shares or equities	4	0	4	0	4	100
Equity exposures	412	0	412	0	413	100
Other assets	1,639	0	1,639	0	1,639	100
TOTAL	**190,046**	**33,094**	**189,379**	**5,104**	**57,231**	**29**

	Net exposure		EAD		RWAs and RWA density	
Categories of exposure as of 12/31/2018 *(in € millions)*	**Amount on-balance sheet**	**Amount off-balance sheet**	**Amount on-balance sheet**	**Amount off-balance sheet**	**RWA**	**RWA density (%)**
Central governments or central banks	73,918	1,093	73,347	358	1,403	2
Regional or local authorities	4,993	510	5,156	184	1,051	20
Public sector (public organizations excluding central governments)	22,682	268	23,633	317	6	0
Multilateral development banks	765	0	765	0	0	0
International organizations	713	0	713	0	0	0
Institutions (banks)	2,034	403	2,032	89	437	21
Companies	18,416	17,320	17,835	3,238	19,568	93
Retail customers	31,317	12,734	30,996	935	22,981	72
Exposures secured by real estate mortgages	6,883	114	6,883	53	2,704	39
Exposures in default	1,749	34	1,685	23	1,982	116
Exposures presenting an especially high risk	476	22	463	11	702	148
Covered bonds	25	0	25	0	3	10
Exposures from institutions and companies given a short-term credit evaluation	0	0	0	0	0	0
Exposures in the form of UCIT shares or equities	3	0	3	0	3	100
Equity exposures	449	0	449	0	450	100
Other assets	1,276	0	1,276	0	1,276	100
TOTAL	**165,699**	**32,498**	**165,262**	**5,207**	**52,564**	**31**

TABLE 53: IRB APPROACH – EFFECT ON THE RWAS OF CREDIT DERIVATIVES USED AS CRM TECHNIQUES (EU CR7)

The effect of credit derivatives as a CRM technique (EU CR7) is not material for Crédit Mutuel Alliance Fédérale.

TABLE 54: IMPACT OF NETTING AND COLLATERAL HELD ON EXPOSURE VALUES (EU CCR5-A)

As of 12/31/2019 *(in € millions)*	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	9,237	5,759	3,477	2,341	1,136
Repurchase agreements[1]	17,116	1,136	15,981	8,631	7,349
Cross-product netting					
TOTAL	**26,353**	**6,895**	**19,458**	**10,972**	**8,485**

(1) Note that, in the internal ratings-based approach, net exposures to repurchase and loan-to-loan transactions do not take into account the collateral held, as it is taken into account in the calculation of the loss given default (LGD) method adopted by the Crédit Mutuel group in accordance with article 228 § 2 of the CRR.

As of 12/31/2018 *(in € millions)*	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	10,203	6,750	3,453	2,298	1,155
Repurchase agreements[1]	18,864	823	18,041	9,516	8,525
Cross-product netting					
TOTAL	**29,067**	**7,573**	**21,494**	**11,814**	**9,680**

(1) Note that, in the internal ratings-based approach, net exposures to repurchase and loan-to-loan transactions do not take into account the collateral held, as it is taken into account in the calculation of the loss given default (LGD) method adopted by the Crédit Mutuel group in accordance with article 228 § 2 of the CRR.

TABLE 55: COMPOSITION OF COLLATERAL FOR CCR EXPOSURES (EU CCR5-B)

As of 12/31/2019 *(in € millions)*	Collateral used in derivative transactions				Collateral used for temporary disposals of securities	
	Fair value of collateral received		Fair value of posted collateral		Fair values of collateral received	Fair value of collateral given
	Segregated	Non-segregated	Segregated	Non-segregated		
Variation margin		2,347		2,539	163	158
Initial margin			2,058		15,355	18,180
TOTAL		**2,347**	**2,058**	**2,539**	**15,518**	**18,338**

Segregated: refers to collateral that is protected from default.

As of 12/31/2018 *(in € millions)*	Collateral used in derivative transactions				Collateral used for temporary disposals of securities	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of collateral given
	Segregated	Non-segregated	Segregated	Non-segregated		
Variation margin		2,433		2,463	83	158
Initial margin			2,059		17,437	19,930
TOTAL		**2,433**	**2,059**	**2,463**	**17,520**	**20,088**

Segregated: refers to collateral that is protected from default.

5.11 SECURITIZATION

5.11.1 Objectives

In connection with its capital markets activities, the group carries out operations on the securitization market by taking up investment positions with three objectives: achieving returns, taking risks and diversifying. The risks primarily concern credit risk on the underlying assets and liquidity risk, particularly with the changes in the European Central Bank's eligibility criteria.

The activity is exclusively an investor activity with senior or mezzanine tranches, which always have external ratings.

For specialized financing facilities, the group supports its customers as a sponsor (arranger or co-arranger) or sometimes as an investor with the securitization of commercial loans. The conduit used is called Satellite, set up in November 2019. It subscribes for senior units in securitization vehicles and issues commercial paper.

Satellite is a securitization company set up in the form of a simplified joint stock company sponsored by the Crédit Industriel et Commercial bank. The ABCP issuance programs of the Satellite conduit are rated A-1(sf) by S&P Global Ratings and P-1(sf) by Moody's France S.A.S. The ABCP issuance programs of the Satellite conduit will enable Crédit Mutuel Alliance Fédérale to build an alternative source of short-term financing and, in particular, refinance the bank's securitization transactions with its corporate customers.

GFL benefits from a liquidity line granted by the group guaranteeing it will place the conduit's commercial paper. The group is exposed mainly to credit risk on the portfolio of transferred loans and to the risk of the capital markets drying up.

5.11.2 Control and monitoring procedures for capital market activities

Market risks on securitization positions are monitored by the risk and results control function, focusing on various areas, with day-to-day procedures making it possible to monitor changes in market risks. The CRR analyzes changes in the results of securitization strategies each day and explains them in relation to the risk factors. It monitors compliance with the limits which are defined in the body of rules, approved by the group's lending department and reviewed at least once a year. The Body of Rules strictly governs the investment and risk portfolios.

The group also observes the credit quality of the securitization tranches on a daily basis by monitoring the ratings set by the external credit rating agencies Standard & Poor's, Moody's and Fitch Ratings. The actions taken by these agencies (upgrades, downgrades or watches are analyzed). In addition, a quarterly summary of rating changes is drawn up.

In connection with the procedure for managing counterparty limits, the following work is carried out: in-depth analysis of securitizations that have reached the level of delegation for group commitments, analysis of certain sensitive securitizations (from the eurozone's peripheral countries or subject to significant downgrades). The purpose of these analyses is notably to assess the position's level of credit and the underlying performances.

In addition, each securitization tranche, irrespective of the delegation level, is covered by a form. These forms incorporate the main characteristics of the tranche held, as well as the structure and the underlying portfolio. For securitizations issued from January 1, 2011, information on the underlying asset's performances has been added. This information is updated once a month. The branches' pre-sales documentation and the issue prospectuses are also recorded and made available with the forms, in addition to the investor reports for securitizations issued from January 1, 2011.

Lastly, the capital markets activities have an application for measuring the impact of various scenarios on the positions (notably changes in prepayments, defaults and recovery rates).

Monthly stress tests are also carried out on the portfolios. An asset quality review (AQR) was conducted by the European Central Bank in 2014 and completed by Stress Tests in 2014, 2016 and again in 2018, with very satisfactory results.

5.11.3 Quantified data related to capital market activities

In 2019 fiscal year, group securitization investments increased by €166 million (up +2.1%), and represented a carrying amount of €7,957 billion as of December 31, 2019. The investments of the capital market arm of Crédit Mutuel Alliance Fédérale – called CIC Marchés – account for 89% of its securitization outstandings. The 2019 statistics in the tables presented in this section do not include the tranches sponsored by the American agencies Ginnie-Mae (Government National Mortgage Association) and SBA (Small Business Administration) for a total of €2.52 billion (€1.89 billion in 2018). These tranches are fully, unconditionally and irrevocably guaranteed by the American government. They are thus treated as sovereign exposures and classed under U.S. government exposures. These investments are thus no longer recognized under the Basel regulatory framework's "Securitization" classification.

Securitization portfolios are managed on a prudent basis and comprise mainly senior securities with high credit ratings. The rise in outstandings in 2019, which mainly involved AAA securities, further improved the overall quality of the portfolios. Most assets are now investment grade (99.8%) and rated AAA. Tranches in the non-investment grade category (0.2% of the total) are given enhanced supervision and, in the case of Greece, provisioned. The portfolios are diversified, both in terms of type of exposure (RMBS, CMBS, CLO, ABS auto loans, ABS consumer loans, ABS credit cards) and geographical exposure (United States, France, United Kingdom, Italy and Germany).

TABLE 56: BREAKDOWN OF SECURITIZATION OUTSTANDINGS

Exposure per portfolio *(in € millions)*	12/31/2019	12/31/2018
Banking Portfolio	6,910	7,079
Trading Portfolio	1,047	712
TOTAL[1]	**7,957**	**7,791**

(1) These outstandings do not include the tranches sponsored by the US branches Ginnie-Mae and SBA.

Investment grade/non-investment grade outstandings *(%)*	12/31/2019	12/31/2018
Investment grade (o/w AAA 86%)	99.8%	98%
Non-investment grade	0.2%	2%
TOTAL	**100%**	**100%**

Breakdown of outstandings by geographic zone *(%)*	12/31/2019
USA	47.29%
France	18.99%
Germany	6.39%
United Kingdom	6.27%
The Netherlands	4.90%
Italy	4.20%
Spain	3.90%
Australia	3.63%
Hong Kong	1.59%
Ireland	1.05%
Austria	0.85%
Switzerland	0.44%
Finland	0.20%
Portugal	0.13%
Belgium	0.12%
South Korea	0.03%
Greece	0.02%
TOTAL	**100.00%**

Since 2008, the New York branch has been holding a portfolio of American RMBS issued before the 2008 crisis. This portfolio is managed on a run-off basis. At end-2019, the portfolio was practically extinguished. The remaining investments amount to USD154K.

5.11.4 Capital-market activity credit risk hedging policies

While capital-market activities traditionally buy securities, purchases of credit default swaps for hedging purposes may be authorized and, as applicable, are governed by capital markets procedures.

5.11.5 Prudential approaches and methods

Entities included in the scope for approval of the credit risk internal rating approach apply the ratings-based method. Otherwise, the standardized approach is retained.

5.11.6 Accounting policies and principles

Securitization securities are recognized on the basis of their accounting classification in the same way as for other debt securities. The accounting policies and principles are presented in note 1 to the financial statements.

5.11.7 Exposure by type of securitization

Since January 1, 2019, securitization risks are covered by Regulation (EU) 2017/2401, amending Regulation (EU) 575/2013 (CRR).

This regulation revises existing approaches (internal rating, standard approach) and introduces a new approach based on external ratings.

2019 is a year of transition. The securitizations issued since January 1, 2019 come under the new regulation, while prior securitizations are governed by the CRR before amendment.

The exposures of Crédit Mutuel Alliance Fédérale are thus divided into two categories. It should be noted that, from January 1, 2020, the provisions of Regulation (EU) 2017/2401 apply to all issues.

The exposures are net of provisions and the exposures measured using the internal ratings method and weighted at 1,250% are deducted from shareholders' equity.

5

TABLE 57: SECURITIZATION BY TYPE

	12/31/2019				12/31/2018			
	Banking portfolio		Trading portfolio	Correlation portfolio	Banking portfolio		Trading portfolio	Correlation portfolio
Balance sheet: *(EAD in € millions)*	Standard approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach	Standard approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
Investor								
Balance sheet								
Classic securitization	53	4,677	460		74	6,661	725	
Synthetic securitization								
Off-balance sheet								
Classic securitization						263		
Synthetic securitization								
Derivatives								
Classic securitization								
Synthetic securitization				339				309
TOTAL	**53**	**4,677**	**460**	**339**	**74**	**6,924**	**725**	**309**

TABLE 58: BREAKDOWN OF OUTSTANDINGS BY CREDIT QUALITY STEP

	12/31/2019				12/31/2018			
	Banking portfolio		Trading portfolio	Correlation portfolio	Banking portfolio		Trading portfolio	Correlation portfolio
Credit quality steps *(EAD in € millions)*	Standard approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach	Standard approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
E1	0	4,241	364		0	5,810	578	
E2	27	374	88		37	596	138	
E3	10	0	0		6	271	0	
E4	6	30	0		7	40	0	
E5	0	0	0		6	2	0	
E6	7	25	0		0	25	0	
E7	0	0	0		7	0	0	
E8	0	0	0		0	175	0	
E9	2	0	0		0	0	0	
E10	0	2	0		0	5	0	
E11	0	5	6		10	2	7	
Positions weighted at 1,250%	0	0	2		0	0	3	
TOTAL	**53**	**4,677**	**460**	**339**	**74**	**6,924**	**725**	**309**

The external organizations used are Standard 1 Poor's, Moody's and Fitch Ratings.

TABLE 59: CAPITAL REQUIREMENTS

	12/31/2019				12/31/2018			
	Banking portfolio		Trading portfolio	Correlation portfolio	Banking portfolio		Trading portfolio	Correlation portfolio
Capital requirements *(in € millions)*	Standard approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach	Standard approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
TOTAL	**2**	**33**	**5**	**11**	**5**	**61**	**7**	**6**

Exposures weighted at 1,250% are deducted from shareholders' equity. On 12/31/19, they stood at €13m.

TABLE 60: SECURITIZATION BY TYPE, COVERED BY REGULATION (EU) 2017/2401

	12/31/2019			
	Banking portfolio		Trading portfolio	Correlation portfolio
Balance sheet *(EAD in € millions)*	New standard approach	External ratings approach	External ratings approach	External ratings approach
Investor				
Balance sheet				
Classic securitization	435	1,611	598	
Synthetic securitization	0	0	0	0
Off-balance sheet				
Classic securitization	67	55	0	
Synthetic securitization	0	0	0	0
Derivatives				
Classic securitization	0	0	0	
Synthetic securitization	0	0	0	0
TOTAL	**502**	**1,666**	**598**	**0**

TABLE 61: BREAKDOWN OF OUTSTANDINGS BY CREDIT QUALITY STEP, COVERED BY REGULATION (EU) 2017/2401

Credit quality levels *(EAD in € millions)*	12/31/2019 Banking portfolio External ratings approach	12/31/2019 Trading portfolio External ratings approach
E1	1,485	409
E2		58
E3	104	48
E4	63	84
E5		
E6	14	
E7		
E8		
E9		
E10		
E11		
E12		
E13		
E14		
E15		
E16		
E17		
Positions weighted at 1,250%		
TOTAL	**1,666**	**598**

The external organizations used are Standard 1 Poor's, Moody's and Fitch.

Tranche of rw% *(EAD in € millions)*	12/31/2019 Banking portfolio New standard approach
≤ 20%	175
>20% to 50%	73
>50% to 100%	254
>100% to 1,250%	0
Positions weighted at 1,250%	0
TOTAL	**502**

TABLE 62: CAPITAL REQUIREMENTS COVERED BY REGULATION (EU) 2017/2401

	12/31/2019			
	Banking portfolio		Trading portfolio	Correlation portfolio
Capital requirements *(in € millions)*	New standard approach	External ratings approach	External ratings approach	External ratings approach
TOTAL	**14**	**27**	**9**	**0**

5.12 CAPITAL MARKET RISKS

5.12.1 General structure

The group's capital markets activities are organized around three business lines: group treasury (transactions which are mainly recognized in BFCM's balance sheet), commercial, and fixed-income, equity and credit products (recognized on CIC's balance sheet), with the last two business lines constituting CM-CIC Marchés. The management of these three business lines is "sound and prudent."

Group activities are concentrated in France and in branches in London (group treasury), New York (investment activities) and Singapore (investment and commercial activities.) Crédit Mutuel Alliance Fédérale's appetite for capital-market activities is minimal. Equity consumption for market risk purposes was capped at around 1% of the group's total equity at the end of 2018.

Group treasury

This business line is organized into three teams, one of which is dedicated to treasury management and centralizes all of Crédit Mutuel Alliance Fédérale's refinancing activities. It seeks to diversify its investor base in Paris and London, as well as in the United States (US 144A format), Asia (Samurai format) and in Australia (Kangaroo format), and its refinancing tools, including Crédit Mutuel – CIC Home Loan SFH. A second team is dedicated to collateral management and a third to the bank's settlement activities (including the various risks which are integrated into the business line risks).

Most of these products are monetary or bond instruments and futures used to hedge interest rates and exchange rates.

In addition to pure refinancing positions, this business line also includes a portfolio of available-for-sale securities which are held mainly for use in the event of a liquidity crisis.

Commercial

CM-CIC Market Solutions is the department responsible for commercial activities. It is a comprehensive platform of market solutions for customers on all primary and secondary markets that also offer depository solutions (UCI depository and securities account keeping). This notably enables the group to better assist customers with their market financing.

The sales teams have access to a unified range of tools and products. They are organized into five activities.

The Global Fixed-income/Forex/Commodities Execution Solutions team, which operates from Paris or within the regional banks, and is responsible for marketing OTC interest rate and forex hedging products. It aims to optimize prices, preserve commercial margins and reverse positions on exchange rate and interest rate instruments. The Global Execution Solutions offering also markets underlying equities, bonds and derivatives. In parallel, the Execution teams are assisted by the Solution Sales teams.

The Investment Solutions (IS) team markets investment products such as Libre Arbitre and Stork EMTN, resulting directly from the expertise of the investment business and aimed at the customers of Crédit Mutuel's and CIC's different networks, as well as institutional customers, business customers and individual customers. In the event of partial marketing or early exit by customers, the IS team may have to temporarily carry capital-consuming securities.

The other three commercial activities do not present any market or credit risk. These include Global Research, Primary Market Solutions and Custody Solutions.

Regarding the CM-CIC Market Solution scope, agricultural commodities present no market risk as these operations involve pure back-to-back transactions.

These are carried out at the request of the customer on over-the-counter derivative instruments. CM-CIC Market Solutions has no influence over commodity prices.

Fixed Income-Equities-Credit Investments

This business line is organized around desks specialized in investments in equities/hybrid instruments, credit spreads and fixed income. These activities mainly involve purchases and sales of financial securities acquired with the view to holding them for a long period of time, as well as for trading in related financial instruments. These activities must create value in a disciplined risk environment in order to drive commercial development and provide expertise or services to other group entities.

5.12.2 Internal control system

The control mechanism is underpinned by a reference framework and a dedicated organizational structure.

The reference framework integrates a unified system of limits that structure capital market activities including those applied by CIC branches. This reference framework is formalized in two "bodies of rules". A CM-CIC Marchés body of rules for the Commercial and Investment business lines and a group treasury body of rules. Regular updates are carried out throughout the year, to include the introduction of new products and risk-measurement monitoring improvements, and a complete formal validation conducted at least once a year.

The group has adopted a trading policy that describes the rules governing the assignment of market transactions to one of the two prudential books, the banking book and the trading book. This policy covers both the Investment and Commercial business lines (CM-CIC Marchés) and the transactions carried out by group treasury. For the Investment business line, an appendix to the policy provides a granular definition – by investment specialty – of the holding period for positions, the prudential classification and the justification for the classification.

Both the reference framework and the application of the trading policy are subject to specific controls within the context of the first-level permanent control process.

The organization structure is underpinned by the players, functions and a comitology procedure dedicated to capital market activities.

The front-office units that execute transactions are separated from those responsible for monitoring risks and results (control function) and from those in charge of transaction validation, settlement and recording (back office function).

Internal control teams operate under the responsibility of the group risk department, which compiles scorecards summarizing risk exposures and presents the levels of equity allocated/consumed to be approved by the boards of directors of CIC and BFCM.

The permanent control system is based on first-level controls performed by three Post-Market teams: (i) the risks and results control team which validates production, monitors results on a daily basis and ensures compliance with limits, (ii) the post-market accounting and regulatory team responsible for reconciling accounting and economic results, as well as regulatory matters, and (iii) the legal and tax team in charge of first-level legal and tax compliance.

Second level controls are organized around (i) the group capital market permanent control function, which reports to the group permanent controls function, supervises first-level permanent controls carried out by CM-CIC Marchés and conducts its own direct controls on activities, (ii) the group lending department, which monitors at-risk outstandings for each counterparty group, (iii) the group legal and tax department, which works with the CM-CIC Marchés legal and tax teams, and (iv) CIC's finance department, which supervises accounting procedures and templates and is responsible for accounting and regulatory controls.

A third level of controls is organized around (i) periodic controls of Crédit Mutuel Alliance Fédérale performed retrospectively by a team of specialist auditors who carry out audits, controls and compliance checks in respect of capital markets activities, and (ii) the General Inspectorate of Confédération Nationale du Crédit Mutuel (CNCM) which supplements the audits performed by periodic business-line controls.

A market risk committee that meets monthly and a group treasury risk committee that meets quarterly monitor the strategy, results and risks of CM-CIC Marchés (in France and at the branches) and group treasury, respectively, within the limits set by the boards of directors of CIC and BFCM.

The market risk committee is chaired by the member of Executive Management in charge of CM-CIC Marchés and includes the chief executive officer of CIC and BFCM, the front office managers, the post-market team managers and the managers of the risk department, group compliance and the group permanent control department. It approves the operational limits established as part of the general limits set by the boards of directors of CIC and BFCM, which are kept regularly informed on the risks and results of these activities.

The group treasury risk committee is chaired by the chief executive officer of BFCM and comprises the heads of the group treasury and the group ALM departments, as well as the post-market team manager and the manager of the risk department. The committee analyzes transactions relating to market refinancing, refinancing of group entities and liquidity assets.

The group risk committee (executive level) and the group risk monitoring committee (specialized committee of the deliberative body), both of which are supervised by the group risk department, conduct quarterly analyses of all the risks to which the group is exposed, including market risks. They review outstandings, risks, results, consumption of capital (regulatory and internal), regulatory developments and ongoing projects and audits (internal and external) for capital market activities.

TABLE 63: MARKET RISK UNDER THE STANDARDIZED APPROACH (EU MR1)

As of 12/31/2019 *(in € millions)*	RWAs	Capital Requirements
Outright products		
Interest rate risk (general and specific)	1,100	88
Equity risk (general and specific)	938	75
Foreign exchange risk	530	42
Commodity risk	-	-
Options	-	-
Simplified approach	-	-
Delta-plus method	33	3
Scenario approach	-	-
Securitization (specific risk)	182	15
TOTAL	**2,784**	**223**

As of 12/31/2018 *(in € millions)*	RWAs	Capital Requirements
Outright products		
Interest rate risk (general and specific)	1,420	114
Equity risk (general and specific)	859	69
Foreign exchange risk	755	60
Commodity risk	-	-
Options		
Simplified approach	-	-
Delta-plus method	54	4
Scenario approach	-	-
Securitization (specific risk)	94	7
TOTAL	**3,182**	**255**

5.12.3 Risk management[V]

The system used to set exposure limits for market risk is based on:

- a global limit for regulatory capital (CAD/European capital adequacy) based on a standard internal measurement close to the regulatory value, broken down by desk, and by VaR;
- internal rules and scenarios (CAD risks, historical VaR and stress-tests) which convert exposures into potential losses.

The limits system covers various types of market risk (interest-rate, currency, equity and counterparty risks). The aggregate limit is broken down into sub-limits for each type of risk for each activity. If the overall limit and/or the limit assigned to each business line is exceeded, the group risk department is responsible for monitoring and managing the excess exposure.

Risks are monitored on the basis of first-tier indicators such as sensitivity to various market risk factors (mainly for traders), and second-tier indicators such as potential losses, to give decision-makers an overview of capital market exposures.

The equity allocated in 2019 for the rate-equity-credit investment and commercial business lines was stable compared to 2018. For 2020, the limits for these activities have been revised upwards to take into account the impact of the new regulations on securitization. An equity package for the CVA expense is also calculated for the risk monitoring system.

The Crédit Mutuel Alliance Fédérale VaR was €3.9 million at the end of 2019. A general stress test policy and a stress mechanism also help to manage risk, and there is an escalation procedure if limits are exceeded.

The equity consumed by the RMBS business conducted in the New York branch continued to fall in line with the amortization and sale of the portfolio securities managed on a run-off basis. Trading activities were maintained in New York within reduced limits under the supervision of CM-CIC Marchés.

The day-to-day cash position of CIC and BFCM must not exceed a limit of €1 billion for 2020, with an intermediate alert level defined by management and validated by the boards of directors of CIC and BFCM. The refinancing period for portfolio assets is also subject to monitoring and limits.

The principal CM-CIC Marchés trading desk risks are as follows:

1 **Refinancing:**

BFCM's capital consumption mainly relates to the HQLA portfolio. It is calculated based on the CAD and the European capital adequacy ratio (very close to regulatory definitions).

In 2019, the overall consumption of risk equity according to French accounting standards rose from €71.6 million to a high of €82.4 million in December.

This increase stems mainly from the European capital adequacy on-balance sheet items (seurity purchases for the liquidity portfolio) and European capital adequacy off-balance sheet items (increase in EADs, notably add-ons).

2 **Hybrid instruments:**

The consumption of equity was €61.5 million on average in 2019, and €58 million at the end of the year. The convertible bond inventory reached €1.6 billion at the end of 2019.

3 **Credit:**

These positions correspond to securities/CDS arbitrage (credit default swaps) or ABS (asset backed securities). For the corporate and financial credit portfolio, after a high of €63.1 million in February 2019, the equity consumption fluctuated around €52.8 million during the year before reaching €45.1 million at the end of 2019. The variations in activity are explained in particular by the maturity of Itraxx tranches. Regarding the ABS portfolio, capital risk consumption totaled around €32.9 million (€35.2 million at year-end) due to prudent risk management in peripheral countries and scaled-back positions in these countries.

4 **M&A and other activities:**

The capital consumption averaged €37.9 million in 2019, reaching a high of €61.1 million in June. This increase follows the changes of outstandings in the M&A. The outstandings related to this activity therefore stood at €265 million in December 2019 (peaking at €534 million in June) compared with €209 million at the end of 2018.

5 **Fixed income:**

These positions mainly concern directional investments and yield-curve arbitrage, typically with European underlying government securities. Positions on peripheral countries are very limited. In Italy, outstandings at the end of the year were around €363 million and have remained low since the redemption of €1.7 billion in September 2014. Total outstanding government securities amounted to €1 billion in 2018 compared to €1.2 billion at the end of 2019, of which €0.6 billion in France.

5.12.4 Model-based risk

CM-CIC Marché's Risks and Results Control (RRC) team is in charge of developing the specific models used for valuing its positions.

In 2019, there were four of these models (unchanged from the previous year). These models are governed by a general policy validated annually by the market risks committee. The policy provides for development and documentation by the CRR, monitoring of model performance also produced by the CRR and reviewed by the permanent control teams of the business lines and the group risk department, for presentation to the market risk committee. These models are also included in the audit program undertaken by the General Inspectorate – Business Line Audits.

5.12.5 Credit derivatives

These products are used by CM-CIC Marchés and recognized in its trading portfolio.

CM-CIC Marchés monitors risk limits by issuer or counterparty for all types of products. Outstandings are tracked daily and governed by limits periodically reviewed by the bodies designated for that purpose (commitments committees, market risk committees).

5.13 ASSET-LIABILITY MANAGEMENT (ALM) RISK

5.13.1 General structure

For Crédit Mutuel Alliance Fédérale, asset-liability management (ALM) mainly involves the management of liquidity and interest-rate risks. This management is centralized.

The decision-making committees of Crédit Mutuel Alliance Fédérale for matters concerning liquidity and interest-rate risk management comprise the following decision-making levels:

- technical committees focused on the analysis of risks, in particular liquidity and interest-rate risks, as well as coordination among business lines for optimized management to support decision-making;
- monitoring committees who conduct regular reviews of the technical committees' decisions and set alert thresholds and limits. They provide important support in the global management of risks, in keeping with the group's risk profile;
- control committees tasked with overseeing the procedures and reporting to the governance bodies.

Hedging decisions are made to maintain the risk indicators (NII and NPV sensitivity and gaps) within the limits and alert thresholds set at the global level for Crédit Mutuel Alliance Fédérale and the group's banks. The hedges are assigned to the banks concerned, in accordance with their needs.

Analyses concerning liquidity and interest-rate risks are presented quarterly to the group risk committee. Interest-rate risk and liquidity risk are also reviewed every six months by the boards of directors of CFdeCM and other Crédit Mutuel Alliance Fédérale entities (CIC regional banks, BECM, etc.).

5.13.2 Managing interest-rate risk[V]

5.13.2.1 Interest risk governance and monitoring

The procedures in place within Crédit Mutuel Alliance Fédérale concerning the interest-rate risk are in line with the recommendations of the Decree of November 3, 2014 concerning the internal control of banking institutions, payment services and investment services, as well as the recommendations of the European Banking Authority of December 2014 (2014/13) concerning the Supervisory Review and Evaluation Process (SREP), the recommendations of the Basel Committee on the interest-rate risk in the banking book (BCBS 368 – April 2016), and the EBA guidelines (2018/02) on the management of interest-rate risk arising from non-trading activities.

Interest-rate risk is governed and monitored by the asset-liability management (ALM) function of Crédit Mutuel Alliance Fédérale.

The role and principles governing asset-liability management are defined as follows:

- asset-liability management is a distinct function from that of the trading floor and has its own resources;
- the primary objective of asset-liability management is to shield commercial margins from the effects of interest and exchange rate fluctuations and to ensure that the bank has sufficient liquidity to meet its obligations and protect it from a liquidity crisis;
- asset-liability management does not operate as a profit center but as a function that serves the bank's profitability and development strategy, as well as the management of liquidity risk and interest-rate risk arising from network activity.

The interest-rate risk is managed by the ALM technical committee which meets on a quarterly basis. The committee manages this risk in accordance with the risk limits applied within Crédit Mutuel Alliance Fédérale. The ALM monitoring committee, which holds half-yearly meetings, examines changes in asset-liability management risks and validates the risk limits and alert thresholds.

5.13.2.2 Measurement and monitoring systems and hedging mechanism

Interest rate risk arising from the group's commercial activities stems from interest rate differentials and differences in benchmark lending and borrowing rates. Analysis of this risk also takes into account the volatility of outstandings on products with no contractual maturity date and embedded options (early repayment and roll-over options for loans and confirmed credit line draw-downs, etc.).

The interest-rate risk situation for all transactions resulting from the network's activities is analyzed and globally hedged for the residual balance sheet position by so-called macro-hedging transactions. Transactions of a high amount or specific structure may be hedged in specific ways. The technical committee decides which hedges to put in place and allocates them pro rata to the needs of each entity. The purpose of these hedges is to maintain the risk indicators (NBI and NPV sensitivity and gaps) within the limits and alert thresholds set at the global level for Crédit Mutuel Alliance Fédérale and the group's banks.

Risk limits and alert thresholds are set in relation to the global level of Crédit Mutuel Alliance Fédérale. Certain entities have a specific set of limits and alert thresholds within the scope of their Risk Appetite Framework (RAF). For the other entities, the alert thresholds are of the same level as the global limits of Crédit Mutuel Alliance Fédérale.

Interest rate risk analysis is based on the following indicators, which are updated each quarter:

1. **The fixed-rate static gap**, which corresponds to the balance sheet and off-balance sheet items whose flows are considered certain over a period of one month to 20 years, as governed by limits or alert thresholds of three to seven years and measured by an NBI ratio.

2. **The "passbook and inflation rate" static gap** over a period of one month to 20 years.
3. **The sensitivity of the net interest margin** calculated for domestic scenarios and governed by limits or alert thresholds. This is measured in annual stages, over a two-year horizon and expressed as a percentage of each entity's net banking income.

Several interest rate scenarios are analyzed. The central scenario used for the calculation of ALM indicators rests on the interest rate forecasts used by the management control unit for earnings forecasts. These forecasts are made quarterly under the aegis of CNCM.

The other interest rate scenarios are the following:

Normalized interest rate shocks:

- reference scenario S1: A 100bp increase in the yield curve (used for limits/alert thresholds);
- reference scenario S2: A 100bp decrease in the yield curve, with no floor rate (used for limits/alert thresholds);
- scenario S3: Increase in the 200 bp yield curve;
- scenario S4: A 200bp decrease in the yield curve, with a tiered floor rate ranging between a spot rate of -1% to a 20-year rate of 0%.

Stress scenarios:

- scenario S5: Flattening/inversion of the yield curve due to a 50bp increase in short-term rates every six months over 2 years (cumulative shock of 200bp);
- scenario S6: Sustained drop in short- and long-term rates combined with regulated rates remaining at significantly higher rates.

Two scenarios are examined relative to funding the liquidity gap:

- 100% Euribor 3-month hedge;
- alternative funding applicable to relevant scenarios (non-linear and non-progressive evolution of interest rate scenarios), based on a distinct indexation of positions in stock (indexation at short-term rates maintained), and of positions resulting from new business (based on the intrinsic characteristics of the underlying positions).

As of December 31, 2019, the net interest income of Crédit Mutuel Alliance Fédérale's and the BFCM consolidated scope's banking book had 1-year and 2-year exposures, according to the reference scenario (Scenario 2) to a drop in interest rates.

For these two scopes of consolidation, interest sensitivities were as follows:

- for Crédit Mutuel Alliance Fédérale, the sensitivity to a drop in interest rates is -1.58% over 1 year (-€191.5 million in absolute value) and -2.56% over 2 years (-€311.0 million), in compliance with risk limits;
- for the BFCM group, sensitivity is -€176.2 million over one year and -€150.1 million over two years -1.95% and -1.66%, respectively as a percentage of NBI.

Crédit Mutuel Alliance Fédérale NBI sensitivity indicators:

TABLE 64: NBI SENSITIVITY INDICATORS

NORMALIZED INTEREST RATE SHOCKS

	Sensitivity as a % of NBI	
as of 12/31/2019	**1 year**	**2 years**
Scenario S1	2.19%	2.69%
Scenario S2	-1.58%	-2.56%
Scenario S3	4.60%	5.40%
Scenario S4	0.67%	1.01%
Scenario S1 constant balance sheet	1.88%	2.20%
Scenario S2 constant balance sheet	-1.18%	-2.03%

STRESS SCENARIOS

	Sensitivity as a % of NBI	
as of 12/31/2019	**1 year**	**2 years**
Scenario S5	-0.70%	-4.00%
Scenario S5 bis[1]	-1.22%	0.92%
Scenario S6	-1.36%	-4.08%
Scenario S6 bis[1]	-1.87%	-2.07%

(1) Alternate hedging rule.

4. **The basis risk**, associated with correlated assets and liabilities on different indices, corresponds to the risk of a change in relations between the different market rates (financial assets at variable rate financed by resources at variable rate but not linked to the same index). The basis risk is covered by a limit on the average 1-year outstandings at the Euribor 3-month rate financed by Eonia resources.

5.13.2.3 Regulatory indicator

The sensitivity of the net present value (NPV) is calculated in accordance with the EBA's recommendations:

- exclusion of capital and maturity of fixed assets on D+1;
- discounting of flows using a swap rate curve (with no liquidity spread and no credit spread);
- application of an incremental floor ranging between a spot rate of -1% to a 20-year rate of 0% for market rates;
- since the average duration of non-maturity deposits is less than 5 years, the 5-year cap required by regulations is not applicable.

NPV sensitivities are determined using six EBA interest-rate scenarios:

- parallel upward shift;
- parallel downward shift;
- steepening of the yield curve;
- flattening of the yield curve;
- rise in short-term rates;
- fall in short-term rates.

Overall, the NPV sensitivity of Crédit Mutuel Alliance Fédérale is below the 20% alert thresholds for Tier 1 and Tier 2 capital:

- a 200bp drop in interest rates makes for an increase of 1.20% in Tier 1 and Tier 2 capital (+ €547 million in absolute value);
- a 200bp rise in interest rates makes for a decline of -1.72% (-€781 million).

TABLE 65: NPV SENSITIVITY AT + 200BP AND -200BP

In % of Tier 1 and Tier 2 equity	12/31/2019
Sensitivity +200 bp	-1.72%
Sensitivity -200 bp	1.20%

As a percentage of CET1 equity	12/31/2019
Sensitivity +200 bp	-2.02%
Sensitivity -200 bp	1.42%
Increase in short-term rates	-5.95%
Reduction in short-term rates	2.63%
Flattening	-8.48%
Sloping	6.35%

5.13.2.4 Statement

Crédit Mutuel Alliance Fédérale certifies that its interest-rate risk management arrangements are appropriate to the risk profile of the commercial activities and the risk appetite defined by the governance bodies.

The interest risk management, measurement, oversight, control and monitoring arrangements have been approved by the management body.

These are consistent with the group's risk profile and were approved by Executive Management and the governing bodies. It is tailored to the risk profile, nature and size of the group's activities.

The interest-rate risk and the liquidity risk are reviewed every six months by the boards of directors of CFdeCM, BFCM and the other entities of Crédit Mutuel Alliance Fédérale (regional banks, BECM, etc.).

5.13.3 Liquidity risk management

5.13.3.1 Table on qualitative/quantitative information of liquidity risk in accordance with article 435(1) of Regulation (EU) No. 575/2013 (EU LIQA)

5.13.3.1.1 Liquidity risk strategy and monitoring

Protecting customers, preserving its mutualist culture and organization, and financing and supporting economic activity in the regions are central to Crédit Mutuel Alliance Fédérale's strategy.

To manage liquidity risk, the group refers to the Internal Liquidity Adequacy Assessment Processes (ILAAP) as defined by the general recommendations of the Basel Committee (09-2008), as well as the recommendations of the European Banking Authority relative to the Supervisory Review and Evaluation Process (SREP) dated December 2014 (2014/13), the Decree of November 3, 2014 relative to internal controls of companies in the banking sector, payment services and investment services, the EBA guidelines (2016/10), and the ECB guidelines of November 2018 relative to ILAAP.

The group has adopted a two-fold risk appetite policy comprising a risk tolerance policy for general risks and a specific risk aversion policy for risk attached to liquidity and refinancing. This is in line with a sound and prudent management approach as required by law No. 2013-672 of July 26, 2013 on the separation and regulation of banking activities, title 1, article 2 which gives priority to long-term sustainability, with a sole medium-long-term debt issuer, Banque Fédérative du Crédit Mutuel (BFCM). Its aim is to shield the operating accounts of the cooperative banks and branches from liquidity and interest-rate risks, disseminate the market prices necessary for appropriate customer pricing, and guarantee commercial network margins.

The Crédit Mutuel Alliance Fédérale liquidity risk monitoring mechanism is based on the following procedures:

- liquidity risk management that ensures its centralized monitoring and decision-making in technical monitoring and control committee;
- determining liquidity gaps that are subject to limits and alert thresholds to secure and optimize the refinancing policy;
- monitoring the Liquidity Coverage Ratio (LCR), which is representative of the group's short-term liquidity situation;
- steering and monitoring the commitment coefficient (loan-to-deposit ratio);
- determining and monitoring liquidity needs under normal circumstances and under stress.

5.13.3.1.2 Governance and structure of the liquidity management function – Centralization of liquidity management and interactions between the group's units

1/ Governance and structure of the liquidity management function

Liquidity is governed by technical and monitoring committees and is supervised by the control committees.

At the operating level, liquidity management is shared between the group treasury, whose Central Treasury and Liquidity function ensures the interface between the entities of the centralized scope, and the asset-liability management (ALM), which measures requirements and implements hedges for commercial activities. Group ALM and group treasury report to the Executive Management of Crédit Mutuel Alliance Fédérale and act in accordance with the decisions of the *ad hoc* committees (ALM technical committee, group treasury risk committee, central treasury and liquidity committee, emergency plan management committee).

Neither the ALM nor the group treasury are profit centers or managed as such. The group's financing needs identified by ALM, through the ALM technical committee, are communicated to Central Treasury which is responsible for borrowing the necessary funds on the markets.

From a Control standpoint, the group risk department performs the risk management function for every type of risk for all group entities. It reports to the chief executive officer and submits reports to the decision-making and executive-governance bodies.

Group treasury

The group's cash management approach meets two closely related objectives to secure and refinance the group's needs under the best possible terms and to monitor the group's reputation on the market.

On the markets, the dedicated group treasury team manages and coordinates the issue programs, supervises listings and carries out interest-rate and foreign-exchange risk hedging transactions.

Because of its direct relationship with investors, it has a thorough understanding of all the components of access to the markets, a continuous presence through its listings, centralized portfolio management and the immediate ability to issue liquidity and refinancing instruments to diversify its vehicles, currencies and source countries.

BFCM is the sole issuer of medium/long-term debt on the capital markets; secured debt is issued through Crédit Mutuel – CIC Home Loan SFH. BFCM ensures that the Crédit Mutuel Alliance Fédérale is able to meet its refinancing needs, manage its development challenges and safeguard its solvency.

Asset-Liability Management (ALM)

The purpose of the ALM function is to shield the sales margins of local entities and specialized business lines from risk. The mechanism in place ensures the management of risk through annual revisions of the alert thresholds/limits in compliance with prudential constraints.

Liquidity risk for the commercial banking activity is stringently managed through the systematic hedging through resources of the transformation generated on maturities ranging from three months to seven years, for assets and liabilities whose estimated future cash flows are close to the LCR and NSFR weightings, with restrictive alert thresholds for liquidity gaps in a Basel III stress scenario.

The risk department (RD)

The group risk department implements liquidity risk control and supervision. It reports regularly to the governing bodies (quarterly reports) and coordinates and participates in the various control committees (group risk monitoring committee, group risk committee, audit and accounting committee and control and compliance committee), as well as in the monitoring committees, technical committees concerned with liquidity risk, and meetings of the boards of directors. It coordinates the network of risk correspondents from the group's various business lines and entities. The risk department is the first point of contact for the ECB and the national central banks. It also coordinates the monitoring of the implementation of supervisory authority inspection recommendations.

2/ Centralization of liquidity management and interaction between the group's units (EU LIQ1.19)

Crédit Mutuel Alliance Fédérale centralizes liquidity management and oversight at both the asset-liability management (ALM) and group treasury levels, with a common set of uniform rules for the business lines regarding risk measures and allocations across all group entities without exception.

Centralization enables the group to optimize treasury exposure management, as well as the decisions taken by the technical, monitoring and control committees.

ALM does not allow entities to lend to each other but administers available liquidity by maturity to entities in need, thereby pooling the positions and optimizing recourse to group treasury and the market.

The scope administered by asset-liability management (ALM) covers 100% of customer loans, 100% of customer deposits for the consolidated group and 100% of group treasury market liabilities.

This scope is relevant for certifying liquidity and interest-rate risk measures and hedges for the Crédit Mutuel Alliance Fédérale excluding insurance companies and asset management.

The insurance company and asset management entities enjoy autonomy in the measurement and operational management of their liquidity, have a robust liquidity risk monitoring system and regularly report the results of their business-appropriate liquidity stress tests to the group.

5.13.3.1.3 Risk oversight and measurement systems

The risk oversight and measurement systems are comprehensive and cover the entire scope of the group. Non-financial entities are excluded.

ALM indicators are compiled at the consolidated level and by entity: These indicators include:

- the static liquidity gap based on contractual and agreed maturities and incorporating off-balance sheet commitments. Transformation ratios (sources/applications of funds) are calculated on maturities ranging from three months to five years and are subject to limits;
- the dynamic liquidity gap over five years, incorporating new loans granted, thus facilitating the measurement of future financing needs related to the development of commercial activity;
- the liquidity gap in a Basel III stress scenario, whose estimated future cash flows are based on net stable funding ratio (NSFR) weightings. Transformation ratios (sources/applications of funds) are calculated at maturities ranging from three months to seven years and are subject to limits and alert thresholds in order to secure and optimize the refinancing policy.

The ALM technical committee decides on the liquidity hedges to be put in place in light of all these indicators. These hedges are allocated pro rata to the cumulative needs.

The limits system is comprehensive and, where applicable, is broken down and applied to each entity or business line in a granular way (LCR, Basel III liquidity gaps).

These rules limit liquidity exposures across the cash curve to prevent excessive transformation.

5.13.3.1.4 Treasury management and concentration of sources (EU LIQ1.19)

The central treasury management of Crédit Mutuel Alliance Fédérale rests on prudent rules and an efficient system to access market resources.

The commercial banking gaps are covered by medium- and long-term resources, while the liquidity buffer calls for monetary market refinancing transactions. The group has numerous ad hoc issue programs open to international investors across the main areas through public and private issues. This is backed by a comfortable liquidity reserve in keeping with regulatory ratios and the group's resilience to severe stresses.

In 2019, due to the global economic context, which was heavily penalized by USA/China trade tensions and the fears of a no-deal Brexit, the main central banks were forced to step in.

In that context, the ECB quickly reassured the markets through liquidity-boosting announcements, followed by concrete measures in September 2019: lowering of the deposit rate from -0.40% to -0.50%, tiering measures applicable to 6 times the banks' mandatory reserves, resumption of QE (Quantitative Easing) for €20 billion per month, and introduction of a new three-year refinancing operation for eurozone banks called "TLTRO 3".

Globally, the debt market remained favorable throughout the year and allowed the refinancing of Crédit Mutuel Alliance Fédérale under good conditions.

The external funding raised on the markets by the group treasury teams of Crédit Mutuel Alliance Fédérale, through BFCM and its subsidiary Crédit Mutuel Home Loan SFH, totaled €143.6 billion at end-December 2019, representing a 4.0% rise compared with end-2018.

Short-term money-market funding (under 1 year) amounted to €52.0 billion at end-2019, up 4.8% year-on-year. This represents 36% of all funds raised on the market over the period, in line with 2018 (36%). For the proper diversification of its funding, Crédit Mutuel Alliance Fédérale – via BFCM and CIC – uses all required short-term issuance programs (NEU CP, ECP, and London DCs).

Medium-and long-term funding totaled €91.6 billion at end-2019, up 3.6% on 2018. In 2019, Crédit Mutuel Alliance Fédérale raised €16.3 billion in MLT funds primarily via BFCM, and to a lesser degree via its subsidiary Crédit Mutuel Home Loan SFH, which issues covered bonds and benefits from the best agency ratings. These MLT funds were 71.2% raised in euros, with the remaining 28.8% raised in foreign currencies (US dollar, yen, pound sterling, Swiss franc), underscoring the efficiency of the group's investor diversification strategy. Public issues and private placements accounted for 74% and 26% of the total, respectively.

The average maturity of the MLT funding raised in 2019 was 5.7 years, similar to that recorded in 2018 (5.5 years).

2019 refinancing program

In 2019, public issues raised amounted to an equivalent of €12 billion and broke down as follows:

- BFCM by way of senior European Medium-Term Notes (EMTN) of which:
  - €3.75 billion maturing in +4 and 7 years, issued in January, April and July,
  - GBP 1.15 billion over 5 to 7 years, issued in January, June and October,
  - CHF 525 million (1 issue of 200 million maturing in + 6 years in April, 1 issue of 125 million maturing in 7 years in June and 2 issues of 100 million each maturing in 5 and 10 years in April and November),
  - USD 1.5 billion over 3 and 5 years, issued in November (US144A format),
  - JPY 130.0 billion over 5, 7 and 10 years, issued in October (Samurai format);
- BFCM by way of NPS EMTN (inaugural issue): €1 billion over 10 years, issued in March;
- BFCM by way of Tier 2 subordinated EMTN: €1 billion over 10 years, issued in June;
- Crédit Mutuel Home Loan SFH: €2 billion in two tranches of €1 billion each over 5 and 10 years, in January.

Moreover, two issues totaling €2 billion (€1 billion over 9 years and €1 billion over 11 years) were put in place in April and subscribed by BFCM to test its emergency plan in the event of market closure.

Targeted refinancing operations

In November 2019, within the framework of the SME/ISE lending package allocated by the European Investment Bank (EIB) in 2018, BFCM drew down the second tranche (Tranche B) in the amount of €100 million maturing in seven years.

Two new lines of funding were approved in 2019 and should be signed in 2020:

- an SME/ISE lending package of €250 million, drawable in two tranches (€150 and €100 million);
- a lending package of €100 million targeting young farmers and climate change mitigation and dedicated to SMEs/ISEs in the agricultural and bio-economy sectors with a minimum contribution of 50% for climate change mitigation.

Moreover, within the framework of the partnership agreement (Crédit Mutuel Alliance Fédérale Co-Financing) between our Group and the EIB signed at the end of 2018 for €150 million, a first contract was signed with the counterparty NACON (formerly BIGBEN INTERACTIVE) in December 2019 for €6 million (two tranches of €3 million) over a term of five years.

5.13.3.1.5 Regulatory liquidity indicators

Since March 2014, credit institutions in the euro zone have been required to report their liquidity levels to their supervisory body as defined by the EBA which takes into account:

- the short-term liquidity ratio, or LCR (Liquidity Coverage Ratio), on a monthly basis; and
- and the long-term structural liquidity ratio, or NSFR (Net Stable Funding Ratio), on a quarterly basis.

The LCR is designed to ensure the resilience of banks' liquidity risk profile in the short term by requiring that they maintain sufficient high quality unencumbered liquid assets (HQLA) that can be easily and immediately converted to cash on private markets in the event of a liquidity crisis lasting up to 30 calendar days. The LCR liquidity reserve is funded through short-term debt (maturing in up to 1 year).

The provisions relating to the Net Stable Funding Ratio (NSFR) were published in the new European regulation (CRR2) of June 7, 2019. It will come into effect in June 2021. The EBA is tasked with defining the implementing technical standards and regulatory technical standards (ITS/RTS) aimed at clarifying the CRR2 provisions. Based on current developments and from what we have seen, Crédit Mutuel Alliance Fédérale already complies with this ratio.

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

- an average LCR of 142.8% for 2019 (131.2% for 2018);
- average HQLA liquidity assets totaling €85.9 billion, of which 71% deposited with central banks (mainly the ECB).

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The total liquidity reserves over the consolidated perimeter break down as follows:

TABLE 66: LIQUIDITY RESERVES

Amount after ECB haircut *(in € millions)*	**12/31/2019**	**12/31/2018**
Cash deposited in central banks and collected	66,436	52,288
LCR securities (after LCR haircut)	26,356	22,471
o/w HQLA Level 1 securities	21,126	18,551
Other eligible central bank assets	41,854	35,819
TOTAL LIQUIDITY RESERVES	**134,646**	**110,578**

The liquidity reserve more than covers market resources due to mature within the next 12 months.

TABLE 67: SHORT-TERM LIQUIDITY COVERAGE RATIO (LCR) (EU LIQ1.18)

Extent of consolidation: consolidated as of 12/31/2019 *(in € millions)*		Total unweighted value				Total weighted value			
Quarter ending on:		3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2019	6/30/2019	9/30/2019	12/31/2019
Number of data points used in the calculation of averages: 12									
HIGH-QUALITY LIQUID ASSETS									
1	**Total high-quality liquid assets**					**80,735**	**82,131**	**82,936**	**85,906**
CASH OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	202,284	206,231	210,260	214,440	13,486	13,787	14,091	14,400
3	Stable deposits	146,748	149,178	151,697	154,329	7,337	7,459	7,585	7,716
4	Less stable deposits	55,505	57,024	58,534	60,082	6,118	6,299	6,477	6,654
5	Unsecured wholesale funding, of which:	93,863	94,600	94,757	95,275	53,468	53,609	52,880	52,344
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	21,970	22,512	23,395	24,406	5,256	5,384	5,597	5,842
7	Non-operational deposits (all counterparties)	64,970	64,993	64,240	64,175	41,289	41,130	40,162	39,808
8	Unsecured debt	6,923	7,095	7,122	6,694	6,923	7,095	7,122	6,694
9	Secured wholesale funding					3,251	3,175	3,385	3,509
10	Additional requirements, of which:	70,826	71,977	71,943	71,805	8,150	8,187	8,248	8,201
11	Outflows related to derivative exposures and other collateral requirements	1,111	1,116	1,120	1,126	1,111	1,116	1,120	1,126
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	69,716	70,861	70,823	70,679	7,039	7,071	7,127	7,075
14	Other contractual funding obligations	302	286	257	246	301	286	256	245
15	Other contingent funding obligations	379	383	1,729	3,074	26	32	108	181
16	**Total cash outflows**					**78,682**	**79,075**	**78,969**	**78,880**
CASH INFLOWS									
17	Secured lending (such as reverse repurchase agreements)	10,451	9,904	9,362	9,131	3,632	3,418	3,277	3,383
18	Inflows from fully performing exposures	21,934	22,285	22,546	22,417	12,879	13,055	13,246	13,170
19	Other cash inflows	2,295	2,325	2,007	2,155	2,295	2,325	2,007	2,155
EU-19a	Difference between total cash inflows and outflows					0	0	0	0
EU-19b	Excess cash inflows from a specialized credit institution					0	0	0	0
20	**Total cash inflows, of which:**	**34,679**	**34,515**	**33,915**	**33,703**	**18,805**	**18,798**	**18,531**	**18,708**
EU-20a	Fully exempt cash inflows	nil value at Crédit Mutuel Alliance Fédérale							
EU-20b	Cash inflows subject to 90% cap	nil value at Crédit Mutuel Alliance Fédérale							
EU-20c	EU-20b Cash inflows subject to 75% cap	34,679	34,515	33,915	33,703	18,805	18,798	18,531	18,708
21	**Liquidity buffers**					**80,735**	**82,131**	**82,936**	**85,906**
22	**Total net cash outflows**					**59,877**	**60,277**	**60,439**	**60,172**
23	**Liquidity Coverage Ratio** *(%)*					**134.84%**	**136.26%**	**137.22%**	**142.77%**

Extent of consolidation: consolidated as of 12/31/2018 *(in € millions)* Quarter ending on:		Total unweighted value				Total weighted value			
		3/31/2018	6/30/2018	9/30/2018	12/31/2018	3/31/2018	6/30/2018	9/30/2018	12/31/2018
Number of data points used in the calculation of averages: 12									
HIGH-QUALITY LIQUID ASSETS									
1	**Total high-quality liquid assets**					**80,047**	**79,061**	**80,128**	**79,170**
CASH OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	190,019	192,225	195,274	198,491	12,702	12,797	12,992	13,208
3	Stable deposits	137,695	139,883	142,145	144,383	6,885	6,994	7,107	7,219
4	Less stable deposits	52,293	52,312	53,099	54,078	5,786	5,772	5,854	5,959
5	Unsecured wholesale funding:	92,239	92,326	93,275	93,433	56,184	55,214	55,121	54,251
6	Operational deposits	18,826	19,907	20,446	21,041	4,493	4,755	4,885	5,029
7	Non-operational deposits	64,604	64,367	65,066	65,158	42,882	42,407	42,472	41,988
8	Unsecured debt	8,810	8,052	7,764	7,235	8,810	8,052	7,764	7,235
9	Secured wholesale funding					3,256	3,074	2,974	3,051
10	Additional requirements	66,018	66,857	68,049	69,342	6,967	7,326	7,687	8,000
11	Outflows related to derivative exposures and other collateral requirements	419	673	909	1,110	419	673	909	1,110
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	65,599	66,184	67,140	68,232	6,548	6,653	6,778	6,890
14	Other contractual funding obligations	556	479	407	333	383	306	259	263
15	Other contingent funding obligations	394	403	395	384	20	20	20	21
16	**Total cash outflows**					**79,512**	**78,737**	**79,052**	**78,794**
CASH INFLOWS									
17	Secured lending	10,182	10,613	10,998	11,036	3,753	3,638	3,584	3,659
18	Inflows from fully performing exposures	21,685	21,538	21,320	21,670	12,543	12,563	12,454	12,712
19	Other cash inflows	1,492	1,563	2,012	2,096	1,462	1,537	2,010	2,095
EU-19a	Difference between total cash inflows and outflows					0	0	0	0
EU-19b	Excess cash inflows from a specialized credit institution					0	0	0	0
20	**Total cash inflows**	**33,360**	**33,714**	**34,330**	**34,802**	**17,757**	**17,738**	**18,048**	**18,466**
EU-20a	Fully exempt cash inflows	nil value at Crédit Mutuel Alliance Fédérale							
EU-20b	Cash inflows subject to 90% cap	nil value at Crédit Mutuel Alliance Fédérale							
EU-20c	Cash inflows subject to 75% cap	33,358	33,712	34,328	34,802	17,757	17,738	18,048	18,466
21	**Liquidity buffers**					**80,047**	**79,061**	**80,128**	**79,170**
22	**Total net cash outflows**					**61,754**	**61,000**	**61,004**	**60,328**
23	**Liquidity coverage ratio (%)**					**129.79%**	**129.61%**	**131.35%**	**131.23%**

TABLE 68: DETAILS OF LIQUIDITY BUFFER – LCR

Amount after ECB haircut *(in € millions)*	12/31/2019	12/31/2018
Tier 1	**87,562**	**70,838**
Cash deposited in central banks	65,063	51,053
HQLA	21,126	18,551
Cash deposits	1,373	1,235
Tier 2a	**965**	**462**
Tier 2b	**4,265**	**3,458**
TOTAL BUFFER	**92,792**	**74,758**

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The Crédit Mutuel Alliance Fédérale consolidated statement of financial position by residual maturity of future contractual cash flows breaks down as follows:

TABLE 69: BREAKDOWN OF THE CRÉDIT MUTUEL ALLIANCE FÉDÉRALE'S CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY RESIDUAL MATURITY OF FUTURE CONTRACTUAL CASH FLOWS (PRINCIPAL AND INTEREST)

	Residual contractual maturities							
As of 12/31/2019 *(in € millions)*	≤ 1 month[1]	> 1 month ≤ 3 month	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	Undeterm[2]	Total
ASSETS								
Financial assets held for trading	8,665	2,901	6,180	2,483	4,699	2,795	644	28,367
Financial assets at fair value through profit or loss	14	18	11	56	214	191	4,640	5,143
Derivatives used for hedging purposes (assets)	1	86	560	727	800	247	0	2,420
Financial assets at fair value through equity	952	977	2,450	3,297	10,903	11,406	483	30,468
Loans and receivables (including finance leases)	53,659	15,103	32,726	38,034	97,080	189,477	140	426,219
Securities at amortized cost	247	5	5,199	290	1,257	754	61	7,814
Other assets	673	8,297	64	10	12	30	86	9,173
LIABILITIES								
Central bank deposits	715	0	0	0	0	0	0	715
Financial liabilities held for trading	8,272	3,892	4,053	225	1,804	1,057	2	19,305
Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0	0
Derivatives used for hedging purposes (liabilities)	48	28	542	404	814	456	0	2,291
Financial liabilities carried at amortized cost	287,509	27,670	80,438	29,790	57,462	36,379	516	519,764
of which debt securities, including bonds	*7,902*	*13,543*	*44,040*	*11,087*	*32,989*	*22,711*	*0*	*132,272*
of which subordinated liabilities	*0*	*0*	*1,009*	*0*	*1,019*	*5,272*	*1,018*	*8,317*

Excludes insurance business line.
(1) Includes receivables and related debt, securities given and received with repurchase agreements.
(2) Including perpetual debt securities, equities, non-performing loans, loans in litigation and impairment losses.
For marked-to-market financial instruments the differences between fair value and redemption value.

Comments:

The tables above present the carrying amounts in IFRS based on the prudential scope. The following maturity rules used concern:

- the contractual principal repayment terms;
- equities with an unspecified duration as for perpetual loans and securities;
- payables and accrued interest broken down according to their actual contractual duration and entered in the "< 1 month" column by default;
- provisions broken down in line with the assets concerned;
- non-performing loans broken down according to their contractual date when it has not lapsed and are entered under the "no fixed maturity" column when it has lapsed, similar to loans in litigation;
- derivatives: their market value is entered under the corresponding flow on the contract expiry date.

When it is impossible to provide an accurate maturity, the carrying amount is stated in the "no fixed maturity" column.

5.13.3.1.6 Derivative exposures and collateral calls (EU LIQ1.19)

Crédit Mutuel Alliance Fédérale's approach to interest-rate and liquidity risk management includes appropriate hedging arrangements. The group tracks the collateral calls of the various existing contracts to monitor its LCR flows. It also calculates additional cash outflows corresponding to the collateral needs that may result from an adverse market scenario.

5.13.3.1.7 Currency mismatch in the LCR (EU LIQ1.19)

Given its commercial activities and the domestic markets on which it operates, Crédit Mutuel Alliance Fédérale is highly concentrated on the euro. The US dollar is the only foreign currency that exceeds the 5% representation threshold for the total consolidated balance sheet.

5.13.3.1.8 Statement

Crédit Mutuel Alliance Fédérale certifies that its liquidity risk management arrangements are appropriate to the risk profile of its commercial activities and the risk appetite defined by the governance bodies.

Liquidity risk management, measurement, oversight, control and monitoring arrangements have been approved by the management body.

These are consistent with the group's risk profile and were approved by Executive Management and the governing bodies. They are tailored to the risk profile, nature and size of the group's activities and take into account the economic and market environment.

Liquidity risk is subject to at least one review per year by the boards of directors of CFdeCM, BFCM and other Crédit Mutuel Alliance Fédérale entities (regional banks, BECM, etc.).

5.13.4 Currency risk management

The currency risk exposure of Crédit Mutuel Alliance Fédérale is low, since it conducts most of its activities in euros (87% of total liabilities). The only other significant currency is the American dollar (9% of total liabilities).

For the geographical diversification of its sources of financing, Crédit Mutuel Alliance Fédérale raises a significant portion of its short-term and medium-term refinancing on the American and British markets. On the short term, this currency risk is systematically managed through swaps of the funding raised. On the medium term, part of the refinancing is kept in the original currency in order to cover the currency gaps of the group's entities. The balance is systematically converted into euros through currency swaps.

The group automatically centralizes the foreign currency positions of each entity via BFCM and the CIC holding company. On a daily basis for commercial transfers and cash flows, both income and expenses, denominated in foreign currencies. All unrealized foreign currency gains and losses are translated into euros at the end of every month and the resulting foreign currency position is also centralized. Save for rare exceptions, the group's entities do not bear any currency risk at their own level. BFCM and CIC are responsible for clearing foreign currency positions on a daily and monthly basis on the market.

The structural foreign currency positions resulting from CIC's foreign currency allowances to foreign branches are not hedged. Foreign exchange gains or losses are recognized in the asset or liability translation accounts and are not booked in the income statement. The profits or losses of the foreign branches are retained in the foreign branches and thus add to the structural foreign currency position.

5.14 OPERATIONAL RISK[V]

In the context of the Basel 2 capital adequacy regulations, the Crédit Mutuel group has implemented a comprehensive operational risk management mechanism that is under the responsibility of the management bodies and governed by a single set of risk standards and shared quantitative evaluation methods.

The group has an overall operational risk management function that is clearly identified and split in practice between the national function and the regional functions. This function covers operational risks, emergency and business continuity plans (EBCP) and insurance policies taken out to cover these risks.

The system used to measure and monitor operational risk is based on a common platform that is applied across the group and uses an approach for identifying and modeling risks so as to calculate the level of capital required to be held for operational risk.

Since January 1, 2010, Crédit Mutuel has been authorized to use its advanced financial information about the measurement approach used by the BFCM consolidated scope to calculate its regulatory capital requirements related to operational risk, with the exception of expected losses on capital requirements, for the consolidated scope excluding foreign subsidiaries, the Cofidis group and CM-CIC Factor.

This authorization was extended to CM-CIC Factor, taking effect as of the reporting period ended March 31, 2012, as well as to the Banque de Luxembourg, as of the reporting period ended September 30, 2013, to Cofidis France as of the reporting period ended September 30, 2014 and to Targobank Germany, as of the reporting period ended June 30, 2018.

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5.14.1 Main objectives

The implementation of the operational risk management policy has the following objectives:

- contribute to group management through the control of risks and their costs;
- from a human perspective, to protect staff, develop responsibility, autonomy and control, and capitalize on expertise across the group;
- from an economic standpoint, to protect margins by effectively managing risk across all activities, and adapt insurance policies to the risks identified;
- from a regulatory standpoint: meet the requirements of Basel 2 and the supervisory authorities, draw on the internal control system (decree of November 3, 2014 on internal control), optimize emergency and business continuity plans for essential activities, and adapt financial reporting (Pillar 3 of Basel 2).

5.14.2 Measurement and control procedure

The system used to measure and monitor operational risk is based on a common platform applied across Crédit Mutuel Alliance Fédérale that uses an approach for identifying and modeling risks so as to calculate the level of capital required to cover this risk.

Description of the advanced measurement approach (AMA)

Regarding the implementation of the advanced measurement approach (AMA) used to assess capital requirements for operational risks, a dedicated service within the risk department is tasked with managing the operational risk. The operational risk control and measurement mechanism is underpinned by a risk mapping carried out by business line, purpose and risk type, in close liaison with the functional departments and day-to-day risk management procedures. In particular, these mappings define a standard framework for analyzing the loss experience and serve for risk modeling based on expert opinions which are compared with scenario-based probabilistic estimates.

For modeling purposes, the group relies mainly on the national internal loss database. This database is populated in accordance with the rules defined in the national data collection procedure. Each loss above the uniform threshold of €1,000 must be recorded. Reconciliations are carried out between the loss database and the accounting information.

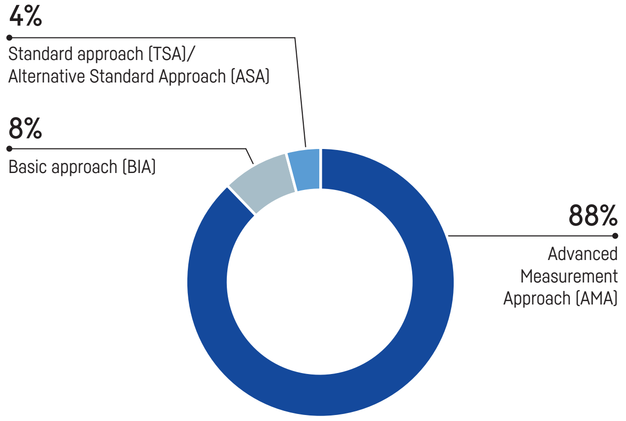
Moreover, the Crédit Mutuel group subscribes to an external database, the analysis of which helps to enhance risk mapping and the operational risk measurement system as a whole.

Authorized scope for AMA method

Crédit Mutuel Alliance Fédérale is authorized to use its advanced measurement approach (internal models) to calculate its regulatory capital requirements in respect of operational risk (88% of the scope at December 31, 2019). This authorization took effect on January 1, 2010 for the group's consolidated scope excluding foreign subsidiaries and the Cofidis group, then extended to:

- Crédit Mutuel Factoring as of the reporting period ended March 31, 2012;
- Banque de Luxembourg as of the reporting period ended September 30, 2013;
- Cofidis France as of the reporting period ended September 30, 2014;
- Targobank Germany as of the reporting period ended June 30, 2018.

TABLE 70: BREAKDOWN OF OPERATIONAL RWA RISKS BY APPROACH AS OF 12/31/2019



Operational risk mitigation and hedging policy

The general guidelines for reducing operational risks include:

- effective preventive actions identified during the mapping process and implemented directly by operational staff or permanent control;
- safeguard initiatives primarily focused on the implementation of emergency and business continuity plans for the business lines, logistics and IT so as to limit the extent of the loss in the event of a crisis.

A consistent crisis-management process implemented across the group, in line with the market system for interbank operations, covers crisis communication and the three stages of emergency and business continuity plans: namely, the rescue, continuity and recovery plans.

5.14.3 Reporting and general oversight

The application of the operational risk management policy and the risk profile are monitored with key indicators, thresholds and alerts that cover the assessment of potential risks, changes in losses, the effectiveness of reduction measures and financing decided. The relevant senior executives and supervisory bodies are regularly informed on these issues, including the requirements of the decree dated November 3, 2014.

Each year, operational risk training actions are held for network managers, internal controllers and the operational staff responsible for monitoring them.

5.14.4 Documentation and procedures

Crédit Mutuel Alliance Fédérale consistently applies a set of procedures that are approved by the managing bodies and regularly updated. These cover:

- governance: procedures dealing with the roles and responsibilities of the various managing, decision-making and supervisory bodies, the national function, report frequency and recipients, the monitoring scope for group entities, and the methodology for subsidiary consolidation;
- collection of claims: procedures setting out rules for the collection and audit of internal losses;
- measurement system: procedures concerning, in particular, probabilistic modeling and modeling based on the work of experts, the rules for gathering Key Risk Indicators (KRI), the basis for allocating capital adequacy requirements and COREP reports.

These procedures are subject to regular verification procedures.

5.14.5 Emergency and business continuity plans (EBCP)

PUPAs cover protection actions set up to limit the severity of a disaster, as part of its operational risk management program.

“EBCP guidelines”, Crédit Mutuel Alliance Fédérale’s reference document in this respect, may be consulted by all teams concerned and are applied at the level of the regional groups.

They fall into two types:

- business-line PUPAs cover a given banking function, related to one of the Basel 2 business lines;
- cross-functional PUPAs concern business lines whose purpose is to provide other business lines with the means to operate (Logistics, HR, IT PUPA).

They center around three phases:

- the emergency response plan is rolled out immediately, and consists of actions intended to deal with emergencies and to implement a degraded treatment solution;
- the business continuity plan allows business to continue in a degraded environment following the procedures chosen before the occurrence of the crisis;
- the recovery plan is prepared shortly after the business continuity plan is launched; the implementation time will depend on the extent of the damage.

5.14.6 Organization of crisis management

The crisis management mechanism in place across Crédit Mutuel Alliance Fédérale covers the most efficient communications and organization systems implemented to deal with the three stages of the procedure: emergency, business continuity and recovery plans.

It is based on:

- a crisis committee, chaired by the chief executive officer of the bank at the regional level and by the group chief executive officer at the national level. The committee takes substantive decisions, prioritizes actions and deals with internal and external communications;
- a crisis unit which pools information, implements decisions and provides follow-up;
- one crisis point per business line that coordinates field operations in relation with the crisis cell, specifically the activation of PUPAs until the return to normal.

5.14.7 Use of insurance techniques

The French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) authorized the Crédit Mutuel group to take into account the impact of insurance as a mitigation factor for the calculation of capital requirements in respect of operational risk under the advanced measurement approach (AMA) as of the reporting period ended June 30, 2012.

The principles applied for financing operational risks within the Crédit Mutuel group depend on the frequency and severity of each potential risk. These involve:

- setting up insurance cover or financing by withholding amounts on the operating account for non-severe frequency risks (EL);
- insuring major risks via external insurers and reinsurers;
- developing self-insurance for losses below insurers’ deductible thresholds;
- allocating reserves of regulatory capital or writing provisions financed by underlying assets for serious risks that cannot be insured.

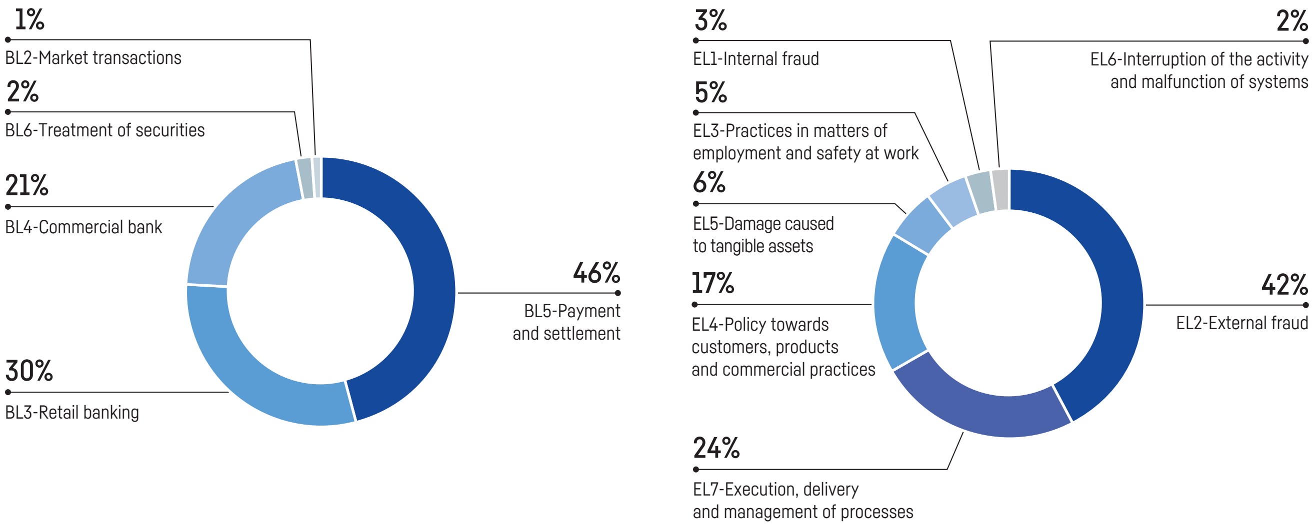
Crédit Mutuel group’s insurance programs comply with the provisions of articles 323 of EU regulation No. 575/2013 of the European Parliament and Council of June 26, 2013 concerning the deduction of insurance under the advanced method approach (AMA).

Insurance cover included in the deduction process covers damage to real and personal property (multi-risk), fraud and damage to valuables (overall insurance for banking risks), as well as professional third-party liability and cyber-risks (cyber policy).

5.14.8 Inventory of Crédit Mutuel Alliance Fédérale losses

Crédit Mutuel Alliance Fédérale's total claims amounted to €108.1 million in 2019, including €102 million in losses, €73.4 million in provisions and €67.3 million in reversals of provisions on past losses. It broke down as follows:

TABLE 71: ANNUAL LOSS EXPERIENCE BY BUSINESS LINE AND BY RISK EVENT



5.14.9 Legal risks

Legal risks are incorporated into operational risks and involve, among other things, exposure to fines, penalties and damages for fault attributable to the company with respect to its operations.

5.15 INDUSTRIAL AND ENVIRONMENTAL RISKS

Industrial and environmental risks are included in operational risks and are analyzed from the perspective of system malfunctions and the occurrence of natural disasters (100-year floodplains, floods, earthquakes, pollution, etc.), their impact on the business and the means of prevention and protection to be put in place, notably crisis management and EBCP.

Concerning the management of social and environmental risks, the approach undertaken is described in the societal section of the CSR chapter.

5.16 INFORMATION ABOUT ENCUMBERED AND UNENCUMBERED ASSETS

Since December 31, 2014, and pursuant to article 100 of the CRR, Crédit Mutuel Alliance Fédérale reports to the competent authorities on the quantity of unencumbered assets at its disposal and their principal characteristics. These assets may serve as sureties to obtain other financing on the secondary markets or from the central bank, and hence constitute additional sources of liquidity.

An asset is considered to be "encumbered" if it serves as a guarantee, or can be used contractually, to secure, collateralize or enhance a transaction from which it cannot be separated. In contrast, an asset is "unencumbered" if it is free of any legal, regulatory, contractual or other limitations to its possible liquidation, sale, transmission or disposal.

For illustrative purposes, the following types of contracts satisfy the definition of encumbered assets:

- secured financial transactions, including repurchase agreements, securities lending and other forms of loans;
- collateralization agreements;
- collateralized financial guarantees;
- collateral placed in clearing systems, clearing houses and other institutions as a condition for accessing the service. This includes initial margins and funds against the risk of insolvency;
- facilities given to central banks. Assets already in position should not be considered encumbered, unless the central bank does not authorize the withdrawal of these assets without its prior agreement;
- underlying assets of securitization entities when these assets have not been derecognized by the entity. Underlying assets of retained securities are not recognized as being encumbered, unless the securities in question are used to pledge or guarantee a transaction in some way;
- collateral pools put together to issue secured bonds. These assets are recognized as encumbered assets except in certain situations where the entity holds the secured bonds (self-issued bonds).

Assets placed in financing mechanisms that are unused and can be easily withdrawn are not recognized as being encumbered.

At December 31, 2019, the level and characteristics of encumbered and unencumbered assets for Crédit Mutuel Alliance Fédérale were as follows:

TABLE 72: ENCUMBERED AND UNENCUMBERED ASSETS[1] (MODEL A)

(in € millions)	Carrying amount of encumbered assets	o/w HQLA and EHQLA	Fair value of encumbered assets	o/w HQLA and EHQLA	Carrying amount of unencumbered assets	o/w HQLA and EHQLA	Fair value of unencumbered assets	o/w HQLA and EHQLA
Assets of disclosing institution (A)	**76,179**	**6,713**			**513,192**	**24,656**		
Capital instruments	0	0	0	0	5,700	64	5,700	64
Debt securities	11,625	6,601	11,625	6,606	38,105	24,633	38,020	24,721
of which secured bonds	318	318	318	318	4,487	4,405	4,487	4,463
of which asset-backed securities	2,066	1,807	2,066	1,807	6,581	615	6,683	628
of which issued by public administrations	3,333	3,173	3,333	3,173	15,786	15,523	16,086	15,547
of which issued by financial institutions	6,228	2,308	6,228	2,308	13,546	6,756	13,469	6,832
of which issued by non-financial institutions	1,901	1,187	1,901	1,187	7,187	595	7,179	595
Other assets[2]	64,536	114			469,837	0		

(1) Median values of end-of-quarter data for the elapsed year.
(2) O/w loans and advances.

TABLE 73: COLLATERAL RECEIVED[1] (MODEL B)

(in € millions)	Fair value of the encumbered guarantee received or of encumbered own debt securities issued	o/w HQLA and EHQLA	Fair value of the guarantee received or of own debt securities issued available for pledging	o/w HQLA and EHQLA
Collateral received by the disclosing institution	**14,854**	**10,677**	**9,210**	**2,930**
Loans on demand	0	0	0	0
Capital instruments	1,471	1,004	446	265
Debt securities	13,747	9,999	5,292	2,729
of which secured bonds	166	166	114	114
of which asset-backed securities	1,128	834	2,674	1,884
of which issued by public administrations	8,375	8,137	606	537
of which issued by financial institutions	4,082	1,036	3,672	2,010
of which issued by non-financial institutions	1,040	720	1,012	159
Loans and advances other than loans on demand	0	0	278	0
Other collateral received	0	0	3,538	0
Own debt securities issued other than own secured bonds or asset-backed securities	**0**	**0**	**0**	**0**
Own covered bonds and asset-backed securities issued and not yet pledged			**0**	**0**
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN-DEBT SECURITIES ISSUED	**91,089**	**17,651**		

(1) The figures are presented in median values of end-of-quarter data for the elapsed year.

TABLE 74: CARRYING AMOUNT OF ENCUMBERED ASSETS/COLLATERAL RECEIVED AND LIABILITIES BACKED[1] (MODEL C)

(in € millions)	Associated liabilities, contingent liabilities or securities loaned	Assets, guarantees received and own debt securities issued other than guaranteed bonds and securities backed by encumbered assets
Carrying amount of the financial liabilities selected	68,453	86,796

(1) Median values of end-of-quarter data for the elapsed year.

5.17 EQUITIES RISK

The equity securities risk run by Crédit Mutuel Alliance Fédérale is of different kinds.

5.17.1 Financial assets at fair value through profit or loss

The portfolios of shares valued at fair value through profit or loss stood at €5,218 million as of December 31, 2019 compared to €4,811 million a year earlier.

5.17.2 Financial assets at fair value through equity

Financial assets at fair value through shareholders' equity stood at €473 million.

Long-term investments notably include VISA INC securities for €198 million.

5.17.3 Insurance business investments

Outstanding shares classified as investments by the insurance business stood at €39,198 million at end December 2019, compared to €35,274 million a year earlier.

Long-term investments notably include Desjardins securities for €140 million, and Covivio (formerly Foncière des Régions) securities for €670 million.

The shares were reviewed to detect any depreciation, which is recognized for listed shares in case of a significant extended drop below the cost price.

5.18 PRIVATE EQUITY

This activity is carried out through entities dedicated to the business line with a portfolio fully valued at fair value through options.

TABLE 75: RISKS RELATED TO THE PRIVATE EQUITY BUSINESS

Risks related to the private equity business	12/31/2019	12/31/2018
Number of listed lines	27	30
Number of unlisted lines	308	305
Number of funds	24	24
Portfolio revalued for proprietary trading *(in € millions)*	2,873	2,529
Capital managed on behalf of third parties *(in € millions)*	98	157

Source: Crédit Mutuel Equity.

Proprietary trading investments were spread over approximately 335 lines (excluding investments in funds), primarily covering small and medium-sized enterprises.

5.19 REMUNERATION

Information on sound compensation policies is provided in the chapter 2 "Corporate governance".

APPENDICES

Appendix 1: Outline of the differences in the scopes of consolidation (EU LI3)
Description by entity

Name of entity	Accounting consolidation method	Regulatory method: Full consolidation	Regulatory method: Proportional consolidation	Regulatory method: Not consolidated, not deducted[1]	Regulatory method: Deducted	Description of entity
Bancas	Equity method		X			B. Banking network – subsidiaries
Banque du Groupe Casino	Equity method		X			B. Banking network – subsidiaries
FCT CM-CIC Home loans	Full consolidation			X		B. Banking network – subsidiaries
LYF SA (formerly Fivory)	Equity method		X			B. Banking network – subsidiaries
Euro Automatic Cash	Equity method		X			F. Logistics and holding company services
EI Télécom	Full consolidation			X		F. Logistics and holding company services
Euro Protection Surveillance	Full consolidation			X		F. Logistics and holding company services
LYF SAS (formerly Fivory SAS)	Equity method		X			F. Logistics and holding company services
Groupe Républicain Lorrain Communication (GRLC)	Full consolidation			X		F. Logistics and holding company services
L'Est Républicain	Full consolidation			X		F. Logistics and holding company services
SAP Alsace	Full consolidation			X		F. Logistics and holding company services
Société d'Investissements Médias (SIM)	Full consolidation			X		F. Logistics and holding company services
Société de Presse Investissement (SPI)	Full consolidation			X		F. Logistics and holding company services
ACM GIE	Full consolidation			X		G. Insurance companies
ACM IARD	Full consolidation			X		G. Insurance companies
ACM Services	Full consolidation			X		G. Insurance companies
ACM Vie SA	Full consolidation			X		G. Insurance companies
ACM Vie, Société d'Assurance Mutuelle	Full consolidation			X		G. Insurance companies
Agrupació AMCI d'Assegurances i Reassegurances S.A.	Full consolidation			X		G. Insurance companies
Targopensiones, entidad gestora de fondos de pensiones, SA (formerly Agrupacion Pensiones)	Full consolidation			X		G. Insurance companies
Agrupació serveis administratius	Full consolidation			X		G. Insurance companies
AMDIF	Full consolidation			X		G. Insurance companies
GACM Seguros, Compañía de Seguros y Reaseguros, SAU (ex-AMGEN)	Full consolidation			X		G. Insurance companies
Asesoramiento en Seguros y Previsión Atlantis SL	Full consolidation			X		G. Insurance companies
Asistencia Avançada Barcelona	Full consolidation			X		G. Insurance companies
ASTREE Assurances	Equity method			X		G. Insurance companies
Atlantis Asesores SL	Full consolidation			X		G. Insurance companies
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Full consolidation			X		G. Insurance companies
Atlantis Vida, Compañía de Seguros y Reaseguros SA	Full consolidation			X		G. Insurance companies

Name of entity	Accounting consolidation method	Regulatory method: Full consolidation	Regulatory method: Proportional consolidation	Regulatory method: Not consolidated, not deducted[1]	Regulatory method: Deducted	Description of entity
GACM España	Full consolidation			X		G. Insurance companies
Groupe des Assurances du Crédit Mutuel (GACM)	Full consolidation			X		G. Insurance companies
ICM Life	Full consolidation			X		G. Insurance companies
MTRL	Full consolidation			X		G. Insurance companies
NELB (North Europe Life Belgium)	Full consolidation			X		G. Insurance companies
Nord Europe Life Luxembourg (NELL)	Full consolidation			X		G. Insurance companies
Partners	Full consolidation			X		G. Insurance companies
Procourtage	Full consolidation			X		G. Insurance companies
Serenis Assurances	Full consolidation			X		G. Insurance companies
Targo seguros mediación (formerly Voy Mediación)	Full consolidation			X		G. Insurance companies
Affiches d'Alsace Lorraine	Full consolidation			X		H. Other companies
Alsacienne de Portage DNA	Full consolidation			X		H. Other companies
EBRA events	Full consolidation			X		H. Other companies
EBRA Medias Alsace	Full consolidation			X		H. Other companies
EBRA Medias Lorraine Franche Comté	Full consolidation			X		H. Other companies
EBRA services	Full consolidation			X		H. Other companies
Est Bourgogne Médias	Full consolidation			X		H. Other companies
France Régie	Full consolidation			X		H. Other companies
Groupe Dauphiné Media	Full consolidation			X		H. Other companies
Groupe Progrès	Full consolidation			X		H. Other companies
Groupe Républicain Lorrain Imprimeries (GRLI)	Full consolidation			X		H. Other companies
Journal de la Haute Marne	Equity method			X		H. Other companies
La Liberté de l'Est	Full consolidation			X		H. Other companies
La Tribune	Full consolidation			X		H. Other companies
Le Dauphiné Libéré	Full consolidation			X		H. Other companies
Le Républicain Lorrain	Full consolidation			X		H. Other companies
Les Dernières Nouvelles d'Alsace	Full consolidation			X		H. Other companies
Lumedia	Equity method			X		H. Other companies
Médiaportage	Full consolidation			X		H. Other companies
NEWCO4	Full consolidation			X		H. Other companies
Presse Diffusion	Full consolidation			X		H. Other companies
Publiprint Province n°1	Full consolidation			X		H. Other companies
Républicain Lorrain Communication	Full consolidation			X		H. Other companies
Républicain Lorrain – TV news	Full consolidation			X		H. Other companies
Société d'Édition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	Full consolidation			X		H. Other companies
Foncière Massena	Full consolidation			X		H. Other companies
SCI ACM	Full consolidation			X		H. Other companies
SCI ACM Cotentin	Full consolidation			X		H. Other companies
SCI Le Progrès Confluence	Full consolidation			X		H. Other companies
SCI Provence Lafayette	Full consolidation			X		H. Other companies
SCI 14 Rue de Londres	Full consolidation			X		H. Other companies
SCI Saint Augustin	Full consolidation			X		H. Other companies
SCI Tombe Issoire	Full consolidation			X		H. Other companies

(1) Refers to entities exempt from the deduction from equity or benefiting from the Danish Compromise. They are included in the RWA for calculating credit risk.

Appendix 2: Detailed information about capital

MAIN FEATURES OF CAPITAL INSTRUMENTS (CET1)

Issuer	Crédit Mutuel Alliance Fédérale – Caisse Fédérale de Crédit Mutuel	Crédit Mutuel Alliance Fédérale – Caisse Fédérale de Crédit Mutuel
Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	969500LFTDNMONT2EP08	969500LFTDNMONT2EP08
Law governing the instrument	Law No. 47-1775 of September 10, 1947 on the constitution of cooperatives and article L.512-1 of the French Monetary and Financial Code	Law No. 47-1775 of September 10, 1947 on the constitution of cooperatives and article L512-1 of the French Monetary and Financial Code
Regulatory treatment		
Transitional CRR rules	Common Equity Tier 1 capital	Common Equity Tier 1 capital
Post-transitional CRR rules	Common Equity Tier 1 capital	Common Equity Tier 1 capital
Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Solo and (sub-) consolidated	Solo and (sub-) consolidated
Instrument type (to be specified by each jurisdiction)	Type A shares – list published by the EBA (article 26, paragraph 3 of the CRR)	Type B shares – list published by the EBA (article 26, paragraph 3 of the CRR)
Amount recognized in regulatory capital (currency in millions as of most recent reporting date)	€199.24m	€6,270.27m
Par value of instrument	15 €	1 €
Issue price	15 €	1 €
Redemption amount	15 €	1 €
Accounting classification	Equity	Equity
Original date of issuance	Variable	Variable
Perpetual or dated	Perpetual	Perpetual
Initial maturity	NA	NA
Issuer call subject to prior supervisory approval	No	No
Optional call date, contingent call date and redemption amount	NA	NA
Subsequent call dates, if applicable	NA	NA
Coupons/dividends		
Fixed or floating dividend/coupon	NA	Floating
Coupon rate an any related index	NA	NA
Existence of a dividend payout suspension clause (dividend stopper)	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
Existence of a step up or other redemption incentive	No	No
Cumulative or non-cumulative	Non-cumulative	Non-cumulative

Issuer	Crédit Mutuel Alliance Fédérale – Caisse Fédérale de Crédit Mutuel	Crédit Mutuel Alliance Fédérale – Caisse Fédérale de Crédit Mutuel
Convertible or non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger	NA	NA
If convertible, fully or partially	NA	NA
If convertible, conversion rate	NA	NA
If convertible, mandatory or optional conversion	NA	NA
If convertible, instrument type convertible into	NA	NA
If convertible, issuer of instrument convertible into	NA	NA
Write-down features	Yes	Yes
If write-down, write-down trigger	By decision of the shareholders' meeting or, in case of resolution, by decision of the Resolution College of the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) pursuant to its powers under article L.613-31-16 of the French Monetary and Financial Code	By decision of the shareholders' meeting or, in case of resolution, by decision of the Resolution College of the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) pursuant to its powers under article L.613-31-16 of the French Monetary and Financial Code
If write-down, full or partial	Full or partial write-down	Full or partial write-down
If write-down, permanent or temporary	Permanent	Permanent
If temporary write-down, description of write-up mechanism	NA	NA
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks lower than all other claims	Ranks lower than all other claims
Existence of non-compliant features	No	No
If yes, specify non-compliant features	NA	NA
NA: not applicable		

MAIN FEATURES OF CAPITAL INSTRUMENTS (AT1)

Issuer	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel
Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	XS0207764712	XS0212581564
Law governing the instrument	English unless subordination	English unless subordination
Regulatory treatment		
Transitional CRR rules	30% additional Tier 1 capital 70% additional Tier 2 capital	30% additional Tier 1 capital 70% additional Tier 2 capital
Post-transitional CRR rules	Equity Tier 2 capital	Equity Tier 2 capital
Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Consolidated	Consolidated
Instrument type (to be specified by each jurisdiction)	■ Deeply subordinated notes ■ Art. 52 *et seq.* of the CRR ■ Art. 484 *et seq.* of the CRR	■ Deeply subordinated notes ■ Art. 52 *et seq.* of the CRR ■ Art. 484 *et seq.* of the CRR
Amount recognized in regulatory capital (currency in millions as of most recent reporting date)	€733.73m	€250.00m
Nominal value of instrument	€750.00m	€250.00m
Issue price	€750.00m	€250.00m
Redemption amount	€750.00m	€250.00m
Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
Initial issue date	12/15/2004	02/25/2005
Perpetual or dated	Perpetual	Perpetual
Initial maturity	Perpetual	Perpetual
Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
Optional call date, contingent call date and buyback price	■ Call for the entire issue at issuer's discretion: on 12/15/2014 at par ■ Call for the entire issue in case of tax events (tax call): at any time at par ■ Call for the entire issue in case of downgrading of Tier 1 capital: at any time at par ■ Call for the entire issue in case of issuer's deconsolidation from Crédit Mutuel Alliance Fédérale: at any time at par	■ Call for the entire issue at issuer's discretion: on 2/25/2015 at par ■ Call for the entire issue in case of tax events (tax call): at any time at par ■ Call for the entire issue in case of downgrading of Tier 1 capital: at any time at par ■ Call for the entire issue in case of issuer's deconsolidation from the group CM11: at any time at par
Subsequent buyback option call dates, if any	On each interest payment date after 12/15/2014, for the entire issue	On each interest payment date after 2/25/2015, for the entire issue
Coupons/dividends		
Fixed or floating dividend/coupon	Fixed to floating	Fixed to floating
Coupon rate an any related index	6% then, from 12/15/2005, EUR CMS10 +0.10% with cap at 8%	7% then, from 2/25/2006, EUR CMS10 +0.10% with cap at 8%
Existence of a dividend payout suspension clause (dividend stopper)	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary: compulsory clause interest provisions clause (dividend pusher)	Partially discretionary: compulsory clause interest provisions clause (dividend pusher)
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
Existence of a step-up mechanism or other buyback incentive	No	No
Cumulative or non-cumulative	Non-cumulative	Non-cumulative

Issuer	Banque Fédérative du Crédit Mutuel	Banque Fédérative du Crédit Mutuel
Convertible or non-convertible	No	No
If convertible, conversion trigger	NA	NA
If convertible, fully or partially	NA	NA
If convertible, conversion rate	NA	NA
If convertible, mandatory or optional conversion	NA	NA
If convertible, type of instrument converted into	NA	NA
If convertible, issuer of instrument convertible into	NA	NA
Write-down features	Yes	Yes
If write-down, write-down trigger	Event related to the supervisor both after a subsequent deterioration in the solvency at its full discretion and if a capital increase was not authorized or was insufficient	Event related to the supervisor both after a subsequent deterioration in the solvency at its full discretion and if a capital increase was not authorized or was insufficient
If write-down, full or partial	Full or partial write-down	Full or partial write-down
If write-down, permanent or temporary	Permanent or temporary	Permanent or temporary
If temporary write-down, description of write-up mechanism	Reconstitution of principal if return to financial health, i.e. two consecutive positive consolidated net earnings after the end of the intervention of the supervisor.	Reconstitution of principal if return to financial health, i.e. two consecutive positive consolidated net earnings after the end of the intervention of the supervisor.
Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Deeply subordinated instrument i.e. subordinated to any non-voting loan stock and investments in non-consolidated companies, ordinary subordinated instruments and non-subordinated instruments.	Deeply subordinated instrument i.e. subordinated to any non-voting loan stock and investments in non-consolidated companies, ordinary subordinated instruments and non-subordinated instruments.
Existence of non-compliant features	Yes (but allowed in AT1 under the transitional regime)	Yes (but allowed in AT1 under the transitional regime)
If yes, specify non-compliant characteristics	Features not compliant with additional Tier 1 capital instruments: ■ partially discretionary: compulsory interest provisions clause (dividend pusher) ■ non-discretionary better fortunes clause	Features not compliant with additional Tier 1 capital instruments: ■ partially discretionary: compulsory interest provisions clause (dividend pusher) ■ non-discretionary better fortunes clause

NA: not applicable

5

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

Issuer	Crédit Industriel et Commercial	Lyonnaise de Banque	Crédit Industriel et Commercial	Crédit Industriel et Commercial	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel
Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	FR0000047805	FR0000047789	FR0000584377	FR0000165847	XS0548803757	XS1069549761
Law governing the instrument	French	French	French	French	English unless subordination	English unless subordination
Regulatory treatment						
Transitional CRR rules	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital
Post-transitional CRR rules	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital
Eligible at solo/(sub-) consolidated/solo and (sub-) consolidated level	Consolidated and non-consolidated	Consolidated and non-consolidated	Consolidated and non-consolidated	Consolidated and non-consolidated	Consolidated	Consolidated
Instrument type (to be specified by each jurisdiction)	■ non-voting loan stock ■ article 62 *et seq.* of CRR	■ non-voting loan stock ■ article 62 *et seq.* of CRR	■ Perpetual subordinated notes ■ article 62 *et seq.* of CRR	■ Perpetual progressive -interest subordinated notes ■ article 62 *et seq.* of CRR	■ Subordinated notes ■ article 62 *et seq.* of CRR	■ Subordinated notes ■ article 62 *et seq.* of CRR
Amount recognized in regulatory capital (currency in millions as of most recent reporting date)	€8.28m	€12.20m	€18.96m	€2.85m	€148.75m	€878.36m
Nominal value of instrument	€137.20m	€15.43m	€18.96m	€7.25m	€1,000.00m	€1,000.00m
Issue price	€137.20m	€15.43m	€18.96m	€7.25m	€999.39m	€991.43m
Redemption amount	€178.37m if call exercised on 05/28/1997 then annual revaluation of 1.5% after 05/28/1997	€20.06 million if the repurchase option is exercised 6/1/1997, then annual revaluation of 1.5% after 6/1/1997	€19.15m	€7.25m	€1,000.00m	€1,000.00m
Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost	Liabilities - amortized cost	Liabilities - amortized cost	Liabilities - amortized cost	Liabilities - amortized cost
Initial issue date	05/28/1985	06/01/1985	07/20/1987	12/26/1990	10/22/2010	05/21/2014
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Dated	Dated
Initial maturity	Perpetual	Perpetual	Perpetual	Perpetual	10/22/2010	05/21/2014
Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes	Yes	Yes	Yes	Yes

	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel
	XS1288858548	XS1385945131	XS1512677003	XS1587911451	XS1717355561	XS1824240136	FR0013425162
	English unless subordination	English unless subordination	English unless subordination	English unless subordination	English unless subordination	English unless subordination	French
	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital
	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital	Equity Tier 2 capital
	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated
	■ Subordinated notes ■ article 62 *et seq.* of CRR	■ Subordinated notes ■ article 62 *et seq.* of CRR	■ Subordinated notes ■ article 62 *et seq.* of CRR	■ Subordinated notes ■ article 62 *et seq.* of CRR	■ Subordinated notes ■ article 62 *et seq.* of CRR	■ Subordinated notes ■ article 62 *et seq.* of CRR	■ Subordinated notes ■ article 62 *et seq.* of CRR
	€1,000.00m	€1,000.00m	€700.00m	€500.00m	€500.00m	€500.00m	€1,000.00m
	€1,000.00m	€1,000.00m	€700.00m	€500.00m	€500.00m	€500.00m	€1,000.00m
	€990.84m	€990.98m	€695.09m	€497.62m	€495.72m	€499.43m	99.684%
	€1,000.00m	€1,000.00m	€700.00m	€500.00m	€500.00m	€500.00m	€1,000.00m
	Liabilities - amortized cost	Liabilities - amortized cost	Liabilities - amortized cost	Liabilities - amortized cost	Liabilities - amortized cost	Liabilities - amortized cost	Liabilities - amortized cost
	09/11/2015	03/24/2016	11/04/2016	03/31/2017	11/15/2017	05/25/2018	06/18/2019
	Dated	Dated	Dated	Dated	Dated	Dated	Dated
	09/11/2025	03/24/2026	11/04/2026	03/31/2027	11/15/2027	05/25/2028	06/18/2029
	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Issuer	Crédit Industriel et Commercial	Lyonnaise de Banque	Crédit Industriel et Commercial	Crédit Industriel et Commercial	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel
Optional call date, contingent call date and buyback price	■ Partial or full call at issuer's discretion: 5/28/1997 at 130% of par value	■ Partial or full call at issuer's discretion: 06/01/1997 at 130% of par value	■ Partial or full call at issuer's discretion: for a period of 45 days as of 07/20/1994 at 101% of par value + accrued interest	■ Partial or total buyback option from the issuer: 12/26/1999 at par	■ Call for the entire issue in case of tax events: at any time at par	■ Call for the entire issue in case of tax events (withholding tax event or tax deduction event): at any time at par ■ Call for the entire issue in case of downgrading of Tier 2 capital: (Capital Event) at any time at par ■ Call for the entire issue in case of a Gross-Up Event: at any time at par
Subsequent buyback option call dates, if any	On each interest payment date after 5/28/1997	On each interest payment date after 6/1/1997	During a 45-day period from each interest payment date after 07/20/1994	On each interest payment date after 12/26/1999	NA	NA
Coupons/dividends						
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Fixed	Fixed
Coupon rate an any related index	40% x TAM +43% x TAM x (net profit/(loss) year N-1/net profit/(loss) year 1984) with the following as limits: ■ minimum 85% of (TAM+TMO)/2 ■ maximum 130% (TAM+TMO)/2	35% x TMO +35% x TMO x (net profit/(loss) year N-1/net profit/(loss) year 1984) with the following as limits: ■ minimum 85% of TMO ■ maximum 130% TMO	Average 12-month average yield on long-term government bonds +0.25%	P1C +1.75% for interest payable every year since 2006	4.00%	3.00%

	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel
	■ Call for the entire issue in case of tax events (withholding tax event, tax deduction event or tax gross-up event) at any time at par ■ Call for the entire issue in case of downgrading of Tier 2 capital: (Capital Event) at any time at par	■ Call for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Call for the entire issue in case of downgrading of Tier 2 capital: (Capital Event) at any time at par	■ Call for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Call for the entire issue in case of downgrading of Tier 2 capital: (Capital Event) at any time at par	■ Call for the entire issue in case of tax events (withholding tax event, tax deduction event or tax gross-up event) at any time at par ■ Call for the entire issue in case of downgrading of Tier 2 capital: (Capital Event) at any time at par	■ Call for the entire issue in case of tax events (withholding tax event, tax deduction event or tax gross-up event) at any time at par ■ Call for the entire issue in case of downgrading of Tier 2 capital: (Capital Event) at any time at par	■ Call for the entire issue in case of tax events (withholding tax event, tax deduction event or tax gross-up event) at any time at par ■ Call for the entire issue in case of downgrading of Tier 2 capital: (Capital Event) at any time at par	■ Call for the entire issue in case of tax events (withholding tax event, tax deduction event or tax gross-up event) at any time at par ■ Call for the entire issue in case of downgrading of Tier 2 capital: (Capital Event) at any time at par
	NA	NA	NA	NA	NA	NA	NA
	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
	3.00%	2.375%	1.875%	2.625%	1.625%	2.500%	1.875%

Issuer	Crédit Industriel et Commercial	Lyonnaise de Banque	Crédit Industriel et Commercial	Crédit Industriel et Commercial	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel
Existence of a dividend payout suspension clause (dividend stopper)	No	No	No	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Partially discretionary	Partially discretionary	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other redemption incentive	No	No	No	No	No	No
Cumulative or non-cumulative	NA	NA	Cumulative	Cumulative	NA	NA
Convertible or non-convertible	No	No	No	No	No	No
If convertible, conversion trigger	NA	NA	NA	NA	NA	NA
If convertible, fully or partially	NA	NA	NA	NA	NA	NA
If convertible, conversion rate	NA	NA	NA	NA	NA	NA
If convertible, mandatory or optional conversion	NA	NA	NA	NA	NA	NA
If convertible, type of instrument converted into	NA	NA	NA	NA	NA	NA
If convertible, issuer of instrument convertible into	NA	NA	NA	NA	NA	NA
Write-down features	No	No	No	No	No	No
If write-down, write-down trigger	NA	NA	NA	NA	NA	NA
If write-down, full or partial	NA	NA	NA	NA	NA	NA
If write-down, permanent or temporary	NA	NA	NA	NA	NA	NA
If temporary write-down, description of write-up mechanism	NA	NA	NA	NA	NA	NA
Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
Existence of non-compliant features	No	No	No	No	No	No
If yes, specify non-compliant characteristics	NA	NA	NA	NA	NA	NA

NA: not applicable

	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel	Position Banque Fédérative du Crédit Mutuel
	No	No	No	No	No	No	No
	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
	No	No	No	No	No	No	No
	NA	NA	NA	NA	NA	NA	NA
	No	No	No	No	No	No	No
	NA	NA	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA	NA	NA
	No	No	No	No	No	No	No
	NA	NA	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA	NA	NA
	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors in accordance with L.228-97 article of the French Commercial Code	Instrument subordinated to the payment of all unsecured creditors in accordance with L.228-97 article of the French Commercial Code	Instrument subordinated to the payment of all unsecured creditors in accordance with L.228-97 article of the French Commercial Code	Instrument subordinated to the payment of all unsecured creditors in accordance with L.228-97 article of the French Commercial Code
	No	No	No	No	No	No	No
	NA	NA	NA	NA	NA	NA	NA

Appendix 3: Qualitative information about capital instruments

(in € millions)		Amount at date of publication	Reference of article of EU Regulation No. 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
COMMON EQUITY TIER 1 CAPITAL (CET1): INSTRUMENTS AND RESERVES				
1	Capital instruments and related share premium accounts	6,470	26 (1), 27, 28, 29, list ABE 26 (3)	
	of which shares	6,470	list ABE 26 (3)	
	of which issue premiums	0	list ABE 26 (3)	
2	Retained earnings	34,768	26 (1) c	
3	Accumulated other comprehensive income (and other reserves)	-255	26 (1)	
3a	Funds for general banking risks – FGBR	-	26 (1) f	
4	Amount of qualifying items referred to in Art. 484 (3) and related share premium accounts subject to gradual exclusion from CET1	-	486 (2)	
5	Non-controlling interests eligible for CET1	551	84, 479, 480	
5a	Intermediate profits, net of any foreseeable expense and distribution of dividends, subject to independent control	2,764	26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**44,298**		
COMMON EQUITY TIER 1 CAPITAL (CET1): REGULATORY ADJUSTMENTS				
7	Additional value adjustments (negative amount)	-115	34, 105	
8	Intangible assets (net of related tax liabilities) (negative amount)	-4,736	36 (1) b, 37, 472 (4)	
9	Empty set in the EU			
10	Deferred tax assets that rely on future profits, excluding those arising from temporary differences (net of related tax liabilities when the conditions in Art. 38 (3) are met) (negative amount)	-2	36 (1) c, 38, 472 (5)	
11	Fair value reserves related to gains and losses on cash flow hedges	-2	33 a	
12	Negative amounts resulting from the calculation of expected losses	-433	36 (1) d, 40, 159, 472 (6)	
13	Any increase in equity resulting from securitized assets (negative amount)	-	32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-2	33 (1) b	
15	Defined benefit pension fund assets (negative amount)	-	36 (1) e, 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) f, 41, 472 (8)	
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	36 (1) g, 41, 472 (9)	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) h, 43, 45, 46, 49 (2) (3), 79, 472 (10)	
19	Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) i, 43, 45, 47, 48 (1) b, 49 (1) à (3), 79, 470, 472 (11)	

(in € millions)		Amount at date of publication	Reference of article of EU Regulation No. 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
20	Empty value set in the EU			
20a	Exposure amount of the following items which qualify for a risk weight of 1250%, where the institution opts for the deduction alternative	-13	36 (1) k	
20b	*of which qualifying holdings outside the financial sector (negative amount)*	-	36 (1) k (i), 89 to 91	
20c	*of which securitization positions (negative amount)*	-13	36 (1) k (ii), 243 (1) b, 244 (1) b, 258	
20d	*of which free deliveries (negative amount)*	-	36 (1) k (iii), 379 (3)	
21	Deferred tax assets arising from temporary differences (amount above the 10% threshold, net of related tax liabilities when the conditions in Art. 38 (3) are met) (negative amount)	-	36 (1) c, 38, 48 (1) a, 470, 472 (5)	
22	Amount exceeding the 15% threshold (negative amount)	-	48 (1)	
23	*of which direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	-	36 (1) (i), 48 (1) b, 470, 472 (11)	
24	Empty value set in the EU			
25	*of which deferred tax assets arising from temporary differences*	-	36 (1) c, 38, 48 (1) a, 470, 472 (5)	
25a	Losses for the current fiscal year (negative amount)	-	36 (1) a, 472 (3)	
25b	Foreseeable tax charge relating to CET1 items (negative amount)	-	36 (1) (i)	
26	Regulatory adjustments applied to Common Equity Tier 1 capital in respect of amounts subject to pre-CRR treatment	0		
26a	Regulatory adjustments relating to unrealized gains and losses pursuant to articles 467 and 468	-		
	of which filter for unrealized loss on equity instruments	-	467	
	of which filter for unrealized loss on debt instruments	-	467	
	of which filter for unrealized gain on equity instruments	-	468	
	of which filter for unrealized gain on debt instruments	-	468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	-	481	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	36 (1) (i)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET 1) capital**	**-5,303**		
29	**Common Equity Tier 1 (CET 1) capital**	**38,995**		

(in € millions)		Amount at date of publication	Reference of article of EU Regulation No. 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
ADDITIONAL TIER 1 CAPITAL (AT1): INSTRUMENTS				
30	Capital instruments and related share premium accounts	-	51, 52	
31	*of which classified as equity under applicable accounting standards*	-		
32	*of which classified as liabilities under applicable accounting standards*	-		
33	Amount of qualifying items referred to in Art. 484 (4) and related issue premium accounts subject to gradual exclusion from AT1	650	486 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including non-controlling interests not included in line 5) issued by subsidiaries and held by third parties	94	85, 86, 480	
35	*of which instruments issued by subsidiaries subject to gradual exclusion*	-	486 (3)	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**744**		
ADDITIONAL TIER 1 CAPITAL (AT1): REGULATORY ADJUSTMENTS				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52(1) b, 56 a, 57, 475 (2)	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to artificially inflate the institution's own funds (negative amount)	-	56 b, 58, 475 (3)	
39	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	56 c, 59, 60, 79, 475 (4)	
40	Direct, indirect and synthetic holdings by the institution of AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	56 (d), 59, 79, 475 (4)	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to gradual exclusion in accordance with Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)	-		
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Art. 472 of Regulation (EU) No. 575/2013	-	472, 472 (3) a, 472 (4), 472 (6), 472 (8) a, 472 (9), 472 (10) a, 472 (11) a	
41b	Residual amounts deducted from Tier 1 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Art. 475 of Regulation (EU) No. 575/2013	-	477, 477 (3), 477 (4) a	
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	-	467, 468, 481	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	56 e	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**		
44	**Additional Tier 1 (AT1) capital**	**744**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**39,739**		

(in € millions)		Amount at date of publication	Reference of article of EU Regulation No. 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
ADDITIONAL TIER 2 CAPITAL (T2): INSTRUMENTS AND PROVISIONS				
46	Capital instruments and related issue premium accounts	6,604	62, 63	
47	Amount of qualifying items referred to in Art. 484 (5) and related issue premium accounts subject to gradual exclusion from T2	28	486 (4)	
48	Qualifying capital instruments included in consolidated T2 capital (including non-controlling interests and AT1 instruments not included in line 5) issued by subsidiaries and held by third parties	125	87,88, 480	
49	*of which instruments issued by subsidiaries subject to gradual exclusion*	-	486 (4)	
50	Credit risk adjustments	74	62 c et d	
51	**Tier 2 (T2) capital before regulatory adjustments**	**6,831**		
ADDITIONAL TIER 2 CAPITAL (T2): INSTRUMENTS AND PROVISIONS				
52	Direct and indirect holdings by an institution of T2 own instruments and subordinated loans (negative amount)	-	63 b (i), 66 a, 67, 477 (2)	
53	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to artificially inflate the own funds of the institution (negative amount)	-	66 b, 68, 477 (3)	
54	Direct holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (amount above the threshold of 10% net of eligible short positions) (negative amount)	-	66 c, 69, 70, 79, 477 (4)	
54a	*of which new holdings not subject to transitional arrangements*	-		
54b	*of which holdings existing before January 1, 2013 and subject to transitional arrangements*	-		
55	Direct holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-500	66 d, 69, 79, 477 (4)	
56	Regulatory adjustments applied to Tier 2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to gradual exclusion as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)	-		
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Art. 472 of Regulation (EU) No. 575/2013	-	472, 472 (3) a, 472 (4), 472 (6), 472 (8) a, 472 (9), 472 (10) a, 472 (11) a	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Art. 475 of Regulation (EU) No. 575/2013	-	475, 475 (2) a, 475 (3), 475 (4) a	
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	-	467, 468, 481	
Add	*of which subsidies received by leasing companies*	-	481	
Add	*of which unrealized gains on equity instruments reported as additional capital*	-	481	
Add	*of which restatement for holding of capital instruments*	-	481	

(in € millions)		Amount at date of publication	Reference of article of EU Regulation No. 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-500**		
58	**Tier 2 (T2) capital**	**6,331**		
59	**Total capital (TC = T1 + T2)**	**46,070**		
59a	Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to gradual exclusion as prescribed in Regulation (EU) No. 575/2013	-		
	of which items not deducted from CET1 (Regulation (EU) No. 575/2013, residual amounts) (items to be detailed line by line, for example, deferred tax assets that rely on future profits net of related tax liabilities, indirect holding of own CET1, etc.)	-	472 (8) b	
	of which items not deducted from AT1 (Regulation (EU) No. 575/2013, residual amounts) (items to be detailed line by line, for example, reciprocal cross holdings of AT1 capital instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	-	475, 475 (2) b, 475 (2) c, 475 (4) b	
	of which items not deducted from T2 (Regulation (EU) No. 575/2013, residual amounts) (items to be detailed line by line, for example, indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, etc.)	-	477, 477 (2) b, 477 (2) c, 477 (4) b	
60	**Total risk-weighted assets**	**225,713**		
EQUITY RATIOS AND BUFFERS				
61	**Common Equity Tier 1 capital (as a percentage of total risk exposure amount)**	**17.28%**	92 (2) a, 465	
62	**Tier 1 capital (as a percentage of total risk exposure amount)**	**17.61%**	92 (2) b, 465	
63	**Total capital (as a percentage of total risk exposure amount)**	**20.41%**	92 (2) c	
64	**Institution-specific buffer requirement (CET1 requirement in accordance with Art. 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution, expressed as a percentage of risk exposure amount**	**2.70%**	CRD 128, 129, 130	
65	*of which capital conservation buffer requirement*	2.50%		
66	*of which countercyclical buffer requirement*	0.20%		
67	*of which systemic risk buffer requirement*	0.00%		
67a	*of which global systemically important institution (G-SII) or other systemically important institution (O-SII) buffer*	0.00%	CRD 131	
68	**Common Equity Tier 1 capital available to meet buffer requirements (as a percentage of risk exposure amount)**	**12.78%**	CRD 128	
69	[non-relevant in EU regulations]			
70	[non-relevant in EU regulations]			
71	[non-relevant in EU regulations]			

(in € millions)		Amount at date of publication	Reference of article of EU Regulation No. 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
LOWER LIMITS TO THRESHOLDS FOR DEDUCTION (BEFORE WEIGHTING)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	602	36 (1) h, 45, 46, 472 (10), 56 c, 59, 60, 475 (4), 66 c, 69, 70, 477 (4)	
73	Direct and indirect holdings of the capital of financial sector entities where the institution has a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	1,445	36 (1) (i), 45, 48, 470, 472 (11)	
74	Empty value set in the EU			
75	Deferred tax assets arising from temporary differences (amount below the 10% threshold, net of related tax liabilities when the conditions in Art. 38 (3) are met)	550	36 (1) c, 38, 48, 470, 472 (5)	
UPPER LIMITS APPLICABLE FOR INCLUSION OF PROVISIONS IN TIER 2 CAPITAL				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	-	62	
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	686	62	
78	Credit risk adjustments included in T2 in respect of exposures subject to the internal ratings approach (prior to the application of the cap)	-186	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	578	62	
EQUITY INSTRUMENTS SUBJECT TO PROGRESSIVE EXCLUSION (APPLICABLE BETWEEN JANUARY 1, 2014 AND JANUARY 1, 2022 ONLY)				
80	Current cap on CET1 instruments subject to phase-out arrangements	-	484 (3), 486 (2) and (5)	
81	Amount excluded from CET1 due to cap (cap excess after redemptions and maturities)	-	484 (3), 486 (2) and (5)	
82	Current cap applicable to AT1 instruments subject to gradual exclusion	649	484 (4), 486 (3) and (5)	
83	Amount excluded from AT1 due to cap (cap excess after redemptions and maturities)	-334	484 (4), 486 (3) and (5)	
84	Current cap applicable to T2 instruments subject to gradual exclusion	28	484 (5), 486 (4) and (5)	
85	Amount excluded from T2 due to cap (cap excess after redemptions and maturities)	-55	484 (5), 486 (4) and (5)	

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Crédit Mutuel has been working alongside the French Gymnastics Federation and its 330,000 members since 2017. As a partner of regional federations and athletes, the bank also supports numerous national and international competitions, as well as the volunteers involved in the sport.

6

CRÉDIT MUTUEL ALLIANCE FÉDÉRALE FINANCIAL INFORMATION

6.1 CONSOLIDATED FINANCIAL STATEMENTS OF CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

6.1.1 Balance sheet

Balance sheet (assets)

In € millions	12/31/2019	12/31/2018	Notes
Cash, central banks	71,171	56,696	4
Financial assets at fair value through profit or loss	31,907	18,590	5a
Hedging derivatives	2,420	2,640	6a
Financial assets at fair value through other comprehensive income	30,459	27,182	7
Securities at amortized cost	2,813	2,990	10a
Loans and receivables to credit institutions and similar, at amortized cost	40,825	44,168	10b
Loans and receivables due from customers at amortized cost	384,535	370,886	10c
Revaluation adjustment on rate-hedged books	2,079	1,169	6b
Short-term investments in the insurance business line and reinsurers' share of technical provisions	129,869	122,004	13a
Current tax assets	1,611	1,852	14a
Deferred tax assets	1,529	1,473	14b
Accruals and other assets	9,342	9,100	15a
Non-current assets held for sale	726	0	3e
Deferred profit-sharing	0	0	
Investments in equity consolidated companies	620	719	16
Investment properties	89	86	17
Property, plant and equipment[1]	3,669	2,973	18a
Intangible assets	735	719	18b
Goodwill	4,118	4,118	19
TOTAL ASSETS	**718,519**	**667,364**	

(1) As from January 1, 2019, pursuant to IFRS 16 "Leases", the group recognized an asset representing rights of use for leased properties, under "Property, plant and equipment" (see note 1).

Balance sheet (liabilities)

In € millions	12/31/2019	12/31/2018	Notes
Due to central banks	715	350	4
Financial liabilities at fair value through profit or loss	18,854	4,392	5b
Hedging derivatives	2,291	2,350	6a
Debt securities at amortized cost	124,792	119,680	11a
Due to credit and similar institutions at amortized cost	36,461	53,635	11b
Amounts due to customers at amortized cost	336,806	304,319	11c
Revaluation adjustment on rate-hedged books	-4	19	6b
Current tax liabilities	787	648	14a
Deferred tax liabilities	1,295	1,031	14b
Deferred income, accrued charges and other liabilities[1]	11,628	11,290	15b
Debt related to non-current assets held for sale	725	0	3e
Liabilities related to insurance business policies	125,289	115,565	13b
Provisions	3,498	3,266	20
Subordinated debt at amortized cost	8,235	7,224	21
Total shareholders' equity	**47,147**	**43,595**	**22**
Shareholders' equity attributable to the group	**43,827**	**40,290**	**22**
Capital and related reserves	6,482	6,167	22a
Consolidated reserves	33,552	30,926	22a
Gains and losses recognized directly in equity	961	502	22b
Profit (loss) for the fiscal year	2,832	2,695	
Shareholders' equity – Non-controlling interests	**3,320**	**3,305**	
TOTAL LIABILITIES	**718,519**	**667,364**	

(1) As from January 1, 2019, pursuant to IFRS 16 "Leases", the group recognized a rental liability representing the obligation to pay rents under "Deferred income, accrued charges and other liabilities" (see note 1).

6.1.2 Income statement

INCOME STATEMENT

In € millions	12/31/2019	12/31/2018 restated[1]	Notes
Interest and similar income[1]	14,190	14,162	24
Interest and similar expenses[1]	-7,555	-7,953	24
Commissions (income)	4,738	4,917	25
Commissions (expenses)	-1,139	-1,304	25
Net gains on financial instruments at fair value through profit or loss	771	616	26
Net gains or losses on financial assets at fair value through shareholders' equity	80	192	27
Net gains or losses resulting from derecognition of financial assets at amortized cost	2	1	28
Net income from insurance activities	2,617	2,579	29
Income from other activities	1,930	1,878	30
Expenses on other activities	-1,065	-1,019	30
Net banking income	**14,569**	**14,070**	
General operating expenses	-8,319	-8,248	31a, b
Movements in depreciation, amortization and provisions for property and equipment and intangible assets	-623	-466	31c
Gross operating income/(loss)	**5,627**	**5,356**	
Cost of counterparty risk	-1,061	-904	32
Operating income	**4,566**	**4,452**	
Share of net profit/(loss) of equity consolidated companies	7	67	16
Net gains/(losses) on disposals of other assets	79	44	33
Changes in the value of goodwill	0	0	34
Profit/(loss) before tax	**4,652**	**4,563**	
Income tax	-1,507	-1,569	35
Post-tax gains/(losses) on discontinued operations	**0**	**0**	
Net profit/(loss)	**3,145**	**2,993**	
Net profit/(loss) – Non-controlling interests	313	298	
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**2,832**	**2,695**	

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

Accordingly, and to ensure a comparison with interest income and expense as of December 31, 2019, the reported figures as of December 31, 2018 have been restated in accordance with this definition in the financial statements and note 24.

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

In € millions	12/31/2019	12/31/2018
Net profit/(loss)	**3,145**	**2,993**
Translation adjustments	35	42
Remeasurement of financial assets at fair value through equity – capital instruments	-5	-169
Revaluation of insurance business investments	591	-274
Remeasurement of hedging derivatives	-1	-2
Share of unrealized or deferred gains and losses of associates	5	1
Total recyclable gains and losses recognized directly in equity	**626**	**-403**
Revaluation of financial assets at fair value through equity – capital instruments at closing	67	56
Remeasurement of financial assets at fair value through equity – capital instruments sold during the fiscal year	0	-1
Actuarial gains and losses on defined benefit plans	-112	33
Share of non-recyclable gains and losses of associates	-1	-11
Total non-recyclable gains and losses recognized directly in equity	**-47**	**77**
Net profit/(loss) and gains and (losses) recognized directly in equity	**3,724**	**2,667**
o/w attributable to the group	*3,291*	*2,326*
o/w percentage of non-controlling interests	*433*	*342*

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

6.1.3 Changes in shareholders’ equity

				Gains and losses recognized directly in equity							
In € millions	Capital	Pre-miums	Reserves[1]	Trans-lation adjust-ments	Financial assets at fair value through other com-prehensive	Hedging deriva-tives	Actu-arial gains and losses	Net profit/(loss) attri-butable to the group	Share-holders’ equity attri-butable to the group	Non-con-trolling interests	Gains and (losses) recog-nized directly in equity
Shareholders’ equity as of December 31, 2017	**6,010**	**0**	**29,035**	**-55**	**1,670**	**4**	**-273**	**2,208**	**38,600**	**2,390**	**40,990**
Impact of first application of IFRS 9			***-437***		***-475***				***-912***	***-97***	***-1,009***
Shareholders’ equity as of January 1, 2018	**6,010**	**0**	**28,598**	**-55**	**1,194**	**4**	**-273**	**2,208**	**37,688**	**2,293**	**39,981**
Appropriation of earnings from previous year			2,208					-2,208	0		0
Capital increase	157								157		157
Distribution of dividends			-81						-81	-77	-158
Change in investments in subsidiaries without loss of control			4						4	-96	-93
Subtotal of movements related to relations with shareholders	**157**	**0**	**2,131**	**0**	**0**	**0**	**0**	**-2,208**	**80**	**-174**	**-94**
Consolidated income for the period								2,695	2,695	298	2,993
Changes in the fair value of assets at fair value through shareholders’ equity				44	-365	-1	33		-290	-61	-351
Sub-total	**0**	**0**	**0**	**44**	**-365**	**-1**	**33**	**2,695**	**2,405**	**237**	**2,643**
Effects of acquisitions and disposals on non-controlling interests			212		-80				133	948	1,080
Other variations		0	-16						-16	1	-16
Shareholders’ equity as of December 31, 2018	**6,167**	**0**	**30,926**	**-11**	**750**	**3**	**-240**	**2,695**	**40,290**	**3,306**	**43,595**
Appropriation of earnings from previous year			2,695					-2,695	0		0
Capital increase	315								315		315
Distribution of dividends			-88						-88	-430	-518
Change in investments in subsidiaries without loss of control									0		0
Subtotal of movements related to relations with shareholders	**315**	**0**	**2,607**	**0**	**0**	**0**	**0**	**-2,695**	**227**	**-430**	**-203**
Consolidated income for the period								2,832	2,832	314	3,145
Changes in gains and (losses) recognized directly in equity			-28	38	531	-1	-109		431	119	551
Sub-total	**0**	**0**	**-28**	**38**	**531**	**-1**	**-109**	**2,832**	**3,263**	**433**	**3,696**
Effects of acquisitions and disposals on non-controlling interests									0		0
Other variations		0	47						47	11	58
SHAREHOLDERS’ EQUITY AS OF DECEMBER 31, 2019	**6,482**	**0**	**33,552**	**28**	**1,281**	**2**	**-349**	**2,832**	**43,827**	**3,319**	**47,146**

(1) As of December 31, 2019 reserves comprised the legal reserve for €366 million, statutory reserves for €5,492 million and other reserves for €27,694 million.

6.1.4 Cash flow statement

in € millions	12/31/2019	12/31/2018
Net profit/(loss)	3,145	2,993
Tax	1,507	1,569
Profit/(loss) before tax	**4,652**	**4,563**
+/- Net depreciation and amortization of property, plant and equipment and intangible assets	626	469
- Impairment of goodwill and other fixed assets	-1	0
+/- Net provisions	419	51
+/- Share of income from companies consolidated using the equity method	-7	-67
+/- Net loss/gain from investing activities	29	-49
+/- Other movements	8,595	-1,911
= Total non-monetary items included in net profit/(loss) before tax and other adjustments	**9,660**	**-1,507**
+/- Flows related to transactions with credit institutions	-16,809	4,259
+/- Flows related to client transactions	19,476	-11,181
+/- Flows related to other transactions affecting financial assets or liabilities	-6,102	93
+/- Flows related to other transactions affecting non-financial assets or liabilities	-237	2,475
Taxes paid	-1,199	-1,618
= Net decrease in assets and liabilities from operating activities	**-4,871**	**-5,971**
TOTAL NET CASH FLOW GENERATED BY OPERATING ACTIVITY	**9,441**	**-2,915**
+/- Flows related to financial assets and investments	464	-1,103
+/- Flows related to investment property	2	-125
+/- Flows related to property, plant and equipment and intangible assets	-585	-476
TOTAL NET CASH FLOW RELATED TO INVESTMENT ACTIVITIES	**-119**	**-1,705**
+/- Cash flow to or from shareholders	-203	-1
+/- Other net cash flows from financing activities	5,680	6,539
TOTAL NET CASH FLOW RELATED TO FINANCING TRANSACTIONS	**5,477**	**6,538**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**88**	**81**
Net increase of cash and cash equivalents	**14,888**	**1,999**
Net cash flow generated by operating activities	9,441	-2,915
Net cash flow related to investment activities	-119	-1,705
Net cash flow related to financing transactions	5,477	6,538
Effect of foreign exchange rate changes on cash and cash equivalents	88	81
Cash and cash equivalents at opening	**53,510**	**51,511**
Cash, central banks, CCP	56,346	56,766
Accounts and demand loans/borrowing with credit institutions	-2,837	-5,255
Cash and cash equivalents at closing	**68,397**	**53,510**
Cash, central banks, CCP	70,457	56,346
Accounts and demand loans/borrowing with credit institutions	-2,059	-2,837
CHANGE IN NET CASH POSITION	**14,888**	**1,999**

6.2 NOTES TO THE CRÉDIT MUTUEL ALLIANCE FÉDÉRALE CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF NOTES

Explanatory notes are presented in millions of euros.

Note 1 Accounting policies and principles

1.1 Accounting basis

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards, and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2019.

The entire framework is available on the European Commission's website at:
https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial statements

The financial statements are presented in the format advised by the Autorité des normes comptables (ANC – French Accounting Standards Authority) in its Recommendation No. 2017-2002 relating to IFRS summary statements. They comply with the international accounting standards as adopted by the European Union.

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

Since January 1, 2019, the group has been applying the following standards:

IFRS 16

Adopted by the European Union on October 31, 2017, it replaces IAS 17 and the interpretations related to lease accounting.

Under IFRS 16, 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.

From the lessor's point of view, the provisions adopted remain substantially the same as those of the previous standard IAS 17.

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.

As a reminder, according to IAS 17, no amount is recorded on the lessee's balance sheet for an operating lease and the lease payments are shown under operating expenses.

As a first-time application the group opted f:

- to retain:
  - the application of the new lease definition to all current leases; the scope of the contracts thus remains unchanged,
  - the simplified retrospective approach, and to opt for related simplification measures. Notably, contracts subject to automatic renewal on January 1, 2019, such as the leases 3/6/9, were excluded due to the exemption on short-duration contracts,
  - an depreciation sum for user rights equal to the provision of contracts for pecuniary interest in application of IAS 37;
- to opt for the exemptions proposed under the standard in relation to leases where the term is less than 12 months as of the date of first application as well as low-value contracts (set at €5,000);
- the group has also opted to exclude the initial direct costs of valuation of the user right at the date of first application.

The group has mainly capitalized its real estate leases, by using, on first application (for not automatically-renewed leases), their remaining life and the corresponding incremental borrowing rate applied to the rent (excluding taxes).

The impacts at January 1, 2019 are as follows *(in € millions)*:

Assets	1/1/2019
Usage rights – Real estate	724
Usage rights – Other	28

Liabilities	1/1/2019
Lease obligations – Real estate	725
Lease obligations – Other	38

Usage rights are recognized as property, plant and equipment and rental obligations in other liabilities. The simplified retrospective approach was used. As permitted by the standard, the group opted to exclude the adjustment variables (initial direct costs, etc.) so that rights of use equal rental liabilities and therefore do not impact equity, with the exception of Cofidis Portugal after application of its local standards (€1 million).

On the determination of the enforceable period of a contract, the IFRIC published its final decision in December 2019. On this basis, the group will analyze the impact of this decision on the current assumptions adopted for the commercial leases 3/6/9 and for the contracts under automatic renewal as quickly as possible. This decision could have the consequence of reviewing the enforceable duration of the contracts mentioned above, and thus modify the amount of the lease debt and the associated usage rights. At this stage, the data is not sufficiently reliable to be able to communicate it.

IFRIC 23 – Uncertainty over Income Tax Treatments

Published on June 7, 2017, the IFRIC interpretation "IFRIC 23 – Uncertainty over Income Tax Treatments" came into effect on January 1, 2019.

This text induces the presumption that the tax authority:

- will audit all amounts reported;
- has access to all required documentation and knowledge.

The entity must assess the probability that the tax authority will or will not accept the position opted for and draw the relevant consequences on its taxable income, losses carried forward, unused tax credits and taxation rates. In the event of an uncertain tax position (i.e. it is likely that the tax authority will not accept the position opted for), the amounts payable are appraised 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.

The scope of this text is limited to corporate income tax (current/deferred). The group estimates that this will not result in any changes compared to the previous practice. At present, a risk is recognized when a tax adjustment is made. Such an adjustment may concern the entity itself, a related entity or a third entity.

The impacts shown on the balance sheet (reclassification of provision for current tax liabilities) are specified in note 20.

Amendments to IAS 39, IFRS 9 and IFRS 7 on the reform of reference rates

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

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

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

In order to ensure a smooth transition, the group has listed the impacts in the legal, commercial, organizational, tools and financial/accounting areas.

It therefore began the work in project mode from the first quarter of 2019.

Concerning the accounting aspects, the group monitors all of the work carried out by the IASB on the effects of the reform of benchmark rates on financial information, which break down into 2 phases:

- Phase 1, for the preparatory period of the reform: handling any potential impact on the existing hedging relationships (due to uncertainties concerning future indices);
- Phase 2, for the period of transition towards the new indices as soon as they are defined: notably, the handling of questions related to the derecognition and documentation of hedging relationships (notably the ineffective part).

Following its adoption by the European Union on January 16, 2020, the group decided to adopt early application of the amendment to the standards IAS 39, IFRS 9 and IFRS 7 published by the IASB, which enables keeping the existing hedging relationships in this exceptional and temporary context, until:

- the uncertainty created by the reform of IBOR rates is lifted concerning the choice of a new index and the effective date of this change; or
- until the cessation of hedging is recognized for reasons independent of the reform.

The group considers that uncertainty remains on the EONIA rate (date of switchover to the €STER in the contracts and on the procedures for transition – spread or adjustment), on the EURIBOR rate (until the contractual modification of financial instruments indexed on this benchmark index) and on the LIBOR rate (uncertainties on replacement rates).

Concerning phase 2, the Crédit Mutuel group took note of the estimated timetable from the IASB on the handling of questions relative to the impact of the reform of rates:

- on the classification and evaluation of financial assets and liabilities;
- on the designations of hedging relationships and the end of the phase 1 exemptions;
- on the impact of the standards IAS 19, IFRS 16 and IFRS 17;
- in matters of the additional information to be provided.

Thus, the stakeholders were informed of the discussion papers of the IASB published on:

- the subjects relative to the assessment of the material character (or not) of a modification of a debt instrument in the case of the IBOR reform and accounting impacts in the case of derecognition;
- amendments to IFRS 9 and IAS 39 foreseen in matters of hedge accounting (hedging documentation, measurement of ineffectiveness).

Other amendments with no impact for the group in 2019

Amendment to IAS 28

This amendment deals with all financial instruments representing "other interests" in a related company or joint venture to which the equity method is not applied, including long-term financial assets that are part of the net investment in a related company or joint venture (for example, loans granted to these entities). This recognition is done in two steps:

- the financial instrument is recognized according to IFRS 9, including the provisions pertaining to the depreciation of the financial assets;
- then the provisions of IAS 28 apply, which may lead to reducing the carrying amount by charging the accumulated losses of the equity consolidated company, when the value of the equity value was already reduced to zero.

In the initial application of this amendment, the issuers may recognize the impacts in the opening equity of 2019, without restating comparative information. At the reporting date, the group had not identified any case within the scope of this amendment.

Amendment to IAS 19

This amendment deals with the consequences of a modification, curtailment or liquidation on the determination of the cost of the services rendered and the net interest. The cost of the services rendered and the net interest for the post-modification, curtailment or liquidation period are necessarily determined by using the valuation assumptions retained for the recognition of these events. At the reporting date, the group was not aware of any cases falling within the scope of this amendment.

Amendment to IAS 12

This amendment specifies that the tax effects of the distribution of dividends on financial instruments classified as equity must be recognized in net profit/(loss). In accounting terms, the dividends are deducted from equity. From a tax standpoint, they are debt instruments whose coupons are deductible.

However, the tax consequences of dividends may be classified in other comprehensive income or in equity, according to the originating events or transactions.

The group recognizes perpetual securities as debt instruments and not as equity. To date, the group is not affected by this amendment.

Amendment to IAS 1 and IAS 8

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

1.2 Scope and methods of consolidation

Consolidating entity

Crédit Mutuel Alliance Fédérale groups 11 federations of Crédit Mutuel: Centre Est Europe, Sud-Est, Île-de-France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranée and Anjou.

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

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

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

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

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

Consolidation scope

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

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

The consolidation scope comprises:

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

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

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

Consolidation methods

The consolidation methods used are the following:

Full consolidation

This method involves replacing the value of the shares held in the subsidiary concerned with each of the assets and liabilities of said subsidiary and showing separately the interests of non-controlling shareholders 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.

The equity method

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

Non-controlling interests

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

Reporting date

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

Elimination of intercompany transactions

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

Conversion of foreign currency accounts

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

Goodwill

Fair value adjustments

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

Goodwill

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

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

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

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

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

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

1.3 Accounting policies and principles

1.3.1 Financial instruments under IFRS 9

1.3.1.1 Classification and measurement of financial instruments

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

Loans, receivables and debt securities acquired

The asset is classified:

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

Cash flow characteristics

Contractual cash flows which solely represent repayments of principal and the payment of interest on outstanding principal are compatible with a "basic" contract.

In a basic contract, interest mainly represents the consideration for the time value of money (including in the event of negative interest) and credit risk. Interest may also include the liquidity risk, administrative fees to manage the asset and a profit margin.

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

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

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

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

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

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

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

Note that:

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

Business models

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

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

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

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

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

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

For other sales, thresholds have been defined based on the maturity of the securities portfolio, for example 2% for an average maturity of 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.

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

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 booked 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 booked to the income statement under interest items.

Commissions received in connection with the commercial renegotiation of loans are recognized over more than one period.

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

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

Financial assets at fair value through 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 in shareholders' equity are only recognized on the income statement in the event of disposal or sustainable impairment (see section "1.3.1.7. Derecognition of financial assets and liabilities" and "1.3.1.8. Measurement of credit risk").

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

Financial assets at fair value through profit or loss

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

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

In 2019, in order to better reflect the interest income and expenses of the transaction instruments, the group also revised the recognition and presentation scheme in the net banking income of the interest income and expenses of some of these financial instruments at fair value through profit or loss and notably proceeded with the following restatements: (i) recording of interest as overall offsets on the lending and borrowing legs of transaction swaps, and (ii) reclassification of interest from hedging derivatives in the "Income and expenses from hedging derivatives" section. As a result, for the purposes of comparability with the interest income and expenses as of December 31, 2019 presented using this definition, the figures published on December 31, 2018 have been restated in note 24.

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

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 comprehensive income 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 "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.

1.3.1.2 Classification and measurement of financial liabilities

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

Financial liabilities measured at fair value through profit or loss

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

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

Financial liabilities at amortized cost

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

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

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

Regulated savings contracts

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

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

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

1.3.1.3 Debt-equity distinction

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

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

1.3.1.4 Foreign currency transactions

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

Monetary financial assets and liabilities

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

Non-monetary financial assets and liabilities

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

1.3.1.5 Derivatives and hedge accounting

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

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

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

Derivatives are financial instruments which have the following three characteristics:

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

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

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

Determining the fair value of derivatives

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

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

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

Classification of derivatives and hedge accounting

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

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

– Embedded derivatives

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

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

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

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

– Recognition

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

Hedge accounting

– Risks hedged

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

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

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

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

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

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

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

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

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

Where applicable, hedge accounting is discontinued prospectively.

– Fair value hedge of identified financial assets or liabilities

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

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

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

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

– Macro-hedging derivatives

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

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

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

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

– Cash flow hedges

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

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

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

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

1.3.1.6 Financial guarantees and financing commitments

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

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

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

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

1.3.1.7 Derecognition of financial assets and liabilities

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

Upon derecognition of:

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

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

1.3.1.8 Measurement of credit risk

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

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

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

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

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

Governance

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

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

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

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

Definition of the boundary between Statuses 1 and 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 corporates, banks, local governments, sovereigns specialized financing. These portfolios are composed of products such as operating loans, short-term operating loans, current accounts;
- high default portfolios (HDP) for which the default data is sufficient to establish a statistical rating model: mass corporate and retail. These portfolios include products such as home loans, consumer credit, revolving loans, current accounts,

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

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

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

- statistical algorithms or "mass ratings" based on one or more models, using a selection of representative and predictive risk variables (HDP); or
- rating grids developed by experts (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 these quantitative criteria the group adds qualitative ones such as installments unpaid or late by more than 30 days, the fact that a loan has been restructured, etc.

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

Statuses 1 and 2 – Calculating expected credit losses

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

These parameters are based on the same values as the prudential models and are adapted to meet the 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 sovereigns 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 dimension over different time horizons other than one year will largely be a function of the one-year dimension.

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

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

Status 3 – Non-performing receivables

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

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

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

- the analysis of default is now done during daily processing at the level of the borrower and no longer at the level of the contract;
- the number of days of delay is assessed at the level of a borrower (obligor) or a group of borrowers (joint obligor) having a common commitment;
- default is triggered when 90 consecutive days of arrears are ascertained at the level of a borrower/group of borrowers. The count of the number of days begins at the simultaneous crossing of the absolute materiality threshold (€100 Retail, €500 Corporate) and the relative materiality threshold (more than 1% of balance sheet commitments in arrears). The borrower arrears are reinitialized as soon as one of these two thresholds are crossed in a downwards direction;
- the default contagion scope extends to all receivables of the borrower, and all individual commitments of borrowers participating in a joint credit obligation;
- the minimum probationary period is three months before return to the "performing" status for non-restructuring assets.

The Crédit Mutuel group has chosen to use the new definition of default on the IRB entities according to the two-step approach proposed by the EBA:

- step 1 – It consists of presenting a self-evaluation and a request for authorization to the supervisor. Authorization for use was obtained by the group in October 2019;
- step 2 – It consists of implementing the new definition of default in the systems, then, where applicable, recalibrating the models after a 12-month observation period of new defaults.

The group considers that the new definition of default as required by the EBA is representative of objective proof of impairment in the accounting sense. The group has thus aligned the definitions of accounting default (Status 3) and prudential default. This change constitutes a change of estimation, for which the non-material impact is booked to profit (loss) during the period of the change.

Originated credit-impaired financial assets

These are contracts for which the counterparty is non-performing on the date of initial recognition or acquisition. If the borrower is non-performing at the reporting date, the contracts are classified into Status 3; otherwise, they are classified as performing loans, identified in an "originated credit-impaired assets" category, and provisioned based on the same method used for exposures in Status 2, i.e. an expected loss over the residual maturity of the contract.

Recognition

Impairment charges and provisions are recorded in "Net provision allocations/reversals for loan losses." Reversals of impairment charges and provisions are recorded in "Net provision allocations/reversals for loan losses" for the portion relating to the change in risk and in "Net interest" for the portion relating to the passage of time. For loans and receivables, impairment is deducted from assets, and for financing and guarantee commitments, the provision is recorded in liabilities under "Provisions" (see section "1.3.1.6 Financial guarantees and financing commitments" and section "1.3.3.2. Provisions"). For assets at fair value through other comprehensive income, the counter-entry for impairments recognized under "Net provision allocations/reversals for loan losses" is booked to "Unrealized or deferred gains and losses."

Loan losses are written off and the corresponding impairments and provisions are reversed.

1.3.1.9 Determination of fair value of financial instruments

Fair value is the amount for which an asset could be sold, or a liability transferred, between knowledgeable willing parties in an arm's length transaction.

The fair value of an instrument upon initial recognition is generally its transaction price.

The fair value must be calculated for subsequent measurements. The calculation method to be applied varies depending on whether the instrument is traded on a market deemed to be active or not.

Financial instruments traded in an active market

When financial instruments are traded in an active market, fair value is determined by reference to their quoted price as this represents the best possible estimate of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available (from a stock exchange, dealer, broker or pricing service), and those prices represent actual market transactions regularly occurring on an arm's length basis.

Financial instruments traded in a not active market

Observable market data are used provided they reflect the reality of a transaction at arm's length on the valuation date and there is no need to make an excessive adjustment to said value. In other cases, the group uses non-observable data (mark-to-model).

When observable data is not available or when market price adjustments require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, comprising adjustments linked to the risks the market would factor in. Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

In all cases, adjustments are made by the group in a reasonable and appropriate manner, based on judgment.

Fair value hierarchy

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

- level 1: 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.

1.3.2 Insurance activities

The insurance departments falling within the Conglomerate Directive benefit from the deferred application of IFRS 9 until 2022, as scheduled by the amendment to IFRS 4 adopted by the European Union. As such, their financial instruments remain valued and recognized in accordance with IAS 39. In terms of presentation, the group chose to adopt an "IFRS audit" approach that allows all financial instruments under IAS 39 to be grouped together under the dedicated asset or liability items rather than by applying ANC recommendation 2017-02 strictly speaking, which entails the presentation of instruments under certain items pursuant to IAS 39 and IFRS 9. Thus, all the financial instruments of the insurance departments are grouped in assets under "Investments in insurance business and shares of reinsurers in technical provisions", and in liabilities under "Liabilities related to insurance business policies", also including technical provisions. Investment property is also affected by the reclassification. The impact in the income statement of financial instruments and technical provisions is included under "Net income from insurance activities". Other assets/liabilities and income statement items are included under the "banking insurance" joint entries. Where relevant, the disclosures required by IFRS 7 are given separately for the insurance business lines.

In accordance with the adoption regulation of November 3, 2017, the group ensures there is no transfer of financial instruments with a derecognition effect, between the insurance and other sectors of the conglomerate, other than those recognized at fair value through profit or loss in both sectors.

The accounting principles and valuation rules specific to assets and liabilities generated by the issue of insurance policies are drafted in accordance with IFRS 4. This also applies to reinsurance contracts issued or subscribed and to financial contracts incorporating a discretionary profit-sharing clause.

Except in the cases outlined above, the other assets held and liabilities issued by the insurance companies follow the rules common to all the group's assets and liabilities.

1.3.2.1 Insurance business line – Financial instruments

Under IAS 39, insurers' financial instruments may be classified in one of the following categories:

- financial assets/liabilities at fair value through profit or loss;
- available-for-sale financial assets;
- held-to-maturity financial assets;
- loans and receivables;
- financial liabilities at amortized cost.

They are grouped in assets under "Investments in insurance business and shares of reinsurers in technical provisions", and in liabilities under "Liabilities related to insurance business policies."

The classification in one or other of these categories reflects the management intention and determines the recognition rules for instruments.

The fair value of these instruments follows the general principles outlined in section 1.3.1.9.

Financial assets and liabilities at fair value through profit or loss

Classification criteria

The classification of instruments in this category is a result either of a genuine intention to trade, or the use of the fair value option.

a) Instruments held for trading

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

b) Instruments at fair value on option

Financial instruments may be classified by choice, from the outset and on an irrevocable basis, at fair value through profit or loss in the following circumstances:

a. financial instruments containing one or more separable embedded derivatives;
b. instruments for which the accounting treatment would be inconsistent with that applied to another related instrument, were the fair value option not applied;
c. instruments belonging to a pool of financial assets measured and managed at fair value.

This option is specifically used in connection with unit-linked contracts for insurance activities, to ensure consistency with the treatment of liabilities.

Basis of valuation and recognition of income and expenses

Assets classified as "Assets at fair value through profit or loss" are recognized when they are entered on the balance sheet at their fair value, and at subsequent closing dates, until disposal. Changes in fair value and the income received or accrued on these assets are recognized on the income statement under "Net income from insurance activities."

Available-for-sale financial assets

Classification criteria

Available-for-sale financial assets include those financial assets not classified as "loans and receivables," or "financial assets held-to-maturity" or "fair value through profit or loss."

Basis of valuation and recognition of income and expenses

They are recognized on the balance sheet at their fair value at the time of their acquisition, and at subsequent reporting dates, until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account, excluding accrued income. These unrealized gains or losses in shareholders' equity are only recognized on the income statement in the event of disposal or sustainable impairment. On disposal, these unrealized gains or losses previously recognized in shareholders' equity are recognized in the income statement, along with capital gains and losses on disposal.

Income accrued or acquired from fixed-income securities is recognized in profit or loss, using the effective interest rate method. They are presented in "Net income from insurance activities," along with dividends received on variable-income securities.

Credit risk and impairment

a) Sustainable impairment, specific to shares and other capital instruments

Impairment is recognized on variable-income-available-for-sale financial assets in the event of a prolonged or significant fall in fair value, compared to cost.

In the case of variable-income securities, the group considers that a fall in the security's value of at least 50% compared to its acquisition cost or over a period of more than 36 consecutive months shall result in an impairment. The analysis is carried out on a line-by-line basis. Judgment is also used when reviewing those securities that do not meet the above criteria, but for which Management believes the recoverability of the amount invested may not reasonably be expected in the near future. The loss is recognized in income under "Net income from insurance activities."

Any subsequent fall is also recognized on the income statement.

Long-term impairment losses on shares or other capital instruments posted in income are irreversible as long as the instrument appears on the balance sheet. In the event of subsequent appreciation, this will be recognized in shareholders' equity under "unrealized or deferred gains or losses."

b) Impairment due to credit risk

Impairment losses on fixed-income-available-for-sale financial assets (specifically bonds) are recognized under "Cost of risk." In fact, only the existence of credit risk may lead to the impairment of these fixed-income instruments, since impairment in the event of loss due to a simple rate increase is not permitted. In the event of impairment, all combined unrealized losses in shareholders' equity must be recognized in profit or loss. These impairments are reversible; any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "Cost of risk," in case of improvement of the issuer's credit situation.

Held-to-maturity financial assets

Classification criteria

This category includes determinable- or fixed-income securities with a maturity date that the entity intends and is able to hold until maturity.

Any interest-rate hedging operations performed on this category of securities are not eligible for hedge accounting as set out in IAS 39.

Furthermore, the possibilities to dispose of or transfer securities of this portfolio are extremely limited, given the provisions of IAS 39, on pain of downgrading the entire portfolio at group level in the "available-for-sale financial assets" category and forbidding access to this category for two years.

Basis of valuation and recognition of income and expenses

Securities classified in this category are initially recognized at fair value, then valued at amortized cost according to the effective interest rate method, which incorporates amortization of premiums and discounts, as well as acquisition expenses, if these are material.

Income received on these securities is given in "Net income from insurance activities" on the income statement.

Credit risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). An analysis is performed at each closing, on a security-by-security basis. Impairment is assessed by comparing the carrying amount and the present value at the original interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "Cost of risk." Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "Cost of risk."

Loans and receivables

Classification criteria

Loans and receivables are determinable- or fixed-income financial assets not quoted on an active market and not intended for sale upon acquisition or grant. They are recognized at their fair value when they initially appear on the balance sheet which is generally the net amount disbursed. These outstandings are then valued on subsequent closing dates at amortized cost using the effective interest rate method (except for those recognized using the fair value option method).

Credit Risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). Impairment is assessed by comparing the carrying amount and the present value at the effective interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "Cost of risk." Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "Cost of risk."

Financial liabilities at amortized cost

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

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

1.3.2.2 Insurance business line – Non-financial assets

Investment property and fixed assets follow the accounting methods outlined elsewhere.

1.3.2.3 Insurance business line – Non-financial liabilities

Insurance liabilities, representing commitments to subscribers and beneficiaries, are included under "technical provisions of insurance policies." They remain valued, recognized and consolidated according to French standards.

The technical provisions of life insurance policies consist primarily of mathematical provisions, which generally correspond to the redemption values of the contracts. The risks covered are primarily death, disability and incapacity for work (for borrower insurance).

Technical provisions for unit-linked contracts are valued on the reporting date based on the realizable value of the assets used to support these contracts.

Provisions for non-life insurance contracts correspond to unearned premiums (portion of premiums issued relating to subsequent fiscal years) and to claims payable.

Those insurance contracts benefiting from a discretionary profit-sharing clause are subject to "mirror accounting." The resulting deferred profit-sharing provision represents the portion of asset capital gains and losses, which accrues to the insured parties. These provisions for deferred profit-sharing appear as liabilities or assets, by legal entity and without offset between entities within the scope of consolidation. On the asset side, they appear as a separate item.

At the reporting date, a liability adequacy test recognized on these contracts (net of other related assets or liabilities, such as deferred acquisition costs and portfolio securities acquired) is conducted: the recognized liability is audited to ensure it is sufficient to hedge estimated future cash flows on that date. Any shortfall in the technical provisions is recognized in profit or loss for the period (and may subsequently be reversed if necessary).

1.3.3 Non-financial instruments

1.3.3.1 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Ownership may or may not eventually be transferred.

An operating lease is any lease that is not a finance lease.

Finance leases – lessor accounting

In accordance with IFRS 16, finance lease transactions with non-group companies are reported in the consolidated balance sheet at their financial accounting amount. Finance lease transactions transfer to lessees almost all of the risks and benefits inherent in ownership of the leased asset.

Thus, the analysis of the economic substance of the transaction results in:

- the leased asset exiting the balance sheet;
- the recognition of a receivable in "Financial assets at amortized cost", for a present value, at the implicit contract rates, of the rental payments to be received under the finance lease contract, increased by any residual value not guaranteed returning to the lessor;
- recognition of deferred taxes pursuant to the time differences existing throughout the life of the finance lease transaction;
- recognition, in net interest margin, of the net income from the lease transaction, this being representative of the constant periodic profitability rate over the exposure remaining due.

Credit risk related to financial receivables is measured and recognized under IFRS 9 (see section 1.3.1.8. "Measurement of credit risk").

Finance leases – lessee accounting

In accordance with IFRS 16, fixed assets are recorded on the balance sheet to offset a liability in "Other liabilities." Lease payments are broken down between interest expense and repayment of principal.

1.3.3.2 Provisions

Provisions and reversals of provisions are classified by type under the corresponding item of income or expenditure.

A provision is recognized whenever it is probable that an outflow of resources representing economic benefits will be necessary to extinguish an obligation arising from a past event and when the amount of the obligation can be estimated accurately. Where applicable, the net present value of this obligation is calculated to determine the amount of the provision to be set aside.

The provisions constituted by the group cover, in particular:

- operating risks;
- social commitments;
- execution risk on signature commitments;
- litigation risk and guarantee commitments given;
- tax risks;
- risks related to mortgage saving agreements.

1.3.3.3 Employee benefits

Where applicable, provisions in respect of employee obligations are recognized under "Provisions." Any movements in this provision are recognized in the income statement under "Employee benefits expense" except for the portion resulting from actuarial gains/(losses), which is recognized in unrealized or deferred gains and losses, under equity.

Post-employment benefits under a defined benefit plan

These comprise the pension plans, early pension plans and supplementary pension plans under which the group has a formal or implicit obligation to provide employees with predefined benefits.

These obligations are calculated using the projected unit credit method, which involves allocating entitlement to benefits to periods of service by applying the contractual formula for calculating plan benefits. Such entitlements are then discounted using demographic and financial assumptions such as:

- a discount rate, determined by reference to the long-term rate on private-sector borrowings consistent with the term of the commitments;
- the rate of increase in wages, assessed according to age group, manager/non-manager position and regional characteristics;
- inflation rates, estimated by comparing French treasury bond rates and inflation-linked French treasury bond rates at different maturities;
- staff turnover rates, determined by age bracket, using the three-year average for the ratio of resignations and dismissals relative to the year-end number of employees under permanent contracts;
- retirement age: estimated on a case-by-case basis using the actual or estimated date of commencement of full-time employment and the assumptions set out in the law reforming pensions, with a ceiling set at 67 years of age;
- mortality according to the INSEE TH/TF 00-02 table.

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

Actuarial gains and losses are recognized in equity, within unrealized or deferred gains and losses. Curtailments and settlements of the plan produce a change in the commitment, which is recognized in the profit (loss) for the period.

Supplementary pensions within the pension funds

The AFB transitional agreement dated September 13, 1993, modified the pension plans of banking institutions. Since the 1st of January 1994, banks are affiliated with the national plans, ARRCO and AGIRC. The four pension funds to which the group's banks contributed were merged. They pay the various benefits covered by the transitional agreement. In the event that fund assets are not sufficient to cover these benefit obligations, the banks are required to make additional contributions. The average contribution rate for the next ten years is capped at 4% of the payroll. The pension fund resulting from the mergers was converted into an IGRS (a French supplementary pension management institution), in 2009. It does not have an asset shortfall.

Other post-employment benefits under a defined benefit plan

Retirement benefits and supplementary pensions, including special schemes, are provisioned. They are assessed on the basis of the rights acquired for all active employees, based in particular on the turnover rate of the staff specific to the consolidated entities and the estimated future salary that the beneficiary will earn upon retirement plus social security contributions, where applicable. In France, retirement benefits in the banking network in France are at least 60% covered by insurance from ACM Vie – an insurance company which is part of the Crédit Mutuel group and is fully consolidated.

Post-employment benefits under a defined contribution plan

Group entities contribute to various pension plans managed by independent organizations, to which they have no formal or implicit obligation to make supplementary payments in the event, notably, that the fund's assets are insufficient to meet its commitments.

Since such plans do not represent a commitment for the group they are not subject to a provision. Expenses are recognized in the fiscal year in which the contribution must be paid.

Long-term benefits

These represent benefits other than post-employment benefits and termination benefits expected to be paid more than 12 months after the end of the fiscal year in which the staff rendered the corresponding service. They include, for example, long service awards.

The group's commitment in respect of other long-term benefits is quantified using the projected unit credit method. However, actuarial gains and losses are recognized immediately in profit or loss.

Commitments for long service awards are sometimes covered by insurance policies. Only the unhedged portion of this commitment is subject to a provision.

Supplemental pension plan for employees

In addition to the mandatory pension plans, the employees of the entities covered by the group collective agreement also benefit from a supplementary defined contribution pension plan provided by ACM Vie SA.

Termination benefits

These are benefits granted by the group when an employment contract is terminated before the usual retirement age or following the employee's decision to leave the group voluntarily in exchange for an indemnity. The related provisions are discounted if payment is expected to take place more than 12 months after the reporting date.

Short-term benefits

These are benefits, other than termination benefits, payable within the 12 months following the reporting date. They include salaries, social security contributions and certain bonuses.

An expense is recognized for these short-term benefits in the fiscal year in which the services granting entitlement to these benefits were rendered to the business.

1.3.3.4 Non-current assets

Non-current assets of which the group is owner

Fixed assets included in the balance sheet include property, plant and equipment and intangible assets, as well as investment properties. Operating assets are used for the production of services or for administrative purposes. Investment property consists of real estate assets held to generate rental income and/or capital gains. The historical cost method is used to recognize both operating and investment properties.

Fixed assets are initially recognized at acquisition cost plus any directly attributable costs necessary to make them operational and usable. They are subsequently measured at amortized historical cost, i.e. their cost less accumulated amortization 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 amount of the asset prospectively. The write-down is repaid in the event of changes to the estimated recoverable amount or if the indications of impairment disappear. The net carrying amount following the reversal of an impairment provision cannot exceed the net carrying amount that would have been calculated if no impairment had been recognized.

Impairment charges and reversals on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement.

Impairment charges and reversals on investment property are recognized in the income statement under "Expenses on other activities" and "Income from other activities," respectively.

Capital gains or losses on disposals of operating assets are recorded in the income statement on the line "Net gains/(losses) on other assets."

Gains and losses on the disposal of investment property are recorded on the income statement on the line "Income from other activities" or "Expenses from other activities."

Non-current assets of which the group is lessee

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

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

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

The group mainly activates its real estate contracts, with the exception of those in a situation of automatic renewal (taking into account the 6-month prior notice for termination). The automotive fleet was only restated where it was locally significant and computer and security equipment were precluded on the grounds of their substitutable nature, in accordance with standards. Only a limited number of IT contracts, deemed to be significant, was deemed to be activated.

Other underlying assets were precluded through short-term or low value exemptions (set at €5,000). The group has no leases that give rise to recognition of intangible assets or investment properties.

Therefore, usage rights are recorded as "Property, plant and equipment," and lease obligations as "Other liabilities." Leasehold rights are reclassified as property, plant and equipment when they concern contracts that are not automatically renewable. Usage rights and lease obligations are subject to deferred tax assets or liabilities for the net amount of the taxable and deductible time differences.

On the income statement, interest charges appear in "interest margin" while depreciation and amortization is presented under the heading dedicated to general operating expenses.

For calculating the lease obligation, we use:

- the contractual term. The group follows the ANC position on commercial leases, pursuant to contractual provisions: any new lease of this type will be capitalized for a term of 9 years. Indeed, from an accounting standpoint, there is no lease term renewal option and consequently, the period for which the contract is enforceable is generally nine years, taking into account the group's choice of location;
- the discount rate is the marginal rate of indebtedness corresponding to the chosen duration. It is a rate that is depreciable by the group's refinancing headquarters;
- the lease payment, excluding taxes. The group is marginally affected by variable lease payments.

1.3.3.5 Fees and Commissions

Fees and commissions in respect of services are recorded as income and expenses according to the nature of the services involved. Thus, fees considered as an additional interest are an integral part of the effective interest rate. These fees and commissions are thus recognized either as interest income or expense.

Fees and commissions linked directly to the grant of a loan are spread using the effective interest method.

Fees and commissions remunerating a service provided on a continuous basis are recognized over the period during which the service is provided.

Fees and commissions remunerating a significant service are recognized in full in the income statement upon execution of the service.

1.3.3.6 Income taxes

The income tax expense includes all tax, both current and deferred, payable in respect of the income for the period under review.

The income tax payable is determined in accordance with applicable tax regulations.

Deferred taxes

As required by IAS 12, deferred taxes are recognized in respect of temporary differences between the carrying amount of an asset or liability on the consolidated balance sheet and its taxable value, with the exception of goodwill.

Deferred taxes are calculated using the liability method, applying the income tax rates known at the end of the fiscal year, and applicable in subsequent fiscal years.

Deferred tax assets net of deferred tax liabilities are recognized only when there is a high probability that they will be utilized. Current or deferred tax is recognized as income or a charge, 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 there is a legal right to do so.

Deferred tax is not discounted.

1.3.3.7 Interest borne by the State for certain loans

Pursuant to measures to support the agricultural and rural sector, as well as the purchase of housing, some group entities grant loans at reduced rates, which are set by the State. Consequently, these entities receive a subsidy from the government equal to the interest rate differential existing between the rate granted to customers and a predefined benchmark rate. As a result, no discounting occurs on loans that benefit from these grants.

The arrangements governing this offset mechanism are periodically reviewed by the State.

The government subsidies received are recognized under "Interest and similar income" and allocated over the life of the corresponding loans, in accordance with IAS 20.

1.3.3.8 Non-current assets classified as held for sale and discontinued operations

Non-current assets, or groups of assets, are classified as held for sale if they are available for sale and there is a high probability that their sale will take place within the next 12 months.

The related assets and liabilities are shown separately in the balance sheet, on the lines "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale." They are recognized at the lower of their carrying amount and their fair value less selling costs and are no longer depreciated or amortized.

Any impairment loss on such assets and liabilities is recognized in the income statement.

Discontinued operations consist of businesses held for sale or which have been discontinued, or subsidiaries acquired exclusively with a view to resale. All gains and losses related to discontinued operations are shown separately in the income statement, on the line "Post-tax gain/(loss) on discontinued operations and assets held for sale."

1.3.4 Judgments and estimates used in the preparation of the financial statements

Preparation of the group's financial statements requires the use of assumptions for the purpose of the necessary measurements, which entails risks and uncertainties as to whether these assumptions will materialize in the future.

The future outcome of such assumptions may be influenced by several factors, in particular:

- the activities of national and international markets;
- fluctuations in interest rates and foreign exchange rates;
- economic and political conditions in certain business sectors or countries;
- regulatory and legislative changes.

Accounting estimates requiring the formulation of assumptions are mainly used for the measurement of the following:

- the fair value of financial instruments not quoted on an active market – the definition of a forced transaction and the definition of observable data require the exercise of judgment;
- pension plans and other future employee benefits;
- impairment of assets, in particular expected credit losses;
- provisions;
- impairment of intangible assets and goodwill;
- deferred tax assets.

1.4 Information pertaining to subsidiaries and associates

Parties related to the group are companies consolidated at the level of the Crédit Mutuel group as a whole, including the other establishments affiliated to the Confédération Nationale du Crédit Mutuel and companies accounted for by the equity method.

Transactions carried out between the group and its subsidiaries and associates are done so under normal market conditions, at the time these transactions are conducted.

The list of consolidated companies is presented in note 3. As transactions carried out and outstandings that exist at the end of the period between the group's fully consolidated companies are totally eliminated in consolidation, data pertaining to these reciprocal transactions is included in the attached tables only when concerning companies over which the group exercises joint control or significant influence and is consolidated using the equity method.

1.5 Standards and interpretations adopted by the European Union and not yet applied

IFRS 17 – Insurance Contracts

This standard will replace IFRS 4, which allows insurance companies to conserve their local accounting principles for their insurance contracts and other contracts within the scope of IFRS 4. This is detrimental to the comparability of financial statements of entities in the sector. The application date, initially scheduled for 2021, is expected to be postponed by at least one year, following an amendment on which a consultation was initiated at the end of June 2019. It is expected that application of IFRS 9 for insurance entities that opted for the delay (case of GCM) will also be deferred to the same date.

The aim of IFRS 17 is to harmonize the recognition of the various types of insurance contracts and to base their valuation on a prospective assessment of insurers' commitments. This requires increasing use of complex models and concepts similar to those of Solvency 2. Financial communication will also have to be broadly adapted.

In spite of the numerous, complex issues raised by the various stakeholders (25 points were noted by the IASB), including French bank insurers, the board limited the subjects included in the report-survey relative to the amendment to the IFRS 17 standard. In particular, this relates to:

- the procedures for first application (the dates of entry into force and temporary exemption from the application of IFRS 9; modification of transitional arrangements and transitional simplifications);
- credit cards or loan contracts with an insurance component;
- the expected collection of cash flows related to contract acquisition fees;
- the rate of amortization to profit/(loss) of the future margin of contracts (Contractual Service Margin/CSM) for contracts including the "return on investment" service and services related to investment;
- the collection of losses on underlying insurance policies for reinsurance policies held;
- the applicability of choices relative to the mitigation of risks to reinsurance policies held (disposal);
- the presentation on the balance sheet of insurance assets and liabilities according to the "portfolio" grid of contracts.

On the other hand, it refused to review the provisions relative to the level of aggregation of insurance policies. Other minor amendments could be ratified through annual improvements to IFRS.

The publication of the final amendments of the IASB is planned for mid-2020.

Lastly, the postponement of the first application of IFRS 17 could be extended by an additional year (namely until January 1, 2023), in the light of the lobbying actions carried out by stakeholders and the process of adopting this standard at the European level.

The group's Insurance divisions are continuing their work of analysis and preparation for the implementation of the provisions of IFRS 17.

The group has also begun studies on financial communication at the conglomerate level in line with the studies of the IASB on primary financial statements.

Note 2 Analysis of the balance sheet and income statement by business segment and geographic area

The businesses are as follows:

- Retail banking comprises the banks of the Crédit Mutuel Alliance Fédérale network, the CIC regional banks, Targobank in Germany and Spain, Cofidis and all specialized businesses whose products are marketed by the network: real estate and equipment leasing, factoring, collective management, employee savings, real estate;
- The insurance business line is composed of Groupe des Assurances du Crédit Mutuel;
- The financing and market activities are composed of:

a) the financing of large companies and institutional customers, structured financing, international business and foreign branches,

b) capital markets, which are composed of investments in interest rate, currency and equities activities, including stock market brokering;

- Private banking brings together companies whose main business occurs in France and abroad;
- Private equity consists of proprietary trading and financial engineering services;
- The holding structure brings together those items that cannot be assigned to another business (holding company) as well as the press and logistics structures: intermediary holdings, non-controlling interests, operating real estate hosted in specific entities, press and IT entities.

Consolidated entities are fully allocated to their core business based on their contribution to the consolidated financial statements. Only two entities are an exception, CIC and BFCM because of their presence in several businesses. In this case, the contribution to the consolidated income statements and balance sheets of these two entities is broken down based on the different business sectors to which they contribute.

2a Balance sheet breakdown by business

12/31/2019	Bank banking	Insurance	Financing and markets	Private banking	Growth equity	Logistics and holding	Total
ASSETS							
Cash, central banks	10,033		1,662	3,151		56,325	71,171
Financial assets at fair value through profit or loss	378		26,072	123	2,880	2,453	31,907
Hedging derivatives	11		467	2		1,941	2,420
Financial assets at amortized cost including:	378,627		23,435	17,490	15	8,606	428,173
■ *Loans and receivables to credit institutions and similar, at amortized cost*	*29,040*		*2,598*	*931*	*1*	*8,255*	*40,825*
■ *Loans and receivables due from customers at amortized cost*	*349,268*		*20,321*	*14,598*	*2*	*347*	*384,535*
Financial assets at fair value through shareholder's equity	342		12,059	59		17,999	30,459
Short-term investments in the insurance business line and reinsurers' share of technical provisions		129,869					129,869
Investments in equity consolidated companies	82	17				521	620
LIABILITIES							
Due to central banks			5			710	715
Financial liabilities at fair value through profit or loss	2		18,488	129		235	18,854
Hedging derivatives – Liabilities	17		1,226	73		976	2,291
Due to credit institutions			36,461				36,461
Due to customers	296,707		13,602	23,719		2,777	336,806
Debt securities	19,277		22,287	16		83,212	124,792

12/31/2018	Retail banking	Insurance	Financing and markets	Private banking	Growth equity	Logistics and holding	Total
ASSETS							
Cash, central banks	4,033		1,679	3,154		47,829	56,696
Financial assets at fair value through profit or loss	466		13,302	150	2,537	2,134	18,590
Hedging derivatives	8		199	9		2,424	2,640
Financial assets at amortized cost	354,867	1	34,649	16,596	23	11,908	418,044
■ *Loans and receivables to credit institutions and similar, at amortized cost*	*25,364*	*1*	*5,549*	*1,502*	*2*	*11,750*	*44,168*
■ *Loans and receivables due from customers at amortized cost*	*329,117*		*28,617*	*12,987*	*12*	*153*	*370,886*
Financial assets at fair value through shareholder's equity	247		11,302	64		15,568	27,182
Short-term investments in the insurance business line and reinsurers' share of technical provisions		122,004					122,004
Investments in equity consolidated companies	64	144				511	719
LIABILITIES							
Due to central banks						350	350
Financial liabilities at fair value through profit or loss	2		3,964	158		268	4,392
Hedging derivatives – Liabilities	9		1,354	81		905	2,350
Due to credit institutions			53,636				53,635
Due to customers	267,516		11,197	21,991	10	3,604	304,319
Debt securities	19,200		16,413	16		84,052	119,680

2b Analysis of income statement by business segment

12/31/2019	Retail banking	Insurance	Financing and markets	Private banking	Growth equity	Logistics and holding	Inter activities	Total
Net Banking Income	10,537	1,779	720	572	265	1,652	-956	14,569
General operating expenses	-6,608	-629	-347	-413	-51	-1,850	956	-8,942
Gross operating income/(loss)	3,929	1,149	373	159	214	-198		5,627
Cost of counterparty risk	-913		-141	6		-13		-1,061
Gains on other assets*	-4	97		2		-9		86
Profit/(loss) before tax	3,013	1,246	232	166	214	-219		4,652
Income tax	-1,042	-374	-19	-34	-1	-39		-1,507
Post-tax net gains and losses on discontinued assets								
Net profit/(loss)	**1,971**	**873**	**214**	**133**	**213**	**-258**		**3,145**
Non-controlling interests								313
Net profit/(loss) attributable to the group								**2,832**

* *Includes net profit/(loss) of entities accounted for using the equity method and impairment losses on goodwill (notes 16 and 19).*

12/31/2018	Retail banking	Insurance	Financing and markets	Private banking	Growth equity	Logistics and holding	Inter activities	Total
Net Banking Income	10,284	1,822	639	551	278	1,330	-835	14,070
General operating expenses	-6,495	-584	-324	-375	-50	-1,722	835	-8,714
Gross operating income/(loss)	3,789	1,238	316	176	229	-391		5,356
Cost of counterparty risk	-867		8	-16	1	-30		-904
Gains on other assets*	6	28	0	26		50		111
Profit/(loss) before tax	2,928	1,267	323	186	230	-371		4,563
Income tax	-1,040	-423	-86	-47	1	25		-1,569
Post-tax net gains and losses on discontinued assets								0
Net profit/(loss)	**1,889**	**844**	**237**	**139**	**231**	**-346**		**2,993**
Non-controlling interests								298
Net profit/(loss) attributable to the group								**2,695**

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

2c Balance sheet breakdown by geographic area

	12/31/2019				12/31/2018			
	France	Europe outside France	Others countries*	Total	France	Europe outside France	Other countries*	Total
ASSETS								
Cash, central banks	63,106	6,396	1,668	71,171	49,464	5,547	1,684	56,696
Financial assets at fair value through profit or loss	28,950	119	2,837	31,907	15,958	155	2,476	18,590
Hedging derivatives	2,414	2	4	2,420	2,626	9	5	2,640
Financial assets at amortized cost	370,800	48,543	8,831	428,173	365,576	44,798	7,669	418,044
of which loans and receivables to credit institutions	*37,932*	*1,156*	*1,737*	*40,825*	*41,532*	*1,790*	*846*	*44,168*
of which loans and receivables to customers	*332,400*	*45,042*	*7,093*	*384,535*	*323,645*	*40,580*	*6,661*	*370,886*
Financial assets at fair value through equity	23,201	259	7,000	30,459	21,235	311	5,636	27,182
Investments in the insurance business line and reinsurers' share of technical provisions	126,211	3,658		129,869	117,708	4,296		122,004
Investment in associates	517	8	95	620	469	19	231	719
LIABILITIES								
Due to central banks	710		4	715	350			350
Financial liabilities at fair value through profit or loss	18,280	130	444	18,854	4,058	159	176	4,392
Hedging derivatives	2,209	74	8	2,291	2,267	81	2	2,350
Due to credit institutions	21,521	7,180	7,761	36,461	38,680	6,695	8,260	53,635
Due to customers	286,932	47,894	1,980	336,806	261,672	41,765	882	304,319
Debt securities	109,019	6,709	9,064	124,792	107,352	5,122	7,206	119,680

* *USA, Singapore, Hong Kong, Saint Martin, Tunisia and Morocco.*

2d Breakdown of income statement items by geographic area

	12/31/2019				12/31/2018			
	France	Europe outside France	Others countries*	Total	France	Europe outside France	Other countries*	Total
Net Banking Income**	11,275	3,098	195	14,569	10,951	2,940	179	14,070
General operating expenses	-7,063	-1,785	-94	-8,942	-6,935	-1,698	-81	-8,714
Gross operating income/(loss)	4,212	1,313	101	5,627	4,016	1,242	98	5,356
Cost of counterparty risk	-605	-444	-12	-1,061	-527	-378	1	-904
Gains on other assets***	79	-12	20	86	-12	32	91	111
Profit/(loss) before tax	3,686	856	110	4,652	3,477	895	190	4,563
Total net profit/(loss)	2,446	593	106	3,145	2,187	631	175	2,993
NET INCOME ATTRIBUTABLE TO THE GROUP	**2,185**	**545**	**102**	**2,832**	**1,949**	**578**	**168**	**2,695**

* *USA, Singapore, Hong Kong, Saint Martin, Tunisia and Morocco.*

** *23.7% of NBI (excluding the logistics and holding business line) was generated abroad in 2019 (2018: 23% of NBI).*

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

Note 3 Consolidation scope

3a Composition of the consolidation scope

In line with the opinion of the French Banking Commission, the group's parent company is made up of the companies included within the scope of globalization. The entities that make it up are:

- Fédération du Crédit Mutuel Centre Est Europe (FCMCEE);
- Fédération du Crédit Mutuel du Sud-Est (FCMSE);
- Fédération du Crédit Mutuel d'Île-de-France (FCMIDF);
- Fédération du Crédit Mutuel de Savoie-Mont Blanc (FCMSMB);
- Fédération du Crédit Mutuel Midi-Atlantique (FCMMA);
- Fédération du Crédit Mutuel Loire-Atlantique Centre-Ouest (FCMLACO);
- Fédération du Crédit Mutuel Centre (FCMC);
- Fédération du Crédit Mutuel Dauphiné-Vivarais (FCMDV);
- Fédération du Crédit Mutuel Méditerranée (FCMM);
- Fédération du Crédit Mutuel Normandie (FCMN);
- Fédération du Crédit Mutuel Anjou (FCMA);
- Caisse Fédérale de Crédit Mutuel (CF de CM);
- Caisse Régionale du Crédit Mutuel Sud-Est (CRCMSE);
- Caisse Régionale du Crédit Mutuel Île-de-France (CRCMIDF);
- Caisse Régionale du Crédit Mutuel de Savoie-Mont Blanc (CRCMSMB);
- Caisse Régionale du Crédit Mutuel Midi-Atlantique (CRCMMA);
- Caisse Régionale du Crédit Loire-Atlantique Centre-Ouest (CRCMLACO);
- Caisse Régionale du Crédit Mutuel Centre (CRCMC);
- Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais (CRCMDV);
- Caisse Régionale du Crédit Mutuel Méditerranée (CRCMM);
- Caisse Régionale du Crédit Mutuel Normandie (CRCMN);
- Caisse Régionale du Crédit Mutuel Anjou (CRMA);
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Centre Est Europe;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Sud-Est;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Île-de-France;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel de Savoie-Mont Blanc;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Midi-Atlantique;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Loire-Atlantique Centre-Ouest;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Centre;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Dauphiné-Vivarais;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Méditerranée;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Normandie;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Anjou.

Since December 31, 2018, the changes in the consolidation scope are as follows:

- Newly consolidated entities: CIC Bruxelles (CIC branch), Satellite, Paysurf, EBRA Services, EBRA events, EBRA Médias Alsace, EBRA Médias LFC, Newco4;
- Mergers, absorptions: Cofacrédit with Factofrance, C2C with BFCM, Adepi with CIC;
- Change in consolidation method: none;
- Name change:
  - CM-CIC Asset Management became Crédit Mutuel Asset Management,
  - CM-CIC Bail became Crédit Mutuel Leasing,
  - CM-CIC Bail Espagne (branch) became Crédit Mutuel Leasing Espagne (branch),
  - CM-CIC Capital became Crédit Mutuel Capital,
  - CM-CIC Caution Habitat became Crédit Mutuel Caution Habitat,
  - CM-CIC Conseil became CIC Conseil,
  - CM-CIC Épargne Salariale became Crédit Mutuel Epargne Salariale,
  - CM-CIC Factor became Crédit Mutuel Factoring,
  - CM-CIC Gestion became Crédit Mutuel Gestion,
  - CM-CIC Home Loan SFH became Crédit Mutuel Home Loan SFH,
  - CM-CIC Immobilier became Crédit Mutuel Immobilier,
  - CM-CIC Innovation became Crédit Mutuel Innovation,
  - CM-CIC Investissement became Crédit Mutuel Equity,
  - CM-CIC Investissement SCR became Crédit Mutuel Equity SCR,
  - CM-CIC Lease became Crédit Mutuel Real Estate Lease,
  - CM-CIC Leasing Benelux became Crédit Mutuel Leasing Benelux,
  - CM-CIC Leasing GmbH became Crédit Mutuel Leasing GmbH,
  - CM-CIC Leasing Nederland (branch) became Crédit Mutuel Leasing Nederland (branch),
  - CM-CIC Leasing Solutions SAS became CCLS Leasing Solutions,
  - CM-CIC services (CCS) became Centre de Conseil et de Service (CCS),
- Deconsolidated entities: Royale Marocaine d'Assurances (RMA Watanya).

		12/31/2019			12/31/2018		
	Country	Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
A. BANKING NETWORK							
Banque Européenne du Crédit Mutuel (BECM)	France	100	98	FC	100	98	FC
BECM Francfort (branch of BECM)	Germany	100	98	FC	100	98	FC
BECM Saint Martin (BECM branch)	Saint Martin	100	98	FC	100	98	FC
Caisse Agricole du Crédit Mutuel	France	100	100	FC	100	100	FC
CIC Est	France	100	98	FC	100	98	FC
CIC Iberbanco	France	100	98	FC	100	98	FC
CIC Lyonnaise de Banque (LB)	France	100	98	FC	100	98	FC
CIC Nord Ouest	France	100	98	FC	100	98	FC
CIC Ouest	France	100	98	FC	100	98	FC
CIC Sud Ouest	France	100	98	FC	100	98	FC
Crédit Industriel et Commercial (CIC)	France	100	98	FC	100	98	FC
CIC Bruxelles (branch of CIC)	Belgium	100	98	FC			
CIC Grand Cayman (branch of CIC)**	Cayman Islands	100	98	FC	100	98	FC
CIC Hong-Kong (CIC branch)	Hong-Kong	100	98	FC	100	98	FC
CIC Londres (branch of CIC)	United Kingdom	100	98	FC	100	98	FC
CIC New York (branch of CIC)	United States	100	98	FC	100	98	FC
CIC Singapore (branch of CIC)	Singapore	100	98	FC	100	98	FC
Targobank AG	Germany	100	98	FC	100	98	FC
Targobank Spain	Spain	100	98	FC	100	98	FC
B. BANKING NETWORK – SUBSIDIARIES							
Bancas	France	50	49	EM	50	49	EM
Banque du Groupe Casino	France	50	49	EM	50	49	EM
Banque Européenne du Crédit Mutuel Monaco	Monaco	100	98	FC	100	98	FC
Cartes et Crédits Consommation (C2C)	France			MGD	100	98	FC
CCLS Leasing Solutions	France	100	98	FC	100	98	FC
Cofacrédit SA	France			MGD	100	98	FC
Cofidis Belgique	Belgium	100	69	FC	100	69	FC
Cofidis France	France	100	69	FC	100	69	FC
Cofidis Espagne (branch of Cofidis France)	Spain	100	69	FC	100	69	FC
Cofidis Hongrie (branch of Cofidis France)	Hungary	100	69	FC	100	69	FC
Cofidis Portugal (branch of Cofidis France)	Portugal	100	69	FC	100	69	FC
Cofidis SA Pologne (branch of Cofidis France)	Poland	100	69	FC	100	69	FC
Cofidis SA Slovaquie (branch of Cofidis France)	Slovakia	100	69	FC	100	69	FC
Cofidis Italy	Italy	100	69	FC	100	69	FC
Cofidis République Tchèque	Czech Republic	100	69	FC	100	69	FC
Creatis	France	100	69	FC	100	69	FC
Crédit Mutuel Asset Management	France	90	92	FC	90	92	FC
Crédit Mutuel Caution Habitat	France	100	98	FC	100	98	FC
Crédit Mutuel Épargne Salariale	France	100	98	FC	100	98	FC
Crédit Mutuel Factoring	France	95	96	FC	95	96	FC
Crédit Mutuel Gestion	France	100	92	FC	100	92	FC
Crédit Mutuel Home Loan SFH	France	100	98	FC	100	98	FC
Crédit Mutuel Leasing	France	100	98	FC	100	98	FC
Crédit Mutuel Leasing Espagne (branch of Crédit Mutuel Leasing)	Spain	100	98	FC	100	98	FC

* *Method: FC = Full consolidation; EM = Equity method; NC = Not Consolidated; MGD = Merged.*

** *Entity included in the accounts of the New York branch, the sole purpose being to refinance the New York branch through borrowing transactions in dollars from money market funds.*

		12/31/2019			12/31/2018		
		Percentage	Percentage		Percentage	Percentage	
	Country	Control	Interest	Method*	Control	Interest	Method*
Crédit Mutuel Leasing Benelux	Belgium	100	98	FC	100	98	FC
Crédit Mutuel Leasing Nederland (branch of Crédit Mutuel Leasing Benelux)***	Nederland	100	98	FC			
Crédit Mutuel Leasing Gmbh	Germany	100	98	FC	100	98	FC
Crédit Mutuel Real Estate Lease	France	100	98	FC	100	98	FC
Factofrance	France	100	98	FC	100	98	FC
FCT CM-CIC Home loans	France	100	98	FC	100	98	FC
Gesteurop	France	100	98	FC	100	98	FC
LYF SA (formerly Fivory)	France	44	43	EM	46	45	EM
Monabanq	France	100	69	FC	100	69	FC
Paysurf	France	100	89	FC			
SCI La Tréflière	France	100	99	FC	100	99	FC
Targo Factoring GmbH	Germany	100	98	FC	100	98	FC
Targo Finanzberatung GmbH	Germany	100	98	FC	100	98	FC
Targo Leasing GmbH	Germany	100	98	FC	100	98	FC
C. CORPORATE BANKING AND CAPITAL MARKETS							
Banque Fédérative du Crédit Mutuel (BFCM)	France	98	98	FC	98	98	FC
Cigogne Management	Luxembourg	100	98	FC	100	98	FC
Satellite	France	100	98	FC			
D. PRIVATE BANKING							
Banque de Luxembourg	Luxembourg	100	98	FC	100	98	FC
Banque de Luxembourg Investments SA (BLI)	Luxembourg	100	98	FC	100	98	FC
Banque Transatlantique (BT)	France	100	98	FC	100	98	FC
Banque Transatlantique Londres (BT branch)	United Kingdom	100	98	FC	100	98	FC
Banque Transatlantique Belgium	Belgium	100	98	FC	100	98	FC
Banque Transatlantique Luxembourg	Luxembourg	100	98	FC	100	98	FC
CIC Suisse	Switzerland	100	98	FC	100	98	FC
Dubly Transatlantique Gestion	France	100	98	FC	100	98	FC
E. PRIVATE EQUITY							
CIC Conseil	France	100	98	FC	100	98	FC
Crédit Mutuel Capital	France	100	98	FC	100	98	FC
Crédit Mutuel Equity	France	100	98	FC	100	98	FC
Crédit Mutuel Equity SCR	France	100	98	FC	100	98	FC
Crédit Mutuel Innovation	France	100	98	FC	100	98	FC
F. LOGISTICS AND HOLDING COMPANY SERVICES							
Actimut	France	100	100	FC	100	100	FC
Banque de Tunisie	Tunisia	35	35	EM	34	33	EM
Caisse Centrale du Crédit Mutuel	France	50	53	EM	50	53	EM
CIC Participations	France	100	98	FC	100	98	FC
Centre de conseil et de service (CCS)	France	100	100	FC	100	100	FC
Cofidis Participations	France	71	69	FC	71	69	FC
Euro Automatic Cash	Spain	50	40	EM	50	40	EM
Euro-Information	France	80	80	FC	80	80	FC
Euro-Information Développements	France	100	80	FC	100	80	FC
EIP	France	100	100	FC	100	100	FC
EI Télécom	France	95	76	FC	95	76	FC

****Included in Crédit Mutuel Leasing Benelux until 2018.*

		12/31/2019			12/31/2018		
		Percentage	Percentage		Percentage	Percentage	
	Country	Control	Interest	Method*	Control	Interest	Method*
Euro Protection Surveillance	France	100	84	FC	100	84	FC
Groupe Républicain Lorrain Communication (GRLC)	France	100	98	FC	100	98	FC
L'Est Républicain	France	100	98	FC	100	98	FC
Lyf SAS	France	45	36	EM	46	36	EM
Mutuelles Investissement	France	100	98	FC	100	98	FC
SAP Alsace	France	100	98	FC	100	98	FC
Société d'Investissements Médias (SIM)	France	100	98	FC	100	98	FC
Société de Presse Investissement (SPI)	France	100	98	FC	100	98	FC
Targo Deutschland GmbH	Germany	100	98	FC	100	98	FC
Targo Dienstleistungs GmbH	Germany	100	98	FC	100	98	FC
Targo Technology GmbH	Germany	100	98	FC	100	98	FC
Targo Technology GmbH Singapore (branch of Targo Technology GmbH)	Singapore	100	98	FC	100	98	FC
G. INSURANCE COMPANIES							
ACM GIE	France	100	78	FC	100	78	FC
ACM IARD	France	97	76	FC	97	76	FC
ACM Services	France	100	78	FC	100	78	FC
ACM Vie SA	France	100	78	FC	100	78	FC
ACM Vie, Société d'Assurance Mutuelle	France	100	100	FC	100	100	FC
Adepi	France			MGD	100	100	FC
Agrupació AMCI d'Assegurances i Reassegurances S.A.	Spain	95	75	FC	95	75	FC
Targopensiones, entidad gestora de fondos de pensiones, S.A.	Spain	100	75	FC	100	75	FC
Agrupació serveis administratius	Spain	100	75	FC	100	75	FC
AMDIF	Spain	100	75	FC	100	75	FC
GACM Seguros, Compañía de Seguros y Reaseguros, SAU (formerly AMGEN)	Spain	100	78	FC	100	78	FC
Asesoramiento en Seguros y Previsión Atlantis SL	Spain	80	63	FC	80	63	FC
Asistencia Avançada Barcelona	Spain	100	75	FC	100	75	FC
ASTREE Assurances	Tunisia	30	23	EM	30	23	EM
Atlantis Asesores SL	Spain	80	63	FC	80	63	FC
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Spain	60	47	FC	60	47	FC
Atlantis Vida, Compañía de Seguros y Reaseguros SA	Spain	88	70	FC	88	70	FC
GACM España	Spain	100	78	FC	100	78	FC
Groupe des Assurances du Crédit Mutuel (GACM)	France	80	78	FC	80	78	FC
ICM Life	Luxembourg	100	78	FC	100	78	FC
Margem-Mediação Seguros, Lda	Portugal	100	69	FC	100	69	FC
MTRL	France	100	100	FC	100	100	FC
NELB (North Europe Life Belgium)	Belgium	100	78	FC	100	78	FC
Nord Europe Life Luxembourg (NELL)	Luxembourg	100	78	FC	100	78	FC
Partners	Belgium	100	78	FC	100	78	FC
Procourtage	France	100	78	FC	100	78	FC
Royale Marocaine d'Assurance	Maroc			NC	22	17	EM
Serenis Assurances	France	100	78	FC	100	78	FC
Targo seguros mediacion	Spain	90	69	FC	90	69	FC

		12/31/2019			12/31/2018		
		Percentage	Percentage		Percentage	Percentage	
	Country	Control	Interest	Method*	Control	Interest	Method*
H. OTHER COMPANIES							
Affiches d'Alsace Lorraine	France	100	97	FC	100	97	FC
Alsacienne de Portage DNA	France	100	97	FC	100	97	FC
Crédit Mutuel Immobilier	France	100	98	FC	100	98	FC
EBRA events	France	100	98	FC			
EBRA Medias Alsace	France	100	97	FC			
EBRA Medias Lorraine Franche Comté	France	100	98	FC			
EBRA services	France	100	98	FC			
Est Bourgogne Médias	France	100	98	FC	100	98	FC
Foncière Massena	France	100	78	FC	100	78	FC
France Régie	France	100	97	FC	100	97	FC
GEIE Synergie	France	100	69	FC	100	69	FC
Groupe Dauphiné Media	France	100	98	FC	100	98	FC
Groupe Progrès	France	100	98	FC	100	98	FC
Groupe Républicain Lorrain Imprimeries (GRLI)	France	100	98	FC	100	98	FC
Journal de la Haute Marne	France	50	49	EM	50	49	EM
La Liberté de l'Est	France	97	95	FC	97	95	FC
La Tribune	France	100	98	FC	100	98	FC
Le Dauphiné Libéré	France	100	98	FC	100	98	FC
Le Républicain Lorrain	France	100	98	FC	100	98	FC
Les Dernières Nouvelles d'Alsace	France	99	97	FC	99	97	FC
Lumedia	Luxembourg	50	49	EM	50	49	EM
Médiaportage	France	100	98	FC	100	98	FC
NEWCO4	France	100	98	FC			
Presse Diffusion	France	100	98	FC	100	98	FC
Publiprint Province no. 1	France	100	98	FC	100	98	FC
Républicain Lorrain Communication	France	100	98	FC	100	98	FC
Républicain Lorrain – TV news	France	100	98	FC	100	98	FC
SCI ACM	France	100	78	FC	100	78	FC
SCI ACM Cotentin	France	100	78	FC	100	78	FC
SCI Le Progrès Confluence	France	100	98	FC	100	98	FC
SCI Provence Lafayette	France	100	78	FC	100	78	FC
SCI 14 Rue de Londres	France	100	78	FC	100	78	FC
SCI Saint Augustin	France	100	78	FC	100	78	FC
SCI Tombe Issoire	France	100	78	FC	100	78	FC
Société d'Édition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	France	100	98	FC	100	98	FC

3b Information on entities included in the consolidation scope

Article L. 511-45 of the French Monetary and Financial Code requires credit institutions to publish information on their establishments and their activities in each state or territory. The country of each establishment is mentioned in the scope of consolidation. The group has no establishments fulfilling the criteria defined in the order dated October 6, 2009 in non-cooperative states or territories shown on the list determined by the order dated April 8, 2016.

Country	Net banking income	Income (loss) before tax	Current tax	Deferred taxes	Other taxes and social security contributions	Workforce	Public subsidies
Belgium	131	37	-9	-1	-8	618	0
Czech republic	8	-2	0	0	-1	137	0
France	11,299	5,497	-1,200	-43	-1,795	52,645	0
Germany	1,687	653	-195	19	-113	5,879	0
Hong Kong	8	4	-1	-0	-1	15	0
Hungary	42	7	-1	-0	-2	351	0
Italy	60	7	-0	0	-5	275	0
Luxembourg	314	124	-20	2	-29	993	0
Monaco	6	4	-1	0	-0	9	0
Morocco*	0	6	0	0	0	0	0
Netherlands	0	0	0	0	-0	1	0
Poland	2	-2	0	0	-0	66	0
Portugal	187	95	-30	5	-7	759	0
Saint Martin (Dutch part)	3	2	-0	-0	-0	8	0
Singapore	66	32	-4	0	-4	139	0
Slovakia	2	-2	0	0	-1	59	0
Spain	445	52	-18	-4	-25	2,341	0
Switzerland	147	53	-5	2	-11	357	0
Tunisia*	0	13	0	0	0	0	0
UK	43	22	-3	0	-4	69	0
United States of America	118	66	3	-2	-9	91	0
TOTAL	**14,569**	**6,667**	**-1,484**	**-23**	**-2,016**	**64,812**	**0**

* *Entities consolidated using the equity method.*

3c Fully consolidated entities with significant non-controlling interests

12/31/2019	Percentage of non-controlling interests in the consolidated financial statements Net income (loss)				Financial information regarding fully-consolidated entities*			
	Percentage of interest/ Percentage of voting rights	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	Net profit/ (loss)	Undis-closed reserves	NBI
Euro Information	20%	21	225	-1	1,659	135	0	1,394
Groupe des Assurances du Crédit Mutuel (GACM)	22%	192	1,923	-405	125,032	860	1,462	1,727
Cofidis Belgique	31%	4	221	0	904	13	-1	96
Cofidis France	31%	23	340	0	9,914	83	-6	555

* *Amounts before elimination of intercompany balances and transactions.*

12/31/2018	Percentage of non-controlling interests in the consolidated financial statements Net income (loss)				Financial information regarding fully-consolidated entities*			
	Percentage of interest/ Percentage of voting rights	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	Net profit/ (loss)	Undis-closed reserves	NBI
Euro Information	20%	19	211	-1	1,495	112	0	1,279
Groupe des Assurances du Crédit Mutuel (GACM)	22%	182	2,035	-74	116,041	806	938	1,722
Cofidis Belgique	31%	4	217	0	852	13	0	97
Cofidis France	31%	19	334	0	8,593	71	-4	546

* *Amounts before elimination of intercompany balances and transactions.*

3d Equity investments in structured non-consolidated entities

- Asset financing:

  The group grants loans to structured entities whose sole purpose is to hold assets to be leased; the rents received enable the structured entity to repay its borrowings. These entities are dissolved following the financing transaction. The group is generally the sole shareholder.

  For this category, the maximum exposure to losses in respect of the structured entities corresponds to the carrying amount of the structured entity's financed asset.

- Collective investment undertakings or funds:

  The group acts as fund manager and custodian. It offers its customers funds in which its purpose is not to invest. The group markets and manages these funds, dedicated or public, and is paid for this by commissions.

For certain funds offering guarantees to unit holders, the group may be the counterparty to swaps put in place. In the exceptional cases where the group is both the manager and investor in such a way that it may be assumed to be acting primarily for proprietary trading, this entity would then be brought within the scope of consolidation.

An interest in a structured non-consolidated entity is a contractual or non-contractual connection that exposes the group to the variable yields associated with the performance of the entity.

The risk of the group is essentially an operational risk of breach of its management mandate or its mandate as custodian and, where applicable, the group is also exposed to risk up to the amounts invested.

No financial support has been granted to the structured entities of the group over the fiscal year.

	12/31/2019			12/31/2018		
	Securitization vehicle (SPV)	Asset management (UCITS/REIT)*	Other structured entities**	Securitization vehicle (SPV)	Asset management (UCITS/REIT)*	Other structured entities **
Total assets	0	28,593	2,350	0	23,733	1,974
Carrying amounts of financial assets	0	13,381	943	0	11,962	949

* *The amounts indicated concern UCITS held at more than 20% and which the group manages, including account units held by insured parties.*

** *The other structured entities correspond to asset financing entities.*

3e Non-current assets and liabilities held for sale

	12/31/2019	12/31/2018
Non-current assets held for sale	726	0
Non-current liabilities held for sale	725	0

These non-current assets and liabilities held for sale include the sale of the NELL portfolio by our subsidiary Groupe des Assurances du Crédit Mutuel.

The disposal of the NELL portfolio will take place during the first quarter of 2020, effective January 1, 2020. The sale of this portfolio contributed by a network of brokers also includes the purchaser's acquisition of the entire NELL workforce.

The assets and liabilities relating to this portfolio are presented in the balance sheet of the financial statements, in accordance with IFRS 5, under line items: "Non-current assets held for sale" and "Debt related to non-current assets held for sale."

Note 4 Cash, central banks (asset/liability)

	12/31/2019	12/31/2018
Cash, central banks – asset		
Due to central banks	69,797	55,460
of which mandatory reserves	*2,959*	*2,745*
Cash	1,374	1,236
Total	**71,171**	**56,696**
Central banks – liability	**715**	**350**

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

5a Financial assets at fair value through profit or loss

	12/31/2019				12/31/2018			
	Transaction	Fair value option	Other FVPL	Total	Transaction	Fair value option	Other FVPL	Total
Securities	**11,378**	**437**	**4,721**	**16,536**	**10,455**	**418**	**4,413**	**15,286**
■ Government securities	941	0	0	941	774	0	0	774
■ Bonds and other debt securities	9,788	437	150	10,375	9,135	418	149	9,702
Listed	9,788	97	25	9,910	9,135	82	25	9,242
Non-listed	0	340	125	465	0	336	124	460
of which UCIs	*133*		*1*	*134*	*130*		*7*	*137*
■ Shares and other capital instruments	647		3,590	4,237	546		3,253	3,799
Listed	647		1,212	1,859	546		1,068	1,614
Non-listed	0		2,378	2,378	0		2,185	2,185
■ Long-term investments			981	981			1,011	1,011
Equity investments			347	347			365	365
Other long-term investments			260	260			180	180
Investments in associates			349	349			437	437
Other long-term investments			25	25			29	29
Derivative instruments	**3,011**			**3,011**	**3,302**			**3,302**
Loans and receivables	**12,360**	**0**	**0**	**12,360**		**0**	**0**	**0**
of which pensions[1]	*12,360*	*0*		*12,360*		*0*		*0*
TOTAL	**26,749**	**437**	**4,721**	**31,907**	**13,757**	**418**	**4,413**	**18,588**

(1) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost (10b and 10c).

LIST OF MAIN NON-CONSOLIDATED EQUITY INVESTMENTS RECOGNIZED AT FAIR VALUE THROUGH PROFIT OR LOSS

		% held	Equity	Total assets	NBI or revenue	Net profit/ (loss)
Banque Marocaine du Commerce Extérieur (BMCE Bank of Africa)[1]	Listed	< 30%	23,842	295,547	13,233	2,809
Crédit Logement	Unlisted	< 10%	1,709	10,813	204	102
CRH (Caisse de Refinancement de l'Habitat)	Unlisted	< 20%	563	28,103	2	0

(1) BMCE Bank of Africa deconsolidated in 2018 following the loss of significant influence by the group. BMCE Bank of Africa shares are now recognized at fair value through profit or loss. Figures expressed in millions of Moroccan dirhams.

The figures (except the percentage held) relate to fiscal year 2018.

5b Financial liabilities at fair value through profit or loss

	12/31/2019	12/31/2018
Financial liabilities held for trading[1]	18,854	4,392
Financial liabilities at fair value through profit or loss on option	0	0
TOTAL	**18,854**	**4,392**

FINANCIAL LIABILITIES HELD FOR TRADING

	12/31/2019	12/31/2018
Short sales of securities	979	1,227
■ Government securities	0	3
■ Bonds and other debt securities	357	585
■ Shares and other capital instruments	622	639
Debts in respect of securities sold under repurchase agreements[1]	15,084	0
Trading derivatives	2,786	3,160
Other financial liabilities held for trading	5	5
TOTAL	**18,854**	**4,392**

(1) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost (11b and 11c).

5c Analysis of trading derivatives

	12/31/2019			12/31/2018 restated[1]		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	284,884	1,735	1,534	309,045	1,945	1,814
Swaps	156,489	1,614	1,325	72,900	1,600	1,682
Other firm contracts[1]	97,408	2	1	211,268	6	4
Options and conditional instruments	30,987	119	208	24,877	339	128
Foreign exchange derivatives	121,205	1,022	845	123,103	980	881
Swaps	87,027	40	38	88,357	37	44
Other firm contracts	9,460	915	740	7,749	846	740
Options and conditional instruments	24,718	67	67	26,997	97	97
Other than rates and foreign exchange	26,833	255	407	27,187	375	466
Swaps	11,057	112	171	10,668	93	130
Other firm contracts	11,014	12	101	8,401	14	90
Options and conditional instruments	4,762	131	135	8,118	268	246
TOTAL	**432,922**	**3,011**	**2,786**	**459,335**	**3,300**	**3,161**

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. Moreover, the value of derivatives takes counterparty risk into account.

(1) In order to improve the data used in the FINREP reporting, the group carried out a review of the chart of accounts. This resulted in the creation of new notional accounts, and the reclassification of certain accounts from "Transaction" to "Hedging." The published notional amount at December 31, 2018 was €282,649 million, and has been restated accordingly.

Note 6 Hedging

6a Hedging derivatives

	12/31/2019			12/31/2018 restated[1]		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Fair Value Hedges	264,358	2,420	2,286	236,951	2,640	2,350
Swaps	49,722	2,422	2,285	61,010	2,643	2,349
Other firm contracts[1]	213,866	0	0	174,885	0	0
Options and conditional instruments	770	(2)	1	1,056	(3)	1
Cash Flow Hedges	267	0	5	0	0	0
Swaps	267	0	5	0	0	0
Other firm contracts	0	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0	0
TOTAL	**264,625**	**2,420**	**2,291**	**236,951**	**2,640**	**2,350**

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. Moreover, the value of derivatives takes counterparty risk into account.

(1) In order to improve the data used in the FINREP reporting, the group carried out a review of the chart of accounts. This resulted in the creation of new notional accounts, and the reclassification of certain accounts from "Transaction" to "Hedging". The published notional amount at December 31, 2018 was €103,504 million, and has been restated accordingly.

MATURITY SCHEDULE OF THE NOMINAL VALUE OF HEDGING DERIVATIVES

	Less than 3 months	3 months to less than 1 year	1 to 5 years	Over 5 years	12/31/2019
Fair Value Hedges	8,237	26,005	126,897	103,219	264,358
Swaps	3,137	14,015	24,293	8,277	49,722
Other firm contracts	5,028	11,775	102,122	94,941	213,866
Options and conditional instruments	71	214	483	1	770
Cash Flow Hedges	89	178	0	0	267
Swaps	89	178	0	0	267
Other firm contracts	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0
TOTAL	**8,326**	**26,183**	**126,897**	**103,219**	**264,625**

	Less than 3 months	3 months to less than 1 year	1 to 5 years	Over 5 years	12/31/2018 restated
Fair Value Hedges	9,292	18,209	95,062	114,387	236,951
Swaps	5,708	7,080	37,626	10,596	61,010
Other firm contracts	3,513	10,915	56,667	103,790	174,885
Options and conditional instruments	71	214	769	1	1,056
TOTAL	**9,292**	**18,209**	**95,062**	**114,387**	**236,951**

6b Revaluation adjustment on rate-hedged books

	12/31/2019	12/31/2018
FAIR VALUE OF PORTFOLIO INTEREST RATE RISK		
■ in financial assets	2,079	1,169
■ in financial liabilities	-4	19

6c Fair Value Hedges

ASSET ITEMS HEDGED

	12/31/2019			12/31/2018		
	Carrying amount	of which revaluation relating to hedging	of which revaluation for the fiscal year	Carrying amount	of which revaluation relating to hedging	of which revaluation for the fiscal year
Loans and receivables due from credit institutions at amortized cost	1,300	0	0	1,503	0	0
Customer loans and receivables at amortized cost	129,511	2,070	9	155,753	1,190	(3)
Securities at amortized cost	1,287	54	3	1,455	55	(20)
Financial assets at FVOCI	18,322	868	0	16,373	109	8
TOTAL	**150,420**	**2,992**	**12**	**175,084**	**1,354**	**(15)**

LIABILITY ITEMS HEDGED

	12/31/2019			12/31/2018		
	Carrying amount	of which revaluation relating to hedging	of which revaluation for the fiscal year	Carrying amount	of which revaluation relating to hedging	of which revaluation for the fiscal year
Debt securities	54,793	1,411	2	53,798	1,031	3
Due to credit institutions	11,831	929	2	12,850	827	2
Due to customers	45,214	27	3	45,048	8	0
TOTAL	**111,838**	**2,367**	**7**	**111,696**	**1,866**	**5**

Note 7 Financial assets at fair value through shareholder's equity

	12/31/2019	12/31/2018
Government securities	10,262	9,574
Bonds and other debt securities	19,577	17,081
■ listed	19,168	16,700
■ non-listed	409	381
Accrued interest	165	156
Debt securities subtotal, gross	**30,004**	**26,811**
of which impaired debt securities (S3)	2	2
Impairment of performing loans (S1/S2)	-17	-11
Other impairment (S3)	-1	-1
Debt securities subtotal, net	**29,986**	**26,799**
Shares and other capital instruments	26	22
■ listed	16	19
■ non-listed	10	3
Long-term investments	447	362
■ Equity investments	44	44
■ Other long-term investments	342	243
■ Investments in associates	61	75
Sub-total, capital instruments	**473**	**384**
TOTAL	**30,459**	**27,183**
of which unrealized capital gains or losses recognized under equity	46	-54
of which listed equity investments.	-6	-6

Note 8 Fair value hierarchy of financial instruments carried at fair value

12/31/2019	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS IFRS 9				
Fair value through other comprehensive income	26,203	3,004	1,253	30,459
Government and equivalent securities	10,342	0	0	10,342
Bonds and other debt securities	15,650	3,001	993	19,645
Shares and other capital instruments	24	2	0	26
Investments and other long-term securities	187	0	199	386
Investments in subsidiaries and associates	0	0	60	60
Trading/Fair value option/Other	10,870	16,471	4,566	31,907
Government securities and similar instruments – Trading	689	201	52	941
Government securities and similar instruments – Fair value option	0	0	0	0
Government securities and similar instruments – Other FVPL	0	0	0	0
Bonds and other debt securities – Trading	8,079	1,510	199	9,788
Bonds and other debt securities – Fair value option	33	0	404	437
Bonds and other debt securities – Other FVPL	102	0	48	150
Shares and other equity instruments – Trading	647	0	0	647
Shares and other capital instruments – Other FVPL[1]	1,203	0	2,388	3,591
Investments and other long-term securities – Other FVPL	2	0	604	606
Investments in subsidiaries and associates – Other FVPL	0	0	374	374
Loans and receivables due from credit institutions – Transaction	0	0	0	0
Loans and receivables due from credit institutions – Other FVPL	0	0	0	0
Loans and receivables due from customers – Transaction	0	12,360	0	12,360
Loans and receivables due from customers – Other FVPL	0	0	0	0
Derivatives and other financial assets – Trading	115	2,399	497	3,011
Hedging derivatives	0	2,418	2	2,420
TOTAL	**37,073**	**21,893**	**5,821**	**64,786**
FINANCIAL ASSETS IAS 39 – INVESTMENTS OF THE INSURANCE BUSINESS LINE				
Fair value through profit or loss	21,623	5,419	0	27,043
Transaction	0	0	0	0
Fair value option – debt securities	2,422	2,273	0	4,695
Fair value option – capital instruments	19,201	3,147	0	22,348
Hedging derivatives	0	0	0	0
Available-for-sale assets	79,714	3,227	633	83,574
Government and equivalent securities	18,256	205	0	18,461
Bonds and other debt securities	47,804	458	0	48,262
Shares and other capital instruments	12,716	2,564	1	15,281
Equity investments, shares in subsidiaries and associates and other long-term investments	937	0	632	1,570
TOTAL	**101,337**	**8,646**	**633**	**110,617**
FINANCIAL LIABILITIES IFRS 9				
Trading/Fair value option	125	18,282	448	18,854
Debt – Trading		15,085		15,085
Derivatives and other financial liabilities – Trading	125	3,197	448	3,770
Hedging derivatives	0	2,271	20	2,291
TOTAL	**125**	**20,553**	**468**	**21,146**
FINANCIAL LIABILITIES RELATED TO IAS 39 INSURANCE BUSINESS POLICIES				
Fair value through profit or loss	1	7,306	0	7,307
Transaction	1	0	0	1
Fair value option	0	7,306	0	7,306
Hedging derivatives	0	0	0	0
TOTAL	**1**	**7,306**	**0**	**7,307**

(1) Notably includes the equity investments held by the group's private equity companies.

- Level 1: price quoted in an active market.
- Level 2: prices quoted in active markets for similar instruments, and measurement method in which all significant inputs are based on observable market information.
- Level 3: measurement based on internal models containing significant unobservable inputs.

Instruments in the trading portfolio classified under levels 2 or 3 mainly consist of derivatives and securities considered as illiquid.

There are uncertainties surrounding the measurement of all these instruments, which result in value adjustments reflecting the risk premium that a market participant would incorporate when establishing the price.

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 and the counterparty risk present in the fair value of over-the-counter derivatives. The methods used may change. The latter include the own counterparty risk present in the fair value of over-the-counter derivatives.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

Fair value hierarchy – Level 3	Opening	Purchases	Sales	Transfers	Gains and losses in the income statement	Gains and losses in equity	Other movements	Closing
Shares and other capital instruments – Other FVPL	2,027	465	-361	0	259	0	-2	2,388

12/31/2018	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS IFRS 9				
Fair value through other comprehensive income	23,080	2,726	1,376	27,182
Government and equivalent securities	9,612	37	0	9,648
Bonds and other debt securities	13,320	2,687	1,152	17,159
Shares and other capital instruments	19	2	0	22
Investments and other long-term securities	129	0	159	288
Investments in subsidiaries and associates	0	0	65	65
Trading/Fair value option/Other	10,658	3,613	4,318	18,589
Government securities and similar instruments – Trading	615	159	0	774
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	7,882	926	327	9,135
Bonds and other debt securities – Fair value option	35	20	363	418
Bonds and other debt securities – Other FVPL	102	0	48	149
Shares and other equity instruments – Trading	546	0	0	546
Shares and other capital instruments – Other FVPL[1]	1,227	0	2,027	3,254
Investments and other long-term securities – Other FVPL	4	1	552	556
Investments in subsidiaries and associates – Other FVPL	0	0	442	442
Derivatives and other financial assets – Trading	247	2,507	560	3,314
Hedging derivatives	0	2,628	11	2,640
TOTAL	**33,738**	**8,967**	**5,706**	**48,411**
FINANCIAL ASSETS IAS 39 – INVESTMENTS OF THE INSURANCE BUSINESS LINE				
Fair value through profit or loss	22,771	4,752	0	27,523
Transaction	0	0	0	0
Fair value option – debt securities	2,275	3,094	0	5,369
Fair value option – capital instruments	20,496	1,658	0	22,154
Hedging derivatives	0	0	0	0
Available-for-sale assets	72,562	2,234	520	75,316
Government and equivalent securities	18,200	104	0	18,303
Bonds and other debt securities	43,811	81	0	43,893
Shares and other capital instruments	9,786	2,024	1	11,811
Equity investments, shares in subsidiaries and associates and other long-term investments	765	25	519	1,309
TOTAL	**95,333**	**6,986**	**520**	**102,839**
FINANCIAL LIABILITIES IFRS 9				
Trading/Fair value option	1,443	2,168	781	4,392
Hedging derivatives	0	2,329	21	2,350
TOTAL	**1,443**	**4,497**	**802**	**6,741**
FINANCIAL LIABILITIES RELATED TO IAS 39 INSURANCE BUSINESS POLICIES				
Fair value through profit or loss	0	6,007	0	6,007
Transaction	0	-1	0	-1
Fair value option	0	6,008	0	6,008
Hedging derivatives	0	0	0	0
TOTAL	**0**	**6,007**	**0**	**6,007**

(1) Notably includes the equity investments held by the group's private equity companies.

Note 9 Details of securitization outstandings

As requested by the banking supervisor and the markets regulator, an analysis is provided below of sensitive exposures based on FSB recommendations.

The trading portfolios and the portfolios of securities at fair value through other comprehensive income were valued at market price based on external data sourced from organized markets, leading brokers or, when no price was available, based on comparable securities quoted in the market.

SUMMARY

	Carrying amount 12/31/2019	Carrying amount 12/31/2018
RMBS	1,561	1,518
CMBS	662	543
CLO	3,561	3,211
Other ABS	2,185	2,404
Sub-total	**7,969**	**7,677**
Lignes de liquidité des programmes ABCP	0	215
TOTAL	**7,969**	**7,892**

Unless otherwise indicated, securities are not hedged by CDS.

EXPOSURES ON 12/31/2019

	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	487	-	65	506	1,059
Amortized cost	53	-	300	533	886
Fair value – Other	8	-	-	-	8
Fair value through other comprehensive income	1,013	662	3,196	1,145	6,016
TOTAL	**1,561**	**662**	**3,561**	**2,185**	**7,969**
France	334	-	571	606	1,511
Spain	112	-	-	188	301
United Kingdom	256	-	136	84	475
Europe excluding France, Spain, United Kingdom	470	-	247	774	1,490
USA	198	662	2,608	254	3,722
Other	190	-		279	468
TOTAL	**1,561**	**662**	**3,561**	**2,185**	**7,969**
US Branches	194	659	-	-	853
AAA	1,163	4	3,410	1,070	5,646
AA	168	-	96	582	846
A	17	-	44	-	60
BBB	7	-	-	25	31
BB	8	-	-	7	15
B or below	4	-	-	-	4
Not rated	-	-	11	502	513
TOTAL	**1,561**	**662**	**3,561**	**2,185**	**7,969**
Origination 2005 and earlier	39	51	-	-	90
Origination 2006-2008	94	-	-	20	114
Origination 2009-2011	65	4	-	-	69
Origination 2012-2019	1,362	607	3,561	2,165	7,696
TOTAL	**1,561**	**662**	**3,561**	**2,185**	**7,969**

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EXPOSURES ON 12/31/2018

	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	472	0	0	253	725
Amortized cost	237	0	260	256	753
Fair value – Other	9				9
Fair value through other comprehensive income	801	543	2,951	1,895	6,190
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
France	251	0	555	644	1,450
Spain	125	0	0	195	320
United Kingdom	344	0	135	211	690
Europe excluding France, Spain, United Kingdom	310	0	363	1,199	1,871
USA	293	543	2,158	1	2,995
Other	197	0		155	351
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
US Branches	125	543	0	0	668
AAA	1,045	0	3,041	1,634	5,719
AA	141	0	120	508	770
A	20	0	38	57	115
BBB	7	0	0	200	207
BB	18	0	0	7	24
B or below	162	0	0	0	162
Not rated	0	0	11	0	11
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
Origination 2005 and earlier	60	0	0	0	60
Origination 2006-2008	283	0	0	56	338
Origination 2009-2011	31	1	0	0	32
Origination 2012-2018	1,144	542	3,211	2,349	7,247
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**

Note 10 Financial assets at amortized cost

	12/31/2019	12/31/2018
Securities at amortized cost	2,813	2,990
Loans and receivables to credit institutions	40,825	44,168
Loans and receivables due from customers	384,535	370,886
TOTAL	**425,360**	**418,044**

10a Securities at amortized cost

	12/31/2019	12/31/2018
Securities	2,969	3,189
■ Government securities	1,663	1,921
■ Bonds and other debt securities	1,306	1,268
Listed	497	489
Non-listed	809	779
Accrued interest	12	14
TOTAL GROSS	**2,981**	**3,203**
of which impaired assets (S3)	*183*	*392*
Impairment of performing loans (S1/S2)	-1	0
Other impairment (S3)	-167	-213
TOTAL NET	**2,813**	**2,990**

10b Loans and receivables due from credit institutions at amortized cost

	12/31/2019	12/31/2018
Performing loans (S1/S2)	40,534	43,890
Crédit Mutuel network accounts[1]	26,187	22,503
Other ordinary accounts	2,940	3,385
Loans	3,195	3,898
Other receivables	6,572	6,927
Pensions[2]	1,641	7,177
Individually-impaired receivables, gross (S3)	0	0
Accrued interest	293	281
Impairment of performing loans (S1/S2)	-2	-3
Other impairment (S3)	0	0
TOTAL	**40,825**	**44,168**

(1) Mainly concerns outstanding CDC repayments (LEP, LDD, Livret bleu, Livret A).

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

10c Loans and receivables due from customers at amortized cost

	12/31/2019	12/31/2018
Performing loans (S1/S2)	365,602	353,154
Commercial loans	15,273	15,357
Other customer receivables	349,718	337,163
■ home loans	191,365	179,338
■ other loans and receivables including repurchase agreements	158,353	157,825
Accrued interest	610	634
Insurance and reinsurance receivables	0	0
Individually-impaired receivables, gross (S3)	11,589	11,150
Receivables, gross	**377,191**	**364,304**
Impairment of performing loans (S1/S2)	-1,866	-1,736
Other impairment (S3)	-6,281	-6,073
Sub Total I	**369,043**	**356,495**
Finance leases (net investment)	15,298	14,263
■ Equipment	10,802	9,983
■ Real estate	4,496	4,280
Individually-impaired receivables, gross (S3)	490	427
Impairment of performing loans (S1/S2)	-108	-110
Other impairment (S3)	-190	-190
Sub Total II	**15,491**	**14,390**
TOTAL	**384,535**	**370,885**
of which subordinated loans	14	13
of which pensions[1]	912	9,205

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

FINANCE LEASE TRANSACTIONS WITH CUSTOMERS

	12/31/2018	Increase	Decrease	Other	12/31/2019
Gross carrying amount	14,690	2,384	-1,273	-13	15,788
Impairment of non-recoverable lease payments	-300	-98	101	-1	-297
Net carrying amount	14,390	2,286	-1,172	-14	15,491

MATURITY ANALYSIS OF MINIMUM FUTURE LEASE PAYMENTS RECEIVABLE UNDER FINANCE LEASES

	< 1 year	> 1 year and < 5 years	> 5 years	Total
Minimum future lease payments receivable	3,971	8,963	2,884	15,819
Present value of future lease payments	3,812	8,733	2,874	15,419
UNEARNED FINANCIAL INCOME	**159**	**230**	**10**	**400**

Note 11 Financial liabilities at amortized cost

11a Debt securities at amortized cost

	12/31/2019	12/31/2018
Certificates of deposit	137	216
Interbank certificates and negotiable debt instruments	56,396	56,406
Bonds	66,421	62,293
Non-preferred senior securities	1,044	0
Related debt	793	766
TOTAL	**124,792**	**119,681**

11b Due to credit institutions

	12/31/2019	12/31/2018
Crédit Mutuel network accounts	0	0
Other ordinary accounts	1,773	2,546
Borrowings	16,230	15,934
Other debt	5,156	6,158
Pensions[1][2]	13,257	28,897
Related debt	46	100
TOTAL	**36,461**	**53,635**

(1) The group participated in TLTRO II (Targeted Long Term Refinancing Operation) proposed by the ECB up to €9,994 million on December 31, 2019.

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

11c Amounts due to customers at amortized cost

	12/31/2019	12/31/2018
Special savings accounts	132,863	126,222
■ Demand	90,901	86,016
■ Term	41,962	40,206
Related liabilities on savings accounts	26	31
Sub-total	**132,889**	**126,253**
Demand accounts	148,568	133,501
Term deposits and borrowings	55,114	42,230
Pensions[1]	3	2,024
Related debt	224	301
Other debt	8	11
Insurance and reinsurance debts	0	0
Sub-total	**203,917**	**178,067**
TOTAL	**336,806**	**304,320**

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

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11d Netting of financial assets and liabilities

				Related amounts not offset in balance sheet			
12/31/2019	Gross value of financial assets	Gross value of financial liabilities offset on balance sheet	Net amounts shown on balance sheet	Impact of master netting agreements	Financial instruments received as guarantee	Cash received (cash collateral)	Net amount
FINANCIAL ASSETS							
Derivatives	8,884	-3,452	5,432	-1,302	0	-2,526	1,604
Pensions	20,526	0	20,526	0	-20,338	-162	25
TOTAL	**29,410**	**-3,452**	**25,958**	**-1,302**	**-20,338**	**-2,689**	**1,629**

				Related amounts not offset in balance sheet			
12/31/2019	Gross amount of financial liabilities	Gross amount of financial assets offset on the balance sheet	Net amounts shown on balance sheet	Impact of master netting agreements	Financial instruments pledged as collateral	Cash collateral paid (cash collateral)	Net amount
FINANCIAL LIABILITIES							
Derivatives	8,530	-3,452	5,078	-1,302	0	-2,244	1,532
Pensions	35,670	0	35,670	0	-35,493	-140	37
TOTAL	**44,200**	**-3,452**	**40,747**	**-1,302**	**-35,493**	**-2,384**	**1,568**

				Related amounts not offset in balance sheet			
12/31/2019	Gross value of financial assets	Gross value of financial liabilities offset on balance sheet	Net amounts shown on balance sheet	Impact of master netting agreements	Financial instruments received as guarantee	Cash received (cash collateral)	Net amount
FINANCIAL ASSETS							
Derivatives	7,517	-1,576	5,941	-1,118	0	-3,194	1,629
Pensions	19,297	0	19,297	0	-19,011	-185	101
TOTAL	**26,814**	**-1,576**	**25,238**	**-1,118**	**-19,011**	**-3,379**	**1,731**

				Related amounts not offset in balance sheet			
12/31/2018	Gross amount of financial liabilities	Gross amount of financial assets offset on the balance sheet	Net amounts shown on balance sheet	Impact of master netting agreements	Financial instruments pledged as collateral	Cash collateral paid (cash collateral)	Net amount
FINANCIAL LIABILITIES							
Derivatives	7,085	-1,576	5,509	-1,150	0	-2,828	1,531
Pensions	37,004	0	37,004	0	-36,206	-791	7
TOTAL	**44,089**	**-1,576**	**42,513**	**-1,150**	**-36,206**	**-3,619**	**1,538**

These disclosures, required by an amendment to IFRS 7, seek to provide a basis for comparison with the treatment under generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IFRS.

The amounts shown in the 2nd column correspond to accounting offsetting, under IAS 32, for transactions processed going through a clearing house.

The "impact of master netting agreements" column corresponds to the outstanding transaction amounts pursuant to enforceable contracts that are not subject to accounting offsetting. These include transactions for which the right to offset is exercised in case of the default, insolvency or bankruptcy of one of the parties to the contracts. They relate to derivatives and repurchase agreements, whether or not processed via clearing houses.

The "Financial instruments received/given in guarantee" column shows the market value of securities exchanged as collateral.

The "Cash collateral received/paid" column shows the guarantee deposits received or given in respect of the positive or negative market values of financial instruments. They are recognized on the balance sheet in the miscellaneous asset or liability accounts.

Note 12 Gross values and movements in impairment provisions

12a Gross values subject to impairment

	12/31/2018 restated[1]	Acquisition/ production	Sale/ redemption	Change in flows[2]	Transfer[3]	Other	12/31/2019
Financial assets at amortized cost – loans and receivables due from credit institutions, subject to	**44,171**	**66,104**	**-69,457**	**9**	**0**	**0**	**40,827**
12 month expected losses (S1)	44,158	66,096	-69,444	9	3	0	40,822
with expected losses at maturity (S2)	13	8	-13	0	-3	0	5
Financial assets at amortized cost – loans and receivables due from customers, subject to[1]	**378,995**	**146,929**	**-133,888**	**440**	**1**	**0**	**392,980**
12 month expected losses (S1)	354,982	126,626	-121,185	54	-1,494	0	358,983
with expected losses at maturity (S2)	12,436	19,259	-9,194	64	-648	0	21,917
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	11,532	1,043	-3,463	322	2,143	0	11,577
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	45	1	-46	0	0	0	0
Financial assets at amortized cost – securities	**3,203**	**3,313**	**-3,649**	**0**	**115**	**0**	**2,981**
with 12-month expected losses (S1)	2,810	3,305	-3,426	0	109	0	2,798
with expected losses at maturity (S2)	0	0	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	392	8	-223	0	6	0	183
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income – debt securities	**26,811**	**12,260**	**-8,955**	**0**	**-112**	**0**	**30,004**
12 month expected losses (S1)	26,702	12,189	-8,921	0	-73	0	29,897
with expected losses at maturity (S2)	107	38	0	0	-40	0	105
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	2	33	-34	0	1	0	2
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0	0	0
TOTAL	**453,180**	**228,606**	**-215,949**	**449**	**4**	**0**	**466,792**

(1) Amounts of Financial Assets at amortized cost – loans and receivables from customers, restated at December 31, 2018 in order to better reflect the economic reality of outstanding finance leases.

(2) Changes in flows not giving rise to derecognition.

(3) Of which Buckets transfer.

12b Movements in impairment provisions

	12/31/2018	Addition	Reversal	Other	12/31/2019
Loans and receivables due from credit institutions	**-3**	**-2**	**3**	**0**	**-2**
of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	-3	-2	3	0	-2
■ expected losses at maturity (S2)	-3	0	0	3	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Customer loans	**-8,109**	**-2,205**	**1,942**	**-73**	**-8,445**
of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	-844	-292	214	5	-917
■ expected losses at maturity (S2)	-1,002	-492	433	5	-1,056
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-6,263	-1,421	1,295	-82	-6,471
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	**-213**	**-1**	**1**	**45**	**-168**
of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	0	-1	0	0	-1
■ expected losses at maturity (S2)	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-213	0	1	45	-167
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	**-12**	**-9**	**3**	**0**	**-18**
of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	-11	-7	3	0	-15
■ expected losses at maturity (S2)	0	-2	0	0	-2
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-1	0	0	0	-1
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
TOTAL	**-8,337**	**-2,217**	**1,949**	**-28**	**-8,633**

Note 13 Investments/assets and liabilities relative to contracts under the insurance business line

13a Short-term investments in the insurance business line and reinsurers' share of technical provisions

FINANCIAL ASSETS

	12/31/2019	12/31/2018
Fair value through profit or loss	27,043	27,523
■ Transaction	0	0
■ Fair value option – debt securities	4,695	5,369
■ Fair value option – capital instruments	22,348	22,154
Hedging derivatives	0	0
Available-for-sale[1]	83,575	75,316
■ Government and equivalent securities	18,461	18,303
■ Bonds and other debt securities	48,263	43,893
■ Shares and other capital instruments	15,281	11,811
■ Equity investments, shares in subsidiaries and associates and other long-term investments	1,570	1,309
Loans and receivables	5,914	3,033
Held-to-maturity	9,066	11,988
Sub-total financial assets	125,598	117,860
Investment properties	**3,476**	**3,383**
Shares of reinsurers in the technical provisions and other assets	**796**	**762**
TOTAL	**129,870**	**122,005**

(1) Of which SPPI assets of €65,424 million.
The fair value of buildings recognized at amortized cost is €4,491 million on 12/31/2019.

LIST OF MAIN NON-CONSOLIDATED EQUITY INVESTMENTS HELD BY INSURANCE COMPANIES

		% held	Equity	Total assets	NBI or Revenue	Net profit/(loss)
Ardian Holding	Unlisted	< 20%	402	872	393	123
Covivio (formerly Foncière des Régions)	Listed	< 10%	11,358	24,384	884	1,143
Covivio Hôtels (formerly Foncière des Murs)	Listed	< 10%	3,304	6,740	225	227
Certas, home and auto insurance company[1]	Unlisted	10%	1,153	6,751	1,937	8

(1) In millions of Canadian dollars.

The figures (except the percentage held) relate to fiscal year 2018.

BREAKDOWN BY STANDARD & POOR'S RATING OF SPPI INSURANCE ASSETS

Standard & Poor's rating	SPPI insurance assets
AAA	12%
AA+	2%
AA	27%
AA-	4%
A+	8%
A	7%
A-	11%
BBB+	9%
BBB	7%
BBB-	0%
BB+	0%
NN*	12%
	100%

* *Not rated.*

13b Liabilities relative to contracts of the insurance business line

TECHNICAL PROVISIONS OF INSURANCE POLICIES

	12/31/2019	12/31/2018
Life	98,720	92,551
Non-life	4,409	3,764
Account units	13,695	12,129
Other	314	307
Total	**117,138**	**108,751**
of which deferred profit sharing liabilities	17,787	12,225
Deferred profit-sharing assets	0	0
Share of reinsurers in the technical provisions	424	348
NET TECHNICAL PROVISIONS	**116,714**	**108,403**

FINANCIAL LIABILITIES

	12/31/2019	12/31/2018
Fair value through profit or loss	7,307	6,007
■ Transaction	1	-1
■ Fair value option	7,306	6,008
Hedging derivatives	0	0
Due to credit institutions	153	167
Debt securities	0	0
Subordinated debt	300	300
Sub-total	**7,760**	**6,474**
Other liabilities	**391**	**339**
Total	**8,151**	**6,813**
TOTAL LIABILITIES RELATED TO INSURANCE BUSINESS POLICIES	**125,289**	**115,564**

Note 14 Income tax

14a Current tax

	12/31/2019	12/31/2018
Assets (through profit or loss)	1,611	1,852
Liabilities (through profit or loss)	787	648

Following the application as of January 1, 2019 of IFRIC 23 – "Uncertainty about Tax Treatments," the group reclassified €150 million from "provisions" (note 20a) to "Current taxes" (note 14a).

14b Deferred tax

	12/31/2019	12/31/2018
Assets (through profit or loss)	1,271	1,291
Assets (through shareholder's equity)	258	182
Liabilities (through profit or loss)	659	650
Liabilities (through shareholder's equity)	636	381

ANALYSIS OF DEFERRED TAXES BY MAJOR CATEGORIES

	12/31/2019		12/31/2018	
	Assets	Liabilities	Assets	Liabilities
Tax loss carried forward				
Temporary differences in				
■ Impairment of financial assets	874		891	
■ Finance leasing undisclosed reserves		396		352
■ Revaluation of financial instruments	602	1,029	437	653
■ Accrued expenses and accrued income	265	95	235	127
■ Earnings of flow-through entities				
■ Tax deficits	3		3	
■ Insurance business line	56	112	74	125
■ Other temporary differences	216	150	111	55
Offsets	-487	-487	-279	-281
TOTAL DEFERRED TAX ASSETS AND LIABILITIES	**1,529**	**1,295**	**1,473**	**1,031**

Deferred taxes are calculated according to the variable carry-forward principles.

Note 15 Accruals and other assets and liabilities

15a Accruals and other assets

	12/31/2019	12/31/2018
ACCRUALS ASSETS		
Collection accounts	260	291
Currency adjustment accounts	385	268
Accrued income	558	533
Other accruals	3,886	3,735
Sub-total	**5,089**	**4,827**
OTHER ASSETS		
Securities settlement accounts	119	104
Miscellaneous receivables	4,039	4,077
Inventories and similar	51	44
Other miscellaneous uses	45	48
Sub-total	**4,254**	**4,273**
TOTAL	**9,343**	**9,100**

15b Accruals and other liabilities

	12/31/2019	12/31/2018
ACCRUALS LIABILITIES		
Accounts unavailable due to recovery procedures	46	26
Currency adjustment accounts	137	85
Accrued expenses	1,536	1,500
Deferred income	1,393	1,463
Other accruals	5,695	6,001
Sub-total	**8,807**	**9,075**
OTHER LIABILITIES		
Lease obligations – Real estate*	673	0
Lease obligations – Other*	26	0
Securities settlement accounts	475	422
Outstanding amounts payable on securities	53	71
Sundry creditors	1,595	1,722
Sub-total	**2,822**	**2,215**
TOTAL	**11,629**	**11,290**

* *As from January 1, 2019, pursuant to IFRS 16 "Leases," the group recognized a lease liability under "Other liabilities" representing its obligation to pay lease rentals. (See note 1.)*

15c Lease obligations by residual term

12/31/2019	≤ 1 year	> 1 year ≤ 3 years	3 years ≤ 6 years	6 years ≤ 9 years	> 9 years	Total
Lease obligations	182	143	149	125	100	699
■ Real estate	169	130	149	125	100	673
■ Other	13	13	0	0	0	26

Note 16 Investments in equity consolidated companies

16a Share of net profit/(loss) of equity consolidated companies

12/31/2019	Country	Share held	Value under equity consolidation method	Share of net profit/(loss)	Dividends received	Fair value of the investment (if listed)
Entities under significant influence						
ASTREE Assurances	Tunisia	30.00%	17	5	1	25
Banque de Tunisie	Tunisia	35.33%	172	9	5	195
Caisse Centrale du Crédit Mutuel**	France	53.48%	349	5	2	NC*
LYF SA (formerly Fivory)	France	43.75%	7	0	0	NC*
Royale Marocaine d'Assurance (ex RMA Watanya)***	Morocco	NA	0	6	0	NC*
Other equity investments			-7	-13		
Total [1]			**536**	**12**	**8**	
Joint venture						
Bancas	France	50.00%	1	0	0	NC*
Euro Automatic Cash	Spain	50.00%	8	-11	0	NC*
Banque du Groupe Casino	France	50.00%	75	7	0	NC*
Total (2)			**84**	**-4**	**0**	
TOTAL (1) + (2)			**620**	**7**	**8**	

* NC: Not communicated.
** Caisse Centrale du Crédit Mutuel continued to be equity consolidated due to a notable influence despite the fact that the voting rights held exceeded 50% in 2019.
***Exclusion of RMA from the consolidation scope in 2019 following the sale of shares held by GACM.

12/31/2018	Country	Share held	Value under equity consolidation method	Share of net profit/(loss)	Dividends received	Fair value of the investment (if listed)
Entities under significant influence						
ASTREE Assurances	Tunisia	30.00%	14	1	1	19
Banque de Tunisie	Tunisia	34.00%	160	16	7	171
Banque Marocaine du Commerce Extérieur (BMCE)**	Morocco	NA	NA	56	19	NA
Caisse Centrale du Crédit Mutuel	France	53.17%	341	7	2	NC*
LYF SA (formerly Fivory)	France	46.00%	8	-1	0	NC*
Royale Marocaine d'Assurance (ex RMA Watanya)	Morocco	22.02%	130	17	12	NC*
Other equity investments			-9	-12		
Total (1)			**643**	**85**	**40**	
Joint venture						
Bancas	France	50.00%	1	0	0	NC*
Euro Automatic Cash	Spain	50.00%	19	-23	6	NC*
Banque du Groupe Casino	France	50.00%	55	5	0	NC*
Total (2)			**75**	**-19**	**6**	
TOTAL (1) + (2)			**719**	**67**	**46**	

* NC: Not communicated.
** BMCE exited from the scope in 2018 following the loss of the significant influence.

16b Financial data published by the main equity consolidated companies

	12/31/2019					
	Total assets	NBI or revenues	GOI	Net profit/(loss)	Reserves OCI	Equity
ENTITIES UNDER SIGNIFICANT INFLUENCE						
ASTREE Assurance[2]	607	131	59	52	21	185
Banque de Tunisie[1][2]	5,990	328	161	111	NC*	839
CCCM	4,786	17	10	9	8	667
LYF SAS	13	1	-27	-28	0	-19
LYF SA	19	0	-1	-1	0	16
Royale Marocaine d'Assurance (formerly RMA Watanya)[1][3]	333,002	18,604	4,264	973	3,800	6,194
JOINT VENTURE						
Euro Automatic Cash	72	14	3	0	2	58
Banque Casino	1,427	164	79	14	0	151

(1) 2018 amounts.
(2) In millions of Tunisian Dinar.
(3) In millions of Moroccan dirham.
* *NC: Not communicated.*

	12/31/2018					
	Total assets	NBI or revenues	GOI	Net profit/(loss)	Reserves OCI	Equity
ENTITIES UNDER SIGNIFICANT INFLUENCE						
ASTREE Assurance[2]	525	122	22	17	55	179
Banque de Tunisie[1][2]	5,279	269	164	136	NC*	801
CCCM	4,700	16	11	9	9	661
LYF SAS	11	1	-26	-26	0	-24
LYF SA	18	-1	-1	-1	0	16
Royale Marocaine d'Assurance (formerly RMA Watanya)[1][3]	351,720	18,695	4,630	1,119	3,961	6,558
JOINT VENTURE						
Euro Automatic Cash	99	20	9	-18	1	56
Banque Casino	1,198	136	63	9	0	112

(1) 2017 amounts.
(2) In millions of Tunisian Dinar.
(3) In millions of Moroccan dirham.
* *NC: Not communicated.*

Note 17 Investment property

	12/31/2018	Increase	Decrease	Other	12/31/2019
Historical cost	160	3	-15	10	158
Depreciation and impairment	-74	-3	2	6	-69
Net amount	**86**	**0**	**-13**	**16**	**89**

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

Note 18 Property, plant and equipment and intangible assets

18a Property, plant and equipment

	12/31/2018	Increase	Decrease	Other[1]	12/31/2019
HISTORICAL COST					
Operating sites	571	7	-8	0	570
Operating buildings	4,973	232	-127	10	5,088
Usage rights – Real estate[1]	0	106	-32	726	800
Usage rights – Other[1]	0	0	0	38	38
Other property, plant and equipment	2,713	394	-328	0	2,779
Total	**8,257**	**739**	**-495**	**774**	**9,275**
DEPRECIATION AND IMPAIRMENT					
Operating sites	-9	-2	0	0	-10
Operating buildings	-3,136	-179	88	-8	-3,235
Usage rights – Real estate	0	-128	4	-9	-133
Usage rights – Other	0	-13	0	0	-13
Other property, plant and equipment	-2,139	-213	135	1	-2,216
Total	**-5,284**	**-535**	**227**	**-16**	**-5,607**
NET AMOUNT	**2,973**	**204**	**-268**	**758**	**3,669**

[1] Of which a €762 million impact from the first application of IFRS 16.

OF WHICH PROPERTIES RENTED UNDER FINANCE LEASES

	12/31/2018	Increase	Decrease	Other	12/31/2019
Operating sites	7				7
Operating buildings	106		-2		104
TOTAL	**113**	**0**	**-2**	**0**	**111**

18b Intangible assets

	12/31/2018	Increase	Decrease	Other	12/31/2019
HISTORICAL COST					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	2,030	123	-22	23	2,154
■ software	519	28	-3	3	547
■ other	1,511	95	-19	20	1,607
Total	**2,030**	**123**	**-22**	**23**	**2,154**
DEPRECIATION AND IMPAIRMENT					
Assets generated internally	0	0	0	0	0
Acquired capital assets	-1,311	-92	5	-20	-1,418
■ software	-474	-20	2	-1	-493
■ other	-837	-72	3	-19	-925
Total	**-1,311**	**-92**	**5**	**-20**	**-1,418**
NET AMOUNT	**719**	**31**	**-17**	**3**	**735**

Note 19 Goodwill

	12/31/2018	Increase	Decrease	Variation in impairment	Other	12/31/2019
Gross goodwill	4,613				0	4,613
Write-downs	-495				0	-495
NET GOODWILL	**4,118**				**0**	**4,118**

Subsidiaries	Value of goodwill on 12/31/2018	Increase	Decrease	Variation in impairment	Other	Value of goodwill on 12/31/2019
Targobank in Germany	2,851					2,851
Crédit Industriel et Commercial (CIC)	497					497
Cofidis Participations	378					378
Cofidis France	79					79
EI Télécom	78					78
Factofrance SA	68					68
GACM Seguros Generales Compañía de Seguros y Reaseguros SA (formerly AMGEN)	53					53
SIIC Foncière Massena	26					26
Crédit Mutuel Equity SCR	21					21
Banque de Luxembourg	13					13
Agrupació AMCI d'Assegurances i Reassegurances S.A.	12					12
Cofidis Italy	9					9
Banque Transatlantique	6					6
Dubly Transatlantique Gestion	5					5
Other	22					22
TOTAL	**4,118**	**0**	**0**	**0**	**0**	**4,118**

The cash generating units to which the goodwill is assigned are subject to at least one test per year of their recoverable amount. Impairment is ascertained by depreciation of goodwill when the recoverable amount is less than the carrying amount.

The recoverable amount is determined according to two types of methods:

- *The fair value net of sales costs, which is based on observation of valuation multiples on comparable transactions or market parameters adopted by the analysts on entities with similar activities;*
- *The value in use, which is based on converting future expected cash flows to current value.*

To determine the value in use, the cash flows are based on business plans determined by the management over a maximum period of five years, then on projection of a flow to infinity according to a long-term growth rate. The latter is fixed at 2% for the whole of Europe, which is an assumption measured in comparison to inflation rates observed over a very long period.

The cash flow discount rates correspond to the cost of capital, which is determined from a long-term riskless rate, to which a risk premium is added. The risk premium is determined by observation of the sensitivity of the price in relation to the market in the case of a listed asset, or by analyst's estimate in non-listed assets. At December 31, 2019, the cost of capital retained for the CGUs for which value in use was used as an impairment test amounted to:

- *9% for retail banking, consumer credit, insurance and finance lease CGUs located in Europe;*
- *7.6% for the EI Telecom CGU.*

The factors used to calculate the cost of capital did not change between 2018 and 2019 year-ends, given economic conditions considered to be similar.

The main sensitivity factors of the recoverable amount test based on the value in use are the discount rate and the expected level of future cash flows, which is itself impacted by the following sensitivity factors:

- *The achievement of business plans;*
- *The perpetual growth rate.*

When the value in use was used as an impairment test, the parameters and their sensitivity were as follows:

	Targobank Allemagne	Cofidis
	Network bank	Consumer loan
Cost of capital	9.00%	9.00%
Effect of a variation upwards of 50 basis points in the cost of capital (impact on goodwill)	-427	-163
Effect of a 1% drop in future flows (impact on goodwill)	-65	-45

If the sensitivity assumptions below were used, goodwill would not be impaired.

Note 20 Provisions and contingent liabilities

20a Provisions

	12/31/2018	Additions for the year	Reversals for the year (utilized provisions)	Reversals for the year (surplus provisions)	Other variations	12/31/2019
Provisions for risks	**410**	**230**	**-94**	**-223**	**66**	**389**
On guarantee commitments	***205***	***98***	***-7***	***-87***	***3***	***212***
■ of which 12-month expected losses (S1)	32	23	0	-18	0	37
■ of which expected losses at maturity (S2)	37	25	0	-25	-1	36
■ of which provisions for execution of commitments upon signature	136	50	-7	-44	4	139
On financing commitments	***61***	***84***	***0***	***-74***	***-1***	***70***
■ of which 12-month expected losses (S1)	50	59	0	-51	0	58
■ of which expected losses at maturity (S2)	10	24	0	-22	0	12
On country risks	***0***	***0***	***0***	***0***	***0***	***0***
Tax provision	***25***	***1***	***0***	***-13***	***-5***	***8***
Provisions for claims and litigation	***84***	***18***	***-18***	***-19***	***-1***	***64***
Provision for risk on miscellaneous receivables	***35***	***30***	***-69***	***-29***	***67***	***34***
Other provisions	**1,535**	**485**	**-134**	**-93**	**-246**	**1,547**
■ Provisions for mortgage saving agreements	199	35	0	0	-1	233
■ Provisions for miscellaneous contingencies[2]	925	302	-100	-50	-134	943
Other provisions[1][2]	411	149	-33	-43	-113	371
Provisions for retirement commitments	**1,321**	**72**	**-26**	**-11**	**206**	**1,562**
TOTAL	**3,266**	**787**	**-254**	**-327**	**26**	**3,498**

(1) Other provisions mainly include provisions for French economic interest groups (GIE) totaling €305 million.
(2) In accordance with IAS 1, the group reclassified €150 million from the "Provisions for miscellaneous contingencies" and "Other provisions" to the "Current tax (liabilities)" (note 14).

20b Retirement and other employee benefits

	12/31/2018	Additions for the year	Reversals for the year	Other variations	12/31/2019
DEFINED-BENEFIT PENSION COMMITMENTS AND RELATED ITEMS EXCLUDING PENSION FUNDS					
Retirement Benefits	942	83	-35	228	1,218
Supplementary pensions	208	12	-11	-50	159
Obligations for long service awards (other long-term benefits)	148	9	-2	13	168
Sub-total recognized	**1,298**	**104**	**-48**	**191**	**1,545**
SUPPLEMENTARY DEFINED-BENEFIT PENSION PLANS INSURED BY GROUP PENSION FUNDS:					
Commitments to employees and retirees[1]	23	0	-1	-5	17
Fair value of assets					
Sub-total recognized	**23**	**0**	**-1**	**-5**	**17**
Other commitments	0	0	0	0	0
TOTAL AMOUNT RECOGNIZED	**1,321**	**104**	**-49**	**186**	**1,562**

DEFINED-BENEFIT PLANS: MAIN ACTUARIAL ASSUMPTIONS

	12/31/2019	12/31/2018
Discount rate[2]	0.75%	1.5%
Expected increase in salaries[3]	Minimum 0.7%	Minimum 1%

(1) The provisions covering shortfalls in pension funds relate to entities located abroad.
(2) The discount rate, which is determined by reference to the long-term rate on private-sector borrowings, is based on the IBOXX index.
(3) The annual increase in salaries is the estimate of future inflation combined with the increase in salaries; it also depends on the age of the employee.

CHANGE TO THE PROVISION RELATIVE TO RETIREMENT BENEFITS

	12/31/2018	Effect of discounting	Financial income	Cost of services rendered	Other, including past service cost	Actuarial difference related to changes in assumptions: demographics	Actuarial difference related to changes in assumptions: financial	Payments to beneficiaries	Contributions to plan	Mobility transfer	Other	12/31/2019
Commitments	1,502	22	0	55	- 1	3	191	- 50	0	0	- 35	1,687
Non-group insurance policies and externally-managed assets	560	0	8	0	0	0	31	0	- 14	0	- 116	469
Provisions	942	22	- 8	55	- 1	3	160	- 50	14	0	81	1,218

Discount rate sensitivity:
Liabilities at 0.25%: 144
Liabilities at 1.25% (+50 bps): -141
Duration: 18

	12/31/2017	Effect of discounting	Financial income	Cost of services rendered	Other, including past service cost	Actuarial difference relating to changes in assumptions: demographics	Actuarial difference relating to changes in assumptions: financial	Payments to beneficiaries	Contributions to plan	Mobility transfer	Other	12/31/2018
Commitments	1,550	20	0	55	-2	3	-80	-51	0	1	5	1,502
Non-group insurance policies and externally-managed assets	569	0	4	0	-1	0	-22	-7	18	0	0	560
Provisions	981	20	-4	55	-1	3	-58	-44	-18	1	5	942

VARIATION IN THE FAIR VALUE OF THE ASSETS OF THE PLAN

	Fair value of assets 12/31/2018	Effect of discounting	Actuarial gain and loss	Yield of the plan assets	Contributions by plan members	Employer contributions	Payments to beneficiaries	Exchange rate effects	Other	Fair value of assets 12/31/2019
Fair value of plan assets	984	4	47	72	- 15	15	- 16	0	3	1,095

	Fair value of assets 12/31/2017	Effect of discounting	Actuarial gain and loss	Yield of the plan assets	Contributions by plan members	Employer contributions	Payments to beneficiaries	Exchange rate effects	Other	Fair value of assets 12/31/2018
Fair value of plan assets	971	8	-17	31	4	58	-35	0	-36	984

BREAKDOWN OF FAIR VALUE OF PLAN ASSETS

	Assets quoted on an active market				Assets not quoted on an active market			
	Debt securities	Capital instruments	Real estate	Other	Debt securities	Capital instruments	Real estate	Other
Composition of the assets of the plan	79%	10%	0%	9%	0%	0%	1%	0%

20c Provisions for risks arising from commitments on mortgage saving agreements

AMOUNTS OUTSTANDING UNDER MORTGAGE SAVING ACCOUNTS AND PLANS

	12/31/2019	12/31/2018
Mortgage saving plans (PEL)		
< 10 years old	22,465	21,022
> 10 years old	10,864	10,963
Total	**33,329**	**31,985**
Amounts outstanding under mortgage saving accounts (CEL)	***3,004***	***2,945***
TOTAL MORTGAGE SAVING AGREEMENTS (ACCOUNTS AND PLANS)	**36,333**	**34,930**

LOANS UNDER MORTGAGE SAVING AGREEMENTS

	12/31/2019	12/31/2018
Outstanding mortgage savings loans behind provisions for risks recognized as balance sheet assets	88	126

PROVISIONS ON MORTGAGE SAVING AGREEMENTS

	12/31/2018	Allowances or net reversals	Other variations	12/31/2019
On mortgage saving accounts	3	(3)	0	0
On mortgage saving plans	194	38	0	232
On loans under mortgage saving agreements	2	(1)	0	1
Total	**199**	**34**	**0**	**233**
PROVISIONS FOR MORTGAGE SAVING PLANS, BY MATURITY				
< 10 years old	142	31	0	173
> 10 years old	52	7	0	59
TOTAL	**194**	**38**	**0**	**232**

Mortgage savings accounts (“CEL”) and mortgage savings plans (“PEL”) are government-regulated retail products available in France. In the initial savings phase, account holders receive interest on amounts paid into these accounts, which subsequently entitle them to a mortgage loan (second phase). They generate two types of obligation for the distributing establishment:

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

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data.

A provision is made as a liability on the balance sheet to cover future expenses relating to the potentially unfavorable conditions of these products, compared to the interest rates offered to individual customers for similar products, but which are not regulated in terms of compensation. This approach is carried out per homogeneous generation in terms of the regulated conditions for PEL. The impacts on profit (loss) are recorded as interest paid to customers.

The change in the provision mainly results from the decline in market rates.

Note 21 Subordinated debt

	12/31/2019	12/31/2018
Subordinated debt	7,119	6,116
Participating loans	20	21
Perpetual subordinated debt	1,006	1,006
Other debt	0	0
Related debt	90	81
TOTAL	**8,235**	**7,224**

PRINCIPAL SUBORDINATED DEBT

In €millions	Type	Date issuance	Amount issuance	Amount reporting date[1]	Rate	Term
Position Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	10/22/2010	€1,000m	€919m	4.00	10/22/2020
Position Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	5/21/2014	€1,000m	€1,000m	3.00	5/21/2024
Position Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	9/11/2015	€1,000m	€1,000m	3.00	9/11/2025
Position Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	3/24/2016	€1,000m	€1,000m	2.375	3/24/2026
Position Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	11/4/2016	€700m	€700m	1.875	11/4/2026
Position Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	3/31/2017	€500m	€500m	2.625	3/31/2027
Position Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	11/15/2017	€500m	€500m	1.625	11/15/2027
Position Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	5/25/2018	€500m	€500m	2.5	5/25/2028
Position Banque Fédérative du Crédit Mutuel	Redeemable subordinated notes	6/18/2019	€1,000m	€1,000m	1.875	6/18/2029
Crédit Industriel et Commercial	Participatory	5/28/1985	€137m	€8m	[2]	[3]
Position Banque Fédérative du Crédit Mutuel	TSS	12/15/2004	€750m	€734m	[4]	TBD
Position Banque Fédérative du Crédit Mutuel	TSS	2/25/2005	€250m	€250m	[5]	TBD

(1) Net intra-group amounts.
(2) Minimum 85% (TAM + TMO)/2 Maximum 130% (TAM + TMO)/2.
(3) Non-amortizable, but reimbursable at borrower's discretion as of 05/28/1997 at 130% of the nominal value revalued by 1.5% per year for future years.
(4) CMS 10 years ISDA CIC +10 basis points.
(5) CMS 10 years ISDA +10 basis points.

Note 22 Reserves related to capital and reserves

22a Shareholders' equity attributable to the group (excluding profit and loss and unrealized gains and losses)

	12/31/2019	12/31/2018
Capital and reserves related to capital	6,482	6,167
■ Capital	6,482	6,167
■ Issue premium, contribution, merger, split, conversion	0	0
Consolidated reserves	33,552	30,926
■ Regulated reserves	6	9
■ Other reserves (including effects related to initial application)	33,430	30,803
of which profit on disposal of capital instruments	-24	6
of which retained earnings	116	114
TOTAL	**40,034**	**37,093**

The share capital of the Crédit Mutuel banks is composed of:

- A shares, non-transferable;
- B shares, transferable;
- P shares, with priority interests.

B shares may only be subscribed by those members holding at least one A share. The Articles of association of the local banks limit the subscription of B shares by any given member to €50,000 (with the exception of reinvestment of dividends paid in B shares). In accordance with the law of September 10, 1947, the capital cannot be lower, following withdrawal of contributions, than one-quarter of the highest amount achieved by the share capital in the past.

The redemption plan for B shares differs according to whether they were subscribed before or after December 31, 1988:

- units subscribed up to December 31, 1988 may be redeemed at the member's request on January 1 each year. This reimbursement, which is subject to compliance with the provisions governing the reduction of capital, is subject to a minimum notice period of three months;
- shares subscribed on or after January 1, 1989 may be redeemed at the member's request upon five years' notice, except in the event of marriage, death or unemployment. These operations are also subject to compliance with the provisions governing the reduction of capital.

By decision of the board of directors and in agreement with the supervisory board, the bank may refund all or part of the shares in this class under the same conditions.

P shares with priority interests are issued by the regional banks of Crédit Mutuel de Normandie and Midi-Atlantique, and by Crédit Mutuel's "Cautionnement Mutuel de l'Habitat" bank, a mutual guarantee company that since 1999 has issued members' shares with priority interests whose subscription is reserved for bonded credit distributors excluding Crédit Mutuel Alliance Fédérale.

As of December 31, 2019, the capital of the Crédit Mutuel banks is as follows:

- €199.3 million for A shares;
- €6,272.4 million for B shares;
- €10.8 million for P shares.

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22b Unrealized or deferred gains and losses

	12/31/2019	12/31/2018
UNREALIZED OR DEFERRED GAINS OR LOSSES* RELATING TO:		
■ Translation adjustments	63	29
■ Insurance business investments (assets available-for-sale)	1,264	794
■ Financial assets at fair value through recyclable shareholders' equity – debt instruments	-29	-25
■ Financial assets at fair value through non-recyclable shareholders' equity – capital instruments	42	-23
■ Hedging derivatives (CFH)	2	3
■ Share of unrealized or deferred gains and losses of associates	-31	-36
■ Actuarial difference of defined benefit plans	-349	-240
TOTAL	**961**	**502**

* *Balances net of corporation tax and after shadow accounting treatment.*

22c Recycling of gains and losses directly recognized in shareholders' equity

	12/31/2019	12/31/2018
	Operations	Operations
Translation adjustments		
Reclassification in income	0	0
Other movements	34	41
Sub-total	**34**	**41**
Remeasurement of financial assets at FVOCI – debt instruments		
Reclassification in income	0	0
Other movements	-5	-167
Sub-total	**-5**	**-167**
Remeasurement of financial assets at FVOCI – capital instruments		
Reclassification in income	0	-1
Other movements	65	55
Sub-total	**65**	**54**
Remeasurement of hedging derivatives		
Reclassification in income	0	0
Other movements	-1	-1
Sub-total	**-1**	**-1**
Revaluation of insurance business investments		
Reclassification in income	-59	0
Other movements	529	-318
Sub-total	**470**	**-318**
Actuarial gains and losses on defined benefit plans	-109	33
Share of unrealized or deferred gains and losses of associates	5	-11
TOTAL	**459**	**-369**

These items are now presented only for the share of equity attributable to the group; this change has also been applied to the amounts from December 31, 2018.

22d Tax related to each category of gains and losses recognized directly in shareholders' equity

	12/31/2019			12/31/2018		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation adjustments	34	0	34	41	0	41
Remeasurement of financial assets at FVOCI – debt instruments	-9	4	-5	-201	34	-167
Remeasurement of financial assets at FVOCI – capital instruments	64	1	65	54	0	54
Remeasurement of hedging derivatives	-1	0	-1	-2	1	-1
Revaluation of insurance business investments	652	-181	470	-478	160	-318
Remeasurement of non-current assets	0	0	0	0	0	0
Remeasurement adjustment due to own credit risk on financial liabilities under fair value option transferred to reserves	0	0	0	0	0	0
Actuarial gains and losses on defined benefit plans	-165	56	-109	37	-4	33
Share of unrealized or deferred gains and losses of associates	5	0	5	-11	0	-11
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY TO EQUITY	**579**	**-120**	**459**	**-560**	**191**	**-369**

These items are now presented only for the share of equity attributable to the group; this change has also been applied to the amounts from December 31, 2018.

Note 23 Commitments given and received

COMMITMENTS GIVEN

	12/31/2019	12/31/2018
Funding commitments	**69,882**	**65,447**
Liabilities due to credit institutions	867	1,143
Commitments to customers	69,015	64,304
Guarantee commitments	**22,816**	**21,878**
Credit institution commitments	4,526	4,527
Customer commitments	18,290	17,351
Securities commitments	**2,389**	**3,440**
Securities acquired with option to repurchase	0	0
Other commitments given	2,389	3,440
Commitments pledged from the insurance business line	**3,907**	**2,562**

COMMITMENTS RECEIVED

	12/31/2019	12/31/2018
Funding commitments	**13,257**	**13,322**
Commitments received from credit institutions	13,257	13,322
Guarantee commitments	**75,830**	**75,943**
Commitments received from credit institutions	48,106	46,296
Commitments received from customers	27,724	29,647
Securities commitments	**976**	**1,598**
Other commitments received	976	1,598
Commitments received from the insurance business line	**6,966**	**4,740**

SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	12/31/2019	12/31/2018
Assets pledged under repurchase agreements	35,716	37,063
Related liabilities	35,624	36,933

OTHER ASSETS GIVEN AS COLLATERAL FOR LIABILITIES

	12/31/2019	12/31/2018
Loaned securities	0	0
Security deposits on market transactions	4,186	4,434
TOTAL	**4,186**	**4,434**

For the purposes of its refinancing activities, the group enters into repurchase agreements in respect of debt securities and/or equity securities. This results in the transfer of the ownership of securities that the transferee may in turn lend. Coupons and dividends are the property of the borrower. These transactions are subject to margin calls and the group is exposed to the non-recovery of the securities.

The other assets given as collateral for liabilities relate to derivatives for which margin calls are paid when their fair value is negative. These amounts comprise the initial margins and those paid subsequently.

Note 24 Interest income and expense

	12/31/2019		12/31/2018 restated[2]		12/31/2018 published	
	Income	Expenses	Income	Expenses	Income	Expenses
Credit institutions and central banks[1]	386	-545	374	-629	374	-629
Customers	9,686	-2,163	9,485	-2,187	12,997	-5,699
■ finance and operating leases	580	-221	549	-199	4,061	-3,711
■ of which lease obligations	0	-7				
Hedging derivatives	2,837	-2,943	3,251	-3,427	3,161	-2,843
Financial instruments at fair value through profit or loss	721	-16	532	-22	4,923	-4,907
Financial assets at fair value through other comprehensive income	460	0	385	0	385	0
Securities at amortized cost	100	0	135	0	135	0
Debt securities	0	-1,879	0	-1,676	0	-1,676
Subordinated debt	0	-9	0	-12	0	-12
TOTAL	**14,190**	**-7,555**	**14,162**	**-7,953**	**21,975**	**-15,766**
of which interest income and expense calculated at the effective interest rate:	*10,633*	*-4,596*	*10,379*	*-4,504*	*13,891*	*-8,016*

(1) Of which a -€330 million impact of negative interest rates on income and €164 million in expenses as at 12/31/2019, and a -€311 million impact of negative interest rates on income and €188 million in expenses as at 12/31/2018.

(2) In 2019, in order to better reflect the interest income and expenses of the transaction instruments, the group also revised the recognition and presentation scheme in the net banking income of the interest income and expenses of some of these financial instruments at fair value through profit or loss and notably proceeded with the following restatements: (i) recording of interest as overall offsets on the lending and borrowing legs of transaction swaps, and (ii) reclassification of interest from hedging derivatives in the "Income and expenses from hedging derivatives." The group has also reviewed the presentation of interest income from finance leases. This is now presented under net interest income. It was previously presented under "Interest income and expenses".

As a result, to ensure comparability with the interest income and expenses as of December 31, 2019, the figures published on December 31, 2018 were restated accordingly.

Note 25 Commission income and expense

	12/31/2019		12/31/2018	
	Income	Expenses	Income	Expenses
Credit institutions	19	-14	9	-7
Customers	1,712	-30	1,752	-29
Securities	866	-45	837	-38
■ of which activities managed on behalf of third parties	649	0	616	0
Derivative instruments	6	-10	4	-8
Currency transactions	20	-2	21	-2
Funding and guarantee commitments	73	-4	67	-3
Services provided	2,042	-1,034	2,227	-1,217
TOTAL	**4,738**	**-1,139**	**4,917**	**-1,304**

Note 26 Net gains on financial instruments at fair value through profit or loss

	12/31/2019	12/31/2018
Trading instruments	294	215
Instruments accounted for under the fair value option	8	29
Ineffective portion of hedges	-27	-18
On fair value hedges (FVH)	-27	-18
■ Change in the fair value of hedged items	865	106
■ Change in fair value of hedging instruments	-892	-124
Foreign exchange gains/(losses)	163	147
Other financial instruments at fair value through profit or loss[1]	334	243
TOTAL CHANGES IN FAIR VALUE	**772**	**616**

(1) Of which €214 million came from private equity business in 2019, compared to €209 million in 2018.

Note 27 Net gains or losses on financial assets at fair value through shareholders' equity

	12/31/2019	12/31/2018
Dividends	10	8
Gains and losses on debt instruments	69	184
TOTAL	**80**	**192**

Note 28 Net gains or losses resulting from derecognition of financial assets at amortized cost

	12/31/2019	12/31/2018
Financial assets at amortized cost		
Gains/(losses) on:	2	1
■ government securities	0	0
■ bonds and other fixed-income securities	2	1
TOTAL	**2**	**1**

Note 29 Net income from the insurance business line

	12/31/2019	12/31/2018
INSURANCE POLICIES		
Premiums earned	11,741	11,652
Service charges	-8,650	-8,670
Change in provisions	-5,239	-1,582
Other technical and non-technical income and expenses	70	101
Net income from investments	4,696	1,079
Net income on insurance policies	**2,618**	**2,580**
Interest margin/fees	-10	-9
Net income on financial assets	**-10**	**-9**
Other net income	**10**	**8**
NET INCOME FROM INSURANCE ACTIVITIES	**2,617**	**2,579**

Note 30 Income/expenses generated by other activities

	12/31/2019	12/31/2018
INCOME FROM OTHER ACTIVITIES		
Investment property:	3	0
■ capital gains on sale	3	0
Rebilled expenses	95	93
Other income	1,832	1,785
Sub-total	**1,930**	**1,878**
EXPENSES ON OTHER ACTIVITIES		
investment property:	-3	-4
■ additions to provisions/depreciation	-3	-4
Other expenses	-1,061	-1,015
Sub-total	**-1,064**	**-1,019**
NET TOTAL OF OTHER INCOME AND EXPENSES	**866**	**859**

Note 31 General operating expenses

	12/31/2019	12/31/2018
Employee benefits expense	-5,171	-5,054
Other expenses	-3,771	-3,660
TOTAL	**-8,942**	**-8,714**

31a Employee benefits expense

	12/31/2019	12/31/2018
Wages and salaries	-3,248	-3,205
Social security contributions	-1,228	-1,192
Short-term employee benefits	-2	-3
Employee profit-sharing and incentive schemes	-351	-311
Payroll-based taxes	-340	-343
Other	-2	0
TOTAL	**-5,172**	**-5,054**

WORKFORCE

Average workforce	12/31/2019	12/31/2018
Bank technical staff	38,508	38,510
Managers	26,304	25,619
TOTAL	**64,812**	**64,129**
France	52,645	52,113
Rest of the world	12,167	12,016
TOTAL	**64,812**	**64,129**
Registered workforce*	71,823	70,499

* *The registered workforce corresponds to the total number of employees at end-of-period for entities controlled by the group, which differs from the average full-time equivalent (so-called FTE) workforce, which focuses solely on full consolidation.*

31b Other operating expenses

	12/31/2019	12/31/2018
Taxes and duties[1]	-473	-472
Leases	-300	-429
■ short-term asset leases[2]	-159	-299
■ low value/substitutable asset leases[3]	-130	-120
■ other leases	-11	-10
Other external services	-2,248	-2,163
Other miscellaneous expenses	-126	-131
TOTAL	**-3,146**	**-1,686**

(1) The entry "Taxes and duties" includes a -€155 million expense as part of the contribution to the Single Resolution Fund in 2019, compared to a -€138 million expense in 2018.
(2) Includes real estate by automatic renewal.
(3) Includes IT equipment.

31c Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets

	12/31/2019	12/31/2018
Depreciation and amortization:	-623	-465
■ property, plant and equipment	-536	-394
including usage rights	-141	
■ intangible assets	-87	-72
Write-downs:	0	-1
■ property, plant and equipment	0	0
■ intangible assets	0	-1
TOTAL	**-623**	**-466**

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Note 32 Cost of counterparty risk

	12/31/2019	12/31/2018
12-month expected losses (S1)	-93	-89
expected losses at maturity (S2)	-24	-73
Impaired assets (S3)	-944	-741
TOTAL	**-1,061**	**-903**

12/31/2019	Allocations	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	Total
12-month expected losses (S1)	**-382**	**289**				**-93**
■ Loans and receivables due from credit institutions at amortized cost	-2	3				1
■ Customer loans and receivables at amortized cost	-291	214				-77
of which finance leases	-28	23				-5
■ Financial assets at amortized cost – securities	-1	0				-1
■ Financial assets at fair value through other comprehensive income – debt securities	-7	3				-4
■ Financial assets at fair value through other comprehensive income – Loans	0	0				0
■ Commitments given	-81	69				-12
Expected losses at maturity (S2)	**-542**	**519**				**-23**
■ Loans and receivables due from credit institutions at amortized cost	0	0				0
■ Customer loans and receivables at amortized cost	-491	433				-58
of which finance leases	-20	21				1
■ Financial assets at amortized cost – securities	0	0				0
■ Financial assets at fair value through other comprehensive income – debt securities	-2	0				-2
■ Financial assets at fair value through other comprehensive income – loans	0	0				0
■ Commitments given	-49	86				37
Impaired assets (S3)	**-1,456**	**1,319**	**-651**	**-299**	**143**	**-944**
■ Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
■ Customer loans and receivables at amortized cost	-1,369	1,232	-646	-294	142	-935
of which finance leases	-15	21	-11	-4	3	-6
■ Financial assets at amortized cost – securities	0	2	0	0	0	2
■ Financial assets at fair value through other comprehensive income – debt securities	-3	3	0	-3	1	-2
■ Financial assets at fair value through other comprehensive income – loans	0	0	0	0	0	0
■ Commitments given	-84	82	-5	-2	0	-9
TOTAL	**-2,380**	**2,126**	**-651**	**-299**	**143**	**-1,061**

12/31/2018	Allocations	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	Total
12-month expected losses (S1)	**-442**	**353**				**-89**
■ Loans and receivables due from credit institutions at amortized cost	-2	1				-1
■ Customer loans and receivables at amortized cost	-387	304				-83
of which finance leases	-41	30				-11
■ Financial assets at amortized cost – securities	0	0				0
■ Financial assets at fair value through other comprehensive income – debt securities	-6	5				-1
■ Financial assets at fair value through other comprehensive income – loans	0	0				0
■ Commitments given	-47	43				-4
Expected losses at maturity (S2)	**-598**	**526**				**-72**
■ Loans and receivables due from credit institutions at amortized cost	0	3				3
■ Customer loans at amortized cost*	-506	478				-28
of which finance leases	-39	45				6
■ 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	-92	45				-47
Impaired assets (S3)	**-1,156**	**1,314**	**-650**	**-393**	**144**	**-741**
■ Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
■ Customer loans and receivables at amortized cost	-1,073	1,247	-640	-384	134	-716
of which finance leases	-31	33	-9	-5	3	-9
■ Financial assets at amortized cost – securities	-4	5	0	0	0	1
■ Financial assets at fair value through other comprehensive income – debt securities	-3	1	-2	-7	10	-1
■ Financial assets at fair value through other comprehensive income – loans	0	0	0	0	0	0
■ Commitments given	-76	61	-8	-2	0	-25
TOTAL	**-2,196**	**2,193**	**-650**	**-393**	**144**	**-902**

Note 33 Net gains/(losses) on disposals of other assets

	12/31/2019	12/31/2018
Tangible and intangible assets	-9	15
■ Capital losses on sale	-31	-24
■ Capital gains on disposals	22	39
Gains/(losses) on disposals of shares in consolidated entities	87	29
TOTAL	**79**	**44**

Note 34 Income tax

BREAKDOWN OF INCOME TAX EXPENSE

	12/31/2019	12/31/2018
Current taxes	-1,602	-1,529
Deferred tax expense	-23	-74
Adjustments in respect of prior years	118	34
TOTAL	**-1,507**	**-1,569**

RECONCILIATION BETWEEN THE RECOGNIZED INCOME TAX EXPENSE AND THE THEORETICAL INCOME TAX EXPENSE

	12/31/2019	12/31/2018
Taxable result	4,645	4,496
Theoretical tax rate	34.43%	34.43%
Theoretical tax expense	**-1,599**	**-1,548**
Impact of preferential “SCR” and “SICOMI” rates	62	78
Impact of reduced rate on long-term capital gains	83	54
Impact of different tax rates paid by foreign subsidiaries	54	44
Permanent differences	-86	-157
Other	-21	-40
Income tax expense	**-1,507**	**-1,569**
Effective tax rate	**32.44%**	**34.90%**

Note 35 Related party transactions

BALANCE SHEET ITEMS PERTAINING TO RELATED PARTY TRANSACTIONS

	12/31/2019		12/31/2018	
	Associates (companies accounted for using the equity method)	Other establishments belonging to the French Confederation	Associates (companies accounted for using the equity method)	Other establishments belonging to the French Confederation
ASSETS				
Financial assets at fair value through profit or loss	24	246	35	42
Financial assets at FVOCI	0	40	0	40
Financial assets at amortized cost	3,486	3,625	3,158	4,673
Investments in insurance business line	0	555	0	609
Other assets	13	6	16	22
TOTAL	**3,522**	**4,472**	**3,209**	**5,387**
LIABILITIES				
Liabilities at fair value through profit or loss	0	36	0	36
Debt securities	0	22	0	29
Due to credit institutions	1,029	660	1,144	1,625
Due to customers	24	517	28	1,532
Liabilities related to insurance business policies	0	173	0	196
Subordinated debt	0	0	0	0
Miscellaneous liabilities	0	5	0	0
TOTAL	**1,053**	**1,413**	**1,172**	**3,417**
Financing commitments given	67	0	115	0
Guarantees given	15	142	15	109
Financing commitments received	0	10	0	0
Guarantees received	0	682	0	629

PROFIT AND LOSS ITEMS PERTAINING TO RELATED PARTY TRANSACTIONS

	12/31/2019		12/31/2018	
	Associates (companies accounted for using the equity method)	Other establishments belonging to the French Confederation	Associates (companies accounted for using the equity method)	Other establishments belonging to the French Confederation
Interest income	(1)	97	2	138
Interest expense	3	(85)	4	(123)
Commission income	1	15	1	15
Commission expense	0	(5)	0	(4)
Net gains/(losses) on financial assets at FVOCI and FVPL	7	12	33	(6)
Net income from insurance activities	(18)	(220)	(13)	(207)
Other income and expenses	25	94	28	107
General operating expenses	2	(24)	3	(19)
TOTAL	**19**	**(116)**	**57**	**(99)**

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Note 36 Fair value hierarchy of financial instruments recognized at amortized cost

The estimated fair values presented are calculated based on observable parameters at December 31, 2019. They are the result of a discounting calculation for future cash flows estimated using a risk-free interest-rate curve to which, for the calculation of assets, is added a credit spread calculated overall for Crédit Mutuel Alliance Fédérale and reviewed each year.

The financial instruments presented in this information are composed of loans and borrowings. They do not include non-monetary items (shares), supplier accounts, other asset and liability accounts, or accruals. Non-financial instruments are not discussed in this section.

The fair value of financial instruments repayable on demand and regulated customer savings deposits equals the amount that may be requested by the customer, i.e. the carrying amount.

A number of group entities may also apply assumptions: the market value is the carrying amount for policies whose terms refer to a floating rate, or whose remaining term is less than or equal to one year.

Readers' attention is drawn to the fact that, except for held-to-maturity financial assets, financial instruments carried at amortized cost are not transferable or are not, in practice, sold prior to maturity. Consequently, capital gains or losses will not be recognized.

However, if financial instruments carried at amortized cost were to be sold, their sale price could differ significantly from the fair value calculated at December 31, 2019.

	12/31/2019						
	Market value	Carrying amount	Unrealized gains or losses	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost – IFRS 9	**443,581**	**428,173**	**15,408**	**2,233**	**48,788**	**392,561**	**443,581**
Loans and receivables due from credit institutions	41,438	40,825	613	0	41,259	179	41,438
Loans and receivables due from customers	399,213	384,535	14,678	0	7,108	392,104	399,213
Securities	2,931	2,813	118	2,233	420	278	2,931
Investments in insurance business line at amortized cost	**15,980**	**14,980**	**1,000**	**10,066**	**5,914**	**0**	**15,980**
Loans and receivables	5,914	5,914	0	0	5,914	0	5,914
Held-to-maturity	10,066	9,066	1,000	10,066	0	0	10,066
Financial liabilities at amortized cost – IFRS 9	**512,387**	**506,294**	**6,093**	**0**	**321,474**	**190,913**	**512,387**
Due to credit institutions	35,732	36,461	-729	0	35,680	52	35,732
Due to customers	339,409	336,806	2,603	0	148,569	190,840	339,409
Debt securities	128,272	124,792	3,480	0	128,251	20	128,272
Subordinated debt	8,974	8,235	739	0	8,974	0	8,974
Insurance business liabilities at amortized cost	**453**	**453**	**0**	**0**	**453**	**0**	**453**
Due to credit institutions	153	153	0	0	153	0	153
Debt securities	0	0	0	0	0	0	0
Subordinated debt	300	300	0	0	300	0	300

	12/31/2018						
	Market value	Carrying amount	Unrealized gains or losses	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost – IFRS 9	**429,159**	**418,044**	**11,116**	**2,284**	**51,749**	**375,126**	**429,159**
Loans and receivables due from credit institutions	44,328	44,168	160	0	44,101	226	44,327
Loans and receivables due from customers	381,674	370,886	10,788	0	7,331	374,343	381,674
Securities	3,158	2,990	168	2,284	317	557	3,158
Investments in insurance business line at amortized cost	**15,919**	**15,021**	**898**	**12,886**	**3,033**	**0**	**15,919**
Loans and receivables	3,033	3,033	0	0	3,033	0	3,033
Held-to-maturity	12,886	11,988	898	12,886	0	0	12,886
Financial liabilities at amortized cost – IFRS 9	**491,472**	**484,859**	**6,613**	**0**	**317,668**	**173,805**	**491,473**
Due to credit institutions	53,124	53,635	-512	0	53,055	69	53,124
Due to customers	307,192	304,319	2,873	0	133,507	173,685	307,192
Debt securities	123,164	119,680	3,483	0	123,112	51	123,164
Subordinated debt	7,993	7,224	769	0	7,993	0	7,993
Insurance business liabilities at amortized cost	**467**	**467**	**0**	**0**	**467**	**0**	**467**
Due to credit institutions	167	167	0	0	167	0	167
Debt securities	0	0	0	0	0	0	0
Subordinated debt	300	300	0	0	300	0	300

Note 37 Relations with the group's key executives

On February 20, 2019 the Board of Directors of Caisse Fédérale de Crédit Mutuel decided to implement a compensation and termination benefits package within Caisse Fédérale de Crédit Mutuel for the Chairman and the Chief Executive Officer as of June 1, 2019. The other positions and functions of the Chairman of the Board of Directors and the Chief Executive Officer within the entities of Crédit Mutuel Alliance Fédérale are exercised on a voluntary basis as of that date.

During the fiscal year, the group's key executives also benefited from the group's collective insurance and supplementary pension plans.

However, the group's key executives did not enjoy any other specific benefits. No capital securities or securities giving access to capital or the right to acquire capital securities of BFCM or the CIC was allocated to them. In addition, they do not receive attendance fees because of their office, whether in group companies or in other companies, but because of their functions within the group.

The group's key executives may hold assets or loans with the group's banks, under the conditions offered to all employees.

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COMPENSATION PAID OVERALL TO KEY EXECUTIVES*

In € thousands	12/31/2019 Overall compensation	12/31/2018 Overall compensation
Corporate officers – management committee – board members receiving compensation	8,143	7,958

* *See also the section on corporate governance.*
The amount of provisions for retirement benefits and long-service awards amounted to €2,471,000 as of December 31, 2019.

On February 20, 2019, the board of directors of the Caisse Fédérale de Crédit Mutuel approved, subject to performance conditions, the payment of:

- termination benefits to Nicolas Théry as Chairman of the board of directors, representing two years of compensation as a corporate officer, i.e. a commitment estimated at €2,380,000 (social security contributions included);
- termination benefits to Daniel Baal as chief executive officer, representing two years of compensation as a corporate officer, i.e. a commitment estimated at €2,398,000 (social security contributions included).

Note 38 Events after the reporting period and other information

The consolidated financial statements of Crédit Mutuel Alliance Fédérale, closed as of December 31, 2019, were approved by the board of directors as of February 19, 2020.

Note 39 Risk exposure

The information on risk exposure as required by IFRS 7 is given in section 4 “Risks in the management report.”

Note 40 Fees to statutory auditors

	12/31/2019			
	Ernst & Young et Autres		PricewaterhouseCoopers France	
	Amount in €m excl. tax	%	Amount in €m excl. tax	%
AUDIT OF THE ACCOUNTS				
■ Parent entity	0.188	5%	0.158	3%
■ Fully consolidated subsidiaries	3.303	82%	3.110	55%
NON-AUDIT SERVICES				
■ Parent entity	0.005	0%	0.050	1%
■ Fully consolidated subsidiaries	0.523	13%	2.291	41%
TOTAL	**4.019**	**100%**	**5.609**	**100%**
of which fees paid to the statutory auditors in France for the statutory audit of the financial statements:	*1.522*		*2.553*	
of which fees paid to the statutory auditors in France for services other than the statutory audit of the financial statements:	*0.236*		*0.398*	

	12/31/2018			
	Ernst & Young et Autres		PricewaterhouseCoopers France	
	Amount in €m excl. tax	%	Amount in €m excl. tax	%
AUDIT OF THE ACCOUNTS				
■ Parent entity	0.241	6%	0.086	2%
■ Fully consolidated subsidiaries	3.061	70%	2.746	61%
NON-AUDIT SERVICES				
■ Parent entity	0.005	0%	-	0%
■ Fully consolidated subsidiaries	1.041	24%	1.686	37%
TOTAL	**4.348**	**100%**	**4.518**	**100%**
of which fees paid to the statutory auditors in France for the statutory audit of the financial statements:	*1.630*		*2.165*	
of which fees paid to the statutory auditors in France for services other than the statutory audit of the financial statements:	*0.620*		*0.372*	

6.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Fiscal year ended December 31, 2019)

To the shareholders' meeting

Crédit Mutuel Alliance Fédérale

Opinion

In performance of the mission entrusted to us by your shareholders' meeting, we have audited the consolidated financial statements of Crédit Mutuel Alliance Fédérale for the year ended December 31, 2019, as appended to this report. The accounts were approved by the board of directors on February 19, 2020 based on the information available at this date against the changing context of the public health crisis linked to Covid-19.

We certify that in accordance with the IFRS as adopted in the European Union, the consolidated financial statements are accurate and sincere, and give a true and fair view of the results of transactions over the past fiscal year as well as the financial position and assets at the end of the fiscal year of the group composed of the persons and entities included within the scope of consolidation.

Basis of the opinion

Accounting basis

We conducted our audit according to applicable professional standards in France. We feel that the items that we collected were of a sufficient and appropriate basis on which to form our opinion.

The responsibilities falling to us pursuant to these standards are set out in the "statutory auditors' responsibilities relating to the audit of the consolidated financial statements" section of this report.

Independence

We performed our audit in accordance with the applicable rules of independence, during the period from January 1, 2019 to the date our report was issued, and in particular, we did not provide any services prohibited by Article 5, paragraph 1, of the (EU) Regulation no. 537/2014 or by the professional code of conduct of statutory auditors.

Observation

Without qualifying the opinion expressed above, we draw your attention to the change in accounting method relating to, on the one hand, the application of the new IFRS 16 "Leases" as of January 1, 2019 and, on the other hand, the presentation, in the income statement, of interest income and expenses on certain financial instruments at fair value through profit and loss and financial leasing and leasing transactions set out in note 1 "Accounting policies and principles" and in the other notes presenting figures linked to these changes in accounting methods.

Justification of the assessments

Under the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, your attention is drawn to the following assessments which, in our professional judgment, have been the most significant in the audit of the consolidated financial statements for the fiscal year.

The assessments made in this way fall within the scope of the audit of the consolidated financial statements taken as a whole, approved under the conditions referred to above, and the formation of our opinion as expressed above. We have no opinion regarding elements of these consolidated financial statements taken separately.

As mentioned above, the notes to the consolidated financial statements set out the change of accounting method relating to the application of the new IFRS 16 "Leases" as well as the change of method relating to the presentation of interest income and expenses on certain financial instruments at fair value through profit or loss and finance leasing and operating leasing transactions. As part of our assessment of the accounting principles followed by Crédit Mutuel Alliance Fédérale, we have checked the validity of these changes and the presentation pertaining thereto.

Crédit Mutuel Alliance Fédérale recognizes impairment to cover the credit and counterparty risks linked to their activities (notes 1.3, 10, 12 and 32 of the notes to the consolidated financial statements). We reviewed the control mechanism pertaining to the monitoring of credit risks, impairment methodologies and the hedging of impairment losses by way of individual impairments.

Crédit Mutuel Alliance Fédérale uses internal models and methodologies to value financial instruments that are not traded on active markets, as well as to establish a number of provisions, as set out in note 1.3 of the notes to the consolidated financial statements. We have examined the control mechanism for these models and methodologies, the parameters used and the inventory of the financial instruments to which they apply.

Crédit Mutuel Alliance Fédérale recognizes technical provisions on borrower insurance policies and reserves for tangible auto claims set out in note 1.3.2.3 of the notes to the consolidated financial statements. We assessed the relevance of the work performed by the statutory auditors of the ACMs on the methodologies chosen, the calculation assumptions and the actuarial formulas used.

Crédit Mutuel Alliance Fédérale has performed impairment tests on the value of goodwill and investments held, which could lead, where applicable, to the recognition of impairment (notes 1.2 and 19 of the notes to the consolidated financial statements). We examined the procedures used to conduct these tests, the main assumptions and parameters used and the resulting estimates.

Specific checks

In accordance with the professional standards applicable in France, we have also performed the specific checks required by the legal and regulatory texts as regards information concerning the group, given in the management report by the board of directors, approved on April 2, 2020. With regards to events which have occurred and information which has come to light after the reporting date relating to the effects of the Covid-19 crisis, management has advised us that these will be detailed in a communication at the shareholders' meeting called to approve the financial statements.

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

Responsibilities of management and those in charge of corporate governance regarding the consolidated financial statements

It is the responsibility of management to prepare consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the European Union and to implement internal control procedures as it deems necessary for the preparation of consolidated financial statements that contain no material misstatements, whether such misstatements are the result of fraud or errors.

During the preparation of consolidated financial statements, it is incumbent upon management to assess the company's ability to continue as a going concern, and as the case may be, the necessary information with regard to business continuity and to apply the standard accounting policy for a going concern, unless it is foreseen to liquidate the company or cease doing business.

The consolidated financial statements have been approved by the board of directors.

Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements

Our responsibility is to prepare a report regarding the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements, as a whole, contain no material misstatements. Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit conducted in accordance with professional standards may systematically detect every material misstatement. Misstatements may come from fraud or result from errors and are considered as significant when one can reasonably expect that they may, either individually or cumulatively, influence economic decisions made by users who make decisions based on the financial statements.

As specified by Article L.823-10-1 of the French Commercial Code, our mission of certification of financial statements does not consist of guaranteeing the viability or quality of your company's management.

In the context of an audit completed in accordance with professional standards applicable in France, the statutory auditors exercise their professional judgment throughout the audit process.

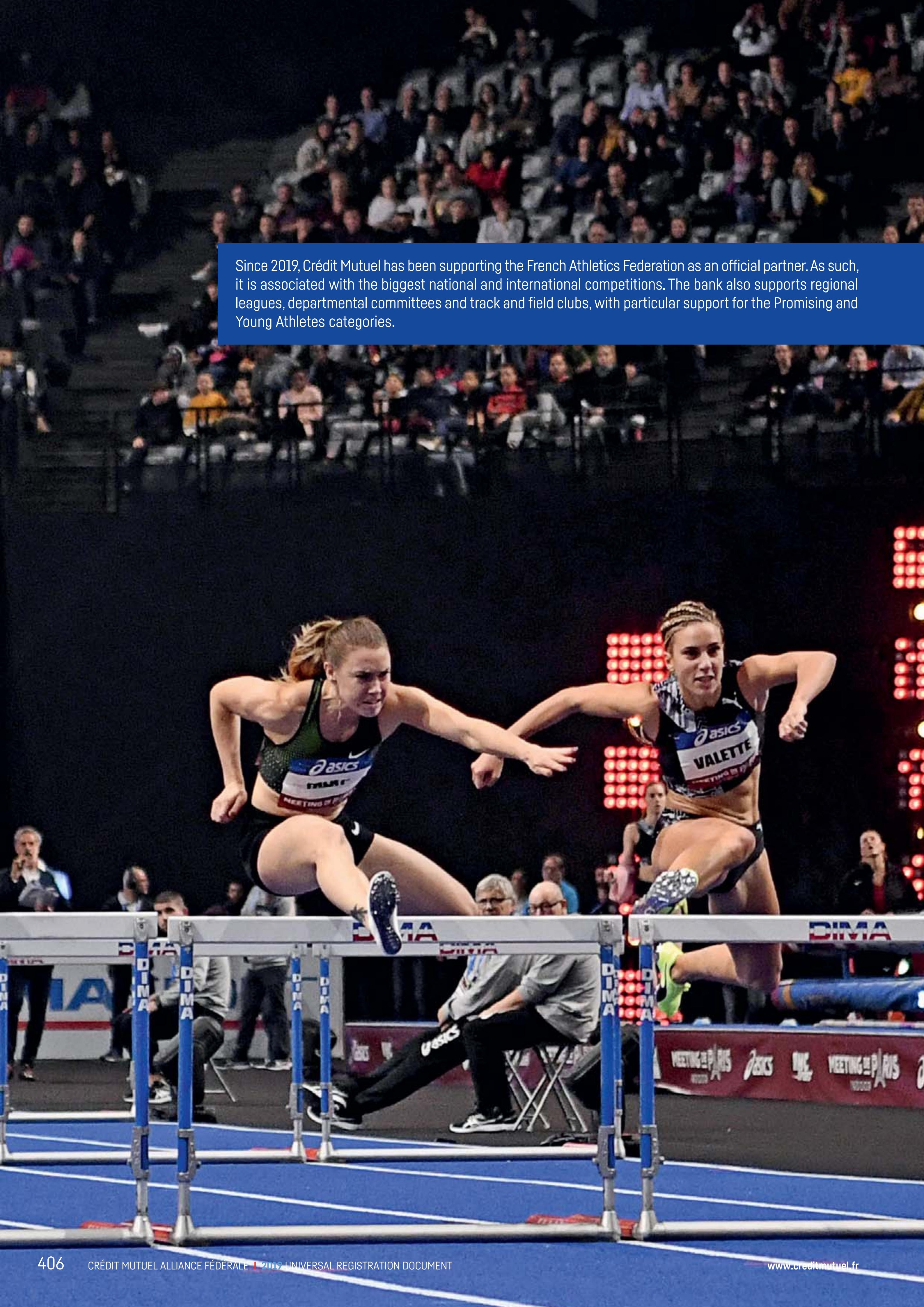
Furthermore:

- they identify and assess the risk that the consolidated financial statements contain material misstatements and that such misstatements result from fraud or errors, define and implement audit procedures to address these risks and collect information that they consider a sufficient and appropriate basis for such opinion. The risk of non-detection of a material misstatement from fraud is higher than a material misstatement resulting from any error, because fraud may involve collusion, falsification, deliberate omissions, false statements or circumventing internal control;
- they acknowledge relevant internal control for the audit in order to determine the appropriate audit procedures for the circumstance and not for the purpose of expressing an opinion on the effectiveness of internal control;
- they assess the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the information concerning management given in the consolidated financial statements;
- they assess the appropriateness of application by management of the accounting policy for a going concern and, depending on the items gathered, the existence or not of any significant uncertainty related to events or circumstances likely to call into question the company's ability to continue as a going concern. This assessment relies on the items collected up to the date of their report, however, with the reminder that subsequent circumstances or events could call into question business continuity. If they conclude that material uncertainty exists, they draw the attention of the readers of their report to the information given in the consolidated financial statements as regards this uncertainty or, if this information is not provided or not relevant, they issue a certification with reserves or a refusal to certify;
- they assess the overall presentation of the consolidated financial statements and assess whether or not the consolidated financial statements reflect the underlying transactions and events to provide a true and fair view thereof;
- regarding the financial information of the persons or entities included within the scope of consolidation, they gather items deemed sufficient and appropriate to express an opinion on the consolidated financial statements. The statutory auditors are responsible for the management, supervision and preparation of the audit of the consolidated financial statements, as well as the opinion expressed on these financial statements.

Executed in Neuilly-sur-Seine and Paris-La Défense, April 9, 2020

The statutory auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Lévi	Hassan Baaj



Since 2019, Crédit Mutuel has been supporting the French Athletics Federation as an official partner. As such, it is associated with the biggest national and international competitions. The bank also supports regional leagues, departmental committees and track and field clubs, with particular support for the Promising and Young Athletes categories.

7

BANQUE FÉDÉRATIVE DU CRÉDIT MUTUEL CONSOLIDATED FINANCIAL STATEMENTS

7.1 CONSOLIDATED FINANCIAL STATEMENTS OF BFCM

7.1.1 Balance sheet

Balance sheet (assets)

(in € millions)	12/31/2019	12/31/2018	Notes
Cash, central banks	64,764	55,518	4
Financial assets at fair value through profit or loss	31,819	18,287	5a
Hedging derivatives	3,440	3,063	6a
Financial assets at fair value through other comprehensive income	30,451	27,194	7
Securities at amortized cost	2,780	2,957	10a
Loans and receivables to credit institutions and similar at amortized cost	51,675	57,322	10b
Loans and receivables due from customers at amortized cost	250,142	244,000	10c
Revaluation adjustment on rate-hedged books	897	696	6b
Short-term investments in the insurance business line and reinsurers' share of technical provisions	115,200	108,740	13a
Current tax assets	1,029	1,111	14a
Deferred tax assets	1,154	1,132	14b
Accruals and other assets	8,149	7,867	15a
Non-current assets held for sale	726	0	3e
Investments in equity consolidated companies	727	782	16
Investment properties	56	53	17
Property, plant and equipment[1]	2,381	1,829	18a
Intangible assets	509	513	18b
Goodwill	4,049	4,049	19
TOTAL ASSETS	**569,947**	**535,112**	

(1) As from January 1, 2019, pursuant to IFRS 16 "Leases", the group recognized an asset representing rights of use for leased properties, under "Property, plant and equipment" (see note 1).

Balance sheet (liabilities)

(in € millions)	12/31/2019	12/31/2018	Notes
Due to central banks	715	350	4
Financial liabilities at fair value through profit or loss	18,854	4,390	5b
Hedging derivatives	2,291	2,356	6a
Debt securities at amortized cost	125,110	119,755	11a
Due to credit and similar institutions at amortized cost	39,919	62,197	11b
Amounts due to customers at amortized cost	217,103	193,459	11c
Revaluation adjustment on rate-hedged books	-4	19	6b
Current tax liabilities	575	373	14a
Deferred tax liabilities	1,190	958	14b
Deferred income, accrued charges and other liabilities[1]	8,771	8,406	15b
Debt related to non-current assets held for sale	725	0	3e
Liabilities related to insurance business policies	111,192	102,868	13b
Provisions	2,700	2,601	20
Subordinated debt at amortized cost	8,735	7,724	21
Total shareholders' equity	**32,072**	**29,654**	**22**
Shareholders' equity attributable to the group	**27,802**	**25,290**	**22**
Capital and related reserves	6,197	6,197	22a
Consolidated reserves	18,619	16,662	22a
Gains and losses recognized directly in equity	704	347	22b
Profit (loss) for the fiscal year	2,282	2,084	
Shareholders' equity – Non-controlling interests	**4,269**	**4,364**	
TOTAL LIABILITIES	**569,947**	**535,112**	

(1) As from January 1, 2019, pursuant to IFRS 16 "Leases" the group recognized a rental liability representing the obligation to pay rents under "Deferred income, accrued charges and other liabilities" (see note 1).

7.1.2 Income statement

Income statement

(in € millions)	12/31/2019	12/31/2018 restated[1]	Notes
Interest and similar income[1]	11,674	11,660	24
Interest and similar expenses[1]	-6,527	-6,877	24
Commissions (income)	3,612	3,800	25
Commissions (expenses)	-1,024	-1,202	25
Net gains on financial instruments at fair value through profit or loss	734	584	26
Net gains or losses on financial assets at fair value through shareholders' equity	79	192	27
Net gains or losses resulting from derecognition of financial assets at amortized cost	2	1	28
Net income from insurance activities	2,102	2,027	29
Income from other activities	777	756	30
Expenses on other activities	-565	-587	30
Net Banking Income	**10,865**	**10,354**	
General operating expenses	-5,946	-5,863	31a, 31b
Movements in depreciation, amortization and provisions for property and equipment and intangible assets	-280	-188	31c
Gross operating income/(loss)	**4,639**	**4,303**	
Cost of counterparty risk	-998	-805	32
Operating income	**3,641**	**3,498**	
Share of net profit/(loss) of equity consolidated companies	74	130	16
Net gains/(losses) on disposals of other assets	72	37	33
Profit/(loss) before tax	**3,786**	**3,664**	
Income tax	-1,124	-1,224	34
Net profit/(loss)	**2,663**	**2,440**	
Net profit/(loss) – Non-controlling interests	380	356	
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**2,282**	**2,084**	

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

Accordingly, and to ensure a comparison with interest income and expense as of December 31, 2019, the reported figures as of December 31, 2018 have been restated in accordance with this definition in the financial statements and note 24.

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

(in € millions)	**12/31/2019**	**12/31/2018**
Net profit/(loss)	**2,663**	**2,440**
Translation adjustments	35	42
Remeasurement of financial assets at fair value through equity – capital instruments	-4	-177
Revaluation of insurance business investments	533	-241
Remeasurement of hedging derivatives	-1	-2
Share of unrealized or deferred gains and losses of associates	5	2
Total recyclable gains and losses recognized directly in equity	**568**	**-377**
Revaluation of financial assets at fair value through equity – capital instruments at closing	67	56
Remeasurement of financial assets at fair value through equity – capital instruments sold during the fiscal year	-0	-1
Actuarial gains and losses on defined benefit plans	-92	34
Share of non-recyclable gains and losses of associates	-1	-11
Total non-recyclable gains and losses recognized directly in equity	**-27**	**78**
Net profit/(loss) and gains and (losses) recognized directly in equity	**3,204**	**2,141**
o/w attributable to the group	*2,637*	*1,787*
o/w percentage of non-controlling interests	*565*	*354*

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

7

7.1.3 Changes in shareholders' equity

				Gains and losses recognized directly in equity							
(in millions)	Capital	Premiums	Reserves[1]	Translation adjustments	Financial assets at fair value through other comprehensive income	Hedging derivatives	Actuarial gains and losses	Net profit / (loss) - attributable to the group	Shareholders' equity attributable to the group	Non-controlling interests	Total consolidated shareholderrs' equity
Shareholders' equity as of December 31, 2017	**1,689**	**4,509**	**15,393**	**-56**	**1,323**	**4**	**-218**	**1,549**	**24,192**	**3,412**	**27,604**
Impact of first application of IFRS 9			***-351***		***-409***				***-760***	***-86***	***-846***
Shareholders' equity as of January 1, 2018	**1,689**	**4,509**	**15,042**	**-56**	**915**	**4**	**-218**	**1,549**	**23,432**	**3,326**	**26,757**
Appropriation of earnings from previous year			1,549					-1,549	0		0
Capital increase	0								0		0
Distribution of dividends			-81						-81	-131	-212
Change in investments in subsidiaries without loss of control			4						4	-70	-66
Subtotal of movements related to relations with shareholders	**0**	**0**	**1,471**	**0**	**0**	**0**	**0**	**-1,549**	**-77**	**-201**	**-279**
Consolidated income for the period								2,084	2,084	355	2,440
Changes in gains and (losses) recognized directly in equity				45	-308	-1	34		-230	-93	-323
Sub-total	**0**	**0**	**0**	**45**	**-308**	**-1**	**34**	**2,084**	**1,854**	**262**	**2,117**
Effects of acquisitions and disposals on non-controlling interests			175		-67				108	972	1,080
Other variations		0	-26						-26	5	-22
Shareholders' equity as of December 31, 2018	**1,689**	**4,509**	**16,662**	**-11**	**540**	**3**	**-185**	**2,084**	**25,290**	**4,364**	**29,654**
Appropriation of earnings from previous year			2,084					-2,084	0		0
Capital increase	0								0		0
Distribution of dividends			-130						-130	-685	-815
Change in investments in subsidiaries without loss of control			0						0	0	0
Subtotal of movements related to relations with shareholders	**0**	**0**	**1,954**	**0**	**0**	**0**	**0**	**-2,084**	**-130**	**-685**	**-815**
Consolidated income for the period								2,282	2,282	381	2,663
Changes in gains and (losses) recognized directly in equity			-29	39	410	-1	-90		329	184	513
Sub-total	**0**	**0**	**-29**	**39**	**410**	**-1**	**-90**	**2,282**	**2,611**	**565**	**3,176**
Effects of acquisitions and disposals on non-controlling interests			0		0				0	0	0
Other variations		0	31						31	26	57
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2019	**1,689**	**4,509**	**18,619**	**28**	**949**	**2**	**-275**	**2,282**	**27,802**	**4,269**	**32,072**

(1) As of December 31, 2019 reserves comprised the legal reserve €169 million, statutory reserves €3,424 million and other reserves for €15,026 million.

7.1.4 Net cash flow statement

(in € millions)	12/31/2019	12/31/2018
Net profit/(loss)	2,663	2,440
Tax	1,124	1,224
Profit/(loss) before tax	**3,786**	**3,664**
+/- Net depreciation and amortization of property, plant and equipment and intangible assets	283	194
- Impairment of goodwill and other fixed assets	-1	0
+/- Net provisions	386	48
+/- Share of income from companies consolidated using the equity method	-74	-130
+/- Net loss/gain from investing activities	36	-42
+/- Other movements	7,629	-1,781
= Total non-monetary items included in net profit/(loss) before tax and other adjustments	**8,258**	**-1,711**
+/- Flows related to transactions with credit institutions	-14,078	4,267
+/- Flows related to client transactions	18,087	-10,867
+/- Flows related to other transactions affecting financial assets or liabilities	-5,153	-132
+/- Flows related to other transactions affecting non-financial assets or liabilities	273	1,274
- Taxes paid	-901	-1,253
= Net decrease in assets and liabilities from operating activities	**-1,772**	**-6,710**
Total net cash flow generated by operating activity	**10,272**	**-4,757**
+/- Flows related to financial assets and investments	224	-1,069
+/- Flows related to investment property	13	-122
+/- Flows related to property, plant and equipment and intangible assets	-227	-129
Total net cash flow related to investment activities	**9**	**-1,319**
+/- Cash flow to or from shareholders	-815	-212
+/- Other net cash flows from financing activities	5,680	6,539
Total net cash flow related to financing transactions	**4,865**	**6,327**
Effect of foreign exchange rate changes on cash and cash equivalents	**88**	**81**
Net increase of cash and cash equivalents	**15,235**	**332**
Net cash flow generated by operating activities	10,272	-4,757
Net cash flow related to investment activities	9	-1,319
Net cash flow related to financing transactions	4,865	6,327
Effect of foreign exchange rate changes on cash and cash equivalents	88	81
Cash and cash equivalents at opening	**43,077**	**42,745**
Cash, central banks, CCP	55,169	55,658
Accounts and demand loans/borrowing with credit institutions	-12,092	-12,913
Cash and cash equivalents at closing	**58,312**	**43,077**
Cash, central banks, CCP	64,050	55,169
Accounts and demand loans/borrowing with credit institutions	-5,738	-12,092
CHANGE IN NET CASH POSITION	**15,235**	**332**

7.2 NOTES TO THE BFCM CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF NOTES

Explanatory notes are presented in millions of euros.

Note 1 Accounting policies and principles

1.1 Accounting basis

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards, and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2019.

The entire framework is available on the European Commission's website at:
https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements

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

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

Since January 1, 2019, the group has been applying the following standards:

IFRS 16

Adopted by the European Union on October 31, 2017, it replaces IAS 17 and the interpretations related to lease accounting.

Under IFRS 16, 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.

From the lessor's point of view, the provisions adopted remain substantially the same as those of the previous standard IAS 17.

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.

As a reminder, according to IAS 17, no amount is recorded on the lessee's balance sheet for an operating lease and the lease payments are shown under operating expenses.

As a first-time application the group has opted for:

- to retain:
  - the application of the new lease definition to all current leases. The scope of the contracts thus remains unchanged,
  - the simplified retrospective approach, and to opt for related simplification measures. Notably, contracts subject to automatic renewal on January 1, 2019, such as the leases 3/6/9, were excluded due to the exemption on short-duration contracts,
  - a depreciation sum for user rights equal to the provision of contracts for pecuniary interest in application of IAS 37;
- to opt for the exemptions proposed under the standard in relation to leases where the term is less than 12 months as of the date of first application as well as low-value contracts (set at €5,000).
- The group has also opted to exclude the initial direct costs of valuation of the user right at the date of first application.

The group has mainly capitalized its real estate leases using, on first application (for not automatically-renewed leases), their remaining life and the corresponding incremental borrowing rate applied to the rent (excluding taxes).

The impacts at January 1, 2019 are as follows *(in € millions)*:

Assets	01/01/2019
Usage rights – Real estate	619
Usage rights – Other	2

Liabilities	01/01/2019
Lease obligations – Real estate	620
Lease obligations – Other	2

Usage rights are recognized as property, plant and equipment and rental obligations in other liabilities. The simplified retrospective approach was used. As permitted by the standard, the group opted to exclude the adjustment variables (initial direct costs, etc.) so that rights of use equal rental liabilities and therefore do not impact equity, with the exception of Cofidis Portugal after application of its local standards (€1 million).

On the determination of the enforceable period of a contract, the IFRIC published its final decision in December 2019. On this basis, the group will analyze the impact of this decision on the current assumptions adopted for the commercial leases 3/6/9 and for the contracts under automatic renewal as quickly as possible. This decision could have the consequence of reviewing the enforceable duration of the contracts mentioned above, and thus modify the amount of the lease debt and the associated usage rights. At this stage, the data is not sufficiently reliable to be able to communicate it.

IFRIC 23 – Uncertainty over Income Tax Treatments

Published on June 7, 2017, the IFRIC interpretation "IFRIC 23 – Uncertainty over Income Tax Treatments" came into effect on January 1, 2019.

This text induces the presumption that the tax authority:

- will audit all amounts reported;
- has access to all required documentation and knowledge.

The entity must assess the probability that the tax authority will or will not accept the position opted for, and draw the relevant consequences on its taxable income, losses carried forward, unused tax credits and taxation rates. In the event of an uncertain tax position (*i.e.* it is likely that the tax authority will not accept the position opted for), the amounts payable are appraised 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.

The scope of this text is limited to corporate income tax (current/deferred). The group estimates that this will not result in any changes compared to the previous practice. At present, a risk is recognized when a tax adjustment is made. Such an adjustment may concern the entity itself, a related entity, or a third entity.

The impacts shown on the balance sheet (reclassification of provision for current tax liabilities) are specified in note 20.

7

Amendments to IAS 39, IFRS 9 and IFRS 7 on the reform of reference rates

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

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

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

In order to ensure a smooth transition, the group has listed the impacts in the legal, commercial, organizational, tools and financial/accounting areas.

It therefore began the work in project mode from the first quarter of 2019.

Concerning the accounting aspects, the group monitors all of the work carried out by the IASB on the effects of the reform of benchmark rates on financial information, which break down into 2 phases:

- phase 1, for the preparatory period of the reform: handling any potential impact on the existing hedging relationships (due to uncertainties concerning future indices);
- phase 2, for the period of transition towards the new indices as soon as they are defined: notably, the handling of questions related to the derecognition and documentation of hedging relationships (notably the ineffective part).

Following its adoption by the European Union on January 16, 2020, the group decided to adopt early application of the amendment to the standards IAS 39, IFRS 9 and IFRS 7 published by the IASB, which enables keeping the existing hedging relationships in this exceptional and temporary context, until:

- the uncertainty created by the reform of IBOR rates is lifted concerning the choice of a new index and the effective date of this change; or
- until the cessation of hedging is recognized for reasons independent of the reform.

The group considers that uncertainty remains on the EONIA rate (date of switchover to the €STER in the contracts and on the procedures for transition – spread or adjustment), on the EURIBOR rate (until the contractual modification of financial instruments indexed on this benchmark index) and on the LIBOR rate (uncertainties on replacement rates).

Concerning phase 2, the Crédit Mutuel group took note of the estimated timetable from the IASB on the handling of questions relative to the impact of the reform of rates:

- on the classification and evaluation of financial assets and liabilities;
- on the designations of hedging relationships and the end of the phase 1 exemptions;
- on the impact of the standards IAS 19, IFRS 16 and IFRS 17;
- in matters of the additional information to be provided.

Thus, the stakeholders were informed of the discussion papers of the IASB published on:

- the subjects relative to the assessment of the material character (or not) of a modification of a debt instrument in the case of the IBOR reform and accounting impacts in the case of derecognition;
- amendments to IFRS 9 and IAS 39 foreseen in matters of hedge accounting (hedging documentation, measurement of ineffectiveness).

Other amendments with no impact for the group in 2019

Amendment to IAS 28

This amendment deals with all financial instruments representing "other interests" in a related company or joint venture to which the equity method is not applied, including long-term financial assets that are part of the net investment in a related company or joint venture (for example, loans granted to these entities). This recognition is done in two steps:

- the financial instrument is recognized according to IFRS 9, including the provisions pertaining to the depreciation of the financial assets;
- then the provisions of IAS 28 apply, which may lead to reducing the carrying amount by charging the accumulated losses of the equity consolidated company, when the value of the equity value was already reduced to zero.

In the initial application of this amendment, the issuers may recognize the impacts in the opening equity of 2019, without restating comparative information. At the reporting date, the group had not identified any case within the scope of this amendment.

Amendment to IAS 19

This amendment deals with the consequences of a modification, curtailment or liquidation on the determination of the cost of the services rendered and the net interest. The cost of the services rendered and the net interest for the post-modification, curtailment or liquidation period are necessarily determined by using the valuation assumptions retained for the recognition of these events. At the reporting date, the group was not aware of any cases falling within the scope of this amendment.

Amendment to IAS 12

This amendment specifies that the tax effects of the distribution of dividends on financial instruments classified as equity must be recognized in net profit/(loss). In accounting terms, the dividends are deducted from equity. From a tax standpoint, they are debt instruments whose coupons are deductible.

However, the tax consequences of dividends may be classified in other comprehensive income or in equity, according to the originating events or transactions.

The group recognizes perpetual securities as debt instruments and not as equity. To date, the group is not affected by this amendment.

Amendment to IAS 1 and IAS 8

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

1.2 Scope and methods of consolidation

Consolidating entity

The parent company of the group is Banque Fédérative du Crédit Mutuel.

Consolidation scope

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

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

The consolidation scope comprises:

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

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

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

Consolidation methods

The consolidation methods used are the following:

Full consolidation

This method involves replacing the value of the shares held in the subsidiary concerned with each of the assets and liabilities of said subsidiary and showing separately the interests of non-controlling shareholders 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.

The equity method

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

Non-controlling interests

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

Reporting date

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

Elimination of intercompany transactions

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

Conversion of foreign currency accounts

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

Goodwill

Fair value adjustments

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

Goodwill

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

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

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

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

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

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

1.3 Accounting policies and principles

1.3.1 Financial instruments under IFRS 9

1.3.1.1 Classification and measurement of financial instruments

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

Loans, receivables and debt securities acquired

The asset is classified:

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

Cash flow characteristics

Contractual cash flows which solely represent repayments of principal and the payment of interest on outstanding principal are compatible with a "basic" contract.

In a basic contract, interest mainly represents the consideration for the time value of money (including in the event of negative interest) and credit risk. Interest may also include the liquidity risk, administrative fees to manage the asset, and a profit margin.

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

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

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

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

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

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

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

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

Note that:

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

Business models

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

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

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

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

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

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

For other sales, thresholds have been defined based on the maturity of the securities portfolio, for example 2% for an average maturity of 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 booked 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 booked to the income statement under interest items.

Commissions received in connection with the commercial renegotiation of loans are recognized over more than one period.

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

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

Financial assets at fair value through 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 in shareholders' equity are only recognized on the income statement in the event of disposal or sustainable impairment (see section "1.3.1.7 Derecognition of financial assets and liabilities" and 1.3.1.8. "Measurement of credit risk").

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

Financial assets at fair value through profit or loss

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

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

In 2019, in order to better reflect the interest income and expenses of the transaction instruments, the group also revised the recognition and presentation scheme in the net banking income of the interest income and expenses of some of these financial instruments at fair value through profit or loss and notably proceeded with the following restatements: (i) recording of interest as overall offsets on the lending and borrowing legs of transaction swaps, and (ii) reclassification of interest from hedging derivatives in the "Income and expenses from hedging derivatives" section. As a result, for the purposes of comparability with the interest income and expenses as of December 31, 2019 presented using this definition, the figures published on December 31, 2018 have been restated in note 24.

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

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 comprehensive income 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 "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.

1.3.1.2 Classification and measurement of financial liabilities

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

Financial liabilities measured at fair value through profit or loss

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

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

Financial liabilities at amortized cost

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

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

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

Regulated savings contracts

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

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

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

1.3.1.3 Debt-equity distinction

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

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

1.3.1.4 Foreign currency transactions

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

Monetary financial assets and liabilities

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

Non-monetary financial assets and liabilities

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

1.3.1.5 Derivatives and hedge accounting

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

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

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

Derivatives are financial instruments which have the following three characteristics:

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

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

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

Determining the fair value of derivatives

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

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

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

Classification of derivatives and hedge accounting

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

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

– Embedded derivatives

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

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

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

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

– Recognition

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

Hedge accounting

– Risks hedged

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

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

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

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

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

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

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

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

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

Where applicable, hedge accounting is discontinued prospectively.

– Fair value hedge of identified financial assets or liabilities

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

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

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

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

– Macro-hedging derivatives

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

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

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

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

– Cash flow hedges

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

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

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

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

1.3.1.6 Financial guarantees and financing commitments

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

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

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

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

1.3.1.7 Derecognition of financial assets and liabilities

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

Upon derecognition of:

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

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

1.3.1.8 Measurement of credit risk

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

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

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

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

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

Governance

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

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

The principle of subsidiarity, applied across the Crédit Mutuel group, governs the breakdown of roles between the 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 3 Working group approves the national procedures, models and methodologies to be applied by the regional groups.
- At the regional level, regional groups are tasked with the calculation of the IRFS 9 provisions within their entities, under the responsibility and control of their respective executive and supervisory bodies.

Definition of the boundary between Statuses 1 and 2

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

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

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

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

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

- statistical algorithms or "mass ratings" based on one or more models, using a selection of representative and predictive risk variables (HDP); or
- rating grids developed by experts (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 these quantitative criteria the group adds qualitative ones such as installments unpaid or late by more than 30 days, the fact that a loan has been restructured, etc.

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

Statuses 1 and 2 – Calculating expected credit losses

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

These parameters are based on the same values as the prudential models and are adapted to meet the 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 sovereigns 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 dimension over different time horizons other than one year will largely be a function of the one-year dimension.

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

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

Status 3 – Non-performing receivables

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

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

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

- the analysis of default is now done during daily processing at the level of the borrower and no longer at the level of the contract;
- the number of days of delay is assessed at the level of a borrower (obligor) or a group of borrowers (joint obligor) having a common commitment;
- default is triggered when 90 consecutive days of arrears are ascertained at the level of a borrower/group of borrowers. The count of the number of days begins at the simultaneous crossing of the absolute materiality threshold (€100 Retail, €500 Corporate) and the relative materiality threshold (more than 1% of balance sheet commitments in arrears). The borrower arrears are reinitialized as soon as one of these two thresholds are crossed in a downwards direction;
- the default contagion scope extends to all receivables of the borrower, and all individual commitments of borrowers participating in a joint credit obligation;
- the minimum probationary period is three months before return to the “performing” status for non-restructuring assets.

The Crédit Mutuel group has chosen to use the new definition of default on the IRB entities according to the two-step approach proposed by the EBA:

- step 1 – It consists of presenting a self-evaluation and a request for authorization to the supervisor. Authorization for use was obtained by the group in October 2019;
- step 2 – It consists of implementing the new definition of default in the systems, then, where applicable, recalibrating the models after a 12-month observation period of new defaults.

The group considers that the new definition of default as required by the EBA is representative of objective proof of impairment in the accounting sense. The group has thus aligned the definitions of accounting default (Status 3) and prudential default. This change constitutes a change of estimation, for which the non-material impact is booked to profit (loss) during the period of the change.

Originated credit-impaired financial assets

These are contracts for which the counterparty is non-performing on the date of initial recognition or acquisition. If the borrower is non-performing at the reporting date, the contracts are classified into Status 3; otherwise, they are classified as performing loans, identified in an “originated credit-impaired assets” category, and provisioned based on the same method used for exposures in Status 2, *i.e.* an expected loss over the residual maturity of the contract.

Recognition

Impairment charges and provisions are recorded in “Net provision allocations/reversals for loan losses”. Reversals of impairment charges and provisions are recorded in “Net provision allocations/reversals for loan losses” for the portion relating to the change in risk and in “Net interest” for the portion relating to the passage of time. For loans and receivables, impairment is deducted from assets, and for financing and guarantee commitments, the provision is recorded in liabilities under “Provisions” (see section “1.3.1.6 Financial guarantees and financing commitments” and section “1.3.3.2 Provisions”). For assets at fair value through other comprehensive income, the counter-entry for impairments recognized under “Net provision allocations/reversals for loan losses” is booked to “Unrealized or deferred gains and losses”.

Loan losses are written off and the corresponding impairments and provisions are reversed.

1.3.1.9 Determination of fair value of financial instruments

Fair value is the amount for which an asset could be sold, or a liability transferred, between knowledgeable willing parties in an arm’s length transaction.

The fair value of an instrument upon initial recognition is generally its transaction price.

The fair value must be calculated for subsequent measurements. The calculation method to be applied varies depending on whether the instrument is traded on a market deemed to be active or not.

Financial instruments traded in an active market

When financial instruments are traded in an active market, fair value is determined by reference to their quoted price as this represents the best possible estimate of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available (from a stock exchange, dealer, broker or pricing service), and those prices represent actual market transactions regularly occurring on an arm’s length basis.

Financial instruments not traded in an active market

Observable market data are used provided they reflect the reality of a transaction at arm’s length on the valuation date and there is no need to make an excessive adjustment to said value. In other cases, the group uses non-observable data (mark-to-model).

When observable data is not available or when market price adjustments require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, comprising adjustments linked to the risks the market would factor in. Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

In all cases, adjustments are made by the group in a reasonable and appropriate manner, based on judgment.

Fair value hierarchy

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

- level 1: 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.

1.3.2 Insurance business line

The insurance departments falling within the Conglomerate Directive benefit from the deferred application of IFRS 9 until 2022, as scheduled by the amendment to IFRS 4 adopted by the European Union. As such, their financial instruments remain valued and recognized in accordance with IAS 39. In terms of presentation, the group chose to adopt an "IFRS audit" approach that allows all financial instruments under IAS 39 to be grouped together under the dedicated asset or liability items rather than by applying ANC recommendation 2017-02 strictly speaking, which entails the presentation of instruments under certain items pursuant to IAS 39 and IFRS 9. Thus, all the financial instruments of the insurance departments are grouped in assets under "Investments in insurance business and shares of reinsurers in technical provisions", and in liabilities under "Liabilities related to insurance business policies", also including technical provisions. Investment property is also affected by the reclassification. The impact in the income statement of financial instruments and technical provisions is included under "Net income from insurance activities". Other assets/liabilities and income statement items are included under the "banking insurance" joint entries. Where relevant, the disclosures required by IFRS 7 are given separately for the insurance business lines.

In accordance with the adoption regulation of November 3, 2017, the group ensures there is no transfer of financial instruments with a derecognition effect, between the insurance and other sectors of the conglomerate, other than those recognized at fair value through profit or loss in both sectors.

The accounting principles and valuation rules specific to assets and liabilities generated by the issue of insurance policies are drafted in accordance with IFRS 4. This also applies to reinsurance contracts issued or subscribed, and to financial contracts incorporating a discretionary profit-sharing clause.

Except in the cases outlined above, the other assets held and liabilities issued by the insurance companies follow the rules common to all the group's assets and liabilities.

1.3.2.1 Insurance business line – Financial instruments

Under IAS 39, insurers' financial instruments may be classified in one of the following categories:

- financial assets/liabilities at fair value through profit or loss;
- available-for-sale financial assets;
- held-to-maturity financial assets;
- loans and receivables;
- financial liabilities at amortized cost.

They are grouped in assets under "Investments in insurance business and shares of reinsurers in technical provisions", and in liabilities under "Liabilities related to insurance business policies".

The classification in one or other of these categories reflects the management intention and determines the recognition rules for instruments.

The fair value of these instruments follows the general principles outlined in section 1.3.1.9.

Financial assets and liabilities at fair value through profit or loss

Classification criteria

The classification of instruments in this category is a result either of a genuine intention to trade, or the use of the fair value option.

a) Instruments held for trading:

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

b) Instruments at fair value on option:

Financial instruments may be classified by choice, from the outset and on an irrevocable basis, at fair value through profit or loss in the following circumstances:

a. financial instruments containing one or more separable embedded derivatives;
b. instruments for which the accounting treatment would be inconsistent with that applied to another related instrument, were the fair value option not applied;
c. instruments belonging to a pool of financial assets measured and managed at fair value.

This option is specifically used in connection with unit-linked contracts for insurance activities, to ensure consistency with the treatment of liabilities.

Basis of valuation and recognition of income and expenses

Assets classified as "Assets at fair value through profit or loss" are recognized when they are entered on the balance sheet at their fair value, and at subsequent closing dates, until disposal. Changes in fair value and the income received or accrued on these assets are recognized on the income statement under "Net income from insurance activities".

Available-for-sale financial assets

Classification criteria

Available-for-sale financial assets include those financial assets not classified as "loans and receivables", or "financial assets held-to-maturity" or "fair value through profit or loss".

Basis of valuation and recognition of income and expenses

They are recognized on the balance sheet at their fair value at the time of their acquisition, and at subsequent reporting dates, until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account, excluding accrued income. These unrealized gains or losses in shareholders' equity are only recognized on the income statement in the event of disposal or sustainable impairment. On disposal, these unrealized gains or losses previously recognized in shareholders' equity are recognized in the income statement, along with capital gains and losses on disposal.

Income accrued or acquired from fixed-income securities is recognized in profit or loss, using the effective interest rate method. They are presented in "Net income from insurance activities", along with dividends received on variable-income securities.

Credit risk and impairment

a) Sustainable impairment, specific to shares and other capital instruments

Impairment is recognized on variable-income available-for-sale financial assets in the event of a prolonged or significant fall in fair value, compared to cost.

In the case of variable-income securities, the group considers that a fall in the security's value of at least 50% compared to its acquisition cost or over a period of more than 36 consecutive months shall result in an impairment. The analysis is carried out on a line-by-line basis. Judgment is also used when reviewing those securities that do not meet the above criteria, but for which Management believes the recoverability of the amount invested may not reasonably be expected in the near future. The loss is recognized in income under "Net income from insurance activities".

Any subsequent fall is also recognized on the income statement.

Long-term impairment losses on shares or other capital instruments posted in income are irreversible as long as the instrument appears on the balance sheet. In the event of subsequent appreciation, this will be recognized in shareholders' equity under "unrealized or deferred gains or losses".

b) Impairment due to credit risk

Impairment losses on fixed-income available-for-sale financial assets (specifically bonds) are recognized under "Cost of risk". In fact, only the existence of credit risk may lead to the impairment of these fixed-income instruments, since impairment in the event of loss due to a simple rate increase is not permitted. In the event of impairment, all combined unrealized losses in shareholders' equity must be recognized in profit or loss. These impairments are reversible; any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "Cost of risk", in case of improvement of the issuer's credit situation.

Held-to-maturity financial assets

Classification criteria

This category includes determinable or fixed-income securities with a maturity date that the entity intends and is able to hold until maturity.

Any interest-rate hedging operations performed on this category of securities are not eligible for hedge accounting as set out in IAS 39.

Furthermore, the possibilities to dispose of or transfer securities of this portfolio are extremely limited, given the provisions of IAS 39, on pain of downgrading the entire portfolio at group level in the "available-for-sale financial assets" category, and forbidding access to this category for two years.

Basis of valuation and recognition of income and expenses

Securities classified in this category are initially recognized at fair value, then valued at amortized cost according to the effective interest rate method, which incorporates amortization of premiums and discounts, as well as acquisition expenses, if these are material.

Income received on these securities is given in "Net income from insurance activities" on the income statement.

Credit risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). An analysis is performed at each closing, on a security-by-security basis. Impairment is assessed by comparing the carrying amount and the present value at the original interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "Cost of risk". Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "Cost of risk".

Loans and receivables

Classification criteria

Loans and receivables are determinable or fixed-income financial assets not quoted on an active market and not intended for sale upon acquisition or grant. They are recognized at their fair value when they initially appear on the balance sheet which is generally the net amount disbursed. These outstandings are then valued on subsequent closing dates at amortized cost using the effective interest-rate method (except for those recognized using the fair value option method).

Credit Risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). Impairment is assessed by comparing the carrying amount and the present value at the effective interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "Cost of risk". Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "Cost of risk".

Financial liabilities at amortized cost

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

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

1.3.2.2 Insurance business line – Non-financial assets

Investment property and fixed assets follow the accounting methods outlined elsewhere.

1.3.2.3 Insurance business line – Non-financial liabilities

Insurance liabilities, representing commitments to subscribers and beneficiaries, are included under "technical provisions of insurance policies". They remain valued, recognized and consolidated according to French standards.

The technical provisions of life insurance policies consist primarily of mathematical provisions, which generally correspond to the redemption values of the contracts. The risks covered are primarily death, disability and incapacity for work (for borrower insurance).

Technical provisions for unit-linked contracts are valued on the reporting date based on the realizable value of the assets used to support these contracts.

Provisions for non-life insurance contracts correspond to unearned premiums (portion of premiums issued relating to subsequent fiscal years) and to claims payable.

Those insurance contracts benefiting from a discretionary profit-sharing clause are subject to "shadow accounting". The resulting deferred profit-sharing provision represents the portion of asset capital gains and losses, which accrues to the insured parties. These provisions for deferred profit-sharing appear as liabilities or assets, by legal entity and without offset between entities within the scope of consolidation. On the asset side, they appear as a separate item.

At the reporting date, a liability adequacy test recognized on these contracts (net of other related assets or liabilities, such as deferred acquisition costs and portfolio securities acquired) is conducted: the recognized liability is audited to ensure it is sufficient to hedge the estimated future cash flows on that date. Any shortfall in the technical provisions is recognized in profit or loss for the period (and may subsequently be reversed if necessary).

1.3.3 Non-financial instruments

1.3.3.1 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Ownership may or may not eventually be transferred.

An operating lease is any lease that is not a finance lease.

Finance leases – lessor accounting

In accordance with IFRS 16, finance lease transactions with non-group companies are reported in the consolidated balance sheet at their financial accounting amount. Finance lease transactions transfer to lessees almost all of the risks and benefits inherent in ownership of the leased asset.

Thus, the analysis of the economic substance of the transaction results in:

- the leased asset exiting the balance sheet;
- the recognition of a receivable in "Financial assets at amortized cost", for a present value, at the implicit contract rates, of the rental payments to be received under the finance lease contract, increased by any residual value not guaranteed returning to the lessor;
- recognition of deferred taxes pursuant to the time differences existing throughout the life of the finance lease transaction;
- recognition, in net interest margin, of the net income from the lease transaction, this being representative of the constant periodic profitability rate over the exposure remaining due.

Credit risk related to financial receivables is measured and recognized under IFRS 9 (see section "1.3.1.8 Measurement of credit risk").

Finance leases – lessee accounting

In accordance with IFRS 16, fixed assets are recorded on the balance sheet to offset a liability in "Other liabilities". Lease payments are broken down between interest expense and repayment of principal.

1.3.3.2 Provisions

Provisions and reversals of provisions are classified by type under the corresponding item of income or expenditure.

A provision is recognized whenever it is probable that an outflow of resources representing economic benefits will be necessary to extinguish an obligation arising from a past event and when the amount of the obligation can be estimated accurately. Where applicable, the net present value of this obligation is calculated to determine the amount of the provision to be set aside.

The provisions constituted by the group cover, in particular:

- operating risks;
- social commitments;
- execution risk on signature commitments;
- litigation risk and guarantee commitments given;
- tax risks;
- risks related to mortgage saving agreements.

1.3.3.3 Employee benefits

Where applicable, provisions in respect of employee obligations are recognized under "Provisions". Any movements in this provision are recognized in the income statement under "Employee benefits expense" except for the portion resulting from actuarial gains/(losses), which is recognized in unrealized or deferred gains and losses, under equity.

Post-employment benefits under a defined benefit plan

These comprise the pension plans, early pension plans, and supplementary pension plans under which the group has a formal or implicit obligation to provide employees with predefined benefits.

These obligations are calculated using the projected unit credit method, which involves allocating entitlement to benefits to periods of service by applying the contractual formula for calculating plan benefits. Such entitlements are then discounted using demographic and financial assumptions such as:

- a discount rate, determined by reference to the long-term rate on private-sector borrowings consistent with the term of the commitments;
- the rate of increase in wages, assessed according to age group, manager/non-manager position and regional characteristics;
- inflation rates, estimated by comparing French treasury bond rates and inflation-linked French treasury bond rates at different maturities;

- staff turnover rates, determined by age bracket, using the three-year average for the ratio of resignations and dismissals relative to the year-end number of employees under permanent contracts;
- retirement age: estimated on a case-by-case basis using the actual or estimated date of commencement of full-time employment and the assumptions set out in the law reforming pensions, with a ceiling set at 67 years of age;
- mortality according to the INSEE TH/TF 00-02 table.

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

Actuarial gains and losses are recognized in equity, within unrealized or deferred gains and losses. Curtailments and settlements of the plan produce a change in the commitment, which is recognized in the profit (loss) for the period.

Supplementary pensions within the pension funds

The AFB transitional agreement dated September 13, 1993, modified the pension plans of banking institutions. Since the 1st of January 1994, banks are affiliated with the national plans, ARRCO and AGIRC. The four pension funds to which the group's banks contributed were merged. They pay the various benefits covered by the transitional agreement. In the event that fund assets are not sufficient to cover these benefit obligations, the banks are required to make additional contributions. The average contribution rate for the next ten years is capped at 4% of the payroll. The pension fund resulting from the mergers was converted into an IGRS (a French supplementary pension management institution), in 2009. It does not have an asset shortfall.

Other post-employment benefits under a defined benefit plan

Retirement benefits and supplementary pensions, including special schemes, are provisioned. They are assessed on the basis of the rights acquired for all active employees, based in particular on the turnover rate of the staff specific to the consolidated entities and the estimated future salary that the beneficiary will earn upon retirement plus social security contributions, where applicable. In France, retirement benefits in the banking network in France are at least 60% covered by insurance from ACM Vie – an insurance company which is part of the Crédit Mutuel group and is fully consolidated.

Post-employment benefits under a defined contribution plan

Group entities contribute to various pension plans managed by independent organizations, to which they have no formal or implicit obligation to make supplementary payments in the event, notably, that the fund's assets are insufficient to meet its commitments.

Since such plans do not represent a commitment for the group they are not subject to a provision. Expenses are recognized in the fiscal year in which the contribution must be paid.

Long-term benefits

These represent benefits other than post-employment benefits and termination benefits expected to be paid more than 12 months after the end of the fiscal year in which the staff rendered the corresponding service. They include, for example, long service awards.

The group's commitment in respect of other long-term benefits is quantified using the projected unit credit method. However, actuarial gains and losses are recognized immediately in profit or loss.

Commitments for long service awards are sometimes covered by insurance policies. Only the unhedged portion of this commitment is subject to a provision.

Supplemental pension plan for employees

In addition to the mandatory pension plans, the employees of the entities covered by the group collective agreement also benefit from a supplementary defined contribution pension plan provided by ACM Vie SA.

Termination benefits

These are benefits granted by the group when an employment contract is terminated before the usual retirement age or following the employee's decision to leave the group voluntarily in exchange for an indemnity. The related provisions are discounted if payment is expected to take place more than 12 months after the reporting date.

Short-term benefits

These are benefits, other than termination benefits, payable within the 12 months following the reporting date. They include salaries, social security contributions and certain bonuses.

An expense is recognized for these short-term benefits in the fiscal year in which the services granting entitlement to these benefits were rendered to the business.

1.3.3.4 Non-current assets

Non-current assets of which the group is owner

Fixed assets included in the balance sheet include property, plant and equipment and intangible assets, as well as investment properties. Operating assets are used for the production of services or for administrative purposes. Investment property consists of real estate assets held to generate rental income and/or capital gains. The historical cost method is used to recognize both operating and investment properties.

Fixed assets are initially recognized at acquisition cost plus any directly attributable costs necessary to make them operational and usable. They are subsequently measured at amortized historical cost, *i.e.* their cost less accumulated depreciation and any impairment.

When a non-current asset comprises several components likely to be replaced at regular intervals, with different uses or providing economic benefits over differing lengths of time, each component is recognized separately from the outset and is depreciated or amortized in accordance with its own depreciation schedule. The component approach was retained for operating buildings and investment properties.

The depreciable or amortizable amount of a non-current asset is determined after deducting its residual value, net of disposal costs. As the useful life of non-current assets is generally equal to their expected economic life, no residual value is recognized.

Non-current assets are depreciated or amortized over their estimated useful life at rates reflecting the estimated consumption of the assets' economic benefits by the entity. Intangible assets with an indefinite useful life are not amortized.

Depreciation and amortization charges on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement.

Depreciation charges on investment property are recognized under "Expenses on other activities" in the income statement.

The following depreciation and amortization periods are used:

Property, plant and equipment:

- Land and network improvements: 15-30 years.
- Buildings – shell: 20-80 years (depending on type of building).
- Buildings – equipment: 10-40 years.
- Fixtures and fittings: 5-15 years.
- Office furniture and equipment: 5-10 years.
- Safety equipment: 3-10 years.
- Rolling stock: 3-5 years.
- Computer equipment: 3-5 years.

Intangible assets:

- Software purchased or developed in-house: 1-10 years.
- Business goodwill acquired: 9-10 years (if customer contract portfolio acquired).

Depreciable and amortizable assets are tested for impairment when evidence exists at the reporting date that the items may be impaired. Non-amortizable non-current assets such as lease rights are tested for impairment once a year.

If an indication of impairment exists, the recoverable amount of the asset is compared to its net carrying amount. In the event of loss of value, a write-down is recognized on the income statement; it changes the depreciable amount of the asset prospectively. The write-down is repaid in the event of changes to the estimated recoverable amount or if the indications of impairment disappear. The net carrying amount following the reversal of an impairment provision cannot exceed the net carrying amount that would have been calculated if no impairment had been recognized.

Impairment charges and reversals on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement.

Impairment charges and reversals on investment property are recognized in the income statement under "Expenses on other activities" and "Income from other activities", respectively.

Capital gains or losses on disposals of operating assets are recorded in the income statement on the line "Net gains/(losses) on other assets".

Gains and losses on the disposal of investment property are recorded on the income statement on the line "Income from other activities" or "Expenses from other activities."

Non-current assets of which the group is lessee

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

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

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

The group mainly activates its real estate contracts, with the exception of those in a situation of automatic renewal (taking into account the 6-month prior notice for termination). The automotive fleet was only restated where it was locally significant and computer and security equipment were precluded on the grounds of their substitutable nature, in accordance with standards. Only a limited number of IT contracts, deemed to be significant, was deemed to be activated.

Other underlying assets were precluded through short-term or low value exemptions (set at €5,000). The group has no leases that give rise to recognition of intangible assets or investment properties.

Therefore, usage rights are recorded as "Property, plant and equipment", and lease obligations as "Other liabilities". Leasehold rights are reclassified as property, plant and equipment when they concern contracts that are not automatically renewable. Usage rights and lease obligations are subject to deferred tax assets or liabilities for the net amount of the taxable and deductible time differences.

On the income statement, interest charges appear in "interest margin" while depreciation and amortization is presented under the heading dedicated to general operating expenses.

For calculating the lease obligation, we use:

- the contractual term. The group follows the ANC position on commercial leases, pursuant to contractual provisions: any new lease of this type will be capitalized for a term of 9 years. Indeed, from an accounting standpoint, there is no lease term renewal option and consequently, the period for which the contract is enforceable is generally 9 years, taking into account the group's choice of location;
- the discount rate is the marginal rate of indebtedness corresponding to the chosen duration. It is a rate that is depreciable by the group's refinancing headquarters;
- the lease payment, excluding taxes. The group is marginally affected by variable lease payments.

1.3.3.5 Commissions

Fees and commissions in respect of services are recorded as income and expenses according to the nature of the services involved. Thus, fees considered as an additional interest are an integral part of the effective interest rate. These fees and commissions are thus recognized either as interest income or expense.

Fees and commissions linked directly to the grant of a loan are spread using the effective interest method.

Fees and commissions remunerating a service provided on a continuous basis are recognized over the period during which the service is provided.

Fees and commissions remunerating a significant service are recognized in full in the income statement upon execution of the service.

1.3.3.6 Income taxes

The income tax expense includes all tax, both current and deferred, payable in respect of the income for the period under review.

The income tax payable is determined in accordance with applicable tax regulations.

Deferred taxes

As required by IAS 12, deferred taxes are recognized in respect of temporary differences between the carrying amount of an asset or liability on the consolidated balance sheet and its taxable value, with the exception of goodwill.

Deferred taxes are calculated using the liability method, applying the income tax rates known at the end of the fiscal year, and applicable in subsequent fiscal years.

Deferred tax assets net of deferred tax liabilities are recognized only when there is a high probability that they will be utilized. Current or deferred tax is recognized as income or a charge, 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 there is a legal right to do so.

Deferred tax is not discounted.

1.3.3.7 Interest borne by the State for certain loans

Pursuant to measures to support the agricultural and rural sector, as well as the purchase of housing, some group entities grant loans at reduced rates, which are set by the State. Consequently, these entities receive a subsidy from the government equal to the interest rate differential existing between the rate granted to customers and a predefined benchmark rate. As a result, no discounting occurs on loans that benefit from these grants.

The arrangements governing this offset mechanism are periodically reviewed by the State.

The government subsidies received are recognized under "Interest and similar income" and allocated over the life of the corresponding loans, in accordance with IAS 20.

1.3.3.8 Non-current assets classified as held for sale and discontinued operations

Non-current assets, or groups of assets, are classified as held for sale if they are available for sale and there is a high probability that their sale will take place within the next 12 months.

The related assets and liabilities are shown separately in the balance sheet, on the lines "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale". They are recognized at the lower of their carrying amount and their fair value less selling costs, and are no longer depreciated or amortized.

Any impairment loss on such assets and liabilities is recognized in the income statement.

Discontinued operations consist of businesses held for sale or which have been discontinued, or subsidiaries acquired exclusively with a view to resale. All gains and losses related to discontinued operations are shown separately in the income statement, on the line "Post-tax gain/(loss) on discontinued operations and assets held for sale".

1.3.4 Judgments and estimates used in the preparation of the financial statements

Preparation of the group's financial statements requires the use of assumptions for the purpose of the necessary measurements, which entails risks and uncertainties as to whether these assumptions will materialize in the future.

The future outcome of such assumptions may be influenced by several factors, in particular:

- the activities of national and international markets;
- fluctuations in interest rates and foreign exchange rates;
- economic and political conditions in certain business sectors or countries;
- regulatory and legislative changes.

Accounting estimates requiring the formulation of assumptions are mainly used for the measurement of the following:

- the fair value of financial instruments not quoted on an active market, the definition of a forced transaction and the definition of observable data require the exercise of judgment;
- pension plans and other future employee benefits;
- impairment of assets, in particular expected credit losses;
- provisions;
- impairment of intangible assets and goodwill;
- deferred tax assets.

1.4 Information pertaining to subsidiaries and associates

Parties related to the group are companies consolidated at the level of the Crédit Mutuel group as a whole, including the other establishments affiliated to the Confédération Nationale du Crédit Mutuel and companies accounted for by the equity method.

Transactions carried out between the group and its subsidiaries and associates are done so under normal market conditions, at the time these transactions are conducted.

The list of consolidated companies is presented in note 3. As transactions carried out and outstandings that exist at the end of the period between the group's fully consolidated companies are totally eliminated in consolidation, data pertaining to these reciprocal transactions is included in the attached tables only when concerning companies over which the group exercises joint control or significant influence, and is consolidated using the equity method.

1.5 Standards and interpretations adopted by the European Union and not yet applied

IFRS 17 – Insurance Contracts

This standard will replace IFRS 4, which allows insurance companies to conserve their local accounting principles for their insurance contracts and other contracts within the scope of IFRS 4. This is detrimental to the comparability of financial statements of entities in the sector. The application date, initially scheduled for 2021, is expected to be postponed by at least one year, following an amendment on which a consultation was initiated at the end of June 2019. It is expected that application of IFRS 9 for insurance entities that opted for the delay (case of GCM) will also be deferred to the same date.

The aim of IFRS 17 is to harmonize the recognition of the various types of insurance contracts and to base their valuation on a prospective assessment of insurers' commitments. This requires increasing use of complex models and concepts similar to those of Solvency 2. Financial communication will also have to be broadly adapted.

In spite of the numerous, complex issues raised by the various stakeholders (25 points were noted by the IASB), including French bank insurers, the board limited the subjects included in the report-survey relative to the amendment to the IFRS 17 standard. In particular, this relates to:

- the procedures for first application (the dates of entry into force and temporary exemption from the application of IFRS 9; modification of transitional arrangements and transitional simplifications);
- credit cards or loan contracts with an insurance component;
- the expected collection of cash flows related to contract acquisition fees;
- the rate of amortization to profit/(loss) of the future margin of contracts (Contractual Service Margin/CSM) for contracts including the "return on investment" service and services related to investment;
- the collection of losses on underlying insurance policies for reinsurance policies held;
- the applicability of choices relative to the mitigation of risks to reinsurance policies held (disposal);
- the presentation on the balance sheet of insurance assets and liabilities according to the "portfolio" grid of contracts.

On the other hand, it refused to review the provisions relative to the level of aggregation of insurance policies. Other minor amendments could be ratified through annual improvements to IFRS.

The publication of the final amendments of the IASB is planned for mid-2020.

Lastly, the postponement of the first application of IFRS 17 could be extended by an additional year (namely until January 1, 2023), in the light of the lobbying actions carried out by stakeholders and the process of adopting this standard at the European level.

The group's Insurance divisions are continuing their work of analysis and preparation for the implementation of the provisions of IFRS 17.

The group has also begun studies on financial communication at the conglomerate level in line with the studies of the IASB on primary financial statements.

The explanatory notes are presented in millions of euros.

Note 2 Analysis of the balance sheet and income statement by business segment and geographic area

The businesses are as follows:

- retail banking comprises the CIC regional banks, Targobank in Germany and Spain, Cofidis and all specialized businesses whose products are marketed by the network: real estate and equipment leasing, factoring, collective management, employee savings, real estate.
- the insurance business line is composed of Groupe des Assurances du Crédit Mutuel.
- the financing and market activities are composed of:
  - **a)** the financing of large companies and institutional customers, specialized financing, international business and foreign branches;
  - **b)** capital markets, which are composed of investments in interest rate, currency and equities activities, including stock market brokering.
- private banking brings together companies whose main business occurs in France and abroad;
- private equity consists of proprietary trading and financial engineering services;
- the holding structure brings together those items that cannot be assigned to another business (holding company) as well as the press and logistics structures: intermediary holdings, non-controlling interests, operating real estate hosted in specific entities, press and IT entities.

Consolidated entities are fully allocated to their core business based on their contribution to the consolidated financial statements. Only two entities are an exception, CIC and BFCM because of their presence in several businesses. In this case, the contribution to the consolidated income statements and balance sheets of these two entities is broken down based on the different business sectors to which they contribute.

2a Balance sheet breakdown by business

12/31/2019	Retail banking	Insurance	Financing and markets	Private banking	Private equity	Logistics and holding	Total
ASSETS							
Cash, central banks	3,627		1,662	3,151		56,325	64,764
Financial assets at fair value through profit or loss	188		26,377	123	2,880	2,546	32,113
Hedging derivatives	11		512	2		2,915	3,440
Financial assets at amortized cost	222,985		23,435	17,490	15	40,673	304,597
■ *of which loans and receivables to credit institutions and similar at amortized cost*	*7,828*		*2,597*	*931*	*1*	*40,318*	*51,675*
■ *of which loans and receivables to customers at amortized cost*	*214,870*		*20,321*	*14,598*	*2*	*351*	*250,142*
Financial assets at fair value through other comprehensive income	260		12,059	59		17,778	30,157
Short-term investments in the insurance business line and reinsurers' share of technical provisions		115,200					115,200
Investments in equity consolidated companies	92	17				619	727
LIABILITIES							
Due to central banks			5			710	715
Financial liabilities at fair value through profit or loss	2		18,488	129		235	18,854
Hedging derivatives – Liabilities	16		1,226	73		976	2,291
Due to credit institutions			39,919				39,919
Due to customers	176,890		13,602	23,719		2,891	217,103
Debt securities	19,235		21,939	16		83,920	125,110

12/31/2018	Retail banking	Insurance	Financing and markets	Private banking	Private equity	Logistics and holding	Total
ASSETS							
Cash, central banks	2,855		1,679	3,154		47,829	55,518
Financial assets at fair value through profit or loss	281		13,303	150	2,537	2,016	18,287
Hedging derivatives	8		401	9		2,646	3,063
Financial assets at amortized cost	208,841	1	34,917	16,596	23	43,901	304,278
■ *of which loans and receivables to credit institutions and similar at amortized cost*	*6,406*	*1*	*5,673*	*1,502*	*2*	*43,738*	*57,322*
■ *of which loans and receivables to customers at amortized cost*	*202,083*		*28,761*	*12,987*	*12*	*158*	*244,000*
Financial assets at fair value through other comprehensive income	186		11,302	64		15,641	27,194
Short-term investments in the insurance business line and reinsurers' share of technical provisions		108,740					108,740
Investments in equity consolidated companies	74	144				564	782
LIABILITIES							
Due to central banks						350	350
Financial liabilities at fair value through profit or loss			3,964	158		268	4,390
Hedging derivatives – Liabilities	9		1,354	81		912	2,356
Due to credit institutions			62,197				62,197
Due to customers	156,498		11,202	21,991	10	3,759	193,459
Debt securities	19,075		16,411	16		84,253	119,755

2b Analysis of income statement by business segment

12/31/2019	Retail banking	Insurance	Financing and markets	Private banking	Private equity	Logistics and holding	Inter activities	Total
Net Banking Income	7,449	1,723	720	572	265	223	-88	10,865
General operating expenses	-4,373	-600	-347	-413	-51	-530	88	-6,226
Gross operating income/(loss)	3,077	1,123	373	159	214	-307	0	4,639
Cost of counterparty risk	-855		-141	6	0	-7		-998
Gains on other assets*	-8	97		2		55		145
Profit/(loss) before tax	2,214	1,220	232	166	214	-260	0	3,786
Income tax	-752	-362	-19	-33	-1	42	0	-1,124
Post-tax gains and losses on discontinued assets	0							0
Net profit/(loss)	**1,461**	**859**	**214**	**133**	**213**	**-217**		**2,663**
Non-controlling interests								380
Net profit/(loss) attributable to the group								**2,282**

* *Includes net profit/(loss) of entities accounted for using the equity method and impairment losses on goodwill (notes 16 and 19).*

12/31/2018	Retail banking	Insurance	Financing and markets	Private banking	Private equity	Logistics and holding	Inter activities	Total
Net Banking Income	7,302	1,720	639	551	278	-60	-77	10,354
General operating expenses	-4,298	-553	-324	-375	-50	-529	77	-6,051
Gross operating income/(loss)	3,005	1,167	316	176	229	-589	0	4,303
Cost of counterparty risk	-776		8	-16	1	-22		-805
Gains on other assets*	5	28	0	26		107		167
Profit/(loss) before tax	2,233	1,195	323	186	230	-503		3,664
Income tax	-786	-389	-86	-47	1	83		-1,224
Post-tax gains and losses on discontinued assets	0							0
Net profit/(loss)	**1,448**	**806**	**237**	**139**	**231**	**-420**		**2,440**
Non-controlling interests								356
Net profit/(loss) attributable to the group								**2,084**

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

2c Balance sheet breakdown by geographic area

	12/31/2019				12/31/2018			
	France	Europe outside France	Others countries*	Total	France	Europe outside France	Others countries*	Total
ASSETS								
Cash, central banks	56,700	6,396	1,668	64,764	48,287	5,547	1,684	55,518
Financial assets at fair value through profit or loss	29,157	119	2,837	32,113	15,656	155	2,476	18,287
Hedging derivatives	3,434	2	4	3,440	3,050	9	5	3,063
Financial assets at amortized cost	247,224	48,543	8,831	304,597	251,811	44,798	7,669	304,278
of which loans and receivables to credit institutions	*48,782*	*1,156*	*1,737*	*51,675*	*54,686*	*1,790*	*846*	*57,322*
of which loans and receivables to customers	*198,007*	*45,042*	*7,093*	*250,142*	*196,758*	*40,580*	*6,661*	*244,000*
Financial assets at fair value through equity	22,898	259	7,000	30,157	21,248	311	5,636	27,194
Investments in the insurance business line and reinsurers' share of technical provisions	111,542	3,658	0	115,200	104,444	4,296	0	108,740
Investment in associates	632	0	95	727	551	0	231	782
LIABILITIES								
Due to central banks	710	0	4	715	350	0	0	350
Financial liabilities at fair value through profit or loss	18,279	130	444	18,854	4,056	159	176	4,390
Hedging derivatives	2,208	74	8	2,291	2,273	81	2	2,356
Due to credit institutions	29,124	3,035	7,761	39,919	47,255	6,682	8,260	62,197
Due to customers	167,229	47,894	1,980	217,103	150,812	41,765	882	193,459
Debt securities	109,338	6,709	9,064	125,110	107,427	5,122	7,206	119,755

* *USA, Singapore, Hong Kong, Saint Martin, Tunisia and Morocco.*

2d Breakdown of income statement items by geographic area

	12/31/2019				12/31/2018			
	France	Europe outside France	Others countries*	Total	France	Europe outside France	Others countries*	Total
Net Banking Income**	7,571	3,098	195	10,865	7,235	2,940	179	10,354
General operating expenses	-4,347	-1,785	-94	-6,226	-4,272	-1,698	-81	-6,051
Gross operating income/(loss)	3,224	1,313	101	4,639	2,963	1,242	98	4,303
Cost of counterparty risk	-542	-444	-12	-998	-428	-378	1	-805
Gains on other assets***	127	-1	20	145	50	26	91	167
Profit/(loss) before tax	2,809	868	110	3,786	2,584	890	190	3,664
Total net profit/(loss)	1,952	605	106	2,663	1,639	625	175	2,440
NET INCOME ATTRIBUTABLE TO THE GROUP	**1,622**	**559**	**101**	**2,282**	**1,336**	**580**	**169**	**2,084**

* *USA, Singapore, Hong Kong, Saint Martin, Tunisia and Morocco.*
** *30.7% of NBI (excluding the logistics and holding business line) was generated abroad in 2019 (2018: 29.7% of NBI).*
****Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.*

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Note 3 Consolidation scope

3a Composition of the consolidation scope

The parent company of the group is Banque Fédérative du Crédit Mutuel.

Since December 31, 2018, the changes in the consolidation scope are as follows:

- newly consolidated entities: CIC Bruxelles, Satellite (CIC branch), Paysurf, EBRA Services, EBRA events, EBRA Médias Alsace, EBRA Médias LFC, Newco4;
- mergers, absorptions: Cofacrédit by Factofrance, C2C by BFCM, Adepi by Crédit Industriel et Commercial (CIC);
- change in consolidation method: None;
- name changes:
  - CM-CIC Asset Management became Crédit Mutuel Asset Management,
  - CM-CIC Bail became Crédit Mutuel Leasing,
  - CM-CIC Bail Espagne (branch) became Crédit Mutuel Leasing Espagne (branch),
  - CM-CIC Capital became Crédit Mutuel Capital,
  - CM-CIC Caution Habitat became Crédit Mutuel Caution Habitat,
  - CM-CIC Conseil became CIC Conseil,
  - CM-CIC Épargne Salariale became Crédit Mutuel Épargne Salariale,
  - CM-CIC Factor became Crédit Mutuel Factoring,
  - CM-CIC Gestion became Crédit Mutuel Gestion,
  - CM-CIC Home Loan SFH became Crédit Mutuel Home Loan SFH,
  - CM-CIC Immobilier became Crédit Mutuel Immobilier,
  - CM-CIC Innovation became Crédit Mutuel Innovation,
  - CM-CIC Investissement became Crédit Mutuel Equity,
  - CM-CIC Investissement SCR became Crédit Mutuel Equity SCR,
  - CM-CIC Lease became Crédit Mutuel Real Estate Lease,
  - CM-CIC Leasing Benelux became Crédit Mutuel Leasing Benelux,
  - CM-CIC Leasing GmbH became Crédit Mutuel Leasing Gmbh,
  - CM-CIC Leasing Nederland (branch) became Crédit Mutuel Leasing Nederland (branch),
  - CM-CIC Leasing Solutions SAS became CCLS Leasing Solutions;
- deconsolidated entities: Royale Marocaine d'Assurances (RMA Watanya).

		12/31/2019			12/31/2018		
		Percentage	Percentage		Percentage	Percentage	
	Country	Control	Interest	Method*	Control	Interest	Method*
A. BANKING NETWORK							
Banque Européenne du Crédit Mutuel (BECM)	France	96	96	FC	96	96	FC
BECM Francfort (branch of BECM)	Germany	100	96	FC	100	96	FC
BECM Saint Martin (BECM branch)	Saint Martin	100	96	FC	100	96	FC
CIC Est	France	100	99	FC	100	99	FC
CIC Iberbanco	France	100	100	FC	100	100	FC
CIC Lyonnaise de Banque (LB)	France	100	99	FC	100	99	FC
CIC Nord Ouest	France	100	99	FC	100	99	FC
CIC Ouest	France	100	99	FC	100	99	FC
CIC Sud Ouest	France	100	99	FC	100	99	FC
Crédit Industriel et Commercial (CIC)	France	100	99	FC	100	99	FC
CIC Singapore (branch of CIC)	Belgium	100	99	FC			
CIC Hong-Kong (CIC branch)	Hong-Kong	100	99	FC	100	99	FC
CIC Londres (branch of CIC)	United Kingdom	100	99	FC	100	99	FC
CIC New York (branch of CIC)	United States	100	99	FC	100	99	FC
CIC Singapore (branch of CIC)	Singapore	100	99	FC	100	99	FC
CIC Grand Cayman (branch of CIC)**	Cayman Islands	100	99	FC	100	99	FC
Targobank AG	Germany	100	100	FC	100	100	FC
Targobank Spain	Spain	100	100	FC	100	100	FC
B. BANKING NETWORK – SUBSIDIARIES							
Bancas	France	50	50	EM	50	50	EM
Banque du Groupe Casino	France	50	50	EM	50	50	EM
Banque Européenne du Crédit Mutuel Monaco	Monaco	100	96	FC	100	96	FC
Cartes et Crédits Consommation (C2C)	France			MGD	100	100	FC
CCLS Leasing Solutions	France	100	100	FC	100	100	FC

* *Method: FC = Full consolidation EM = Equity method; NC = Not consolidated; MGD = Merged*

** *Entity included in the accounts of the New York branch, the sole purpose being to refinance the New York branch through borrowing transactions in dollars from money market funds.*

		12/31/2019			12/31/2018		
		Percentage	Percentage		Percentage	Percentage	
	Country	Control	Interest	Method*	Control	Interest	Method*
Cofacrédit SA	France			MGD	100	100	FC
Cofidis Belgique	Belgium	100	71	FC	100	71	FC
Cofidis France	France	100	71	FC	100	71	FC
Cofidis Espagne (branch of Cofidis France)	Spain	100	71	FC	100	71	FC
Cofidis Hongrie (branch of Cofidis France)	Hungary	100	71	FC	100	71	FC
Cofidis Portugal (branch of Cofidis France)	Portugal	100	71	FC	100	71	FC
Cofidis SA Pologne (branch of Cofidis France)	Poland	100	71	FC	100	71	FC
Cofidis SA Slovaquie (branch of Cofidis France)	Slovakia	100	71	FC	100	71	FC
Cofidis Italy	Italy	100	71	FC	100	71	FC
Cofidis République tchèque	Czech Republic	100	71	FC	100	71	FC
Creatis	France	100	71	FC	100	71	FC
Crédit Mutuel Asset Management	France	74	74	FC	74	74	FC
Crédit Mutuel Caution Habitat	France	100	100	FC	100	100	FC
Crédit Mutuel Épargne Salariale	France	100	99	FC	100	99	FC
Crédit Mutuel Factoring	France	95	95	FC	95	95	FC
Crédit Mutuel Gestion	France	100	74	FC	100	74	FC
Crédit Mutuel Home Loan SFH	France	100	100	FC	100	100	FC
Crédit Mutuel Leasing	France	100	99	FC	100	99	FC
Crédit Mutuel Leasing Espagne (branch of Crédit Mutuel Leasing)	Spain	100	99	FC	100	99	FC
Crédit Mutuel Leasing Benelux	Belgium	100	99	FC	100	99	FC
Crédit Mutuel Leasing Nederland (branch of Crédit Mutuel Leasing Benelux)***	Belgium	100	99	FC			
Crédit Mutuel Leasing Gmbh	Germany	100	99	FC	100	99	FC
Crédit Mutuel Real Estate Lease	France	100	100	FC	100	100	FC
Factofrance SA	France	100	100	FC	100	100	FC
FCT CM-CIC Home loans	France	100	100	FC	100	100	FC
Gesteurop	France	100	99	FC	100	99	FC
LYF SA (formerly Fivory)	France	44	44	EM	46	46	EM
Monabanq	France	100	71	FC	100	71	FC
Paysurf	France	51	51	FC			
SCI La Tréflière	France	46	46	EM	46	46	EM
Targo Factoring GmbH	Germany	100	100	FC	100	100	FC
Targo Finanzberatung GmbH	Germany	100	100	FC	100	100	FC
Targo Leasing GmbH	Germany	100	100	FC	100	100	FC
C. CORPORATE BANKING AND CAPITAL MARKETS							
Cigogne Management	Luxembourg	100	100	FC	100	100	FC
Satellite	France	100	99	FC			
D. PRIVATE BANKING							
Banque de Luxembourg	Luxembourg	100	99	FC	100	99	FC
Banque de Luxembourg Investments SA (BLI)	Luxembourg	100	99	FC	100	99	FC
Banque Transatlantique (BT)	France	100	99	FC	100	99	FC
Banque Transatlantique Londres (BT branch)	United Kingdom	100	99	FC	100	99	FC
Banque Transatlantique Belgium	Belgium	100	99	FC	100	99	FC

****Included in Crédit Mutuel Leasing Benelux until 2018.*

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		12/31/2019			12/31/2018		
		Percentage	Percentage		Percentage	Percentage	
	Country	Control	Interest	Method*	Control	Interest	Method*
Banque Transatlantique Luxembourg	Luxembourg	100	99	FC	100	99	FC
CIC Suisse	Switzerland	100	99	FC	100	99	FC
Dubly Transatlantique Gestion	France	100	99	FC	100	99	FC
E. PRIVATE EQUITY							
CIC Conseil	France	100	99	FC	100	99	FC
Crédit Mutuel Capital	France	100	99	FC	100	99	FC
Crédit Mutuel Equity	France	100	99	FC	100	99	FC
Crédit Mutuel Equity SCR	France	100	99	FC	100	99	FC
Crédit Mutuel Innovation	France	100	99	FC	100	99	FC
F. LOGISTICS AND HOLDING COMPANY SERVICES							
Banque de Tunisie	Tunisia	35	35	EM	34	34	EM
CIC Participations	France	100	99	FC	100	99	FC
Cofidis Participations	France	71	71	FC	71	71	FC
Euro-Information	France	26	26	EM	26	26	EM
Euro Protection Surveillance	France	25	25	EM	25	25	EM
Groupe Républicain Lorrain Communication (GRLC)	France	100	100	FC	100	100	FC
L'Est Républicain	France	100	100	FC	100	100	FC
Mutuelles Investissement	France	90	90	FC	90	90	FC
SAP Alsace	France	100	100	FC	100	100	FC
Société d'Investissements Médias (SIM)	France	100	100	FC	100	100	FC
Société de Presse Investissement (SPI)	France	100	100	FC	100	100	FC
Targo Deutschland GmbH	Germany	100	100	FC	100	100	FC
Targo Dienstleistungs GmbH	Germany	100	100	FC	100	100	FC
Targo Technology GmbH	Germany	100	100	FC	100	100	FC
Targo Technology GmbH Singapore (branch of Targo Technology GmbH)	Singapore	100	100	FC	100	100	FC
G. INSURANCE COMPANIES							
ACM GIE	France	100	66	FC	100	66	FC
ACM IARD	France	96	64	FC	96	64	FC
ACM Services	France	100	66	FC	100	66	FC
ACM Vie SA	France	100	66	FC	100	66	FC
Adepi	France	0	0	MGD	100	99	FC
Agrupació AMCI d'Assegurances i Reassegurances S.A.	Spain	95	63	FC	95	63	FC
Targopensiones, entidad gestora de fondos de pensiones, S.A. (ex-Agrupación pensiones)	Spain	100	63	FC	100	63	FC
Agrupació serveis administratius	Spain	100	63	FC	100	63	FC
AMDIF	Spain	100	63	FC	100	63	FC
GACM Seguros, Compañía de Seguros y Reaseguros, SAU (formerly AMGEN)	Spain	100	66	FC	100	66	FC
Asesoramiento en Seguros y Previsión Atlantis SL	Spain	80	53	FC	80	53	FC
Asistencia Avançada Barcelona	Spain	100	63	FC	100	63	FC
ASTREE Assurances	Tunisia	30	20	EM	30	20	EM
Atlantis Asesores SL	Spain	80	53	FC	80	53	FC
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Spain	60	40	FC	60	40	FC
Atlantis Vida, Compañía de Seguros y Reaseguros SA	Spain	88	59	FC	88	59	FC
GACM España	Spain	100	66	FC	100	66	FC

		12/31/2019			12/31/2018		
		Percentage	Percentage		Percentage	Percentage	
	Country	Control	Interest	Method*	Control	Interest	Method*
Groupe des Assurances du Crédit Mutuel (GACM)	France	66	66	FC	66	66	FC
ICM Life	Luxembourg	100	66	FC	100	66	FC
Margem-Mediação Seguros, Lda	Portugal	100	71	FC	100	71	FC
NELB (North Europe Life Belgium)	Belgium	100	66	FC	100	66	FC
Nord Europe Life Luxembourg (NELL)	Luxembourg	100	66	FC	100	66	FC
Partners	Belgium	100	66	FC	100	66	FC
Procourtage	France	100	66	FC	100	66	FC
Royale Marocaine d'Assurance (formerly RMA Watanya)	Maroc	0	0	NC	22	15	EM
Serenis Assurances	France	100	66	FC	100	66	FC
Targo seguros mediacion (formerly Voy Mediación)	Spain	90	58	FC	90	58	FC
H. OTHER COMPANIES							
Affiches d'Alsace Lorraine	France	100	99	FC	100	99	FC
Alsacienne de Portage DNA	France	100	99	FC	100	99	FC
Crédit Mutuel Immobilier	France	100	100	FC	100	100	FC
EBRA events	France	100	100	FC			
EBRA services	France	100	100	FC			
EBRA Medias Alsace	France	100	98	FC			
EBRA Medias Lorraine Franche Comté	France	100	98	FC			
Est Bourgogne Médias	France	100	100	FC	100	100	FC
Foncière Massena	France	100	66	FC	100	66	FC
France Régie	France	100	99	FC	100	99	FC
GEIE Synergie	France	100	71	FC	100	71	FC
Groupe Dauphiné Media	France	100	100	FC	100	100	FC
Groupe Progrès	France	100	100	FC	100	100	FC
Groupe Républicain Lorrain Imprimeries (GRLI)	France	100	100	FC	100	100	FC
Journal de la Haute Marne	France	50	50	EM	50	50	EM
La Liberté de l'Est	France	97	97	FC	97	97	FC
La Tribune	France	100	100	FC	100	100	FC
Le Dauphiné Libéré	France	100	100	FC	100	100	FC
Le Républicain Lorrain	France	100	100	FC	100	100	FC
Les Dernières Nouvelles d'Alsace	France	99	99	FC	99	99	FC
Lumedia	Luxembourg	50	50	EM	50	50	EM
Médiaportage	France	100	100	FC	100	100	FC
NEWCO4	France	100	100	FC			
Presse Diffusion	France	100	100	FC	100	100	FC
Publiprint Province n°1	France	100	100	FC	100	100	FC
Républicain Lorrain Communication	France	100	100	FC	100	100	FC
Républicain Lorrain – TV news	France	100	100	FC	100	100	FC
SCI ACM	France	78	51	FC	78	51	FC
SCI Le Progrès Confluence	France	100	100	FC	100	100	FC
SCI Provence Lafayette	France	90	59	FC	90	59	FC
SCI 14 Rue de Londres	France	90	59	FC	90	59	FC
SCI Saint Augustin	France	88	58	FC	88	58	FC
SCI Tombe Issoire	France	100	66	FC	100	66	FC
Société d'Édition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	France	100	100	FC	100	100	FC

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3b Information on entities included in the consolidation scope

Article L.511-45 of the French Monetary and Financial Code requires credit institutions to publish information on their establishments and their activities in each state or territory.

The country of each establishment is mentioned in the scope of consolidation.

The group has no establishments fulfilling the criteria defined in the order dated October 6, 2009 in non-cooperative states or territories shown on the list determined by the order dated April 08, 2016.

Country	Net Banking Income	Income (loss) before tax	Current tax	Deferred taxes	Other taxes and social security contributions	Workforce	Public subsidies
Belgium	131	37	-9	-1	-8	618	0
Czech republic	8	-2	0	0	-1	137	0
France	7,595	3,905	-806	-54	-1,080	28,969	0
Germany	1,687	653	-195	19	-113	5,879	0
Hong Kong	8	4	-1	-0	-1	15	0
Hungary	42	7	-1	-0	-2	351	0
Italy	60	7	-0	0	-5	275	0
Luxembourg	314	124	-20	2	-29	993	0
Monaco	6	4	-1	0	-0	9	0
Morocco*	0	6	0	0	0	0	0
Netherlands	0	0	0	0	-0	1	0
Poland	2	-2	0	0	-0	66	0
Portugal	187	95	-30	5	-7	759	0
Saint Martin (Dutch part)	3	2	-0	-0	-0	8	0
Singapore	66	32	-4	0	-4	139	0
Slovakia	2	-2	0	0	-1	59	0
Spain	445	63	-18	-4	-25	2,341	0
Switzerland	147	53	-5	2	-11	357	0
Tunisia*	0	13	0	0	0	0	0
UK	43	22	-3	0	-4	69	0
United States of America	118	66	3	-2	-9	91	0
TOTAL	**10,865**	**5,086**	**-1,089**	**-35**	**-1,300**	**41,136**	**0**

* *Entities consolidated using the equity method.*

3c Fully consolidated entities with significant non-controlling interests

	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities*			
12/31/2019	Percentage of interest/ Percentage of voting rights	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	Net profit/ (loss)	Undis-closed reserves	NBI
Groupe des Assurances du Crédit Mutuel (GACM)	34%	304	3,299	-663	125,068	860	1,462	1,723
Cofidis Belgique	29%	4	211	0	904	13	-1	96
Cofidis France	29%	22	325	0	9,914	83	-6	555

* *Amounts before elimination of intercompany balances and transactions.*

	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities*			
12/31/2018	Percentage of interest/ Percentage of voting rights	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	Net profit/ (loss)	Undis-closed reserves	NBI
Groupe des Assurances du Crédit Mutuel (GACM)	34%	284	3,472	-128	116,088	806	938	1,720
Cofidis Belgique	29%	4	207	0	852	13	0	97
Cofidis France	29%	19	320	0	8,593	71	-4	546

* *Amounts before elimination of intercompany balances and transactions.*

3d Equity investments in structured non-consolidated entities

Asset financing

The group grants loans to structured entities whose sole purpose is to hold assets to be leased; the rents received enable the structured entity to repay its borrowings. These entities are dissolved following the financing transaction. The group is generally the sole shareholder.

For this category, the maximum exposure to losses in respect of the structured entities corresponds to the carrying amount of the structured entity's financed asset.

Collective investment undertakings or funds

The group acts as fund manager and custodian. It offers its customers funds in which its purpose is not to invest. The group markets and manages these funds, dedicated or public, and is paid for this by commissions.

For certain funds offering guarantees to unit holders, the group may be the counterparty to swaps put in place. In the exceptional cases where the group is both the manager and investor in such a way that it may be assumed to be acting primarily for proprietary trading, this entity would then be brought within the scope of consolidation.

An interest in a structured non-consolidated entity is a contractual or non-contractual connection that exposes the group to the variable yields associated with the performance of the entity.

The risk of the group is essentially an operational risk of breach of its management mandate or its mandate as custodian and, where applicable, the group is also exposed to risk up to the amounts invested.

No financial support has been granted to the structured entities of the group over the fiscal year.

	12/31/2019			12/31/2018		
	Securitization vehicle (SPV)	Asset management (UCITS/REIT)*	Other structured entities**	Securitization vehicle (SPV)	Asset management (UCITS/REIT)*	Other structured entities**
Total assets	**0**	**28,593**	**2,350**	**0**	**23,733**	**1,974**
Carrying amounts of financial assets	0	13,381	943	0	11,962	949

* *The amounts indicated concern UCITS held at more than 20% and which the group manages, including account units held by insured parties.*

** *The other structured entities correspond to asset financing entities.*

3e Non-current assets and liabilities held for sale

	12/31/2019	12/31/2018
Non-current assets held for sale	726	0
Non-current liabilities held for sale	725	0

These non-current assets and liabilities held for sale include the sale of the NELL portfolio by our subsidiary Groupe des Assurances du Crédit Mutuel.

The disposal of the NELL portfolio will take place during the first quarter of 2020, effective January 1, 2020. The sale of this portfolio contributed by a network of brokers also includes the purchaser's acquisition of the entire NELL workforce.

The assets and liabilities relating to this portfolio are presented in the balance sheet of the financial statements, in accordance with IFRS 5, under line items: "Non-current assets held for sale" and "Debt related to non-current assets held for sale".

Note 4 Cash, central banks (asset/liability)

	12/31/2019	12/31/2018
Cash, central banks – asset		
Due to central banks	63,822	54,659
of which mandatory reserves	2,118	1,980
Cash	942	859
Total	**64,764**	**55,518**
Central banks – liability	**715**	**350**

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

5a Financial assets at fair value through profit or loss

	12/31/2019				12/31/2018			
	Transaction	Fair value option	Other FVPL	Total	Transaction	Fair value option	Other FVPL	Total
Securities	**11,376**	**437**	**4,620**	**16,433**	**10,455**	**418**	**4,014**	**14,887**
■ Government securities	941	0	0	941	774	0	0	774
■ Bonds and other debt securities	9,788	437	150	10,375	9,135	418	149	9,702
Listed	9,788	97	25	9,910	9,135	82	25	9,242
Non-listed	0	340	125	465	0	336	124	460
of which UCIs	*133*		*1*	*134*	*130*		*7*	*137*
■ Shares and other capital instruments	647		3,492	4,139	546		3,158	3,704
Listed	647		1,151	1,798	546		1,007	1,553
Non-listed	0		2,341	2,341	0		2,151	2,151
■ Long-term investments			684	684			707	707
Equity investments			193	193			202	202
Other long-term investments			260	260			180	180
Investments in associates			230	230			324	324
Other long-term investments			*1*	*1*			*1*	*1*
Derivative instruments	**3,190**			**3,190**	**3,398**			**3,398**
Loans and receivables	**12,490**	**0**	**0**	**12,490**		**0**	**0**	**0**
of which pensions[1]	*12,490*	*0*		*12,490*		*0*		*0*
TOTAL	**27,056**	**437**	**4,326**	**31,819**	**13,853**	**418**	**4,014**	**18,285**

(1) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost (10b and 10c).

LIST OF MAIN NON-CONSOLIDATED EQUITY INVESTMENTS RECOGNIZED AT FAIR VALUE THROUGH PROFIT OR LOSS

		% held	Equity	Total assets	NBI or revenue	Net profit/ (loss)
Banque Marocaine du Commerce Extérieur (BMCE Bank of Africa)(1)	Listed	< 30%	23,842	295,547	13,233	2,809
Crédit Logement	Unlisted	< 10%	1,709	10,813	204	102
CRH (Caisse de Refinancement de l'Habitat)	Unlisted	< 20%	563	28,103	2	0

The figures (except the percentage held) relate to fiscal year 2018.

(1) BMCE Bank of Africa deconsolidated in 2018 following the loss of significant influence by the group. BMCE Bank of Africa shares are now recognized at fair value through profit or loss. Figures expressed in millions of Moroccan dirhams.

5b Financial liabilities at fair value through profit or loss

	12/31/2019	12/31/2018
Financial liabilities held for trading	18,854	4,390
Financial liabilities at fair value through profit or loss on option	0	0
TOTAL	**18,854**	**4,390**

FINANCIAL LIABILITIES HELD FOR TRADING

	12/31/2019	12/31/2018
Short sales of securities	979	1,227
Government securities	0	3
Bonds and other debt securities	357	585
Shares and other capital instruments	622	639
Debts in respect of securities sold under repurchase agreements[1]	15,085	0
Trading derivatives	2,785	3,159
Other financial liabilities held for trading	5	4
TOTAL	**18,854**	**4,390**

(1) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost (10b and 10c).

5c Analysis of trading derivatives

	12/31/2019			12/31/2018 restated[1]		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	287,911	1,914	1,534	312,158	2,042	1,812
Swaps	*159,519*	*1,793*	*1,325*	*76,014*	*1,697*	*1,680*
Other firm contracts[1]	97,408	2	1	211,268	6	4
Options and conditional instruments	30,984	119	208	24,876	339	128
Foreign exchange derivatives	121,205	1,022	845	123,131	980	881
Swaps	*87,027*	*40*	*38*	*88,385*	*37*	*44*
Other firm contracts	9,460	915	740	7,749	846	740
Options and conditional instruments	24,718	67	67	26,997	97	97
Other than rates and foreign exchange	26,833	255	407	27,187	375	466
Swaps	*11,057*	*112*	*171*	*10,668*	*93*	*130*
Other firm contracts	11,014	12	101	8,401	14	90
Options and conditional instruments	4,762	131	135	8,118	268	246
TOTAL	**435,949**	**3,191**	**2,786**	**462,476**	**3,397**	**3,159**

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. Moreover, the value of derivatives takes counterparty risk into account.

(1) In order to improve the data used in the FINREP reporting, the group carried out a review of the chart of accounts. This resulted in the creation of new notional accounts, and the reclassification of certain accounts from "Transaction" to "Hedging". The published notional amount at December 31, 2018 was €282,649 million, and has been restated accordingly.

Note 6 Hedging

6a Hedging derivatives

	12/31/2019			12/31/2018 restated[1]		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Fair Value Hedges	290,347	3,440	2,285	263,340	3,064	2,357
Swaps	*75,288*	*3,442*	*2,285*	*86,814*	*3,067*	*2,356*
Other firm contracts[1]	213,866	0	0	174,885	0	0
Options and conditional instruments	1,193	(2)	0	1,641	(3)	1
Cash Flow Hedges	267	0	5		0	0
Swaps	*267*	*0*	*5*		*0*	*0*
TOTAL	**290,614**	**3,440**	**2,290**	**263,340**	**3,064**	**2,357**

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. Moreover, the value of derivatives takes counterparty risk into account.

(1) In order to improve the data used in the FINREP reporting, the group carried out a review of the chart of accounts. This resulted in the creation of new notional accounts, and the reclassification of certain accounts from "Transaction" to "Hedging". The published notional amount at December 31, 2018 was €103,504 million, and has been restated accordingly.

Maturity schedule of the nominal value of hedging derivatives

	Less than 3 months	3 months to less than 1 year	1 to 5 years	Over 5 years	12/31/2019
Fair Value Hedges	8,543	26,257	140,503	115,045	
Swaps	*3,403*	*14,146*	*37,637*	*20,102*	*75,288*
Other firm contracts	5,028	11,775	102,122	94,941	213,866
Options and conditional instruments	112	336	745	1	1,193
Cash Flow Hedges	89	178	0	0	267
Swaps	*89*	*178*	*0*	*0*	*267*
TOTAL	**8,632**	**26,435**	**140,503**	**115,045**	**290,614**

	Less than 3 months	3 months to less than 1 year	1 to 5 years	Over 5 years	12/31/2018
Fair Value Hedges	10,327	18,439	103,476	131,098	263,340
Swaps	6,702	7,188	45,617	27,307	86,814
Other firm contracts	3,513	10,915	56,667	103,790	174,885
Options and conditional instruments	112	336	1,192	1	1,641
TOTAL	**10,327**	**18,439**	**103,476**	**131,098**	**263,340**

6b Revaluation adjustment on rate-hedged books

	12/31/2019	12/31/2018
FAIR VALUE OF PORTFOLIO INTEREST RATE RISK		
■ in financial assets	897	696
■ in financial liabilities	-4	19

6c Items micro-hedged under Fair Value Hedging

ASSET ITEMS HEDGED

	12/31/2019			12/31/2018		
	Carrying amount	of which revaluation relating to hedging	of which revaluation for the fiscal year	Carrying amount	of which revaluation relating to hedging	of which revaluation for the fiscal year*
Loans and receivables due from credit institutions at amortized cost	22,745	0	0	23,235	0	0
Customer loans and receivables at amortized cost	70,753	887	6	86,453	717	(3)
Securities at amortized cost	1,287	54	3	1,455	55	(20)
Financial assets at FVOCI	18,322	868	0	16,373	109	8
TOTAL	**113,107**	**1,809**	**9**	**127,516**	**881**	**(15)**

LIABILITY ITEMS HEDGED

	12/31/2019			12/31/2018		
	Carrying amount	of which revaluation relating to hedging	of which revaluation for the fiscal year	Carrying amount	of which revaluation relating to hedging	of which revaluation for the fiscal year*
Debt securities	54,793	1,411	2	53,798	1,031	3
Due to credit institutions	11,831	929	2	12,656	822	2
Due to customers	27,218	27	3	26,082	8	0
TOTAL	**93,842**	**2,367**	**7**	**92,536**	**1,861**	**5**

Note 7 Financial assets at fair value through other comprehensive income

	12/31/2019	12/31/2018
Government securities	10,262	9,574
Bonds and other debt securities	19,575	17,078
■ Listed	19,166	16,697
■ Non-listed	409	381
Accrued interest	165	156
Debt securities subtotal, gross	**30,002**	**26,808**
of which impaired debt securities (S3)	2	2
Impairment of performing loans (S1/S2)	-17	-11
Other impairment (S3)	-1	-1
Debt securities subtotal, net	**29,984**	**26,796**
Shares and other capital instruments	19	16
■ Listed	9	13
■ Non-listed	10	3
Long-term investments	153	383
■ Equity investments	60	60
■ Other long-term investments	263	185
■ Investments in associates	124	138
Sub-total, capital instruments	**466**	**399**
TOTAL	**30,451**	**27,195**
of which unrealized capital gains or losses recognized under equity	3	-97
of which listed equity investments.	-1	-1

Note 8 Fair value hierarchy of financial instruments carried at fair value

12/31/2019	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS IFRS 9				
Fair value through other comprehensive income	26,174	3,017	1,261	30,452
Government and equivalent securities	10,342	0	0	10,342
Bonds and other debt securities	15,627	3,014	1,000	19,642
Shares and other capital instruments	18	2	0	20
Investments and other long-term securities	187	0	136	323
Investments in subsidiaries and associates	0	0	124	124
Trading/Fair value option/Other	10,832	16,749	4,236	31,818
Government securities and similar instruments – Trading	689	201	52	941
Government securities and similar instruments – Fair value option	0	0	0	0
Government securities and similar instruments – Other FVPL	0	0	0	0
Bonds and other debt securities – Trading	8,079	1,510	199	9,788
Bonds and other debt securities – Fair value option	33	0	404	437
Bonds and other debt securities – Other FVPL	102	0	48	150
Shares and other equity instruments – Trading	647	0	0	647
Shares and other capital instruments – Other FVPL[1]	1,166	0	2,326	3,492
Investments and other long-term securities – Other FVPL	1	0	451	452
Investments in subsidiaries and associates – Other FVPL	0	0	230	230
Loans and receivables due from credit institutions – Transaction	0	0	0	0
Loans and receivables due from credit institutions – Other FVPL	0	0	0	0
Loans and receivables due from customers – Transaction	0	12,489	0	12,489
Loans and receivables due from customers – Other FVPL	0	0	0	0
Derivatives and other financial assets – Trading	115	2,548	526	3,190
Hedging derivatives	0	3,438	2	3,440
TOTAL	**37,006**	**23,204**	**5,499**	**65,709**
FINANCIAL ASSETS IAS 39 – INVESTMENTS OF THE INSURANCE BUSINESS LINE				
Fair value through profit or loss	20,194	5,263	0	25,457
Transaction	0	0	0	0
Fair value option – debt securities	2,321	2,273	0	4,594
Fair value option – capital instruments	17,872	2,990	0	20,862
Hedging derivatives	0	0	0	0
Available-for-sale assets	69,090	2,916	633	72,639
Government and equivalent securities	16,127	169	0	16,296
Bonds and other debt securities	40,951	448	0	41,399
Shares and other capital instruments	11,075	2,282	1	13,357
Equity investments, shares in subsidiaries and associates and other long-term investments	937	17	632	1,586
TOTAL	**89,283**	**8,179**	**633**	**98,095**
FINANCIAL LIABILITIES IFRS 9				
Trading/Fair value option	125	18,281	447	18,854
Hedging derivatives	0	2,271	19	2,291
TOTAL	**125**	**20,553**	**467**	**21,144**
FINANCIAL LIABILITIES RELATED TO IAS 39 INSURANCE BUSINESS POLICIES				
Fair value through profit or loss	1	6,435	0	6,436
Transaction	1	0	0	1
Fair value option	0	6,435	0	6,435
Hedging derivatives	0	0	0	0
TOTAL	**1**	**6,435**	**0**	**6,436**

(1) Notably includes the equity investments held by the group's private equity companies.

- Level 1: price quoted in an active market.
- Level 2: prices quoted in active markets for similar instruments, and measurement method in which all significant inputs are based on observable market information;
- Level 3: measurement based on internal models containing significant unobservable inputs.

Instruments in the trading portfolio classified under levels 2 or 3 mainly consist of derivatives and securities considered as illiquid.

There are uncertainties surrounding the measurement of all these instruments, which result in value adjustments reflecting the risk premium that a market participant would incorporate when establishing the price.

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 and the counterparty risk present in the fair value of over-the-counter derivatives. The methods used may change. The latter include the own counterparty risk present in the fair value of over-the-counter derivatives.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

Fair value hierarchy – Level 3	Opening	Purchases	Sales	Transfers	Gains and losses in the income statement	Gains and losses in equity	Other movements	Closing
Shares and other capital instruments – Other FVPL	2,026	465	-361	0	259	0	-2	2,387

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12/31/2018	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS IFRS 9				
Fair value through other comprehensive income	23,053	2,726	1,415	27,193
Government and equivalent securities	9,612	37	0	9,648
Bonds and other debt securities	13,293	2,687	1,152	17,147
Shares and other capital instruments	19	2	0	15
Investments and other long-term securities	129	0	101	245
Investments in subsidiaries and associates	0	0	161	138
Trading/Fair value option/Other	10,623	3,734	3,930	18,286
Government securities and similar instruments – Trading	615	159	0	774
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	7,882	926	327	9,135
Bonds and other debt securities – Fair value option	35	20	363	418
Bonds and other debt securities – Other FVPL	102	0	48	149
Shares and other equity instruments – Trading	546	0	0	546
Shares and other capital instruments – Other FVPL[1]	1,193	0	2,026	3,158
Investments and other long-term securities – Other FVPL	3	0	389	383
Investments in subsidiaries and associates – Other FVPL	0	0	217	325
Derivatives and other financial assets – Trading	247	2,629	560	3,398
Hedging derivatives	0	3,052	11	3,063
TOTAL	**33,676**	**9,512**	**5,356**	**48,542**
FINANCIAL ASSETS IAS 39 – INVESTMENTS OF THE INSURANCE BUSINESS LINE				
Fair value through profit or loss	21,348	4,751	0	26,099
Transaction	0	0	0	0
Fair value option – debt securities	2,167	3,093	0	5,260
Fair value option – capital instruments	19,181	1,658	0	20,839
Hedging derivatives	0	0	0	0
Available-for-sale assets	63,048	1,911	520	65,479
Government and equivalent securities	16,066	0	0	16,066
Bonds and other debt securities	37,742	81	0	37,824
Shares and other capital instruments	8,458	1,809	1	10,267
Equity investments, shares in subsidiaries and associates and other long-term investments	782	21	519	1,322
TOTAL	**84,396**	**6,662**	**520**	**91,579**
FINANCIAL LIABILITIES IFRS 9				
Trading/Fair value option	1,443	2,168	779	4,390
Derivatives and other financial liabilities – Trading	1,443	2,168	779	4,390
Hedging derivatives	0	2,336	21	2,356
TOTAL	**1,443**	**4,503**	**800**	**6,746**
FINANCIAL LIABILITIES RELATED TO IAS 39 INSURANCE BUSINESS POLICIES				
Fair value through profit or loss	0	5,315	0	5,315
Transaction	0	-1	0	-1
Fair value option	0	5,316	0	5,316
Hedging derivatives	0	0	0	0
TOTAL	**0**	**5,315**	**0**	**5,315**

(1) Notably includes the equity investments held by the group's private equity companies.

Note 9 Details of securitization outstandings

As requested by the banking supervisor and the markets regulator, an analysis is provided below of sensitive exposures based on FSB recommendations.

The trading portfolios and the portfolios of securities at fair value through equity were valued at market price based on external data sourced from organized markets, leading brokers or, when no price was available, based on comparable securities quoted in the market.

SUMMARY

	Carrying amount 12/31/2019	Carrying amount 12/31/2018
RMBS	1,561	1,518
CMBS	662	543
CLO	3,561	3,211
Other ABS	2,185	2,404
Sub-total	**7,969**	**7,677**
ABCP program liquidity lines	0	215
TOTAL	**7,969**	**7,892**

Unless otherwise indicated, securities are not hedged by CDS.

EXPOSURES ON 12/31/2019

	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	487	-	65	506	1,059
Amortized cost	53	-	300	533	886
Fair value – Other	8	-	-	-	8
Fair value through other comprehensive income	1,013	662	3,196	1,145	6,016
TOTAL	**1,561**	**662**	**3,561**	**2,185**	**7,969**
France	334	-	571	606	1,511
Spain	112	-	-	188	301
United Kingdom	256	-	136	84	475
Europe excluding France, Spain, United Kingdom	470	-	247	774	1,490
USA	198	662	2,608	254	3,722
Others	190	-		279	468
TOTAL	**1,561**	**662**	**3,561**	**2,185**	**7,969**
US Branches	194	659	-	-	853
AAA	1,163	4	3,410	1,070	5,646
AA	168	-	96	582	846
A	17	-	44	-	60
BBB	7	-	-	25	31
BB	8	-	-	7	15
B or below	4	-	-	-	4
Not rated	-	-	11	502	513
TOTAL	**1,561**	**662**	**3,561**	**2,185**	**7,969**
Origination 2005 and earlier	39	51	-	-	90
Origination 2006-2008	94	-	-	20	114
Origination 2009-2011	65	4	-	-	69
Origination 2012-2019	1,362	607	3,561	2,165	7,696
TOTAL	**1,561**	**662**	**3,561**	**2,185**	**7,969**

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EXPOSURES ON 12/31/2018

	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	472	0	0	253	725
Amortized cost	237	0	260	256	753
Fair value – Other	9				9
Fair value through other comprehensive income	801	543	2,951	1,895	6,190
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
France	251	0	555	644	1,450
Spain	125	0	0	195	320
United Kingdom	344	0	135	211	690
Europe excluding France, Spain, United Kingdom	310	0	363	1,199	1,871
USA	293	543	2,158	1	2,994
Others	197	0	0	155	351
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
US Branches	125	543	0	0	668
AAA	1,045	0	3,041	1,634	5,719
AA	141	0	120	508	770
A	20	0	38	57	115
BBB	7	0	0	200	207
BB	18	0	0	7	24
B or below	162	0	0	0	162
Not rated	0	0	11	0	11
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
Origination 2005 and earlier	60	0	0	0	60
Origination 2006-2008	283	0	0	56	338
Origination 2009-2011	31	1	0	0	32
Origination 2012-2018	1,144	542	3,211	2,349	7,247
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**

Note 10 Financial assets at amortized cost

	12/31/2019	12/31/2018
Securities at amortized cost	2,780	2,957
Loans and receivables to credit institutions	51,675	57,322
Loans and receivables due from customers	250,142	243,999
TOTAL	**304,597**	**304,278**

10a Securities at amortized cost

	12/31/2019	12/31/2018
Securities	2,936	3,156
■ Government securities	1,663	1,921
■ Bonds and other debt securities	1,273	1,235
Listed	497	489
Non-listed	776	746
Accrued interest	12	14
TOTAL GROSS	**2,947**	**3,170**
of which impaired assets (S3)	*183*	*392*
Impairment of performing loans (S1/S2)	-1	0
Other impairment (S3)	-167	-213
TOTAL NET	**2,780**	**2,957**

10b Loans and receivables due from credit institutions at amortized cost

	12/31/2019	12/31/2018
Performing loans (S1/S2)	51,448	57,076
Crédit Mutuel network accounts[1]	7,171	5,757
Other ordinary accounts	2,933	3,365
Loans	35,030	35,832
Other receivables	4,674	4,945
Pensions[2]	1,641	7,177
Individually-impaired receivables, gross (S3)	0	0
Accrued interest	229	249
Impairment of performing loans (S1/S2)	-2	-3
Other impairment (S3)	0	0
TOTAL	**51,675**	**57,322**

(1) Mainly concerns outstanding CDC repayments (LEP, LDD, Livret bleu, Livret A).

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

10c Loans and receivables due from customers at amortized cost

	12/31/2019	12/31/2018
Performing loans (S1/S2)	231,929	227,075
Commercial loans	15,240	15,323
Other customer receivables	216,275	211,317
■ Home loans	87,384	82,037
■ Other loans and receivables, including repurchase agreements	128,891	129,280
Accrued interest	413	436
Insurance and reinsurance receivables	0	0
Individually-impaired receivables, gross (S3)	9,618	9,064
Receivables, gross	**241,547**	**236,139**
Impairment of performing loans (S1/S2)	-1,529	-1,419
Other impairment (S3)	-5,372	-5,120
SUB Total I	**234,646**	**229,600**
Finance leases (net investment)	15,304	14,273
■ Equipment	10,802	9,983
■ Real estate	4,502	4,290
Individually-impaired receivables, gross (S3)	490	427
Impairment of performing loans (S1/S2)	-108	-110
Other impairment (S3)	-190	-190
SUB Total II	**15,496**	**14,400**
TOTAL	**250,142**	**244,000**
of which subordinated loans	13	13
of which pensions[1]	912	9,350

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

FINANCE LEASE TRANSACTIONS WITH CUSTOMERS

	12/31/2018	Increase	Decrease	Others	12/31/2019
Gross carrying amount	14,700	2,384	-1,278	-12	15,794
Impairment of non-recoverable lease payments	-300	-98	101	-1	-298
Net carrying amount	14,400	2,286	-1,177	-13	15,496

MATURITY ANALYSIS OF MINIMUM FUTURE LEASE PAYMENTS RECEIVABLE UNDER FINANCE LEASES

	< 1 year	> 1 year and < 5 years	> 5 years	Total
Minimum future lease payments receivable	3,976	8,963	2,884	15,823
Present value of future lease payments	3,817	8,733	2,874	15,424
UNEARNED FINANCIAL INCOME	**159**	**230**	**10**	**399**

Note 11 Financial liabilities at amortized cost

11a Debt securities at amortized cost

	12/31/2019	12/31/2018
Certificates of deposit	42	38
Interbank certificates and negotiable debt instruments	56,396	56,406
Bonds	66,833	62,544
Non-preferred senior securities	1,044	0
Related debt	795	767
TOTAL	**125,110**	**119,755**

11b Due to credit institutions

	12/31/2019	12/31/2018
Other ordinary accounts	6,770	13,920
Borrowings	15,478	15,182
Other debt	4,458	4,193
Pensions[1][2]	13,172	28,807
Related debt	42	95
TOTAL	**39,920**	**62,197**

(1) The group participated in TLTRO II (Targeted Long Term Refinancing Operation) proposed by the ECB up to €9,994 million on December 31, 2019.

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

11c Due to customers at amortized cost

	12/31/2019	12/31/2018
Special savings accounts	58,072	55,208
■ demand	42,386	40,349
■ term	15,686	14,859
Related liabilities on savings accounts	1	1
Sub-total	**58,072**	**55,209**
Demand accounts	112,105	101,845
Term deposits and borrowings	46,813	34,227
Pensions[1]	3	2,024
Related debt	102	144
Other debt	7	10
Sub-total	**159,030**	**138,250**
TOTAL	**217,102**	**193,459**

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

11d Netting of financial assets and liabilities

12/31/2019	Gross value of financial assets	Gross value of financial liabilities offset on balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet: Impact of master netting agreements	Related amounts not offset in balance sheet: Financial instruments received as guarantee	Related amounts not offset in balance sheet: Cash received (cash collateral)	Net amount
FINANCIAL ASSETS							
Derivatives	10,094	-3,452	6,642	-1,302	0	-3,131	2,209
Pensions	21,559	0	21,559	0	-21,372	-162	25
TOTAL	**31,653**	**-3,452**	**28,201**	**-1,302**	**-21,372**	**-3,293**	**2,234**

12/31/2019	Gross amount of financial liabilities	Gross amount of financial assets offset on the balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet: Impact of master netting agreements	Related amounts not offset in balance sheet: Financial instruments pledged as collateral	Related amounts not offset in balance sheet: Cash collateral paid (cash collateral)	Net amount
FINANCIAL LIABILITIES							
Derivatives	8,529	-3,452	5,076	-1,302	0	-2,244	1,530
Pensions	34,710	0	34,710	0	-34,532	-140	37
TOTAL	**43,238**	**-3,452**	**39,786**	**-1,302**	**-34,532**	**-2,384**	**1,568**

12/31/2018	Gross value of financial assets	Gross value of financial liabilities offset on balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet: Impact of master netting agreements	Related amounts not offset in balance sheet: Financial instruments received as guarantee	Related amounts not offset in balance sheet: Cash received (cash collateral)	Net amount
FINANCIAL ASSETS							
Derivatives	8,038	-1,576	6,462	-1,118	0	-3,194	2,150
Pensions	19,813	0	19,813	0	-19,527	-185	102
TOTAL	**27,851**	**-1,576**	**26,275**	**-1,118**	**-19,527**	**-3,379**	**2,252**

12/31/2018	Gross amount of financial liabilities	Gross amount of financial assets offset on the balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet: Impact of master netting agreements	Related amounts not offset in balance sheet: Financial instruments pledged as collateral	Related amounts not offset in balance sheet: Cash collateral paid (cash collateral)	Net amount
FINANCIAL LIABILITIES							
Derivatives	7,090	-1,576	5,514	-1,150	0	-2,828	1,536
Pensions	36,221	0	36,221	0	-35,429	-791	1
TOTAL	**43,311**	**-1,576**	**41,735**	**-1,150**	**-35,429**	**-3,619**	**1,537**

These disclosures, required by an amendment to IFRS 7, seek to provide a basis for comparison with the treatment under generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IFRS.

The amounts shown in the 2nd column correspond to accounting offsetting, under IAS 32, for transactions processed going through a clearing house.

The "impact of master netting agreements" column corresponds to the outstanding transaction amounts pursuant to enforceable contracts that are not subject to accounting offsetting. These include transactions for which the right to offset is exercised in case of the default, insolvency or bankruptcy of one of the parties to the contracts. They relate to derivatives and repurchase agreements, whether or not processed via clearing houses.

The "Financial instruments received/given in guarantee" column shows the market value of securities exchanged as collateral.

The "Cash collateral received/paid" column shows the guarantee deposits received or given in respect of the positive or negative market values of financial instruments. They are recognized under "Other assets or liabilities" in the balance sheet.

Note 12 Gross values and movements in impairment provisions

12a Gross values subject to impairment

	12/31/2018 restated[1]	Acquisition/ production	Sale/ redemption	Change in flows[2]	Transfer[3]	Other	12/31/2019
Financial assets at amortized cost – loans and receivables due from credit institutions, subject to	**57,325**	**63,928**	**-69,591**	**9**	**6**	**0**	**51,677**
-12-month expected losses (S1)	57,312	63,923	-69,581	9	9	0	51,672
with expected losses at maturity (S2)	13	5	-10	0	-3	0	5
Financial assets at amortized cost – loans and receivables due from customers, subject to[1]	**250,840**	**116,288**	**-110,111**	**321**	**3**	**0**	**257,341**
12-month expected losses (S1)	228,606	103,438	-99,114	27	-736	0	232,221
with expected losses at maturity (S2)	12,743	11,848	-8,597	37	-1,019	0	15,012
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	9,447	1,000	-2,354	257	1,758	0	10,108
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	44	2	-46	0	0	0	0
Financial assets at amortized cost – securities	**3,170**	**3,313**	**-3,650**	**0**	**115**	**0**	**2,948**
with 12-month expected losses (S1)	2,778	3,305	-3,427	0	109	0	2,765
with expected losses at maturity (S2)	0	0	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	392	8	-223	0	6	0	183
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income – debt securities	**26,808**	**12,261**	**-8,955**	**0**	**-112**	**0**	**30,002**
12-month expected losses (S1)	26,699	12,190	-8,921	0	-73	0	29,895
with expected losses at maturity (S2)	107	38	0	0	-40	0	105
expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	2	33	-34	0	1	0	2
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0	0	0
TOTAL	**338,143**	**195,790**	**-192,307**	**330**	**12**	**0**	**341,968**

(1) Amounts of Financial Assets at amortized cost – loans and receivables from customers, restated at December 31, 2018 in order to better reflect the economic reality of outstanding finance leases.

(2) Changes in flows not giving rise to derecognition.

(3) Of which Buckets transfer.

12b Movements in impairment provisions

	12/31/2018	Addition	Reversal	Other	12/31/2019
Financial assets at amortized cost – loans and receivables due from credit institutions	**-6**	**-2**	**3**	**3**	**-2**
of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	-6	-2	3	3	-2
■ expected losses at maturity (S2)	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at amortized cost – loans and receivables due from customers	**-6,839**	**-1,813**	**1,530**	**-77**	**-7,199**
of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	-755	-238	165	31	-797
■ expected losses at maturity (S2)	-774	-335	293	58	-758
■ of which customer receivables coming under IFRS 15	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-5,311	-1,240	1,072	86	-5,393
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	**-213**	**-1**	**1**	**45**	**-168**
of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	0	-1	0	0	-1
■ expected losses at maturity (S2)	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-213	0	1	45	-167
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	**-12**	**-9**	**3**	**0**	**-18**
of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	-11	-7	3	0	-15
■ expected losses at maturity (S2)	0	-2	0	0	-2
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-1	0	0	0	-1
expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
TOTAL	**-7,070**	**-1,825**	**1,537**	**-29**	**-7,387**

Note 13 Investments/assets and liabilities relative to contracts under the insurance business line

13a Short-term investments in the insurance business line and reinsurers' share of technical provisions

FINANCIAL ASSETS

	12/31/2019	12/31/2018
Fair value through profit or loss	25,457	26,099
▪ Transaction	0	0
▪ Fair value option – debt securities	4,594	5,260
▪ Fair value option – capital instruments	20,863	20,839
Hedging derivatives	0	0
Available-for-sale[1]	72,638	65,479
▪ Government and equivalent securities	16,296	16,066
▪ Bonds and other debt securities	41,399	37,824
▪ Shares and other capital instruments	13,357	10,267
▪ Equity investments, shares in subsidiaries and associates and other long-term investments	1,586	1,322
Loans and receivables	5,125	2,624
Held-to-maturity	7,877	10,559
Sub-total financial assets	**111,097**	**104,761**
Investment properties	**3,313**	**3,228**
Shares of reinsurers in the technical provisions and other assets	**789**	**751**
TOTAL	**115,199**	**108,740**

(1) Of which SPPI assets of €56,602 million
The fair value of buildings recognized at amortized cost is €4,306 million on 12.31.2019.

LIST OF MAIN NON-CONSOLIDATED EQUITY INVESTMENTS HELD BY INSURANCE COMPANIES

		% held	Equity	Total assets	NBI or Revenue	Net profit/(loss)
Ardian Holding	Unlisted	< 20%	402	872	393	123
Covivio (formerly Foncière des Régions)	Listed	< 10%	11,358	24,384	884	1,143
Covivio Hôtels (formerly Foncière des Murs)	Listed	< 10%	3,304	6,740	225	227
Certas, home and auto insurance company[1]	Unlisted	10%	1,153	6,751	1,937	8

The figures (except the percentage held) relate to fiscal year 2018.
(1) In millions of Canadian dollars.

BREAKDOWN BY STANDARD & POOR'S RATING OF SPPI INSURANCE ASSETS

Standard & Poor's rating	SPPI insurance assets
AAA	12%
AA+	2%
AA	27%
AA-	4%
A+	8%
A	7%
A-	11%
BBB+	9%
BBB	7%
BBB-	0%
BB+	0%
NN*	12%
TOTAL	**100%**

* *Not rated.*

13b Liabilities relative to contracts of the insurance business line

TECHNICAL PROVISIONS OF INSURANCE POLICIES

	12/31/2019	12/31/2018
Life	86,101	80,963
Non-life	4,408	3,763
Account units	13,093	11,716
Other	314	307
Total	**103,916**	**96,749**
of which deferred profit sharing liabilities	15,128	10,302
Deferred profit-sharing assets	0	0
Share of reinsurers in the technical provisions	424	348
NET TECHNICAL PROVISIONS	**103,492**	**96,401**

FINANCIAL LIABILITIES

	12/31/2019	12/31/2018
Fair value through profit or loss	6,436	5,315
■ Transaction	1	-1
■ Fair value option	6,435	5,316
Hedging derivatives	0	0
Due to credit institutions	153	167
Debt securities	0	0
Subordinated debt	300	300
Sub-total	**6,889**	**5,782**
Other liabilities	**389**	**337**
TOTAL	**7,278**	**6,119**
Total liabilities related to insurance business policies	111,194	102,868

Note 14 Income tax

14a Current tax

	12/31/2019	12/31/2018
Assets (through profit or loss)	1,029	1,111
Liabilities (through profit or loss)	575	373

Following the application as of January 1, 2019 of IFRIC 23 – "Uncertainty about Tax Treatments", the group reclassified €150 million from "provisions" (note 20a) to "Current taxes" (note 14a).

14b Deferred tax

	12/31/2019	12/31/2018
Assets (through profit or loss)	896	950
Assets (through other comprehensive income)	258	182
Liabilities (through profit or loss)	612	614
Liabilities (through other comprehensive income)	578	344

ANALYSIS OF DEFERRED TAXES BY MAJOR CATEGORIES

	12/31/2019		12/31/2018	
	Assets	Liabilities	Assets	Liabilities
Tax loss carried forward				
Temporary differences in				
■ impairment of financial assets	704		719	
■ finance leasing reserve		396		352
■ revaluation of financial instruments	537	971	378	617
■ accrued expenses and accrued income	182	39	148	72
■ earnings of flow-through entities				
■ insurance business line	57	116	75	127
■ other temporary differences	170	167	80	61
■ tax deficits	3		3	
Offsets	-499	-499	-271	-271
TOTAL DEFERRED TAX ASSETS AND LIABILITIES	**1,154**	**1,190**	**1,132**	**958**

Deferred taxes are calculated using the liability method.

Note 15 Accruals and other assets and liabilities

15a Accruals and other assets

	12/31/2019	12/31/2018
ACCRUALS ASSETS		
Collection accounts	136	158
Currency adjustment accounts	385	267
Accrued income	503	483
Other accruals	3,468	3,194
Sub-total	**4,492**	**4,102**
OTHER ASSETS		
Securities settlement accounts	117	103
Miscellaneous receivables	3,478	3,604
Inventories and similar	32	25
Other miscellaneous uses	31	32
Sub-total	**3,658**	**3,764**
TOTAL	**8,150**	**7,866**

15b Accruals and other liabilities

	12/31/2019	12/31/2018
ACCRUALS LIABILITIES		
Accounts unavailable due to recovery procedures	45	25
Currency adjustment accounts	137	85
Accrued expenses	961	891
Deferred income	602	664
Other accruals	4,761	5,002
Sub-total	**6,506**	**6,667**
OTHER LIABILITIES		
Lease obligations – Real estate*	582	0
Lease obligations – Other*	2	0
Securities settlement accounts	475	422
Outstanding amounts payable on securities	52	71
Sundry creditors	1,155	1,245
Sub-total	**2,266**	**1,738**
TOTAL	**8,772**	**8,405**

* *As from January 1, 2019, pursuant to IFRS 16 "Leases," the group recognized a lease liability under "Other liabilities" representing its obligation to pay lease rentals. (See note 1).*

15c Lease obligations by residual term

12/31/2019	≤ 1 year	1 year < ≤ 3 years	3 years < ≤ 6 years	6 years < ≤ 9 years	> 9 years	Total
Lease obligations	164	117	101	104	98	584
■ Real estate	163	116	101	104	98	582
■ Other	1	1	0	0	0	2

Note 16 Investments in equity consolidated companies

16a Share of net profit/(loss) of equity consolidated companies

12/31/2019	Country	Share held	Value under equity consolidation method	Share of net profit/(loss)	Dividends received	Fair value of the investment (if listed)
Entities under significant influence						
ASTREE Assurances	Tunisia	30.00%	17	5	1	25
Banque de Tunisie	Tunisia	35.33%	172	9	5	195
Euro-Information	France	26.36%	404	41	1	NC*
Euro Protection Surveillance	France	25.00%	41	6	0	NC*
LYF SA (formerly Fivory)	France	43.75%	7	0	0	NC*
Royale Marocaine d'Assurance (ex RMA Watanya)**	Morocco	NA	0	6	0	NC*
SCI La Tréflière	France	46.09%	10	0	0	NC*
Other equity investments			1	0		NC*
Total (1)			**651**	**66**	**7**	
Joint venture						
Bancas	France	50.00%	1	0	0	NC*
Banque du groupe Casino	France	50.00%	75	7	0	NC*
Total (2)			**76**	**7**	**0**	
TOTAL (1) + (2)			**727**	**74**	**7**	

*   *NC: Not communicated.*
****Exclusion of RMA from the consolidation scope in 2019 following the sale of shares held by GACM.*

12/31/2018	Country	Share held	Value under equity consolidation method	Share of net profit/(loss)	Dividends received	Fair value of the investment (if listed)
Entities under significant influence						
ASTREE Assurances	Tunisia	30.00%	14	1	1	19
Banque de Tunisie	Tunisia	34.00%	160	16	7	171
Banque Marocaine du Commerce Extérieur (BMCE)**	Morocco	NA	NA	56	19	NA
Euro-Information	France	26.36%	367	28	0	NC*
flyf	France	25.00%	35	6	0	NC*
LYF SA (formerly Fivory)	France	46.00%	8	-1	0	NC*
Royale Marocaine d'Assurance (ex RMA Watanya)	Morocco	22.02%	130	17	12	NC*
SCI La Tréflière	France	46.09%	10	0	0	NC*
Other equity investments			2	0		NC*
Total (1)			**726**	**125**	**39**	
Joint venture						
Bancas	France	50.00%	1	0	0	NC*
Banque du groupe Casino	France	50.00%	55	5	0	NC*
Total (2)			**56**	**5**	**0**	
TOTAL (1) + (2)			**782**	**130**	**39**	

*   *NC: Not communicated.*
** *BMCE exited from the scope in 2018 following the loss of the significant influence.*

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16b Financial data published by the main equity consolidated companies

	12/31/2019					
	Total assets	NBI or Revenues	GOI	Net profit/(loss)	Reserves OCI	Equity
ENTITIES UNDER SIGNIFICANT INFLUENCE						
ASTREE Assurance(2)	607	131	59	52	21	185
Banque de Tunisie(1)(2)	5,999	328	161	111	NC*	839
Euro Information(1)	1,412	1,280	164	100	0	1,205
Euro Protection Surveillance(1)	225	172	39	25	0	174
LYF SA (formerly Fivory)	19	0	-1	-1	0	16
RMA Watanya(1)(3)	333,002	18,604	4,264	973	3,800	6,194
JOINT VENTURE						
Banque Casino	1,427	164	79	14	0	151

(1) 2018 amounts.
(2) In millions of Tunisian dinar.
(3) In millions of Moroccan dirham.
** NC: Not communicated.*

	12/31/2018					
	Total assets	NBI or Revenues	GOI	Net profit/(loss)	Reserves OCI	Equity
ENTITIES UNDER SIGNIFICANT INFLUENCE						
ASTREE Assurance(2)	525	122	22	17	55	179
Banque de Tunisie(1)(2)	5,279	269	164	136	NC*	801
Euro Information(1)	1,292	1,132	167	97	0	1,106
Euro Protection Surveillance(1)	199	161	41	26	0	149
LYF SA (formerly Fivory)	18	-1	-1	-1	0	16
RMA Watanya(1)(3)	351,720	18,695	4,630	1,119	3,961	6,558
JOINT VENTURE						
Banque Casino	1,198	136	63	9	0	112

(1) 2017 amounts.
(2) In millions of Tunisian dinar.
(3) In millions of Moroccan dirham.
** NC: Not communicated.*

Note 17 Investment property

	12/31/2018	Increase	Decrease	Others	12/31/2019
Historical cost	91	2	-13	9	89
Depreciation and impairment	-39	-2	1	6	-34
Net amount	**52**	**0**	**-12**	**15**	**55**

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

Note 18 Property, plant and equipment and intangible assets

18a Property, plant and equipment

	12/31/2018	Increase	Decrease	Other[1]	12/31/2019
HISTORICAL COST					
Operating sites	489	1	-7	0	483
Operating buildings	3,071	92	-74	5	3,094
Usage rights – Real estate[1]	0	97	-32	622	687
Usage rights – Other[1]	0	0	0	2	2
Other property, plant and equipment	1,153	106	-101	0	1,158
Total	**4,713**	**296**	**-214**	**629**	**5,424**
DEPRECIATION AND IMPAIRMENT					
Operating sites	-9	-2	0	1	-10
Operating buildings	-1,978	-93	57	-5	-2,019
Usage rights – Real estate	0	-106	4	-8	-110
Usage rights – Other	0	-1	0	0	-1
Other property, plant and equipment	-898	-51	46	1	-902
Total	**-2,885**	**-253**	**107**	**-11**	**-3,042**
NET AMOUNT	**1,828**	**43**	**-107**	**618**	**2,382**

(1) Of which a €621 million impact from the first application of IFRS 16.

18b Intangible assets

	12/31/2018	Increase	Decrease	Others	12/31/2019
HISTORICAL COST					
Assets generated internally	0	0	0	0	0
Acquired capital assets	1,427	42	-20	3	1,452
■ software	519	28	-3	3	547
■ other	908	14	-17	0	905
Total	**1,427**	**42**	**-20**	**3**	**1,452**
DEPRECIATION AND IMPAIRMENT					
Assets generated internally	0	0	0	0	0
Acquired capital assets	-914	-32	4	0	-942
■ software	-474	-20	2	-1	-493
■ other	-440	-12	2	1	-449
Total	**-914**	**-32**	**4**	**0**	**-942**
NET AMOUNT	**513**	**10**	**-16**	**3**	**510**

Note 19 Goodwill

	12/31/2018	Increase	Decrease	Variation in impairment	Other	12/31/2019
Gross goodwill	4,544				0	4,544
Write-downs	-495				0	-495
NET GOODWILL	**4,049**				**0**	**4,049**

Cash generating units	Value of goodwill on 12/31/2018	Increase	Decrease	Variation in impairment	Other	Value of goodwill on 12/31/2019
Targobank Allemagne	2,851					2,851
Crédit Industriel et Commercial (CIC)	506					506
Cofidis Participations	378					378
Cofidis France	79					79
Factofrance SA	68					68
GACM Seguros, Compañía de Seguros y Reaseguros, SAU (formerly AMGEN)	53					53
SIIC Foncière Massena	26					26
Crédit Mutuel Equity SCR	21					21
Banque de Luxembourg	13					13
Agrupació AMCI d'Assegurances i Reassegurances S.A.	12					12
Cofidis Italy	9					9
Banque Transatlantique	6					6
Dubly Transatlantique Gestion	5					5
Other	22					22
TOTAL	**4,049**	**0**	**0**	**0**	**0**	**4,049**

The cash generating units to which the goodwill is assigned are subject to at least one test per year of their recoverable amount. Impairment is ascertained by depreciation of goodwill when the recoverable amount is less than the carrying amount.

The recoverable amount is determined according to two types of methods:

- *the fair value net of sales costs, which is based on observation of valuation multiples on comparable transactions or market parameters adopted by the analysts on entities with similar activities;*
- *the value in use, which is based on converting future expected cash flows to current value.*

To determine the value in use, the cash flows are based on business plans determined by the management over a maximum period of five years, then on projection of a flow to infinity according to a long-term growth rate. The latter is fixed at 2% for the whole of Europe, which is an assumption measured in comparison to inflation rates observed over a very long period.

The cash flow discount rates correspond to the cost of capital, which is determined from a long-term riskless rate, to which a risk premium is added. The risk premium is determined by observation of the sensitivity of the price in relation to the market in the case of a listed asset, or by analyst's estimate in non-listed assets. At December 31, 2019, the cost of capital retained for the CGUs for which value in use was used as an impairment test amounted to:

- *9% for retail banking, consumer credit, insurance and finance lease CGUs located in Europe;*
- *7.6% for the EI Telecom CGU.*

The factors used to calculate the cost of capital did not change between 2018 and 2019 year-ends, given economic conditions considered to be similar.

The main sensitivity factors of the recoverable amount test based on the value in use are the discount rate and the expected level of future cash flows, which is itself impacted by the following sensitivity factors:

- *the achievement of business plans;*
- *the perpetual growth rate.*

When the value in use was used as an impairment test, the parameters and their sensitivity were as follows:

	Targobank Allemagne	Cofidis
	Network bank	Consumer loan
Cost of capital	9.00%	9.00%
Effect of a variation upwards of 50 basis points in the cost of capital (impact on goodwill)	-427	-163
Effect of a 1% drop in future flows (impact on goodwill)	-65	-45

Note 20 Provisions and contingent liabilities

20a Provisions

	12/31/2018	Additions for the year	Reversals for the year (utilized provisions)	Reversals for the year (surplus provisions)	Other variations	12/31/2019
Provisions for risks	**377**	**211**	**-91**	**-202**	**63**	**358**
On guarantee commitments	***187***	***88***	***-5***	***-76***	***1***	***195***
■ of which 12-month expected losses (S1)	31	22	0	-17	0	36
■ of which expected losses at maturity (S2)	33	23	0	-23	0	33
■ of which provisions for execution of commitments upon signature	123	43	-5	-36	1	126
On financing commitments	***53***	***77***	***0***	***-67***	***0***	***63***
■ of which 12-month expected losses (S1)	45	54	0	-47	1	53
■ of which expected losses at maturity (S2)	8	22	0	-20	0	10
On country risks	0	0	0	0	0	0
Tax provisions	26	1	0	-13	-4	10
Provisions for claims and litigation	76	16	-18	-17	0	57
Provision for risk on miscellaneous receivables	***33***	***28***	***-69***	***-28***	***68***	***32***
Other provisions	**1,355**	**409**	**-124**	**-74**	**-246**	**1,320**
■ Provision for mortgage saving agreements	64	13	0	0	0	77
■ Provisions for miscellaneous contingencies[2]	880	248	-91	-31	-134	872
■ Other provisions[1][2]	411	149	-33	-43	-113	371
Provisions for retirement commitments	**869**	**65**	**-26**	**-11**	**125**	**1,022**
TOTAL	**2,601**	**685**	**-241**	**-287**	**-58**	**2,700**

(1) Other provisions mainly include provisions for French economic interest groups (GIE) totaling €305 million.
(2) In accordance with IAS 1, the group reclassified €150 million from the "Provisions for miscellaneous contingencies" and "Other provisions" to the "Current tax (liabilities)" (note 14).

20b Retirement and other employee benefits

	12/31/2018	Additions for the year	Reversals for the year	Other variations	12/31/2019
DEFINED-BENEFIT PENSION COMMITMENTS AND RELATED ITEMS EXCLUDING PENSION FUNDS:					
Retirement Benefits	640	82	-35	152	839
Supplementary pensions	136	7	-11	-47	85
Obligations for long service awards (other long-term benefits)	71	8	-1	3	81
Sub-total recognized	**847**	**97**	**-47**	**108**	**1,005**
SUPPLEMENTARY DEFINED-BENEFIT PENSION PLANS INSURED BY GROUP PENSION FUNDS:					
Commitments to employees and retirees[1]	23	0	-1	-5	17
Fair value of assets					
Sub-total recognized	**23**	**0**	**-1**	**-5**	**17**
Other commitments	0	0	0	0	0
TOTAL AMOUNT RECOGNIZED	**870**	**97**	**-48**	**103**	**1,022**

DEFINED-BENEFIT PLANS: MAIN ACTUARIAL ASSUMPTIONS

	12/31/2019	12/31/2018
Discount rate[2]	0.75%	1.5%
Expected increase in salaries[3]	Minimum 0.7%	Minimum 1%

(1) The provisions covering shortfalls in pension funds relate to entities located abroad.
(2) The discount rate, which is determined by reference to the long-term rate on private-sector borrowings, is based on the IBOXX index.
(3) The annual increase in salaries is the estimate of future inflation combined with the increase in salaries; it also depends on the age of the employee.

CHANGE TO THE PROVISION RELATIVE TO RETIREMENT BENEFITS

	12/31/2018	Effect of discounting	Financial income	Cost of services rendered	Other, including past service cost	Actuarial difference relating to changes in assumptions: demographics	Actuarial difference relating to changes in assumptions: financial	Payments to beneficiaries	Contributions to plan	Mobility transfer	Other	12/31/2019
Commitments	1,200	17	0	39	-1	3	157	-34	-1	0	-71	1,309
Non-group insurance policies and externally-managed assets	560	1	8	3	0	-1	31	-2	-14	0	-116	470
Provisions	640	16	-8	36	-1	4	126	-32	13	0	45	839

Discount rate sensitivity:

Liabilities at 0.25%: 121
Liabilities at 1.25% (+50 bps): -120
Duration: 18

	12/31/2017	Effect of discounting	Financial income	Cost of services rendered	Other, including past service cost	Actuarial difference relating to changes in assumptions: demographics	Actuarial difference relating to changes in assumptions: financial	Payments to beneficiaries	Contributions to plan	Mobility transfer	Other	12/31/2018
Commitments	1,242	16	0	40	-1	5	-75	-37	1	0	9	1,200
Non-group insurance policies and externally-managed assets	569	0	4	0	-1	0	-22	-7	18	0	0	560
Provisions	673	16	-4	40	0	5	-53	-30	-17	0	9	640

VARIATION IN THE FAIR VALUE OF THE ASSETS OF THE PLAN

	Fair value of assets 12/31/2018	Effect of discounting	Actuarial gain and loss	Yield of plan assets	Contributions by plan members	Employer contributions	Payment to beneficiaries	Exchange rate effects	Other	Fair value of assets 12/31/2019
Fair value of plan assets	632	2	26	62	-15	22	-17	0	-23	689

	Fair value of assets 12/31/2017	Effect of discounting	Actuarial gain and loss	Yield of plan assets	Contributions by plan members	Employer contributions	Payment to beneficiaries	Exchange rate effects	Other	Fair value of assets 12/31/2018
Fair value of plan assets	637	3	-16	26	4	32	-19	0	-36	632

BREAKDOWN OF FAIR VALUE OF PLAN ASSETS

	Assets quoted on an active market				Assets not quoted on an active market			
	Debt securities	Capital instruments	Real estate	Other	Debt securities	Capital instruments	Real estate	Other
Composition of the assets of the plan	76%	14%	0%	9%	0%	0%	2%	0%

20c Provisions for risks arising from commitments on mortgage saving agreements

	12/31/2019	12/31/2018
Mortgage saving plans (PEL)		
< 10 years old	6,745	6,295
> 10 years old	4,354	4,406
Total	**11,099**	**10,701**
Amounts outstanding under mortgage saving accounts (CEL)	***656***	***645***
TOTAL MORTGAGE SAVING AGREEMENTS (ACCOUNTS AND PLANS)	**11,755**	**11,346**

LOANS UNDER MORTGAGE SAVING AGREEMENTS

	12/31/2019	12/31/2018
Loans under mortgage saving agreements for which provisions for risks have been recognized in assets	18	26

PROVISIONS ON MORTGAGE SAVING AGREEMENTS

	12/31/2018	Allowances or net reversals	Other variations	12/31/2019
On mortgage saving accounts	1			1
On mortgage saving plans	63	13		76
On loans under mortgage saving agreements	0	0		-
Total	**64**	**13**		**77**
PROVISIONS FOR MORTGAGE SAVING PLANS, BY MATURITY				
< 10 years old	44	11		55
> 10 years old	19	2		21
TOTAL	**63**	**13**		**76**

Mortgage savings accounts ("CEL") and mortgage savings plans ("PEL") are government-regulated retail products available in France. 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 for the distributor institution two types of commitments:

- future compensation from savings at a fixed rate (only on PELs, the remuneration rate for CELs being akin to a variable rate, periodically revised based on an indexation formula);
- a loan agreement with customers who request it, under predefined conditions (PEL and CEL).

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data.

A provision is made as a liability on the balance sheet to cover future expenses relating to the potentially unfavorable conditions of these products, compared to the interest rates offered to individual customers for similar products, but which are not regulated in terms of compensation. This approach is carried out per homogeneous generation in terms of the regulated conditions for PEL. The impacts on profit (loss) are recorded as interest paid to customers.

The change in the provision mainly results from the decline in market rates.

Note 21 Subordinated debt

	12/31/2019	12/31/2018
Subordinated debt	7,119	6,116
Participating loans	20	21
Perpetual subordinated debt	1,506	1,506
Other debt	0	0
Related debt	90	81
TOTAL	**8,735**	**7,724**

PRINCIPAL SUBORDINATED DEBT

(in € millions)	Type	Date issuance	Amount issuance	Amount reporting date[1]	Rate	Term
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	10/22/2010	€1000m	€919m	4.00	10/22/2020
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	5/21/2014	€1000m	€1000m	3.00	5/21/2024
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	9/11/2015	€1000m	€1000m	3.00	9/11/2025
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	3/24/2016	€1000m	€1000m	2.375	3/24/2026
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	11/4/2016	€700m	€700m	1.875	11/4/2026
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	3/31/2017	€500m	€500m	2.625	3/31/2027
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	11/15/2017	€500m	€500m	1.625	11/15/2027
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	5/25/2018	€500m	€500m	2.500	5/25/2028
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	6/18/2019	€1000m	€1000m	1.875	6/18/2029
CIC	Participatory	5/28/1985	€137m	€8m	[2]	[3]
Banque Fédérative du Crédit Mutuel	Borrowings	12/28/2005	€500m	€500m	[4]	TBD
Banque Fédérative du Crédit Mutuel	TSS	12/15/2004	€750m	€734m	[5]	TBD
Banque Fédérative du Crédit Mutuel	TSS	2/25/2005	€250m	€250m	[6]	TBD

(1) Net intra-group amounts.
(2) Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.
(3) Non-depreciable, but reimbursable at borrower's discretion as of 05/28/1997 at 130% of the nominal value revalued by 1.5% per year for future years.
(4) Euribor 1 year +0.3 basis points.
(5) CMS 10 years ISDA CIC +10 basis points.
(6) CMS 10 years ISDA +10 basis points.

Note 22 Reserves related to capital and reserves

22a Shareholders' equity attributable to the group (excluding profit and loss and unrealized gains and losses)

	12/31/2019	12/31/2018
Capital and reserves related to capital	6,198	6,198
■ Capital	1,689	1,689
■ Issue premium, contribution, merger, split, conversion	4,509	4,509
Consolidated reserves	18,619	16,662
■ Regulated reserves	9	9
■ Other reserves (including effects related to initial application)	18,609	16,653
of which profit on disposal of capital instruments	-25	6
of which Retained earnings	1	0
TOTAL	**24,817**	**22,860**

22b Unrealized or deferred gains and losses

	12/31/2019	12/31/2018
UNREALIZED OR DEFERRED GAINS OR LOSSES* RELATING TO:		
■ Translation adjustments	64	29
■ Insurance business investments (assets available-for-sale)	969	621
■ Financial assets at fair value through recyclable shareholders' equity – debt instruments	-33	-29
■ Financial assets at fair value through non-recyclable shareholders' equity – capital instruments	14	-53
■ Hedging derivatives (CFH)	2	3
■ Internal credit risk on financial liabilities in FVO	0	0
■ Share of unrealized or deferred gains and losses of equity consolidated companies	-36	-40
■ Actuarial gains and losses on defined benefit plans	-274	-184
■ Other	0	0
TOTAL	**704**	**347**

* *Balances net of corporation tax and after shadow accounting treatment.*

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22c Recycling of gains and losses directly recognized in shareholders' equity

	12/31/2019	12/31/2018
	Operations	Operations
Translation adjustments		
Reclassification in income	0	0
Other operations	35	42
Sub-total	**35**	**42**
Remeasurement of financial assets at FVOCI – debt instruments		
Reclassification in income	0	0
Other operations	-4	-178
Sub-total	**-4**	**-178**
Remeasurement of financial assets at FVOCI – capital instruments		
Reclassification in income	0	-1
Other operations	67	57
Sub-total	**67**	**56**
Revaluation of insurance business investments		
Reclassification in income	0	0
Other operations	348	-241
Sub-total	**348**	**-241**
Remeasurement of hedging derivatives		
Reclassification in income	0	0
Other operations	-1	-2
Sub-total	**-1**	**-2**
Actuarial gains and losses on defined benefit plans	-90	34
Share of unrealized or deferred gains and losses of associates	4	-9
TOTAL	**358**	**-298**

These items are now presented only for the share of equity attributable to the group; this change has also been applied to the amounts from December 31, 2018.

22d Tax related to each category of gains and losses recognized directly in shareholders' equity

	12/31/2019			12/31/2018		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation adjustments	35	0	35	42	0	42
Remeasurement of financial assets at FVOCI – debt instruments	-8	3	-4	-212	34	-178
Remeasurement of financial assets at FVOCI – capital instruments	66	1	67	55	1	56
Revaluation of insurance business investments	483	-135	348	-382	141	-241
Remeasurement of hedging derivatives	-1	0	-1	-3	1	-2
Actuarial gains and losses on defined benefit plans	-137	46	-90	42	-8	34
Share of unrealized or deferred gains and losses of associates	4	0	4	-9	0	-9
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY TO EQUITY	**442**	**-84**	**358**	**-467**	**169**	**-298**

These items are now presented only for the share of equity attributable to the group; this change has also been applied to the amounts from December 31, 2018.

Note 23 Commitments given and received

COMMITMENTS GIVEN

	12/31/2019	12/31/2018
Funding commitments	**52,932**	**49,605**
Commitments due to credit institutions	867	1,143
Commitments to customers	52,065	48,462
Guarantee commitments	**26,187**	**21,525**
Credit institution commitments	4,511	4,512
Customer commitments	21,676	17,013
Securities commitments	**2,377**	**3,425**
Other commitments given	2,377	3,425
Commitments pledged from the insurance business line	**3,514**	**2,314**

COMMITMENTS RECEIVED

	12/31/2019	12/31/2018
Funding commitments	**13,257**	**13,322**
Commitments received from credit institutions	13,257	13,322
Commitments received from customers	0	0
Guarantee commitments	**69,121**	**65,882**
Commitments received from credit institutions	46,623	44,320
Commitments received from customers	22,498	21,562
Securities commitments	**964**	**1,583**
Other commitments received	964	1,583
Commitments received from the insurance business line	**6,184**	**4,340**

SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	12/31/2019	12/31/2018
Assets sold under repurchase agreements	34,755	36,284
Related liabilities	34,668	36,147

OTHER ASSETS GIVEN AS COLLATERAL FOR LIABILITIES

	12/31/2019	12/31/2018
Loaned securities	0	0
Security deposits on market transactions	4,238	4,434
TOTAL	**4,238**	**4,434**

For the purposes of its refinancing activities, the group enters into repurchase agreements in respect of debt securities and/or equity securities. This results in the transfer of the ownership of securities that the transferee may in turn lend. Coupons and dividends are the property of the borrower. These transactions are subject to margin calls and the group is exposed to the non-recovery of the securities. The other assets given as collateral for liabilities relate to derivatives for which margin calls are paid when their fair value is negative. These amounts comprise the initial margins and those paid subsequently.

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Note 24 Interest income and expense

	12/31/2019		12/31/2018 restated[2]		12/31/2018 published	
	Income	Expenses	Income	Expenses	Income	Expenses
Credit institutions and central banks[1]	418	-569	446	-609	446	-609
Customers	6,919	-1,096	6,679	-1,100	10,191	-4,612
■ finance and operating leases	582	-221	550	-199	4,062	-3,711
■ of which rental obligations	0	-6				
Hedging derivatives	3,055	-2,951	3,481	-3,442	3,278	-2,845
Financial instruments at fair value through profit or loss	722	-16	534	-22	5,038	-4,920
Financial assets at fair value through shareholders' equity/Assets available-for-sale	460	0	385	0	385	0
Securities at amortized cost	100	0	135	0	135	0
Debt securities	0	-1,886	0	-1,679	0	-1,679
Subordinated debt	0	-10	0	-25	0	-25
TOTAL	**11,674**	**-6,528**	**11,660**	**-6,877**	**19,473**	**-14,690**
of which interest income and expense calculated at the effective interest rate:	*7,897*	*-3,561*	*7,645*	*-3,413*	*11,158*	*-6,924*

(1) Of which a -€316 million impact of negative interest rates on income and €195 million in expenses as at 12/31/2019, and a -€301 million impact of negative interest rates on income and €217 million in expenses as at 12/31/2018.

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

As a result, to ensure comparability with the interest income and expenses as of December 31, 2019, the figures published on December 31, 2018 were restated accordingly.

Note 25 Commission income and expense

	12/31/2019		12/31/2018	
	Income	Expenses	Income	Expenses
Credit institutions	8	-8	3	-7
Customers	1,164	-15	1,185	-14
Securities	826	-61	797	-58
■ of which activities managed on behalf of third parties	630	0	599	0
Derivative instruments	6	-10	4	-8
Currency transactions	19	-2	20	-2
Funding and guarantee commitments	51	-4	44	-3
Services provided	1,538	-924	1,747	-1,110
TOTAL	**3,613**	**-1,024**	**3,800**	**-1,202**

Note 26 Net gains on financial instruments at fair value through profit or loss

	12/31/2019	12/31/2018
Trading instruments	293	214
Instruments accounted for under the fair value option	8	29
Ineffective portion of hedges	-24	-17
On fair value hedges (FVH)	-24	-17
■ Change in the fair value of hedged items	158	-119
■ Change in fair value of hedging instruments	-182	102
Foreign exchange gains/(losses)	147	133
Other financial instruments at fair value through profit or loss[1]	310	225
TOTAL CHANGES IN FAIR VALUE	**734**	**584**

(1) Of which €214 million came from private equity business in 2019, compared to €209 million in 2018.

Note 27 Net gains or losses on financial assets at fair value through shareholders' equity

	12/31/2019	12/31/2018
Dividends	10	8
Gains and losses on debt instruments	69	184
TOTAL	**79**	**192**

Note 28 Net gains or losses resulting from derecognition of financial assets at amortized cost

	12/31/2019	12/31/2018
Financial assets at amortized cost		
Gains/(losses) on:	2	1
■ Government securities	0	0
■ Bonds and TRFs	2	1
TOTAL	**2**	**1**

Note 29 Net income from the insurance business line

	12/31/2019	12/31/2018
INSURANCE POLICIES		
Premiums earned	10,887	11,080
Service charges	-8,068	-8,089
Change in provisions	-4,490	-1,341
Other technical and non-technical income and expenses	70	100
Net income from investments	3,703	277
Net income on insurance policies	**2,102**	**2,027**
Interest margin/fees	-10	-9
Net income on financial assets	**-10**	**-9**
Other net income	**10**	**8**
NET INCOME FROM INSURANCE ACTIVITIES	**2,102**	**2,026**

Note 30 Income/expenses generated by other activities

	12/31/2019	12/31/2018
INCOME FROM OTHER ACTIVITIES		
Investment property:	3	0
■ reversal of provisions/depreciation	0	0
■ capital gains on disposals	3	0
Rebilled expenses	90	86
Other income	685	670
Sub-total	**778**	**756**
EXPENSES ON OTHER ACTIVITIES		
Investment property:	-2	-5
■ additions to provisions/depreciation	-2	-5
■ capital losses on disposals	0	0
Other expenses	-563	-582
Sub-total	**-565**	**-587**
NET TOTAL OF OTHER INCOME AND EXPENSES	**213**	**169**

Note 31 General operating expenses

	12/31/2019	12/31/2018
Employee benefits expense	-3,333	-3,256
Other expenses	-2,891	-2,794
TOTAL	**-6,224**	**-6,050**

31a Employee benefits expense

	12/31/2019	12/31/2018
Wages and salaries	-2,170	-2,140
Social security contributions	-792	-758
Short-term employee benefits	-2	-3
Employee profit-sharing and incentive schemes	-185	-167
Payroll-based taxes	-187	-188
Other	3	0
TOTAL	**-3,333**	**-3,256**

AVERAGE WORKFORCE

	12/31/2019	12/31/2018
Bank technical staff	24,582	24,636
Managers	16,554	16,320
TOTAL	**41,136**	**40,956**
France	28,969	28,940
Rest of the world	12,167	12,016
TOTAL	**41,136**	**40,956**
Registered workforce*	47,297	46,661

* *The registered workforce corresponds to the total number of employees at end-of-period for entities controlled by the group, which differs from the average full-time equivalent (so-called FTE) workforce, which focuses solely on full consolidation.*

31b Other operating expenses

	12/31/2019	12/31/2018
Taxes and duties[1]	-348	-350
Leases	-201	
■ short-term asset leases[2]	-117	
■ low value/substitutable asset leases[3]	-76	
■ other leases	-8	
Other external services	-2,078	-2,278
Other miscellaneous expenses	16	22
TOTAL	**-2,611**	**-2,606**

(1) The entry "Taxes and duties" includes a -€124 million expense as part of the contribution to the Single Resolution Fund in 2019, compared to a -€111 million expense in 2018.
(2) Includes real estate by automatic renewal.
(3) Includes IT equipment.

31c Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets

	12/31/2019	12/31/2018
Depreciation and amortization	-280	-188
■ property, plant and equipment	-253	-151
including usage rights	-107	
■ intangible assets	-27	-37
TOTAL	**-280**	**-188**

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Note 32 Cost of counterparty risk

	12/31/2019	12/31/2018
12-month expected losses (S1)	-89	-78
expected losses at maturity (S2)	-26	-46
impaired assets (S3)	-884	-681
TOTAL	**-998**	**-805**

12/31/2019	Allocations	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	Total
12-month expected losses (S1)	**-324**	**235**				**-89**
■ Loans and receivables due from credit institutions at amortized cost	-2	3				1
■ Customer loans at amortized cost	-238	165				-73
of which finance leases	-28	23				-5
■ Financial assets at amortized cost – securities	-1	0				-1
■ Financial assets at fair value through other comprehensive income – debt securities	-7	3				-4
■ Financial assets at fair value through other comprehensive income – Loans	0	0				0
■ Commitments given	-76	64				-12
expected losses at maturity (S2)	**-383**	**357**				**-26**
■ Loans and receivables due from credit institutions at amortized cost	0	0				0
■ Customer loans at amortized cost	-335	293				-42
of which finance leases	-20	21				1
■ Financial assets at amortized cost – securities	0	0				0
■ Financial assets at fair value through other comprehensive income – debt securities	-2	0				-2
■ Financial assets at fair value through other comprehensive income – Loans	0	0				0
■ Commitments given	-46	64				18
Impaired assets (S3)	**-1,269**	**1,093**	**-563**	**-283**	**138**	**-884**
■ Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
■ Customer loans at amortized cost	-1,192	1,020	-563	-278	137	-876
of which finance leases	-15	21	-11	-4	3	-6
■ Financial assets at amortized cost – securities	0	2	0	0	0	2
■ Financial assets at fair value through other comprehensive income – debt securities	0	0	0	-3	1	-2
■ Financial assets at fair value through other comprehensive income – Loans	0	0	0	0	0	0
■ Commitments given	-77	71	0	-2	0	-8
TOTAL	**-1,976**	**1,686**	**-563**	**-283**	**138**	**-998**

12/31/2018	Allocations	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	Total
12-month expected losses (S1)	**-383**	**305**				**-78**
■ Loans and receivables due from credit institutions at amortized cost	-2	1				-1
■ Customer loans at amortized cost	-333	260				-73
of which finance leases	-41	30				-11
■ Financial assets at amortized cost – securities	0	0				0
■ Financial assets at fair value through other comprehensive income – debt securities	-6	5				-1
■ Financial assets at fair value through other comprehensive income – Loans	0	0				0
■ Commitments given	-42	39				-3
expected losses at maturity (S2)	**-433**	**387**				**-46**
■ Loans and receivables due from credit institutions at amortized cost	0	3				3
■ Customer loans at amortized cost*	-363	344				-19
of which finance leases	-39	45				6
■ 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	-70	40				-30
Impaired assets (S3)	**-984**	**1,099**	**-560**	**-376**	**140**	**-681**
■ Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
■ Customer loans at amortized cost	-911	1,044	-557	-367	130	-661
of which finance leases	-31	33	-9	-5	3	-9
■ Financial assets at amortized cost – securities	-4	5	0	0	0	1
■ Financial assets at fair value through other comprehensive income – debt securities	0	0	-2	-7	10	1
■ Financial assets at fair value through other comprehensive income – Loans	0	0	0	0	0	0
■ Commitments given	-69	50	-1	-2	0	-22
TOTAL	**-1,800**	**1,791**	**-560**	**-376**	**140**	**-805**

Note 33 Net gains/(losses) on disposals of other assets

	12/31/2019	12/31/2018
Tangible and intangible assets	-15	8
■ Capital losses on disposals	-22	-10
■ Capital gains on disposals	7	18
Gains/(losses) on disposals of shares in consolidated entities	86	29
TOTAL	**72**	**37**

Note 34 Income tax

BREAKDOWN OF INCOME TAX EXPENSE

	12/31/2019	12/31/2018
Current taxes	-1,202	-1,204
Deferred tax expense	-35	-25
Adjustments in respect of prior years	113	5
TOTAL	**-1,124**	**-1,224**

Reconciliation between the recognized income tax expense and the theoretical income tax expense

	12/31/2019	12/31/2018
Taxable result	3,713	3,535
Theoretical tax rate	34.43%	34.43%
Theoretical tax expense	**-1,278**	**-1,217**
Impact of preferential “SCR” and “SICOMI” rates	62	78
Impact of reduced rate on long-term capital gains	83	40
Impact of different tax rates paid by foreign subsidiaries	54	44
Permanent differences	-89	-155
Other	45	-14
Income tax expense	**-1,124**	**-1,224**
Effective tax rate	**-30.26%**	**-34.64%**

Note 35 Profit (loss) per share

	12/31/2019	12/31/2018
Net income attributable to the group	2,282	2,084
Number of shares at beginning of year	33,770,590	33,770,590
Number of shares at end of year	33,770,590	33,770,590
Weighted average number of shares	33,770,590	33,770,590
Basic earnings per share	67.58	61.71
Weighted average number of shares that may be issued	0	0
Diluted earnings per share	67.58	61.71

Note 36 Related party transactions

BALANCE SHEET ITEMS PERTAINING TO RELATED PARTY TRANSACTIONS

	12/31/2019			12/31/2018		
	Associates (companies accounted for using the equity method)	Other establishments belonging to the National Confederation	Crédit Mutuel Alliance Fédérale parent companies	Associates (companies accounted for using the equity method)	Other establishments belonging to the National Confederation	Crédit Mutuel Alliance Fédérale parent companies
ASSETS						
Financial assets at fair value through profit or loss	0	270	179	20	57	97
Hedging derivatives	0	0	1,020	0	0	424
Financial assets at FVOCI	0	40	0	0	40	0
Financial assets at amortized cost	1,246	1,600	32,068	1,047	2,621	32,129
Investments in insurance business line	0	465	0	0	519	0
Other assets	1	1	0	1	11	7
TOTAL	**1,246**	**2,376**	**33,267**	**1,068**	**3,248**	**32,657**
LIABILITIES						
Liabilities at fair value through profit or loss	0	36	0	0	36	0
Debt securities	0	22	0	0	29	0
Debts to credit institutions	7	372	5,800	37	561	11,727
Due to customers	525	517	25	467	1,532	25
Liabilities related to insurance business policies	0	173	0	0	196	0
Subordinated debt	0	0	500	0	0	500
Miscellaneous liabilities	65	5	0	67	0	0
TOTAL	**597**	**1,125**	**6,325**	**571**	**2,354**	**12,252**
Financing commitments given	67	0	0	115	0	0
Guarantees given	0	27	3,967	0	0	210
Financing commitments received	0	10	0	0	0	0
Guarantees received	0	682	2,196	0	629	1,986

PROFIT AND LOSS ITEMS PERTAINING TO RELATED PARTY TRANSACTIONS

	12/31/2019			12/31/2018		
	Associates (companies accounted for using the equity method)	Other establishments belonging to the National Confederation	Crédit Mutuel Alliance Fédérale parent companies	Associates (companies accounted for using the equity method)	Other establishments belonging to the Natonal Confederation	Crédit Mutuel Alliance Fédérale parent companies
Interest income	14	86	431	14	122	470
Interest expense	1	(85)	(49)	0	(121)	(54)
Commission income	15	(0)	5	14	2	6
Commission expense	(38)	(5)	(42)	(28)	(4)	(44)
Net gains/(losses) on financial assets at FVOCI and FVPL	6	12	(0)	26	(9)	0
Net income from insurance activities	(18)	(220)	(467)	(13)	(207)	(463)
Other income and expenses	(10)	0	0	(6)	0	0
General operating expenses	(630)	1	(54)	(581)	0	(44)
TOTAL	**(661)**	**(212)**	**(177)**	**(574)**	**(216)**	**(130)**

Note 37 Fair value hierarchy of financial instruments recognized at amortized cost

The estimated fair values presented are calculated based on observable parameters at December 31, 2019. They correspond to a calculation in relation to the discounting of future cash flows estimated using a yield curve that includes the debtor's inherent signature cost. The financial instruments presented in this section include loans and borrowings. They do not include non-monetary items (shares), supplier accounts, other asset and liability accounts, or accruals. Non-financial instruments are not discussed in this section. The fair value of financial instruments repayable on demand and regulated customer savings deposits equals the amount that may be requested by the customer, *i.e.* the carrying amount. A number of group entities may also apply assumptions: the market value is the carrying amount for policies whose terms refer to a floating rate, or whose remaining term is less than or equal to one year. Readers' attention is drawn to the fact that, except for held-to-maturity financial assets, financial instruments carried at amortized cost are not transferable or are not, in practice, sold prior to maturity. Consequently, capital gains or losses will not be recognized. However, if financial instruments carried at amortized cost were to be sold, their sale price could differ significantly from the fair value calculated at December 31, 2019.

	12/31/2019						
	Market value	Carrying amount	Unrealized gains or losses	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost – IFRS 9	**313,628**	**304,597**	**9,031**	**2,233**	**58,509**	**252,887**	**313,629**
Loans and receivables due from credit institutions	51,948	51,675	273	0	51,774	175	51,949
Loans and receivables due from customers	258,782	250,142	8,640	0	6,315	252,467	258,782
Securities	2,898	2,780	118	2,233	420	245	2,898
Investments in insurance business line at amortized cost	**13,873**	**13,002**	**871**	**8,748**	**5,125**	**0**	**13,873**
of which SPPI assets	*13,787*	*12,917*	*871*	*8,728*	*5,059*	*0*	*13,787*
Loans and receivables	5,125	5,125	0	0	5,125	0	5,125
Held-to-maturity	8,748	7,877	871	8,748	0	0	8,748
Financial liabilities at amortized cost – IFRS 9	**396,620**	**390,868**	**5,752**	**0**	**290,502**	**106,199**	**396,701**
Due to credit institutions	40,271	39,919	352	0	40,254	17	40,271
Due to customers	218,287	217,103	1,184	0	112,105	106,182	218,287
Debt securities	128,588	125,110	3,477	0	128,588	0	128,588
Subordinated debt	9,474	8,735	739	0	9,555	0	9,555
Insurance business liabilities at amortized cost	**453**	**453**	**0**	**0**	**453**	**0**	**453**
Due to credit institutions	153	153	0	0	153	0	153
Debt securities	0	0	0	0	0	0	0
Subordinated debt	300	300	0	0	300	0	300

	12/31/2018						
	Market value	Carrying amount	Unrealized gains or losses	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost – IFRS 9	**311,035**	**304,278**	**6,757**	**2,284**	**64,151**	**244,600**	**311,035**
Loans and receivables due from credit institutions	57,443	57,322	122	0	57,283	161	57,443
Loans and receivables due from customers	250,467	244,000	6,467	0	6,551	243,915	250,467
Securities	3,125	2,957	168	2,284	317	524	3,125
Investments in insurance business line at amortized cost	**14,081**	**13,183**	**898**	**11,457**	**2,624**	**0**	**14,081**
Of which SPPI assets	*11,457*	*10,559*	*898*	*11,457*	*0*	*0*	*11,457*
Loans and receivables	2,624	2,624	0	0	2,624	0	2,624
Held-to-maturity	11,457	10,559	898	11,457	0	0	11,457
Financial liabilities at amortized cost – IFRS 9	**389,309**	**383,136**	**6,173**	**0**	**296,339**	**92,971**	**389,310**
Due to credit institutions	62,771	62,197	574	0	62,771	0	62,771
Due to customers	194,822	193,459	1,363	0	101,851	92,971	194,822
Debt securities	123,223	119,755	3,468	0	123,224	0	123,224
Subordinated debt	8,493	7,724	769	0	8,493	0	8,493
Insurance business liabilities at amortized cost	**467**	**467**	**0**	**0**	**467**	**0**	**467**
Due to credit institutions	167	167	0	0	167	0	167
Debt securities	0	0	0	0	0	0	0
Subordinated debt	300	300	0	0	300	0	300

Note 38 Relations with the group's key executives

In connection with changes to the regulations (decree of November 3, 2014) and compliance with professional recommendations, the group's decision-making bodies and more particularly the board of directors of the Banque Fédérative made commitments in terms of the compensation of market professionals, as well as corporate officers.

These commitments were the subject of declarations to the AMF and publications on the institution's website. Compensation received by the group's key executives includes a portion relating to their activities within Crédit Mutuel and CIC. For each activity, they consist of a fixed portion and a variable portion. This compensation is set by the decision-making bodies of BFCM and CIC based on proposals from the respective compensation committees. No variable portion has been paid in the last four years. During the fiscal year, the group's key executives also benefited from the collective and supplementary retirement savings plans instituted for all group employees.

However, the group's key executives did not enjoy any other specific benefits. No capital securities or securities giving access to capital or the right to acquire capital securities of BFCM or CIC was allocated to them. In addition, they do not receive attendance fees because of their office, whether in group companies or in other companies, but because of their functions within the group. The group's key executives may hold assets or loans with the group's banks, under the conditions offered to all employees.

COMPENSATION PAID OVERALL TO KEY EXECUTIVES*

As part of the implementation of a compensation and termination benefits package for the Chairman and chief executive officer at Caisse Fédérale de Crédit Mutuel starting June 1, 2019, the BFCM board of directors decided on February 20, 2019 that the positions of Chairman of the board of directors and chief executive officer would no longer be compensated by BFCM as of June 1, 2019.

During the year, the group's executives also benefited from the group's collective insurance and supplementary pension plans. However, they did not receive any other specific benefits. No capital securities or securities giving access to share capital or the right to acquire capital securities of BFCM or CIC was allocated to them. In addition, they do not receive attendance fees because of their office, whether in group companies or in other companies, but because of their functions within the group. The group's key executives may hold assets or loans with the group's banks, under the conditions offered to all employees.

	12/31/2019	12/31/2018
(in € thousands)	Overall compensation	Overall compensation
Corporate officers – management committee – board members receiving compensation	8,143	7,958

* *See also the section on corporate governance.*

The amount of provisions for retirement benefits and long-service awards amounted to €2,471,000 as of December 31, 2019.

Note 39 Events after the reporting period and other information

The consolidated financial statements of BFCM, closed as of December 31, 2019, were approved by the board of directors as of February 19, 2020.

Note 40 Risk exposure

The information on risk exposure as required by IFRS 7 is given in section 4: Risks in the management report.

Note 41 Fees to statutory auditors

	12/31/2019			
	Ernst & Young et Autres		PricewaterhouseCoopers France	
	Amount in €m excl. tax	%	Amount in €m excl. tax	%
AUDIT OF THE ACCOUNTS				
■ BFCM	0.182	5%	0.174	4%
■ Fully consolidated subsidiaries	3.121	81%	2.869	65%
NON-AUDIT SERVICES				
■ BFCM	0.202	5%	0.240	5%
■ Fully consolidated subsidiaries	0.339	9%	1.126	26%
TOTAL	**3.844**	**100%**	**4.409**	**100%**
of which fees paid to the statutory auditors in France for the statutory audit of the financial statements:	*1.334*		*2.328*	
of which fees paid to the statutory auditors in France for services other than the statutory audit of the financial statements:	*0.231*		*0.348*	

	12/31/2018			
	Ernst & Young et Autres		PricewaterhouseCoopers France	
	Amount in €m excl. tax	%	Amount in €m excl. tax	%
AUDIT OF THE ACCOUNTS				
■ BFCM	0.170	4%	0.16	4%
■ Fully consolidated subsidiaries	2.891	70%	2.586	70%
NON-AUDIT SERVICES				
■ BFCM	0.586	14%	0.23	6%
■ Fully consolidated subsidiaries	0.455	11%	0.730	20%
TOTAL	**4.102**	**100%**	**3.707**	**100%**
of which fees paid to the statutory auditors in France for the statutory audit of the financial statements:	*1.389*		*2.079*	
of which fees paid to the statutory auditors in France for services other than the statutory audit of the financial statements:	*0.615*		*0.372*	

7.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To BFCM's shareholders' meeting,

Opinion

In performance of the mission entrusted to us by your shareholders' meeting, we have audited the consolidated financial statements of BFCM for the year ended December 31, 2019, as appended to this report. The accounts were approved by the Board of Directors on February 19, 2020 based on the information available at this date in the changing context of the public health crisis linked to Covid-19.

We certify that in accordance with the IFRS as adopted in the European Union, the consolidated financial statements are accurate and sincere, and give a true and fair view of the results of transactions over the past fiscal year as well as the financial position and assets at the end of the fiscal year of the group composed of the persons and entities included within the scope of consolidation.

Basis of the opinion

Accounting basis

We conducted our audit according to applicable professional standards in France. We appraise that the items that we collected were of a sufficient and appropriate basis on which to form our opinion.

Our responsibilities pursuant to these standards are set out in the section of this report entitled "Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements".

Independence

We performed our audit in accordance with the applicable rules of independence, during the period from January 1, 2019 to the date our report was issued, and in particular, we did not provide any services prohibited by Article 5, paragraph 1, of the (EU) Regulation no. 537/2014 or by the professional code of conduct of statutory auditors.

Observation

Without qualifying the opinion expressed above, we draw your attention to the change in accounting method relating to, on the one hand, the application of the new IFRS 16 "Leases" as of January 1, 2019 and, on the other hand, the presentation, in the income statement, of interest income and expenses on certain financial instruments at fair value through profit and loss and financial leasing and operating leasing transactions set out in note 1 "Accounting policies and principles" and in the other notes presenting figures linked to these changes in accounting methods.

Justification of the assessment – Key points of the audit

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code pertaining to justification of our assessment, we bring to your attention key points of the audit as they pertain to the risk of material misstatements, which according to our professional judgment, were the most important for the audit of the consolidated financial statements, as well as our response in the face of these risks.

The assessments made in this way fall within the scope of the audit of the consolidated financial statements taken as a whole, approved under the conditions referred to above, and the formation of our opinion as expressed above. We have no opinion regarding elements of these consolidated financial statements taken separately.

VALUATION OF GOODWILL

Identified risk	Our response
Your Group has undertaken external growth operations which led to the recognition of goodwill. This goodwill stood at €4,049 million in net value terms as of December 31, 2019 and is presented on a separate line of the balance sheet for fully consolidated companies (note 19). As noted in note 1.2 to the consolidated financial statements, goodwill represents the difference between the price paid and the fair value of the assets and liabilities of the entities acquired. Goodwill is allocated to Cash Generating Units and is subject to impairment tests at least once a year or whenever an indication of loss of value appears. When their recoverable amount falls below the carrying amount, impairment is recognized. As indicated in note 19 to the consolidated financial statements, the recoverable amount is determined according to two methods: ■ the fair value net of selling costs, based on observing valuation ratios on comparable transactions or market parameters selected by analysts on entities with similar activities; ■ the value in use, which is based on converting future expected cash flows to current value. As regards the value in use, cash flows are based on business plans drafted by management for a maximum term of five years, then on an ad infinitum forecast according to a long-term growth rate. We considered that the assessment of goodwill constitutes a key point of the audit owing to: ■ its material significance on the group's consolidated balance sheet; ■ the significance of management's judgment when choosing the recoverable amount method and regarding the value in use, the assumptions of future results of the companies in question and the discount rate applied to projected cash flows.	The work performed with our assessment and modelling experts to examine the recoverable amount determined by your group specifically consisted of: ■ an analysis of the methodology used; ■ an assessment of the main parameters and assumptions used by comparison with the available market data. As regards the value in use method, we also performed: ■ a review of the projected business plans from which projected cash flows were determined; ■ a recalculation of the values in use determined by your Group for a sampling of goodwill; ■ an examination of the sensitivity tests available (as outlined in note 19) to assess the value in use.

CREDIT RISK ON PORTFOLIOS CLASSIFIED UNDER STATUS 3 (NON-PERFORMING RECEIVABLES) FOR THE EXPOSURE OF CORPORATE BANKING

Identified risk	Our response
Banks in the BFCM Group are exposed to credit risks inherent to their business and which are primarily held by corporate banking for credit risks on businesses operating in Europe, North America or in Asia. As indicated in note 1 to the consolidated financial statements, your Group classifies as Status 3 (non-performing receivables) the financial assets for which there is an objective indication of loss of value linked to an event which occurred after the loan was granted. An impairment is recorded when there is objective proof, as a result of an event occurring after a loan has been granted, that it is likely to generate a loss. An analysis is done at each closing contract by contract. The impairment is equal to the difference between the carrying amount and the present value of estimated future cash flows, allowing for collateral or other guarantees, discounted at the interest effective interest rate of the original loan. The outstanding loans recorded under Status 3 (non-performing loans) and the corresponding impairment on loans and receivables to customers at amortized cost are presented in notes 10c and 12 of the notes to the consolidated financial statements. Given the importance of judgment in the assessment of credit risk and determining impairment on loans recorded under Status 3 (non-performing receivables), we considered that the estimates of impairment on loans constituted a key point of the audit.	We examined the process and the controls put in place by the group to identify the loans and receivables that present a proven risk of default, as well as the procedures for quantification of the corresponding impairments. Our work consisted of examining: ■ the application of the classification of outstandings under Status 3 in a sampling of loans; ■ the systems that guarantee the quality of the data used by calling on out IT specialists; ■ the conclusions of the special committees of the group's main entities in charge of monitoring Status 3 loans and recognizing related impairments; ■ the main assumptions used for the assessment of the individual impairment of receivables classified under Status 3 (non-performing loans) from a sample of credit files. We also examined the evolution over time of the following key indicators: ■ the ratio of receivables recognized under Status 3 (non-performing receivables) to total receivables and; ■ the rate of coverage of Status 3 receivables (non-performing receivables) by impairments. Each time that an indicator differed from the average, we analyzed the differences observed. Finally, we analyzed the information provided in the notes to the consolidated financial statements.

MEASUREMENT OF COMPLEX FINANCIAL INSTRUMENTS CLASSIFIED UNDER LEVELS 2 AND 3

Identified risk	Our response
As part of its proprietary trading and group treasury activities and in connection with the services offered to customers, your group holds financial instruments for trading purposes. These instruments are financial assets or liabilities recognized at fair value, as mentioned in note 1.3.1.5 of the notes to the consolidated financial statements. The gain or loss on revaluation of these financial instruments in the balance sheet on the closing date is recognized in profit or loss. In our opinion, the valuation of complex financial instruments classified under Levels 2 and 3 was a key point of the audit as it entails a significant risk of material misstatements in the consolidated financial statements, requiring the exercise of judgment, particularly regarding: ■ the determination of valuation inputs not observable on the market and the categorization of the instruments according to the fair value hierarchy for financial assets and liabilities; ■ the use of internal valuation models; ■ the estimation of the main valuation adjustments, to take account of risks such as counterparty or liquidity risks; ■ the analysis of any valuation differences with counterparties in connection with margin calls or sales of instruments.	We assessed the processes and controls implemented by the Group to identify and value complex financial instruments, including: ■ the governance of valuation models and valuation adjustments; ■ independent explanation and validation of the results recorded on these transactions; ■ the controls related to the collection of the inputs needed to value complex financial instruments classified under Levels 2 and 3. Our audit team included specialists in the valuation of complex financial instruments. With their assistance, we also: ■ conducted our own valuation tests on a sample of complex financial instruments; ■ analyzed the internal identification and validation processes of the primary value adjustments applied to financial instruments and their evolution over time. Our analyses dealt with the examination of methodologies retained on market reserves and value adjustments and the governance mechanism put in place to control the adjustments made; ■ we reviewed the main margin call variances and the losses and/or gains on sales of complex financial instruments in order to assess their consistency with previous measurements; ■ we analyzed the criteria used in the fair value hierarchy as described in note 8 “Hierarchy of the fair value of financial instruments assessed at fair value carrying amount” in the notes to the consolidated financial statements.

MEASUREMENT OF THE PRIVATE EQUITY DIVISION'S COMPLEX OR LEVEL 3 INVESTMENTS

Identified risk	Our response
Through its private equity subsidiaries, your group has investments classified at inception at fair value through profit or loss. These instruments are recognized at fair value at the time of their initial recognition and subsequently up to the date of their disposal. Changes in fair value are taken to the income statement under “Net gains/(losses) on financial instruments at fair value through profit or loss”. If the financial instrument is traded on an active market, its fair value is the quoted price. In order to estimate the fair value of securities when they are not listed on an active market, your group applies a mark-to-model approach based specifically on unobservable data, as outlined in the paragraph “Determination of the fair value of financial instruments” in note 1.3 “Accounting policies and principles” of the notes to the consolidated financial statements. Since judgment is used when determining the fair value for unlisted financial instruments, and given the complexity of its modeling, we have estimated that the valuation of complex investments or those recognized in level 3 of the private equity division constitutes a key point of the audit.	We have reviewed the processes and controls implemented by your group pertaining to the valuation of private equity securities. The work performed with our assessment and modelling based on a sampling, has consisted of: ■ analyzing the valuation methods and unobservable valuation data used by your Group for lines valued on the basis of a mark-to-model approach; ■ verifying that the valuation used by your Group is comparable to the price observed during a recent transaction for lines valued on the basis of a transaction price.

VALUATION OF MATHEMATICAL PROVISIONS ON BORROWER INSURANCE POLICIES AND RESERVES FOR TANGIBLE AUTO CLAIMS

Identified risk	Our response
The accounting principles and valuation rules applied to the liabilities generated by insurance company policies are those of IFRS 4 in line with note 1.3.2.3 "Insurance activities – Non-financial liabilities" of the notes to the consolidated financial statements. As of December 31, 2019, the technical provisions of the insurance policies stood at €103,492 million, as set out in note 13b "Financial liabilities related to insurance business policies" in the notes to the consolidated financial statements. Among these liabilities, the mathematical provisions on borrower insurance policies correspond to the redemption values of life insurance policies, while the provisions for claims on non-life insurance policies (tangible Auto claims) correspond to unearned premiums (since they relate to subsequent years) and claims payable. The valuation of these provisions employs actuarial methods that require management to use its professional judgment. Given the importance of judgment in their valuation, we considered that the mathematical provisions on borrower insurance policies and reserves for tangible Auto claims constituted a key point of the audit.	As regards the specific provisions outlined above, the work carried out with the help of actuarial experts, mainly involved: ■ analyze the consistency between the selected valuation methodology for provisions and the contractual conditions; ■ review the relevance of the computational assumptions used in respect of the risks insured and the applicable regulations (discount rate, regulatory tables, etc.); ■ review the actuarial formulas used; ■ analyze the level of reserves for claims that have occurred but have not yet been reported; ■ test by sampling the amount of reserves constituted for tangible Auto claims by reviewing the file.

Specific checks

In accordance with the professional standards applicable in France, we have also performed the specific checks required by the legal and regulatory texts as regards information concerning the group, given in the management report by the Board of Directors, approved on April 2, 2020. With regards to events which have occurred and information which has come to light after the reporting date relating to the effects of the Covid-19 crisis, management has advised us that these will be detailed in a communication to the shareholders' meeting called to approve the financial statements.

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

Other legal or regulatory required information

Appointment of statutory auditors

PriceWaterhouseCoopers France and ERNST & YOUNG et Autres were appointed statutory auditors of BFCM by your shareholders' meetings of May 11, 2016, and September 29, 1992, respectively.

At December 31, 2019, PricewaterhouseCoopers France was in the fourth consecutive year of its assignment and ERNST & YOUNG et Autres in its twenty-eighth year.

Responsibilities of management and those in charge of corporate governance regarding the consolidated financial statements

It is the responsibility of management to prepare consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the European Union and to implement internal control procedures as it deems necessary for the preparation of consolidated financial statements that contain no material misstatements, whether such misstatements are the result of fraud or errors.

During the preparation of consolidated financial statements, it is incumbent upon management to assess the company's ability to continue as a going concern, and as the case may be, the necessary information with regard to business continuity and to apply the standard accounting policy for a going concern, unless it is foreseen to liquidate the company or cease doing business.

It is the responsibility of the Board of Directors to monitor the process for preparing financial information and verify the effectiveness of the internal control and risk management systems, and the internal audit where necessary, with regards to the procedures relating to the preparation and processing of the accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements

Our responsibility is to prepare a report regarding the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements, as a whole, contain no material misstatements. Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit conducted in accordance with professional standards may systematically detect every material misstatement. Misstatements may come from fraud or result from errors and are considered as significant when one can reasonably expect that they may, either individually or cumulatively, influence economic decisions made by users who make decisions based on the financial statements.

As specified by Article L. 823-10-1 of the French Commercial Code, our assignment of certification of financial statements does not consist of guaranteeing the viability or quality of your company's management.

In the context of an audit completed in accordance with professional standards applicable in France, the statutory auditors exercise their professional judgment throughout the audit process. Furthermore:

- they identify and assess the risk that the consolidated financial statements contain material misstatements and that such misstatements result from fraud or errors, define and implement audit procedures to address these risks and collect information that they consider a sufficient and appropriate basis for such opinion. The risk of non-detection of a material misstatement from fraud is higher than a material misstatement resulting from any error, because fraud may involve collusion, falsification, deliberate omissions, false statements or circumventing internal controls;
- they acknowledge relevant internal control for the audit in order to determine the appropriate audit procedures for the circumstance, and not for the purpose of expressing an opinion on the effectiveness of internal control;
- they assess the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the related information provided in the consolidated financial statements;
- they assess the appropriateness of application by management of the accounting policy for a going concern and, depending on the items gathered, the existence or not of any significant uncertainty related to events or circumstances likely to call into question the company's ability to continue as a going concern. This assessment relies on the items collected up to the date of their report, however, with the reminder that subsequent circumstances or events could call into question business continuity. If the statutory auditors conclude that significant uncertainty exists, they bring the information provided in the consolidated financial statements regarding such uncertainty to the attention of readers of their report or, if such information is not provided or is not relevant, the statutory auditors issue a qualified opinion or a denial of opinion;
- they assess the overall presentation of the consolidated financial statements and assess whether or not the consolidated financial statements reflect the underlying transactions and events to provide a true and fair view thereof;
- regarding the financial information of the persons or entities included within the scope of consolidation, they gather items deemed sufficient and appropriate to express an opinion on the consolidated financial statements. The statutory auditors are responsible for the management, supervision and preparation of the audit of the consolidated financial statements, as well as the opinion expressed on these financial statements.

Neuilly-sur-Seine and Paris-La Défense, April 9, 2020

The statutory auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Lévi	Hassan Baaj

Since 2016, Crédit Mutuel has been the official partner of the French Volleyball Federation. In particular, the bank supports the French Cup, the youth section competitions and the “Tournée des Sables”, which every summer promotes beach volleyball through numerous events.

8

FINANCIAL ITEMS FROM THE BFCM COMPANY

8.1 FINANCIAL STATEMENTS

8.1.1 Annual financial statements

Assets

(in euros)	Notes	12/31/2019	12/31/2018
Cash, central banks, CCP		22,689,072,308.41	21,400,087,962.02
Government and equivalent securities	2.8, 2.15	7,296,574,394.00	7,024,131,675.77
Receivables on credit institutions	2.2, 2.3	114,616,942,716.30	115,268,119,417.52
Customer transactions	2.3, 2.4	2,214,885,025.18	1,834,834,717.14
Bonds and other fixed-income securities	2.3, 2.15	21,086,089,884.77	19,388,782,817.32
Shares and other variable-income securities	2.8, 2.15	902,158,398.93	825,766,564.97
Equity investments and other securities held long-term	2.17	410,439,239.20	418,914,802.71
Investments in associates	2.17	16,119,341,888.36	15,605,114,203.53
Finance leasing and leasing with purchase option		0.00	0.00
Operating lease		0.00	0.00
Intangible assets	2.0, 2.21	8,000,141.00	8,000,141.00
Property, plant and equipment	2.0	6,814,201.68	6,783,555.27
Capital subscribed not paid		0.00	0.00
Treasury shares		0.00	0.00
Other assets	2.24	4,485,677,774.58	5,058,720,493.45
Accruals	2.25	2,120,786,808.17	1,651,557,756.79
TOTAL ASSETS		**191,956,782,780.58**	**188,490,814,107.49**

Off-balance-sheet

	Notes	12/31/2019	12/31/2018
COMMITMENTS GIVEN			
Funding commitments	3.0	1,880,401,242.19	2,365,447,565.59
Guarantee commitments	3.1	4,806,340,001.04	3,951,006,877.02
Securities commitments		0.00	0.00

Liabilities

(in euros)	Notes	12/31/2019	12/31/2018
Central banks, CCP		0.00	0.00
Due to credit institutions	2.2, 2.3	72,924,796,736.32	75,093,041,814.53
Deposits from customers	2.3	11,155,919,466.48	11,800,375,371.83
Debt securities	2.3	83,229,862,712.37	80,222,472,043.03
Other liabilities	2.24	2,723,427,085.67	2,268,030,106.20
Accruals	2.25	723,749,930.53	768,971,050.18
Provisions for risks and expenses	2.27	547,492,676.12	568,512,911.11
Subordinated debt	2.7	8,786,054,473.13	7,777,456,252.26
Funds for general banking risks	2.20	61,552,244.43	61,552,244.43
Shareholders' equity excluding FGBR	2.20	11,803,927,455.03	9,930,402,313.92
Capital subscribed	*2.20*	*1,688,529,500.00*	*1,688,529,500.00*
Additional paid-in capital	*2.20*	*4,508,844,923.87*	*4,508,844,923.87*
Reserves	*2.20*	*3,602,409,955.26*	*2,741,409,955.26*
Revaluation differences		*0.00*	*0.00*
Regulated provisions and investment subsidies	*2.20*	*0.00*	*0.00*
Retained earnings	*2.20*	*601,163.29*	*0.00*
Profit (loss) for the period	*2.20*	*2,003,541,913.11*	*991,617,934.79*
TOTAL LIABILITIES		**191,956,782,780.58**	**188,490,814,107.49**

Off-balance-sheet

(in euros)	Notes	12/31/2019	12/31/2018
COMMITMENTS RECEIVED			
Funding commitments	3.0	12,784,187,451.49	13,083,651,935.61
Guarantee commitments	3.1	0.00	14,646,163.55
Securities commitments		15,023,612.12	322,425,658.04

Income statement

(in euros)	Notes	12/31/2019	12/31/2018
+ Interest and similar income	4.1	4,150,694,067.52	4,720,080,374.76
- Interest and similar expenses	4.1	-4,196,993,663.74	-4,803,085,390.75
+ Income from finance leasing transactions & early exercise of options		0.00	0.00
- Expenses from finance leasing transactions & early exercise of options		0.00	0.00
+ Income from operating lease transactions		0.00	0.00
- Expenses on operating lease transactions		0.00	0.00
+ Income from variable-income securities	4.2	1,929,022,278.50	1,677,288,402.88
+ Commissions (income)	4.3	119,310,060.89	94,507,997.23
- Commissions (expenses)	4.3	-112,966,740.71	-93,311,729.79
+/- Profit/loss on trading portfolio transactions	4.4	20,273,806.41	14,115,162.12
+/- Profit/loss on transactions on short-term investment portfolio and similar	4.5	90,137,447.32	-346,509,550.24
+ Other operating income	4.6	1,274,108.65	464,531.52
- Other operating expenses	4.6	-2,153,553.29	-158,501,447.51
Net banking income		**1,998,597,811.55**	**1,105,048,350.22**
- General operating expenses	4.7	-69,304,548.21	-71,751,210.92
- Additions to depreciation and provisions on property, plant and equipment and intangible assets		-9,704.35	-9,248.89
Gross operating income/(loss)		**1,929,283,558.99**	**1,033,287,890.41**
+/- Cost of risk	4.8	-7,207,476.44	304,989,700.00
Operating income		**1,922,076,082.55**	**1,338,277,590.41**
+/- Profit or loss on non-current assets	4.9	81,915,442.77	-344,073,598.52
Pre-tax profit/loss		**2,003,991,525.32**	**994,203,991.89**
+/- Extraordinary profit/loss	4.10	-308,197.32	-630,816.74
- Income tax	4.11	-141,414.89	-1,955,240.36
+/- Allocation/reversal of FGBR and regulated provisions		0.00	0.00
NET PROFIT/(LOSS)		**2,003,541,913.11**	**991,617,934.79**

8.1.2 Notes to the annual financial statements

NOTES SUMMARY

Note 1 Accounting policies and valuation methods

The financial statements of Banque Fédérative du Crédit Mutuel (BFCM) are prepared in accordance with general accounting principles and Standards 2014-03 and 2014-07 of the French Accounting Standards Authority (*Autorité des normes comptables* – ANC) authorized by ministerial order.

They respect the "prudence principle" rule and the basic conventions concerning:

- going concern;
- continuity of methods;
- independence of fiscal years.

1.1 Valuation of receivables and debts and use of estimates in preparation of the financial statements

Receivables and payables on customers and credit institutions are booked to the balance sheet for their fair value or acquisition cost, if it is different to the fair value.

Related accruals (accrued or outstanding interest due or payable) are combined with the corresponding asset and liability items.

Commissions received when granting loans and those paid to business contributors on loans are gradually booked to profit/loss according to a method that amounts to considering them equivalent to interest. These installments are recognized in income net of interest on the income statement. On the balance sheet, commissions received and marginal transaction costs that are subject to installments are included in the outstanding loans concerned.

The preparation of the financial statements may require making assumptions and estimates which have an impact on the determination of income, expenses, assets and liabilities on the balance sheet and in the notes to the financial statements. In this case, the managers, based on their judgment and experience, use the information available on the date of preparation of the financial statements to make the necessary estimates.

This is the case concerning:

- the fair value of financial assets not quoted on an active market;
- the pension plans and other future employee benefits;
- the valuation of equity investments;
- the provisions for risks and expenses.

1.2 Customer loans

By default, all customer loans that do not come within one of the categories below are considered performing loans.

In accordance with ANC Rule No. 2014-07, receivables of any category are downgraded to non-performing loans in the following cases:

- in case an installment is unpaid for more than nine months for loans to local authorities, more than six months for property loans to housing purchasers and more than three months for other loans;
- when the receivable is subject to litigation (notification procedures, court-ordered reorganization, judicial liquidation, etc.);
- by an expert, when the receivable has other risks of total or partial non-collection.

When a loan to an individual or legal entity is reclassified as non-performing, all commitments to that person or legal entity are reclassified as non-performing.

Non-performing loans are depreciated individually, loan by loan.

Interest on non-performing loans not paid and booked to the income statement is covered by depreciation for the whole of the amount recognized. Depreciation or reversals of depreciation and loan losses and recoveries on depreciated loans relating to interest on non-performing loans are booked to the item "Interest and similar income" on the income statement.

The principal of the loan is provisioned according to the most probable estimate of depreciation, in accordance with general principles of prudence. The calculation of the depreciation takes into account the value of realizing personal guarantees or collateral related to the loan.

The provision constituted covers the projected loss converted to current value at the original credit interest rate. Projected losses are equal to the difference between the initial contractual flows and the projected flows for collection. The determination of collection flows is based on statistics for estimating average collection series over time from the date of downgrading of the loan. A recovery of the provision due to the passage of time is recognized in net banking income.

The processing of transitions to non-performing, provisioning and return to performing are automated on a daily basis and comply with the prudential rules, in particular with regard to the materiality threshold (EU Delegated Regulation 2018/171) and the European Banking Authority's implementing guidelines EBA/GL/2016/07.

Non-performing receivables for which events of default have been pronounced or which have been classified for more than one year as non-performing loans are specifically identified in the category "irrevocable non-performing receivables".

The bank has defined internal rules for automatic downgrading, which presume the necessarily irrevocable character of the loan as soon as it has been classified for more than one year as a non-performing loan, unless it is categorically demonstrated that valid guarantees exist covering the entire risk. The recognition of interest on the loan ceases as soon as it is classified as an "irrevocable non-performing receivable".

Article 2221-5 of the aforementioned ANC rule requires specific treatment of certain restructured outstanding amounts. When they are significant, outstandings that have become healthy again following restructuring under non-market conditions are isolated in a specific category. In this case, write-offs of principal or interest, outstanding or accrued, as well as future interest differences, are immediately recognized as losses, then reintegrated as the loan is amortized. The number of loans concerned and the amounts in question are low and calculation of a discount would not have any significant impact on the financial statements for the fiscal year.

The impossibility of recovering all or part of the non-performing loans results in a loss. The impossibility of recovery is mainly due to:

- the certificate of uncollectibility issued by the collection agency stating the reasons for the failure;
- the lack of solvency of the debtor(s) of the claims in the file, noted after all internal procedures of the litigation department have been implemented;
- a judgment unfavorable to the bank leading to the impossibility of pursuing the recovery of its receivables or a court decision ordering the write-down of debts;
- an over-indebtedness plan including a partial debt write-down.

1.3 Security trades

The items on the balance sheet:

- "Government and equivalent securities";
- "Bonds and other fixed-income securities";
- "Shares and other variable income securities",

record trading securities, short-term investment securities and long-term investment securities according to their category.

This classification results from the application of Article 1124-15 of the ANC Standard 2014-07, which requires the allocation of securities according to their intended use.

Trading securities

This portfolio includes securities acquired or sold with the intention of reselling or repurchasing them in the short term (less than one year) and which are tradable in a market in which liquidity is assured. They are recognized with the acquisition fees and any accrued interest included upon purchase. At the reporting date, trading securities are valued at the market price. The overall balance of profit and loss resulting from variations in prices is booked to the income statement.

Short-term investment securities

Short-term investment securities are acquired with the intention of holding them for more than one year, in order to obtain direct income or capital gain. This holding does not imply, for fixed-income securities, keeping them until maturity. Premiums or discounts upon acquisition of fixed-income securities are staggered over the lifetime of the instrument in question, in accordance with the option offered. Upon closure of the fiscal year, unrealized capital losses on short-term investment securities, possibly corrected for the impairment and reversals of differences mentioned above, are provisioned individually by security code; short-term investment securities are valued at the average price in different places of quotation.

Unrealized capital gains are not recognized.

Long-term investment securities

This portfolio includes fixed-income securities acquired with the intention of holding them over the long-term, generally until maturity, and for which there are financing resources backed over the long-term or permanent hedging against interest-rate risk. The difference seen between the purchase price and the redemption value is spread over the lifetime of the security. Unrealized capital loss is not depreciated.

Treasury bonds, negotiable debt securities (short- and medium-term) and interbank market instruments classified in the short-term investment and long-term investment portfolios are recognized at the purchase price, including accrued interest upon purchase. Interest income is calculated at the negotiated rate, with the amount of the premium or the discount being amortized according to the actuarial method.

Bonds included in the short-term investment and long-term investment portfolios are recognized excluding accrued interest. Interest income is calculated at the nominal rates of the securities. When their purchase price is different from the redemption value, this difference is amortized actuarially and booked to expenses or income as appropriate.

Securities denominated in foreign currencies are valued at the exchange rate at the reporting date or at the closest prior date. Valuation differences are booked as profit or loss on financial transactions.

Other long-term investments

Other long-term investments are investments made with the intention of promoting the development of long-term professional relationships with the issuer, but without exercising an influence in its management.

Reclassification of financial assets

Reclassification outside the category of trading securities towards the categories of long-term investment securities and short-term investment securities is possible in the following two cases:

a) in exceptional market situations requiring a change of strategy;

b) when following their acquisition fixed-income securities are no longer tradable on an active market and if the establishment has the intention and ability to hold them for the foreseeable future or until maturity.

The impact of reclassifications occurring in the past is detailed in note 2.9.

Temporary disposals of securities

Temporary disposals of securities are intended to guarantee loans or cash borrowings with securities. They mainly take two separate forms, according to the legal mechanism used, namely:

- repurchase agreements;
- lending and borrowing securities.

The repurchase agreement consists legally of transferring the full ownership of the security, the buyer irrevocably committing to sell them back and the seller to buy them, at a price and date agreed when the contract is concluded. For accounting purposes, securities given under repurchase agreements are kept in their original item and continue to be valued according to the rules applicable to the portfolios to which they belong. At the same time, the debt representing the amount collected is recorded as a liability. The receivable representative of a repurchase agreement on received securities is booked as an asset.

Loans of securities are consumer loans governed by the Civil Code, in which the borrower irrevocably undertakes to return the loaned securities at maturity. These loans are generally guaranteed by the presentation of cash, which remains acquired by the lender in case of default by the borrower. In this case, the transaction is equivalent to a repurchase agreement and recorded for accounting purposes as such.

1.4 Options

The premiums paid or received are recognized in the balance sheet account when they are paid or collected. At the time of settlement, they are recognized immediately in the income statement in the case of speculative transactions.

Premiums on unsettled options are valued at close of the fiscal year when they are traded on an organized market. The difference is booked to the income statement.

1.5 Investments in companies and shares in subsidiaries and associates

Investments in companies and subsidiaries are recognized at historical cost.

Each investment is reassessed at the close of the fiscal year. When the carrying amount appears higher than their value in use, a write-down is accounted for in the amount of the unrealized loss. Unrealized capital gains are not recognized. The going-concern value represents what the company would accept to disburse to obtain these securities if it had to acquire them, given its objective in holding them: it may be estimated by various criteria such as net assets possibly corrected, profitability and prospects for profitability, and average stock-market prices over the last few months.

1.6 Fixed assets

Property, plant and equipment is depreciated over the useful life corresponding to the actual period of use of the asset, taking into account any residual value:

- software: 1 to 10 years;
- buildings – structural building shell: 20 to 80 years;
- buildings – equipment: 10 to 40 years;
- fixtures and fittings: 5 to 15 years;
- transport equipment: 3 to 5 years;
- furniture and office equipment: 5 to 10 years;
- computer equipment: 3 to 5 years.

In the event that where components of an asset have different useful lives, each of them is recognized separately and has its own depreciation plan. Accelerated depreciation may be applied under the conditions accepted by the regulations when the useful lives accepted for tax purposes are shorter than the useful life of the asset or component.

1.7 Conversion of transactions in foreign currency

Receivables and debts, as well as forward foreign exchange contracts shown as off-balance-sheet commitments, are converted at market prices at the close of the fiscal year, with the exception of elements denominated in currencies participating in the European single currency, for which an official exchange rate has been adopted.

Property, plant and equipment are recognized at historical cost. Financial assets are converted at closing prices (see the details in the previous notes).

Income and expenses in foreign currencies are booked to profit/loss at the exchange rate in force on the last day of the month of their collection or payment; expenses and income accrued but not paid on the reporting date are converted at the exchange rates at that date.

Unrealized or definitive foreign exchange gains and losses resulting from conversion transactions are recognized at each accounts closure.

1.8 Exchange contracts (swaps)

Pursuant to Article 2522-1 of ANC Standard 2014-07, the bank may constitute three separate portfolios holding contracts according to whether they are intended to maintain open and isolated positions (a), hedge the interest-rate risk of an isolated element or a set of homogeneous elements (b), or enable specialized management of a transaction portfolio (d). There is no portfolio of swap contracts intended to hedge the overall interest-rate risk, known as a portfolio of category (c).

Under these conditions, transfers from one portfolio to another are only possible from:

- Portfolio (a) to portfolio (b);
- Portfolio (b) to portfolio (a) or (d);
- Portfolio (d) to portfolio (b).

The contracts are booked at their nominal value off-balance-sheet.

The market value adopted for "transaction" swap contracts comes from the application of the discounted cash flow method with a zero coupon yield curve. The fixed rate branch is estimated from the various installments discounted according to the yield curve, while the current value of the variable-rate branch is estimated from the value of the current coupon increased by the nominal. The market value results from the comparison of these two present values, after taking into account the counterparty risk and future management fees. The counterparty risk is calculated in accordance with Article 5.1 of ANC Regulation 2014-07, to which an equity coefficient of 8% is applied. The management fees are then determined by increasing this amount of shareholders' equity by a rate of 10%.

The adjustments that may be received or paid at conclusion of a swap contract are recognized in the income statement on a pro rata basis over the period of the contract. In case of early termination of a contract, the adjustment received or paid is immediately recognized in profit/loss, unless the contract was initiated as part of a hedging transaction. The adjustment is then booked to the income statement according to the lifetime of the element initially hedged.

In order to measure and monitor the risks incurred due to these transactions, overall sensitivity limits including interest rate and currency swap contracts are fixed per activity. Information on these positions is regularly communicated to the bank's executive body, according to the meaning of Article L.511-13 of the French Monetary and Financial Code.

1.9 Pension and retirement benefits and long service awards

The recognition and valuation of pensions and similar commitments is compliant with Recommendation No. 2003-R01 of the French National Accounting Board (Conseil national de la comptabilité). The discount rate used is based on long-term government securities.

Employee pension plans

Pensions are paid by various institutions to which the bank and its employees periodically make contributions.

These are recognized as expenses for the fiscal year during which they are due.

Also, employees of Caisse Fédérale du Crédit Mutuel Centre Est Europe benefit from a supplementary pension plan financed by the employer through two insurance policies. The first contract of type Article 83 CGI serves a defined-contribution points capitalization plan. The second contract is of type Article 39 CGI and is a defined-benefit plan additive over tranches B and C. The commitments relative to these plans are fully covered by the constituted reserves. Consequently, no residual commitment results for the employer.

Retirement benefits and long service awards

Future retirement benefits and bonuses to be paid for the allocation of long service awards are fully covered by insurance policies subscribed with the insurance company Assurances du Crédit Mutuel. The premiums paid annually take into account the rights acquired on December 31 of each fiscal year, weighted by coefficients concerning staff turnover and the probability of survival of personnel.

The commitments are calculated according to the projected credit unit method in accordance with IFRS standards. Also taken into account are mortality, rates of personnel turnover, rates of salary increases, social security contribution rates in the specified cases and the financial discount rate.

Commitments related to rights acquired by employees on December 31 are fully covered by the reserves constituted with the insurance company. The retirement benefits and long service award bonuses due and paid to employees during the year are reimbursed by the insurer.

The commitments for retirement benefits are determined based on the contractual benefits upon retirement at the initiative of the employee having reached his or her 62nd birthday.

1.10 Funds for general banking risks

Defined in item 9 of Article 1121-3 of ANC Standard 2014-07, this fund is the amount that the bank decides to assign to general banking risks, including its overall exposure to interest-rate and counterparty risks.

The amounts assigned to this fund stand at €61.6 million, as no movement affected this item during the fiscal year.

1.11 Provisions

Provisions assigned to asset items are deducted from the corresponding receivables, which thus appear for their net amounts. Provisions relative to off-balance-sheet commitments are booked to provisions for contingent liabilities.

BFCM may be party to various disputes; their possible outcomes and any financial consequences are regularly examined and, as required, are the subject of allocations to provisions recognized as necessary.

1.12 Income tax

With effect from January 1, 2016, Caisse Fédérale de Crédit Mutuel exercised the option for "cooperative tax consolidation" in accordance with the provisions of Article 223 A, 5th subparagraph of the French General Tax Code.

The tax consolidation mechanism enables corporate income tax to be paid on an overall profit obtained by making the algebraic sum of the profits and losses of the various entities of the group. CFCM's tax consolidation group is composed of:

- Caisse Fédérale de Crédit Mutuel, the "consolidation head";
- 1,348 Caisses de Crédit Mutuel and 11 regional Caisses de Crédit Mutuel attached to federations belonging to CM Alliance Fédérale, mandatorily members of this tax consolidation;
- Banque Fédérative du Crédit Mutuel and 24 of its subsidiaries, who have exercised the option to participate in it.

By agreement, each member of the tax consolidation is required to pay to Caisse Fédérale de Crédit Mutuel, as a contribution to the payment of the group's corporate income tax and whatever the actual amount of the said tax, an amount equal to the tax which would have been payable on its profit/loss if the member was separately taxable, consequently deducting all offset rights that the members would have benefited from in the absence of tax consolidation.

In accordance with the provisions of ANC Regulation 2014-07, and particularly of its Article 1124-57, the section "Income tax" includes:

- the amount of corporate income tax and the additional contribution calculated as if the company was separately taxed;
- the additional contribution of 3% on distributed income;
- any adjustments relating to prior fiscal years and tax adjustments;
- the tax expense or income related to tax credits on zero-rate loans and equivalent loans.

The corporate income tax due pursuant to the fiscal year and the additional contributions are determined according to the applicable tax regulations. The tax credits attached to income from securities is not recognized. They are directly offset against the income tax expense.

1.13 Consolidation

The company is fully consolidated within the consolidation scope of CM Alliance Fédérale, which itself forms part of the consolidation scope of the Confédération Nationale du Crédit Mutuel.

1.14 Establishment in states or territories that are not cooperative in the fight against fraud and tax evasion

The bank has no direct or indirect establishment in states or territories covered by Article L.511-45 of the French Monetary and Financial Code, shown on the list fixed by the Order dated February 12, 2010 and modified by Act 2016-1691 dated December 9, 2016.

1.15 Fees and commissions

Commissions are recognized according to the collection criterion with the exception of those relative to financial transactions, which are recognized from closure of the issue or when they are invoiced. Commissions include income from banking transactions paying for services provided to third parties.

Note 2 Notes to the balance sheet

The figures given in the various tables that follow are expressed in thousands of euros.

2.0 Movements affecting items of non-current assets

	Gross amount at 12/31/2018	Acquisitions	Disposals	Transfers or repayment	Gross amount at 12/31/2019
Non-current financial assets	28,576,469	2,353,556	24,513	-2,124,045	28,781,467
Property, plant and equipment	8,287	40			8,327
Intangible assets	8,000				8,000
TOTALS	**28,592,756**	**2,353,596**	**24,513**	**-2,124,045**	**28,797,794**

2.1 Depreciation, amortization and impairment on non-current assets

DEPRECIATION AND AMORTIZATION

	Amortization at 12/31/2018	Allocations	Reversals	Amortization at 12/31/2019
Non-current financial assets	0			
Property, plant and equipment	1,503	10		1,513
Intangible assets	0			
TOTALS	**1,503**	**10**	**0**	**1,513**

WRITE-DOWNS

	Write-downs at 12/31/2018	Allocations	Reversals	Write-downs at 12/31/2019
Non-current financial assets	1,364,376	39,625	116,332	1,287,669
Property, plant and equipment	0			0
Intangible assets	0			0
TOTALS	**1,364,376**	**39,625**	**116,332**	**1,287,669**

2.2 Breakdown of receivables and debts on credit institutions

A) RECEIVABLES ON CREDIT INSTITUTIONS

	Amount 2019		Amount 2018	
	On demand	In the future	On demand	In the future
Ordinary Accounts	1,152,913		870,234	
Loans, securities received under repurchase agreements		109,387,404	43,668	110,388,220
Securities received under repurchase agreements delivered		571,450		593,705
Securities not posted				
Accrued interest	-240	134,265	-202	304,343
Non-performing loans				
(Write-downs)				
TOTAL	**1,152,673**	**110,093,119**	**913,700**	**111,286,268**
Total receivables on credit institutions		**114,616,943**		**115,268,119**
of which equity loans		0		0
of which subordinated loans		3,371,151		3,068,151

B) DUE TO CREDIT INSTITUTIONS

	Amount 2019		Amount 2018	
	On demand	In the future	On demand	In the future
Ordinary Accounts	21,738,978		22,662,988	
Borrowings	2,332,230	37,373,015	1,357,897	39,271,039
Securities given under repurchase agreements		9,994,000		9,994,000
Securities given under repurchase agreements delivered		256,245		206,372
Securities not posted				
Related debt	68	186,560	62	297,482
Other amounts due	1,043,702		1,303,202	
TOTAL	**25,114,978**	**47,809,820**	**25,324,149**	**49,768,893**
Total debts to credit institutions		**72,924,798**		**75,093,042**

2.3 Breakdown of receivables and debts according to their residual maturity

ASSETS

	Less than or equal to three months	From three months to one year	From one to five years	More than five years and of indeterminate duration	Interest accrued and outstanding	TOTAL
RECEIVABLES ON CREDIT INSTITUTIONS						
On demand	1,152,913				-240	1,152,673
In the future	17,252,187	25,115,555	47,012,657	23,949,606	134,265	113,464,270
CUSTOMER LOANS						
Commercial loans						0
Other customer receivables	577,251	144,142	533,256	655,890	3,145	1,913,684
Non-performing loans				21,989		21,989
Overdrawn current accounts	187,058			92,000	154	279,212
BONDS & OTHER FIXED-INCOME SECURITIES	1,660,777	7,251,037	4,271,897	7,834,013	68,366	21,086,090
of which trading securities	*20,743*					*20,743*
TOTAL	**20,830,186**	**32,510,734**	**51,817,810**	**32,553,498**	**205,690**	**137,917,918**

Non-performing loans are considered as being repayable at more than 5 years.

LIABILITIES

	Less than or equal to three months	From three months to one year	From one to five years	More than five years and of indeterminate duration	Interest accrued and outstanding	TOTAL
DUE TO CREDIT INSTITUTIONS						
On demand	25,114,910				68	25,114,978
In the future	6,735,357	13,047,648	17,390,255	10,450,000	186,560	47,809,820
DEPOSITS FROM CUSTOMERS						
Special savings accounts						
On demand						0
In the future						0
Other debt						
On demand	4,420,194					4,420,194
In the future	1,234,500	5,000,000	500,000	0	1,225	6,735,725
DEBT SECURITIES						
Interbank market securities and negotiable debt securities	10,068,252	21,240,416	4,340,477	33,000	102,846	35,784,991
Bonds	452,609	7,259,503	26,438,361	11,988,347	292,090	46,430,910
Other securities				1,000,000	13,962	1,013,962
SUBORDINATED DEBT	0	1,500,000	1,000,000	6,200,000	86,054	8,786,054
TOTAL	**48,025,822**	**48,047,567**	**49,669,093**	**29,671,347**	**682,805**	**176,096,634**

2.4 Breakdown of customer loans

Excluding accrued interest of €3,300 thousand on gross receivables

	Amount 2019			Amount 2018		
	Receivables gross	o/w Non-performing loans	Write-downs	Receivables gross	o/w Non-performing loans	Write-downs
BREAKDOWN BY MAIN TYPES OF COUNTERPARTY						
Companies	2,211,358	29,257	7,268	1,833,611		
Sole proprietors						
Individuals	15			16		
Public administration	212			556		
Private non-profit institutions						
TOTAL	**2,211,585**	**29,257**	**7,268**	**1,834,183**	**0**	**0**
BREAKDOWN BY BUSINESS SEGMENTS						
Agriculture and mining industries						
Retail and wholesale commerce	32,750			41,253		
Industries	85,199					
Services to companies and holding	332,073	25,027	3,038	404,486		
Services to individuals						
Financial services	1,445,198			1,138,042		
Real estate services	154,968			164,716		
Transport and communication	161,364	4,230	4,230	73,952		
Not allocated and others	33			11,734		
TOTAL	**2,211,585**	**29,257**	**7,268**	**1,834,183**	**0**	**0**
BREAKDOWN BY GEOGRAPHICAL SEGMENTS						
France	1,993,283	29,257	7,268	1,567,772		
Europe excluding France	218,297			266,411		
Other countries	5					
TOTAL	**2,211,585**	**29,257**	**7,268**	**1,834,183**	**0**	**0**

In the 2019 fiscal year, BFCM recognized net provisions of €7.268 million on non-performing loans of €29.257m.

None of the above loans is compromised or restructured.

2.5 Amount of commitments on equity investments and fully-consolidated subsidiaries

ASSETS

	Amount 2019	Amount 2018
RECEIVABLES ON CREDIT INSTITUTIONS		
On demand	331,599	94,218
In the future	77,078,545	76,696,376
CUSTOMER LOANS		
Commercial loans	0	0
Other customer receivables	699,531	748,838
Overdrawn current accounts	71,500	0
BONDS AND OTHER FIXED-INCOME SECURITIES	11,293,621	11,510,074
SUBORDINATED RECEIVABLES	3,935,527	3,132,482
TOTAL	**93,410,323**	**92,181,988**

LIABILITIES

	Amount 2019	Amount 2018
DUE TO CREDIT INSTITUTIONS		
On demand	17,949,568	11,637,574
In the future	31,722,745	33,339,212
DEPOSITS FROM CUSTOMERS		
Special savings accounts		
On demand		
In the future		
Other debt		
On demand	232,934	212,520
In the future	5,000,348	5,000,186
DEBT SECURITIES		
Certificates of deposit		
Interbank market securities and negotiable debt securities	1,467,149	798,599
Bonds	4,104,992	3,507,644
Other debts represented by a security		
SUBORDINATED DEBT	97,598	100,087
TOTAL	**60,575,334**	**54,595,822**

This table includes the commitments received and given on equity investments and fully-consolidated subsidiaries within the consolidated scope of BFCM.

2.6 Breakdown of subordinated assets

	Amount 2019		Amount 2018	
	Subordinated amount	of which equity loans	Subordinated amount	of which equity loans
RECEIVABLES ON CREDIT INSTITUTIONS				
In the future	3,080,151		2,777,151	
TBD	291,000		291,000	
CUSTOMER LOANS				
Other customer receivables	660,550	660,550	161,150	161,150
BONDS AND OTHER FIXED-INCOME SECURITIES	133,333	128,929	132,948	128,547
TOTAL	**4,165,034**	**789,479**	**3,362,249**	**289,697**

2.7 Subordinated debt

	Amount 2019			Amount 2018		
Type of loan	Currency	Outstanding	Maturity	Currency	Outstanding	Maturity
TSR 4%	EUR	1,000,000	10/22/2020	EUR	1,000,000	10/22/2020
TSR 3%	EUR	1,000,000	05/21/2024	EUR	1,000,000	05/21/2024
TSR 2,5%	EUR	500,000	05/25/2028	EUR	500,000	05/25/2028
TSR 3%	EUR	1,000,000	09/11/2025	EUR	1,000,000	09/11/2025
TSR 2,375%	EUR	1,000,000	03/24/2026	EUR	1,000,000	03/24/2026
TSR 1,875%	EUR	700,000	11/04/2026	EUR	700,000	11/04/2026
TSR 2,625%	EUR	500,000	03/31/2027	EUR	500,000	03/31/2027
TSR 2,625%	EUR	500,000	11/15/2027	EUR	500,000	11/15/2027
TSR 1,875%	EUR	1,000,000	06/18/2029			
SUB loan	EUR	500,000	TBD	EUR	500,000	TBD
Loan Deeply subordinated notes	EUR	1,000,000	TBD	EUR	1,000,000	TBD
		8,700,000			**7,700,000**	
		86,054	Accrued interest		77,456	Accrued interest
Conditions	Subordinated notes and loans occupy a lower rank than receivables of all other creditors, other than non-voting loan stock. Deeply subordinated notes occupy the lowest rank, because they are expressly subordinate to all other debts of the company, whether they are unsecured or subordinate.					
Possibility of early repayment	No possibility in the last 5 years unless there is a concomitant capital increase. Prohibited for redeemable subordinated notes, except in the case of market purchases, takeover bids and exchange offers. Restricted for deeply subordinated notes because they are equivalent to core shareholders' equity.					

2.8 Securities portfolio: breakdown between trading, short-term investment and long-term investment portfolios

	Amount 2019			Amount 2018		
	Transaction portfolio	Short-term investment portfolio	Long-term investment portfolio	Transaction portfolio	Short-term investment portfolio	Long-term investment portfolio
Government and equivalent securities		7,296,574			7,024,132	
Bonds and other securities	20,743	10,089,514	10,975,833	19,502	8,175,828	11,193,453
Shares and CIU		902,158			825,767	
TOTALS	**20,743**	**18,288,246**	**10,975,833**	**19,502**	**16,025,727**	**11,193,453**

There are no outstanding trading securities on an active market according to the meaning of Article ANC 2321-1.

2.9 Securities portfolio: securities having been the subject of a transfer from one portfolio to another

Following the modifications to Regulation 90-01 from the Banking Regulatory Committee concerning the recognition of transactions on securities introduced by Regulation CRC No. 2008-17 dated December 10, 2008 relating to transfers of securities outside the category "trading securities" and outside the category "short-term investment securities", BFCM made no reclassification as of December 31, 2019.

2.10 Securities portfolio: differences between purchase price and redemption price of securities

	Net discounts/premiums remaining to amortize			
	Amount 2019		Amount 2018	
NATURE OF SECURITIES	Discount	Premium	Discount	Premium
Short-term investment securities				
■ Bond market	7,018	156,631	5,528	110,845
■ Money market				
Long-term investment securities				
■ Bond market	4,204			
■ Money market	30			

2.11 Securities portfolio: unrealized capital gain and loss on securities

	Amount 2019	Amount 2018
Amount of unrealized capital gain on short-term investment securities	1,242,025	940,047
Amount of unrealized capital loss on short-term investment securities and that was subject to depreciation	342,332	387,174
Amount of unrealized capital loss on long-term investment securities	5,512	68,048
Amount of unrealized capital gain on long-term investment securities	15,119	7,795

2.12 Securities portfolio: amount of receivables representative of lent securities

	Amount 2019	Amount 2018
Government and equivalent securities	0	0
Bonds and other fixed-income securities	0	0
Shares and CIU	0	0

2.13 Securities portfolio: amount of receivables and debts related to securities deliveries under repurchase agreements

	Amount 2019		Amount 2018	
	Receivables related to securities delivered under repurchase agreements	Debts relating to securities delivered under repurchase agreements	Receivables related to securities delivered under repurchase agreements	Debts relating to securities delivered under repurchase agreements
RECEIVABLES ON CREDIT INSTITUTIONS				
Demand				
Term	571,450		593,706	
CUSTOMER LOANS				
Other customer receivables				
DUE TO CREDIT INSTITUTIONS				
Demand				
Term		256,245		206,372
DEPOSITS FROM CUSTOMERS				
Other debt				
Demand				
Term				
TOTAL	**571,450**	**256,245**	**593,706**	**206,372**

Assets put under repurchase agreements on 12/31/2019 correspond to:

- special purpose entity for €404,000 thousand;
- government bonds for €167,450 thousand.

2.14 Securities portfolio: breakdown of bonds and other fixed-income securities according to the issuer

	Amount 2019			Amount 2018		
	Issuer			Issuer		
	Public organizations	Other	Accrued interest	Public organizations	Other	Accrued interest
Government securities, bonds and other securities	10,117,480	18,130,896	134,288	9,618,727	16,670,979	123,208

2.15 Securities portfolio: breakdown according to listing

	Amount 2019			Amount 2018		
	Amount of listed securities	Amount of non-listed securities	Accrued interest	Amount of listed securities	Amount of non-listed securities	Accrued interest
Government and equivalent securities	7,230,652		65,922	6,963,453		60,679
Bonds and other securities	19,066,999	1,950,725	68,366	17,155,687	2,170,567	62,529
Shares and CIU	876,354	25,804		798,800	26,967	0
TOTALS	**27,174,005**	**1,976,529**	**134,288**	**24,917,940**	**2,197,534**	**123,208**

2.16 Securities portfolio: information on CIU

	Amount 2019			Amount 2018		
	Amount of shares in French CIU	Amount of shares in foreign CIU	Total	Amount of shares in French CIU	Amount of shares in foreign CIU	Total
Variable-income securities: CIU		26	26		26	26

	Amount 2019			Amount 2018		
	Amount of shares of capitalization CIU	Amount of shares of distribution CIU	Total	Amount of shares of capitalization CIU	Amount of shares of distribution CIU	Total
Variable-income securities: CIU		26	26		26	26

2.17 Securities portfolio: equity investments and investments in associates held in credit institutions

	Amount held in credit institutions in 2019	Amount held in credit institutions in 2018
Equity investments and portfolio activity	236,713	119,865
Investments in associates	6,784,214	6,772,140
TOTAL	**7,020,927**	**6,892,005**

2.18 Securities portfolio: information on portfolio activity

On 12/31/2019, there are no outstanding securities on the portfolio activity.

2.19 Unlimited liability companies in which the establishment is an associate

Name of the company	Registered office	Legal form
REMA	STRASBOURG	General Partnership
CM Foncière	STRASBOURG	General Partnership

2.20 Breakdown of item "Shareholders' equity"

	Amount 2018	Appropriation of earnings	Capital increase and other variations	Amount 2019
Capital subscribed	1,688,530			1,688,530
Issue premiums	4,508,845			4,508,845
Legal reserve	168,853			168,853
Statutory and contractual reserves	2,563,062	861,000		3,424,062
Regulated reserves	0			0
Other reserves	9,495			9,495
Retained earnings	0	601		601
Profit (loss) for the period	991,617			2,003,542
Distribution of dividends		130,016		
TOTAL	**9,930,402**	**991,617**	**0**	**11,803,928**
Funds for general banking risks	61,552			61,552

The capital is composed of 33,770,590 shares of a nominal value of €50.

2.21 Start-up expenses, research and development expenses and purchased goodwill

	Amount 2019	Amount 2018
Start-up expenses		
Formation expenses		
Initial expenses		
Expenses for capital increases and miscellaneous transactions		
Research and development expenses		
Purchased goodwill		
Other intangible assets	8,000	8,000
TOTAL	**8,000**	**8,000**

2.22 Receivables eligible for refinancing by a central bank

Eligible receivables are exclusively composed of customer loans. On 12/31/2019, BFCM customer loans eligible for refinancing by a central bank stood at €64,708 thousand out of readily-available assets of Crédit Mutuel Alliance Fédérale of €12,235,869 thousand.

2.23 Accrued interest to be received or paid

ASSETS

	Accrued interest to be received	Accrued interest to be paid
Cash, central banks, CCP		
Government and equivalent securities	65,923	
Receivables on credit institutions		
Demand	-240	
Term	134,265	
Customer loans		
Commercial loans		
Other customer receivables	3,152	
Overdrawn current accounts	148	
Bonds and other fixed-income securities	68,366	
Shares and other variable income securities		
Equity investments and portfolio activities		
Investments in associates		

LIABILITIES

	Accrued interest to be received	Accrued interest to be paid
Central banks, CCP		
Due to credit institutions		
Demand		68
Term		186,560
Deposits from customers		
Special plan savings accounts		
Demand		
Term		
Other debt		
Demand		
Term		1,225
Debt securities		
Certificates of deposit		
Interbank market securities and negotiable debt securities		102,846
Bonds		292,090
Other debts represented by a security		13,962
Subordinated debt		86,054
TOTAL	**271,614**	**682,805**

2.24 Items "Other assets" and "Other liabilities"

OTHER ASSETS

	Amount 2019	Amount 2018
Conditional instruments purchased	27,788	
Securities transaction settlement accounts	14,463	41,257
Miscellaneous receivables	4,443,427	5,017,463
Carry back receivables		
Other stocks and equivalent		
Other miscellaneous uses		
TOTAL	**4,485,678**	**5,058,720**

OTHER LIABILITIES

	Amount 2019	Amount 2018
Other securities debts		
Conditional instruments sold	19,875	
Trading securities debts		
of which debts on borrowed securities		
Securities transaction settlement accounts	337,608	330,417
Payment remaining to be made on non-paid-up securities		
Sundry creditors	2,365,944	1,937,613
TOTAL	**2,723,427**	**2,268,030**

2.25 Accruals

ASSETS

	Amount 2019	Amount 2018
Head office and branch network		
Collection accounts	306	151
Adjustment accounts	361,880	929,025
Variation accounts		
Potential losses on forward financial hedging instrument contracts not unwound		
Losses to be spread on unwound forward financial hedging instrument contracts	29,129	33,560
Expenses to be distributed	255,752	258,368
Prepaid expenses	42,684	15,854
Accrued income	664,706	21,933
Other accruals	766,330	392,667
TOTAL	**2,120,787**	**1,651,558**

LIABILITIES

	Amount 2019	Amount 2018
Head office and branch network		
Accounts unavailable due to recovery procedures	76	142
Adjustment accounts	28,408	270,326
Variation accounts		
Potential gains on forward financial hedging instrument contracts not unwound		
Gains to be spread on unwound forward financial hedging instrument contracts	369,789	327,175
Unearned income	29,144	32,714
Accrued expenses	158,366	12,344
Other accruals	137,967	126,270
TOTAL	**723,750**	**768,971**

Articles L.441-6-1 and D.441-4 of the French Commercial Code provide for specific information on the maturity dates of debts with regard to suppliers; the amounts in question are negligible for our company and no invoices have been settled late.

2.26 Non-amortized balance of the difference between the amount initially received and the redemption price of debt securities

	Amount 2019	Amount 2018
Issue premium of fixed income securities	193,485	201,748
Redemption premiums of fixed income securities	2,031	3,297

2.27 Provisions

	Amount 2019	Addition	Reversal	Amount 2018	Reversal period
For miscellaneous eventualities	400,000			400,000	> 3 years
For retirement expenses	0		1,820	1,820	
On swaps	10,737		11,204	21,941	< 1 year
For risks on long-term investments	7,345		9,255	16,600	< 3 years
For guarantee commitment	7,483			7,483	< 3 years
For taxes and adjustments	120,000			120,000	> 1 year
Other provisions	1,928	1,884	625	669	< 1 year
TOTAL	**547,493**	**1,884**	**22,904**	**568,513**	

2.28 Equivalent value in euros of the assets and liabilities in currencies outside the Eurozone

ASSETS

	Amount 2019	Amount 2018
Cash, central banks, CCP		
Government and equivalent securities		
Receivables on credit institutions	14,857,767	14,623,054
Customer loans	28,124	158,814
Bonds and other fixed-income securities	0	0
Shares and other variable income securities	880,423	803,989
Real estate development		
Subordinated loans		
Equity investments and portfolio activities	202,176	185,751
Investments in associates		
Intangible assets		
Property, plant and equipment		
Other assets	110,386	84,665
Accruals	259,540	207,202
TOTAL FOREIGN CURRENCY ACTIVITY	**16,338,416**	**16,063,475**
Percentage of total assets	**8.51%**	**8.52%**

LIABILITIES

	Amount 2019	Amount 2018
Central banks, CCP		
Due to credit institutions	5,545,507	3,754,771
Deposits from customers	205,932	150,898
Debt securities	28,046,652	24,748,570
Other liabilities	330,060	140,679
Accruals	91,223	91,858
Provisions	0	0
Surplus of expenses over income	66,377	-32,691
TOTAL FOREIGN CURRENCY ACTIVITY	**34,285,751**	**28,854,085**
Percentage of total liabilities	**17.86%**	**15.31%**

Note 3 Notes to the off-balance-sheet commitments

3.0 Financing commitments given and received

	Amount 2019	Amount 2018
FINANCING COMMITMENTS GIVEN		
Credit institutions	502,227	587,778
Customers	1,378,174	1,777,669
FINANCING COMMITMENTS RECEIVED		
Credit institutions	12,784,187	13,083,652
o/w BDF	*12,784,187*	*13,083,652*
Customers	0	0
TOTAL	**14,664,588**	**15,449,099**

3.1 Guarantee commitments given and received

	Amount 2019	Amount 2018
GUARANTEE COMMITMENTS GIVEN		
Credit institutions	4,693,706	3,771,160
Customers	112,634	179,847
GUARANTEES RECEIVED		
Credit institutions	0	0
Customers	0	14,646
TOTAL	**4,806,340**	**3,965,653**

3.2 Assets given as guarantee commitments

	Amount 2019	Amount 2018
Securities assigned as guarantees for forward market transactions	0	0
Repurchase agreement pledges given	96,350	104,046
Other securities assigned under guarantee	22,781,187	23,077,652
o/w BDF	*22,778,187*	*23,077,652*
o/w EIB	*3,000*	*0*
TOTAL	**22,877,537**	**23,181,698**

Crédit Mutuel Home Loan SFH is a 99.99% owned subsidiary of BFCM. Its purpose is to issue, exclusively on behalf of its parent company, securities secured by the networks of Crédit Mutuel and CIC. In application of the contractual provisions related to these transactions, BFCM would be required to provide assets as guarantees for the issues of Crédit Mutuel Home Loan SFH under certain potential conditions (such as the downgrading of the rating below a certain level or the sizing of mortgage loans). As of December 31, 2019, this dispensatory mechanism did not need to be used.

3.3 Assets received as guarantees

	Amount 2019	Amount 2018
Securities received as guarantees for forward market transactions	0	0
Other securities received under guarantee	3,000	0
o/w EIB	*3,000*	*0*
TOTAL	**3,000**	**0**

The bank refinances itself from Caisse de Refinancement de l'Habitat by the issue of promissory notes covering receivables mentioned in Article L.313-42 of the French Monetary and Financial Code for a total of €4,467,462 thousand on December 31, 2019. The home loans guaranteeing these promissory notes are provided by Crédit Mutuel Alliance Fédérale of which BFCM is a subsidiary and at the same date stood at €6,410,929 thousand.

3.4 Forward currency transactions not yet unwound as of the balance sheet date

	Amount 2019		Amount 2018	
	Assets	Liabilities	Assets	Liabilities
Euros to be received against currencies to be delivered	5,085,007	5,101,884	5,715,150	5,584,242
of which currency swaps	*4,734,510*	*4,756,631*	*4,373,318*	*4,234,548*
Currencies to be received against euros to be delivered	26,025,898	25,672,915	19,584,490	19,352,668
of which currency swaps	*12,398,331*	*12,156,020*	*10,345,979*	*10,325,847*
Currencies to be received against currencies to be delivered	5,543,006	5,438,233	8,175,320	8,315,266
of which currency swaps	0	0	0	0

3.5 Other forward transactions not yet unwound as of the balance sheet date

	Amount 2019	Amount 2018
TRANSACTIONS PERFORMED ON ORGANIZED MARKETS AND EQUIVALENT TO INTEREST-RATE INSTRUMENTS		
Firm hedging transactions		
of which Sales of FUTURES contracts		
of which Purchases of FUTURES contracts		
CONDITIONAL HEDGING TRANSACTIONS		
Other firm transactions		
of which Sales of FUTURES contracts		
OVER-THE-COUNTER TRANSACTIONS ON INTEREST-RATE INSTRUMENTS		
Firm hedging transactions	203,536,780	196,656,138
of which interest-rate SWAPS	*195,069,573*	*187,752,951*
currency-rate SWAPS	*8,367,207*	*8,803,187*
Purchase of FLOOR	*100,000*	*100,000*
Sale of FLOOR		
Conditional hedging transactions		
of which Purchase of SWAP OPTION		
Sale of SWAP OPTION		
of which Purchase of CAP/FLOOR		
Sale of CAP/FLOOR		
Other firm transactions	380,000	300,000
of which interest-rate swaps	*380,000*	*300,000*
currency-rate swaps		
Other conditional transactions		
OVER-THE-COUNTER TRANSACTIONS ON EXCHANGE RATES		
Conditional hedging transactions	237,306	
of which exchange-rate option purchases	*101,698*	
Sales of exchange-rate options	*135,608*	
OVER-THE-COUNTER TRANSACTIONS ON INSTRUMENTS OTHER THAN INTEREST-RATE AND EXCHANGE-RATE INSTRUMENTS		
Firm hedging transactions		
of which purchases of forward commitments (NDF)		
Sales of forward commitments (NDF)		
Conditional hedging transactions		
of which option purchases		
Option sales		

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3.6 Breakdown of forward transactions not yet unwound according to residual maturity

	Amount 2019			Amount 2018		
	Less than one year	From one to five years	More than five years	Less than one year	From one to five years	More than five years
Foreign currency transactions	22,743,191	9,119,820	4,328,795	20,399,813	8,696,927	4,155,436
TRANSACTIONS ON ORGANIZED MARKETS FOR INTEREST-RATE INSTRUMENTS						
Firm transactions						
of which Sales of FUTURES contracts						
of which Purchases of FUTURES contracts						
Other firm transactions						
of which Sales of FUTURES contracts						
OVER-THE-COUNTER TRANSACTIONS ON INTEREST-RATE INSTRUMENTS						
Firm transactions	78,742,573	67,659,613	57,514,594	63,748,184	77,867,030	55,340,924
of which SWAPS	*78,742,573*	*67,659,613*	*57,514,594*	*63,748,184*	*77,867,030*	*55,240,924*
Purchase of FLOOR			*100,000*			*100,000*
Sale of FLOOR						
Conditional hedging transactions						
of which Purchase of SWAP OPTION						
Sale of SWAP OPTION						
of which Purchase of CAP/FLOOR						
Sale of CAP/FLOOR						
Other conditional transactions						
OVER-THE-COUNTER TRANSACTIONS ON EXCHANGE-RATE INSTRUMENTS						
Conditional hedging transactions		237,306				
of which exchange-rate option purchases		*101,698*				
Sales of exchange-rate options		*135,608*				
OVER-THE-COUNTER TRANSACTIONS ON OTHER FORWARD INSTRUMENTS						
Firm transactions						
of which purchases of forward commitments (NDF)						
Sales of forward commitments (NDF)						
Conditional transactions						
of which option purchases						
Option sales						

3.7 Commitments with equity investments and fully-consolidated subsidiaries

COMMITMENTS GIVEN

	Amount 2019	Amount 2018
Funding commitments	167,000	215,000
Guarantee commitments	4,613,991	3,849,676
Commitments on currency transactions	683,035	1,093,140
Commitments on forward financial instruments	37,637,513	39,845,430
TOTAL	**43,101,539**	**45,003,246**

COMMITMENTS RECEIVED

	Amount 2019	Amount 2018
Funding commitments		
Guarantee commitments	3,000	
Commitments on currency transactions	684,312	619,573
Commitments on forward financial instruments	135,608	
Securities commitments		200,009
TOTAL	**822,920**	**619,573**

This table includes the commitments received and given on equity investments and fully-consolidated subsidiaries within the consolidated scope of BFCM.

3.8 Fair value of derivative instruments

	Amount 2019		Amount 2018	
	Assets	Liabilities	Assets	Liabilities
RATES RISKS – HEDGE ACCOUNTING (MACRO-MICRO)				
Conditional or optional instruments				
Firm instruments other than swaps				
Embedded derivatives	23,863	98,265	17,042	110,275
Swaps	2,790,776	2,525,658	2,486,911	1,496,480
RATES RISKS – EXCLUDING HEDGE ACCOUNTING				
Conditional or optional instruments				
Firm instruments other than swaps		6,536		
Embedded derivatives	60,135		38,680	
Swaps	3,018	83,966	278,508	324,196
FOREIGN EXCHANGE RISK				
Conditional or optional instruments				
Firm instruments other than swaps				
Swaps	117,641	27,720	85,043	40,340

The presentation of this note results from the application of CNC Regulations Nos. 2004-14 to 2004-19 relative to information to be provided on the fair value of financial instruments. The fair value of the derivative instruments is determined in relation to the market value, or failing this, by the application of market models.

Note 4 Notes to the income statement

4.1 Interest income and expenses

	Income 2019	Income 2018
Income on transactions with credit institutions	3,675,351	4,203,765
Income on transactions with customers	10,697	12,969
Income on bonds or other fixed-income securities	409,740	444,854
Income on subordinated loans	46,071	46,346
Other income of an interest character	8,835	12,146
Reversals/allocations of provisions relative to interest on non-performing loans		
Reversals/allocations of provisions of an interest character		
TOTAL	**4,150,694**	**4,720,080**

	Expenses 2019	Expenses 2018
Expenses on transactions with credit institutions	2,698,969	3,232,531
Expenses on transactions with customers	69,548	100,109
Expenses on bonds or other fixed-income securities	1,087,261	1,037,289
Expenses on subordinated loans	188,272	283,209
Other expenses of an interest character	152,883	149,947
Allocations/reversals of provisions relative to interest on non-performing loans	61	
Allocations/reversals of provisions of an interest character		
TOTAL	**4,196,994**	**4,803,085**

4.2 Breakdown of income from variable-income securities

	Amount 2019	Amount 2018
Income from shares and other variable-income short-term investment securities	19,544	4,470
Income from investments in companies and subsidiaries	1,909,478	1,672,818
Income from securities relating to portfolio activity		
TOTAL	**1,929,022**	**1,677,288**

4.3 Commissions

	Income 2019	Income 2018
Commissions on transactions with credit institutions	5,783	110
Commissions on transactions with customers	1,043	1,000
Commissions relative to securities transactions	27	6
Commissions on foreign exchange transactions	5	5
Commissions on financial services	112,230	93,102
Commissions on off-balance-sheet transactions		
Miscellaneous operating commissions	222	285
Reversals of provisions relative to commissions		
TOTAL	**119,310**	**94,508**

	Expenses 2019	Expenses 2018
Commissions on transactions with credit institutions	1,512	1,303
Commissions on transactions with customers	5	6
Commissions relative to securities transactions	6,350	7,823
Commissions on foreign exchange transactions	778	825
Commissions on financial services	103,141	82,423
Commissions on off-balance-sheet transactions		
Miscellaneous operating commissions	1,181	932
Allocations to provisions relative to commissions		
TOTAL	**112,967**	**93,312**

4.4 Profit or loss on the trading portfolio

	Amount 2019	Amount 2018
Trading securities	-51	-149
Currency transactions	9,121	35,152
Forward financial instruments	0	0
Net allocations/reversals of provisions	11,204	-20,888
TOTAL	**20,274**	**14,115**

In 2018, a profit of €31,653 thousand affected the "Currency transactions" item following the transfer of BMCE securities into the "short-term investment" category.

4.5 Profit or loss on the short-term investment securities and equivalent portfolio

	Amount 2019	Amount 2018
Acquisition fees on short-term investment securities		
Net capital gain or loss on disposal	43,476	10,684
Net allocations or reversals of provisions	46,661	-357,194
TOTAL	**90,137**	**-356,510**

In 2018, the allocations recorded an amount of €376,217 thousand related to the downgrading of BMCE securities. As of December 31, 2019 BFCM reversed part of the provision made in 2018 on the BMCE share for an amount of €41,045 thousand.

4.6 Other operating income or expenses

	Amount 2019	Amount 2018
Miscellaneous operating income	1,274	465
Miscellaneous operating expenses	-2,154	-158,501
TOTAL	**-880**	**-158,036**

On December 31, 2018, BFCM recorded a provision for miscellaneous contingencies of €158,000 thousand related to its exposure on the continent of Africa. There has been no adjustment on that exposure as of December 31, 2019.

4.7 General operating expenses

	Amount 2019	Amount 2018
Wages and salaries	7,861	7,933
Pension expenses	975	968
Other social security contributions	2,547	2,560
Employee profit-sharing and incentive schemes	838	785
Payroll-based taxes	1,457	1,439
Other taxes and duties	10,778	12,377
External services	36,177	38,557
Allocations/reversals of provisions on general operating expenses	-1,820	-2,429
Other miscellaneous expenses	12,145	11,018
Rebilled expenses	-1,653	-1,457
TOTAL	**69,305**	**71,751**

As part of the implementation of a compensation and termination benefits package for the Chairman and the chief executive officer within Caisse Fédérale de Crédit Mutuel starting June 1, 2019, on February 20, 2019, the BFCM board of directors decided that service as Chairman of the board of directors would no longer be remunerated as of June 1, 2019.

The overall amount of direct and indirect compensation paid to the managers of BFCM by the group stood at €8,143,013.47 in 2019, against €7,957,924.56 in 2018. No attendance fees were paid.

In accordance with ANC Regulation No. 2016-07, the fees paid to the statutory auditors are detailed below:

In thousands of euros ex VAT	PricewaterhouseCoopers France	ERNST&YOUNG et autres
Audit of the accounts	174	182
Non-audit services[1]	240	202

(1) The services cover the SACC provided on request from the entity, corresponding to comfort letters in the context of market transactions and reports and certifications required for regulatory requirements.

4.8 Cost of risk

	Amount 2019	Amount 2018
Allocations to provisions related to receivables	-7,207	-10
Reversals of provisions related to receivables		305,000
Loan losses covered by provisions		
TOTAL	**-7,207**	**304,990**

In 2017, BFCM decided to guarantee the loan commitments of press companies carried by Banque Européenne du Crédit Mutuel (BECM). In this regard, a provision of €305,000 thousand was constituted. In 2018, this provision was reversed following the repayment of the loans covered by the guarantee at the same time as the recapitalization of the press companies. As of December 31, 2019, no provisions were created for this purpose.

4.9 Profit/loss on non-current assets

	Amount 2019	Amount 2018
Profit or loss on property, plant and equipment		
Profit or loss on non-current financial assets	-4,047	39,990
Allocations/reversals of provisions on non-current assets	76,707	-384,064
Allocations/reversals of provisions for risks and expenses	9,255	
TOTAL	**81,915**	**-344,074**

In 2018, BFCM recorded an allocation to provisions on non-current assets for its Spanish subsidiary Targobank SA of €27,200 thousand and additional provisions on its Moroccan subsidiary, BMCE, of €43,178 thousand in order to adjust its value before the downgrading of securities to the "short-term investment" category. The stock of provisions on BMCE securities of an amount of €309,870 thousand (excluding foreign exchange impact) was also transferred into this "short-term investment" category. This reclassification was due to the repeated inability of the group to be able to exercise its influence over the management decisions of the company.

In 2019, the provision on the Spanish subsidiary Targobank SA was adjusted by €38,800 thousand (impairment) and on Factofrance by €111,100 thousand (reversal).

4.10 Non-recurring income

	Amount 2019	Amount 2018
Profit/loss of partnerships	-597	-651
Other extraordinary income		
Allocations/reversals of provisions on partnerships	289	20
TOTAL	**-308**	**-631**

4.11 Breakdown of corporate income tax

	Amount 2019	Amount 2018
(A) Tax on ordinary profit		
(b) Tax on extraordinary elements	-137	-1,919
(c) Tax on previous fiscal years	-4	-36
(A + B + C) Corporate income tax due pursuant to the fiscal year	**-141**	**-1,955**
Allocations to provisions of a corporate income tax character		
Reversals of provisions of a corporate income tax character		
CORPORATE INCOME TAX FOR THE FISCAL YEAR	**-141**	**-1,955**

4.12 Other information: Workforce

Average workforce (FTE)	2019	2018
Bank technical staff	21	22
Managers	48	45
TOTAL	**69**	**67**

8.2 INFORMATION RELATIVE TO SUBSIDIARIES AND EQUITY INVESTMENTS

The amounts are presented in thousands of euros.

A. DETAILED INFORMATION CONCERNING EQUITY INVESTMENTS FOR WHICH THE GROSS CARRYING AMOUNT EXCEEDS 1% OF OUR CAPITAL, NAMELY €16,885,295

	Capital on 12/31/2018	Shareholders' equity other than capital and profit/loss on 12/31/2018	Proportionate share of capital held on 12/31/2019 in %
1) SUBSIDIARIES (MORE THAN 50% OF CAPITAL IS HELD BY OUR COMPANY)			
Mutuel Investissement SA (formerly Devest 15), Strasbourg	930,000	-4,969	90.00
CM Caution Habitat SA (formerly Devest 16), Strasbourg	180,037	-13	100.00
Crédit Mutuel Home Loan SFH (formerly CM-CIC Covered Bonds), SA, Paris	220,000	1,713	100.00
Groupe Républicain Lorrain Comunication, SAS, Woippy	35,512	11,591	100.00
CIC Iberbanco, SA with board of directors and supervisory board, Paris	25,143	63,091	100.00
SIM (formerly EBRA), SAS, Houdemont	376,938	-215,913	100.00
Crédit Mutuel Immobilier (formerly Ataraxia), SAS, Orvault	31,760	59,004	100.00
Banque Européenne du Crédit Mutuel, BECM, SAS, Strasbourg	134,049	1,039,018	96.08
Société du Journal l'Est Républicain, SA, Houdemont	32,600	-59,032	99.96
SAP L'Alsace, Mulhouse	101,710	-117,178	99.88
Crédit Industriel et Commercial, SA, Paris	608,440	13,108,000	93.14
Cofidis Participation, SA, Villeuneuve d'Ascq	112,658	1,229,873	70.63
SPI (Société Presse Investissement), SA, Houdemont	39,360	-7,654	100.00
Factofrance SAS, Paris	507,452	522,252	100.00
Targobank Spain (formerly Banco Popular Hipotecario), Madrid	326,045	-64,165	100.00
Targobank Deutschland GmbH, Düsseldorf	625,526	1,989,660	100.00
Groupe des Assurances du Crédit Mutuel, SA, Strasbourg	1,241,035	9,325,413	50.04
2) EQUITY INVESTMENT (10-50% OF THE CAPITAL IS HELD BY OUR COMPANY)			
Banque du Groupe Casino, SA, Saint Étienne	60,470	64,455	50.00
CM Real Estate Lease, SA, Paris	64,399	26,080	45.94
Caisse de Refinancement de l'Habitat, SA, Paris	539,995	22,580	18.01
Banque de Tunisie, Tunis	225,000[1]	535,799[1]	35.33
3) OTHER INVESTMENTS IN COMPANIES (THE CAPITAL HELD BY OUR COMPANY IS LESS THAN 10%)			
None			

(1) Amounts expressed in thousands of Tunisian dinar (TND).
(2) NBI and net profit/(loss) expressed in thousands of Tunisian dinar (TND).
(3) Revenue "not applicable" for the company.
(4) NBI for credit or financial institutions.

Carrying amount of securities held on 12/31/2019		Loans and advances granted by the Bank and not reimbursed as of 12/31/2019	Amount of sureties and guarantees provided by the Bank as of 12/31/2019	Revenue as of 12/31/2018	Net profit or loss as of 12/31/2018	Net dividends collected by the Bank as of 12/31/2019	Comments
Gross	Net						
837,000	837,000	0	0	0[3]	58,884	0	
310,037	310,037	100,000	0	2,760[3]	1,762	0	
220,000	220,000	5,259,862	0	5,375[4]	3,066	2,970	
128,514	0	37,970	0	88	-33,994	0	
84,998	84,998	395,000	0	32,888[4]	3,881	3,982	
376,937	71,700	68,052	0	12,080	-113,391	0	
80,986	80,986	2,913	0	4,535	7,448	2,234	
465,755	465,755	4,857,894	2,900,000	298,045[4]	109,853	0	
116,860	13,588	28,993	0	84,545	-7,457	0	
107,453	0	26,209	0	40,006	-12,141	0	
4,061,391	4,061,391	53,441,481	1,339,715	5,021,000[4]	1,385,000	931,490	Consolidated activity
1,331,701	1,331,701	12,173,090	0	1,294,902[4]	211,740	52,996	Consolidated activity
75,200	51,500	0	0	0[3]	-34	0	
1,460,802	1,239,402	5,050,106	400,000	119,881[4]	24,147	0	
535,548	204,698	435,193	13,320	69,049[4]	-19,691	0	
5,696,196	5,696,197	1,403,340	0	25,183	307,203	0	Consolidated activity
1,269,111	1,269,111	0	0	12,083,091	855,084	895,697	Consolidated activity
119,571	78,971	1,231,030	67,000	135,896[4]	6,766	0	Consolidated activity
47,779	47,779	4,319,101	13,682	33,478[4]	12,689	5,788	
101,074	101,074	0	222,083	1,857[4]	18	0	
210,802	210,802	0	0	336,229[2]	112,309[2]	5,197	Consolidated activity

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B. OVERALL INFORMATION CONCERNING EQUITY INVESTMENTS

	Capital on 12/31/2018	Shareholders' equity other than capital and profit/loss on 12/31/2018	Proportionate share of capital held on 12/31/2019 in %	
1) SUBSIDIARIES NOT COVERED IN PARAGRAPH A				
a) French subsidiaries (together)				
of which SNC Rema, Strasbourg				
b) Foreign subsidiaries (together)				
2) EQUITY INVESTMENTS NOT COVERED IN PARAGRAPH A				
a) French equity investments (together)				
b) Foreign equity investments (together)				
3) OTHER INVESTMENTS IN LISTED NON-CONSOLIDATED COMPANIES NOT COVERED IN PARAGRAPH A				
a) Other investments in listed non-consolidated French companies (together)				
b) Other investments in listed non-consolidated foreign companies (together)				

Carrying amount of securities held on 12/31/2019		Loans and advances granted by the Bank and not reimbursed as of 12/31/2019	Amount of sureties and guarantees provided by the Bank as of 12/31/2019	Revenue as of 12/31/2018	Net profit or loss as of 12/31/2018	Net dividends collected by the Bank as of 12/31/2019
Gross	Net					
60,005	40,664	54,535	0			255
305	*305*	0	0			0
0	0					
26,186	22,111	851	0			781
3,659	705	4,230	0			6,795
22,306	22,034	0	0			430
1,049	1,049	0	0			0

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8.3 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

To the Shareholders of the company BFCM,

Opinion

In performance of the mission entrusted to us by your shareholders' meeting, we have audited the annual financial statements of BFCM for the fiscal year ended December 31, 2019, as attached to the present report. The accounts were approved by the board of directors on February 19, 2020 based on the information available at this date in the changing context of the public health crisis linked to Covid-19.

We certify that the annual financial statements are, with regard to French accounting principles and rules, a fair presentation and give a true image of the profit or loss of the past fiscal year and the financial position and assets of the company at the end of this year.

Basis of the opinion

Accounting basis

We conducted our audit according to applicable professional standards in France. We feel that the items that we collected were of a sufficient and appropriate basis on which to form our opinion.

The responsibilities incumbent upon us pursuant to these standards are expressed in the section "Responsibilities of statutory auditors relating to the audit of the annual financial statements" in this report.

Independence

We performed our audit in accordance with the applicable rules of independence, during the period from January 1, 2019 to the date our report was issued, and in particular, we did not provide any services prohibited by Article 5, paragraph 1, of the (EU) Regulation no. 537/2014 or by the professional code of conduct of statutory auditors.

Justification of the assessment – Key points of the audit

Pursuant to the provisions of Articles L.823-9 and R. 823-7 of the French Commercial Code pertaining to justification of our assessment, we bring to your attention the key points of the audit as they pertain to the risk of material misstatements which, according to our professional judgment, were the most important for the audit of the annual financial statements, as well as our responses to these risks.

The assessments made in this way fall within the scope of the audit of the annual financial statements taken as a whole, approved under the conditions referred to above, and the formation of our opinion as expressed above. We do not express an opinion on isolated items of the annual financial statements.

RISKS ON THE VALUATION OF EQUITY INVESTMENTS AND SHARES IN SUBSIDIARIES AND ASSOCIATES

Identified risk	Our response
Equity investments, shares in subsidiaries and associates and the accrued interest are among the items with the highest value on the balance sheet. Where applicable, they are impaired on the basis of their value in use. As indicated in note 1.5 to the annual financial statements, the value in use is estimated by various criteria such as the net assets (possibly adjusted), profitability and the outlook for profitability. The estimate of the value in use requires the exercise of management's judgment in selecting the items to be considered which may correspond, as the case may be, to historical or provisional items. Since judgment is used when selecting the criteria and the provisional information used by management to estimate the value in use, we considered that the valuation of equity investments and shares in subsidiaries and associates constitutes a key point of the audit.	In assessing the estimate of the equity investments and shares in subsidiaries and associates, our work consisted mainly of examining both the documentation of the values applied by management and the appropriate application of the valuation methods to the securities concerned. For valuations based on historical items, our work consisted of examining the consistency of the allocated equity with the accounts of audited entities or analytical procedures and reviewing the documentation of the adjustments made, where applicable, to the equity. For valuations based on provisional items, our work consisted of: ■ considering the minutes of governance decisions and their documentation justifying the values in use applied; ■ analyzing the methods and parameters of valuation by including our valuation experts. In addition to assessing the value in use of equity investments, our work also consisted of assessing the recoverability of the accrued interest in light of the analyses carried out on equity investments and shares in subsidiaries and associates.

Specific checks

In accordance with the professional standards applicable in France, we also made the specific legal and regulatory checks.

Information provided in the management report and in other documents on the financial position and the annual financial statements addressed to shareholders

We have no comments to make on the fairness and consistency with the annual financial statements of the information given in the management report from the board of directors approved on April 2, 2020 and in the other documents sent to shareholders on the financial position and the annual financial statements, other than the point mentioned below. With regards to events which have occurred and information which has come to light after the reporting date relating to the effects of the Covid-19 crisis, management has advised us that these will be detailed in a communication to the shareholders' meeting called to approve the financial statements.

We have the following remark to make on the fairness and consistency with the annual financial statements of the information relating to the payment terms mentioned in Article D.441-4 of the French Commercial Code: as indicated in the management report, this information does not include banking and related transactions, as your company considers these are not within the scope of information to produce.

Board of directors' report on corporate governance

We certify the existence, in the board of directors' report on corporate governance, of the information required by Article L.225-37-4 of the French Commercial Code.

Other Information

In application of the law, we satisfied ourselves that the various information relative to equity investments and control was communicated to you in the management report.

Other legal or regulatory required information

Appointment of statutory auditors

PriceWaterhouseCoopers France and ERNST & YOUNG et Autres were appointed statutory auditors of BFCM by your shareholders' meetings of May 11, 2016, and September 29, 1992, respectively.

On December 31, 2019, PricewaterhouseCoopers France was in the fourth consecutive year of its assignment and ERNST & YOUNG et Autres in its twenty-eighth year.

Responsibilities of management and persons comprising the corporate governance as regards the annual financial statements

It is the responsibility of management to prepare annual financial statements presenting a true and fair view, in accordance with French accounting rules and principles, as well as to implement the internal controls that it deems necessary for the preparation of annual financial statements without material misstatements, whether due to fraud or are the result of errors.

During the preparation of the annual financial statements, it is management's responsibility to assess the company's ability to continue as a going concern, and as the case may be, the necessary information with regard to business continuity and to apply the standard accounting policy for a going concern, unless it expects to liquidate the company or cease doing business.

The annual financial statements were approved by the board of directors.

Responsibilities of the statutory auditors relating to the audit of the annual financial statements

It is our responsibility to prepare a report on the annual financial statements. Our goal is to receive reasonable assurance that the annual financial statements taken as a whole do not contain any material misstatements. Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit conducted in accordance with professional standards may systematically detect every material misstatement. Misstatements may come from fraud or result from errors and are considered as significant when one can reasonably expect that they may, either individually or cumulatively, influence economic decisions made by users who make decisions based on the financial statements.

As specified by Article L.823-10-1 of the French Commercial Code, our assignment of certification of financial statements does not consist of guaranteeing the viability or quality of your company's management.

In the context of an audit completed in accordance with professional standards applicable in France, the statutory auditors exercise their professional judgment throughout the audit process. Furthermore:

- they identify and assess the risks that the annual financial statements contain material misstatements, whether they are due to fraud or result from errors, define and implement audit procedures faced with these risks and gather items that they believe are sufficient and appropriate on which to base their opinion. The risk of non-detection of a material misstatement from fraud is higher than a material misstatement resulting from any error, because fraud may involve collusion, falsification, deliberate omissions, false statements or circumventing internal controls;
- they acknowledge relevant internal control for the audit in order to determine the appropriate audit procedures for the circumstance and not for the purpose of expressing an opinion on the effectiveness of internal control;
- they assess the appropriateness of the accounting methods used and the reasonableness of accounting estimates made by management, as well as information concerning estimates provided in the annual financial statements;
- they assess the appropriateness of application by management of the accounting policy for a going concern and, depending on the items gathered, the existence or not of any significant uncertainty related to events or circumstances likely to call into question the company's ability to continue as a going concern. This assessment relies on the items collected up to the date of their report, however, with the reminder that subsequent circumstances or events could call into question business continuity. If they conclude that significant uncertainty exists, they draw the attention of readers of their report to the information provided in the annual financial statements concerning this uncertainty or, if this information is not provided or is not relevant, express reservations about certification or refuse to certify them;
- they assess the overall presentation of the annual financial statements and assess whether the annual financial statements reflect the underlying transactions and events in a manner that presents a true and fair view.

Neuilly-sur-Seine et Paris-La Défense, April 9, 2020

The statutory auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Lévi	Hassan Baaj

Crédit Mutuel joins forces with the main players in the world of music and supports those who love and practice it. For nearly 15 years, Crédit Mutuel has been involved in this world by sponsoring major musical events on radio and television such as Les Victoires de la Musique and is associated with many shows, concerts and music festivals throughout France.

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BFCM CAPITAL AND LEGAL INFORMATION

9.1 SHARE CAPITAL

The share capital stands at €1,688,529,500.00. It is divided into 33,770,590 shares each of €50.00 nominal, all of the same class.

There were no changes in BFCM's share capital in the last three fiscal years.

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

Shares of Banque Fédérative du Crédit Mutuel are not listed or traded on any market.

The main shareholders of Crédit Mutuel Alliance Fédérale do not hold different voting rights.

9.2 SHAREHOLDING STRUCTURE

Distribution of BFCM's capital at December 31, 2019

Shareholders	% held	Number of shares	Nominal amount held *(in euros)*
Caisse Fédérale de Crédit Mutuel	92.98%	31,401,572	1,570,078,600
CRCM Midi-Atlantique	0.07%	24,484	1,224,200
CCM Sud-Est (ex-CFCM)	0.18%	61,535	3,076,750
CRCM Savoie-Mont Blanc	0.00%	20	1,000
CRCM Méditerranéen	0.22%	74,510	3,726,000
Fédération du Crédit Mutuel Centre Est Europe	0.00%	81	4,050
CRCM Loire-Atlantique et Centre-Ouest	2.20%	741,959	37,097,950
CRCM Île-de-France	0.43%	146,411	7,320,550
CRCM de Normandie	0.37%	123,766	6,188,300
CRCM du Centre	0.91%	308,716	15,435,800
CRCM Dauphiné-Vivarais	0.01%	2,470	123,500
Natural persons	0.00%	42	2,100
CRCM Anjou	0.52%	175,991	8,799,550
CFCM Maine-Anjou, Basse-Normandie	1.36%	459,722	22,986,100
CFCM Océan	0.51%	172,116	8,605,800
CFCM Nord Europe	0.00%	1	50
CFCM Antilles Guyane	0.01%	3,111	155,550
CCM Anjou	0.00%	400	20,000
CCM Centre Est Europe	0.17%	59,066	2,953,300
CCM Centre	0.00%	1,040	52,000
CCM Dauphiné-Vivarais	0.00%	551	27,550
CCM Île-de-France	0.01%	1,890	94,500
CCM Loire-Atlantique et Centre-Ouest	0.00%	1,470	73,500
CCM Méditerranéen	0.00%	1,390	69,000
CCM Midi-Atlantique	0.00%	1,172	58,600
CCM Normandie	0.00%	910	45,500
CCM Savoie-Mont Blanc	0.00%	490	24,500
CCM Sud-Est	0.02%	5,704	285,200
	100.00%	**33,770,590**	**1,688,529,500**

CRCM: caisses régionales de Crédit Mutuel (Crédit Mutuel regional banks) – CCM: caisses de Crédit Mutuel (Crédit Mutuel banks).

Changes in the distribution of capital during the past three years

In 2019

CRCM Méditerranéen sold ten BFCM shares to a local bank.

In 2018

CRCM Anjou sold ten BFCM shares to a local bank.

CRCM de Normandie sold 40 BFCM shares to four local banks.

CRCM Méditerranéen sold 40 BFCM shares to four local banks.

CRCM Loire-Atlantique et Centre-Ouest acquired ten BFCM shares held by a local bank.

In 2017

Caisse Fédérale de Crédit Mutuel sold 20 BFCM shares to two local banks.

CRCM Sud-Est sold ten BFCM shares to a local bank.

CRCM Centre sold ten BFCM shares to a local bank.

Individuals or legal entities exercising control over BFCM

As of December 31, 2019, Caisse Fédérale de Crédit Mutuel controls 93% of BFCM.

Regarding methods for preventing any abusive control, it should be noted that all transactions between Caisse Fédérale de Crédit Mutuel and BFCM are concluded at market conditions.

The Chairman of BFCM's Board of Directors is also the Chairman of Caisse Fédérale de Crédit Mutuel's Board of Directors, and BFCM's CEO is also Caisse Fédérale de Crédit Mutuel's CEO.

Change of control

BFCM's articles of association contain stipulations that delay, defer or prevent a change of control, in that they limit the possibility of becoming BFCM shareholders to certain strictly specified persons, and require the prior approval of the Board of Directors for the transfer of shares.

To BFCM's knowledge, no agreement exists that might result in a change in its control at a later date.

9.3 DIVIDENDS

In terms of its dividend distribution policy, BFCM favors a long-term shareholding structure composed exclusively of Crédit Mutuel Alliance Fédérale entities. As such, it regular pays its shareholders a reasonable dividend, while strengthening equity by transferring a substantial portion of its profits to reserves needed for its growth and to cover its risks in compliance with regulatory ratios.

CHANGES IN EARNINGS AND DIVIDENDS

	2015	2016	2017	2018	2019
Number of shares as of December 31	33,770,590	33,770,590	33,770,590	33,770,590	33,770,590
Net profit/loss (in € per share)	10.15	7.97	-4.81	29.36	59.33
Gross dividend (in € per share)	4.15	3.85	2.40*	3.85	8.90

* *By deduction from the optional reserve.*

If a dividend is not claimed, it will be subject to Article L.27-3 of the French State Property Code, which provides that "[…] deposits of sums of money and, in general, all cash assets in banks, credit institutions and all other institutions that receive funds on deposit or in current accounts, where such deposits or assets have not been the subject of any transaction or claim by the beneficiaries for thirty years, shall definitively vest to the State […]."

9.4 ORDINARY SHAREHOLDERS' MEETING OF MAY 6, 2020

First resolution

The Shareholders' Meeting, after having considered the reports of the Board of Directors and the Statutory Auditors, approves the financial statements and balance sheet for the fiscal year 2019 as presented, which show a profit of €2,003,541,913.11.

It approves the transactions reflected in these financial statements or summarized in these reports.

The Shareholders' Meeting discharges the directors and the auditors for the performance of their offices for the past fiscal year.

The Shareholders' Meeting notes there were no non-deductible expenses and charges from the profits subject to income tax, and consequently no tax paid due to such expenses and charges.

Second resolution

The Shareholders' Meeting resolves to allocate the profit for the fiscal year of €2,003,541,913.11 plus retained earnings from the previous fiscal year of €601,163.29, i.e. the sum of €2,004,143,076.40, as follows :

- to pay a dividend of €8.90 to each of the 33,770,590 shares with dividend rights for the full year, i.e. a total distribution of €300,558,251. This dividend is eligible for the allowance pursuant to Article 158 of the French General Tax Code;
- not to pay any amount into the legal reserve, as it has reached the regulatory minimum of 10% of share capital;
- to allocate an amount of €1,703,000,000.00 to the optional reserve ;
- to allocate the remaining €584,825.40 to retained earnings.

In accordance with the applicable legal provisions, we remind you that the dividends per share paid in respect of the past fiscal years are as follows:

Fiscal year	2016	2017	2018
Amount in euros	€3.85	€2.40	€3.85€
Dividends eligible for the allowance pursuant to Article 158 of the French Tax Code	YES	YES	YES

Third resolution

The Shareholders' Meeting approves the consolidated financial statements of BFCM as of December 31, 2019 as presented by the Board of Directors.

Fourth resolution

The Shareholders' Meeting approves the agreements referred to in Article L.225-38 of the French Commercial Code as presented in the special report of the Statutory Auditors.

Fifth resolution

The Shareholders' Meeting, after having considered the report of the Board of Directors, approves the components of compensation paid or allocated to Nicolas Théry, in respect of the previous fiscal year.

Sixth resolution

The Shareholders' Meeting, after having considered the report of the Board of Directors, approves the components of compensation paid or allocated to Mr Daniel Baal, in respect of the previous fiscal year.

Seventh resolution

Pursuant to Article L.511-73 of the French Monetary and Financial Code, the Shareholders' Meeting approves the overall compensation package indicated in the Board of Directors' report. This package includes compensation of any kind paid during the past fiscal year to the current managers and the regulated categories of personnel referred to in Article L.511-71 of the same code.

Eighth resolution

The Shareholders' Meeting approves the compensation budget paid to the members of the Board of Directors of Banque Fédérative du Crédit Mutuel, pursuant to the charter on the means of performing the duties of members of the Board of Directors and members of the Supervisory Board of Crédit Mutuel Alliance Fédérale. For fiscal year 2020 amounts to €900,000, the maximum overall amount for Caisse Fédérale de Crédit Mutuel, Banque Fédérative du Crédit Mutuel and Banque Européenne du Crédit Mutuel taken together.

Ninth resolution

The Shareholders' Meeting ratifies the cooption of Nicolas Habert to replace Gérard Bontoux for the remainder of his term of office, i.e. until the Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2020.

Tenth resolution

The Shareholders' Meeting renews the term of office of Nicolas Théry as a member of the Board of Directors for a period of three years, i.e. until the Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2022.

Eleventh resolution

The Shareholders' Meeting renews for a period of three years the term of office as member of the Board of Directors of Michel Vieux i.e. until the Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2022.

Twelfth resolution

The Shareholders' Meeting appoints Charles Gerber as a member of the Board of Directors for a period of three years, i.e. until the Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2022.

Thirteenth resolution

The Shareholders' Meeting appoints Olivier Guiot as a member of the Board of Directors for a period of three years, i.e. until the Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2022

Fourteenth resolution

The Shareholders' Meeting appoints Elio Gumbs as a member of the Board of Directors for a period of three years, i.e. until the Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2022.

9.5 SPECIAL REPORT OF THE STATUTORY AUDITORS ON REGULATED AGREEMENTS

(Shareholders' Meeting to approve the financial statements for the fiscal year ending on December 31, 2019)

To the Shareholders' Meeting of Caisse Fédérale de Crédit Mutuel

Caisse Fédérale de Crédit Mutuel
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

In our role as statutory auditors of your company, we present our report on the regulated agreements.

It is our responsibility, based on the information passed on to us, to outline the characteristics, essential terms and grounds justifying the company's interest in the agreements of which we have been informed, or which we have discovered during our mission, without having to comment on their utility or merits, nor to look for the existence of other agreements. Pursuant to Article R.225-31 of the French Commercial Code, it is your responsibility to assess the interest inherent in the conclusion of these agreements with a view to their approval.

In addition, it is our responsibility, where appropriate, to provide you with the information scheduled in Article R.225-31 of the French Commercial Code relating to the performance during the past fiscal year of the agreements already approved by the Shareholders' Meeting.

We performed the due diligence we considered necessary in light of the professional standards of the French National Company of Statutory Auditors for this mission. These procedures consisted in verifying that the information provided to us is consistent with the source documents from which it has been extracted.

Agreements submitted to the Shareholders' Meeting for approval

In accordance with Article L. 225-40 of the French Commercial Code, we have been advised of the following agreements entered into during the year ended December 31, 2019 which were authorized by your Board of Directors.

In addition, further to the request made to us for the purposes of the 5th resolution, we report on the following benefits which corresponded to regulated commitments covered by Article L.225-42-1 of the French Commercial Code up to Order No. 2019-1234 of November 27, 2019.

Agreement relating to the termination benefits of Mr. Nicolas Théry (Chairman of the Board of Directors) upon termination of his corporate office

Nature, purpose and methods

On February 20, 2019, the Board of Directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to set the annual fixed remuneration of Nicolas Théry at €880,000, as Chairman of the Board of Directors from June 1, 2019.

The same Board of Directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to grant termination benefits equivalent to two year's gross salary, subject to achievement of the performance condition set by the remuneration committee.

As a corporate officer, Nicolas Théry is also covered by a supplementary pension plan and a complementary pension plan under the same conditions applicable to all company employees.

Reasons justifying the interest of the agreement for the company

Your Board motivated this agreement as follows: Caisse Fédérale de Crédit Mutuel represents the parent company within Crédit Mutuel Alliance Fédérale, performs the main support duties, coordinates with Banque Fédérative du Crédit Mutuel and CIC, the group's main subsidiaries, and is directly supervised by the European Central Bank. The Board also based its decision on the fact that the other terms and duties of the Chairman of the Board of Directors within the entities of Crédit Mutuel Alliance Fédérale will be performed on a voluntary basis from that date.

Agreement relating to the termination benefits of Mr. Daniel Baal (Chief Executive Officer) upon termination of his corporate office

Nature, purpose and methods

On February 20, 2019, the Board of Directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to set the annual fixed remuneration of Daniel Baal at €880,000, as chief executive officer from June 1, 2019.

The same Board of Directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to grant termination benefits equivalent to two year's gross salary, subject to achievement of the performance condition set by the remuneration committee.

As a corporate officer, Daniel Baal is also covered by a supplementary pension plan and a complementary pension plan under the same conditions applicable to all company employees.

Reasons justifying the interest of the agreement for the company

Your Board justified this agreement as follows: Caisse Fédérale de Crédit Mutuel represents the parent company within Crédit Mutuel Alliance Fédérale, performs the main support duties, coordinates with Banque Fédérative du Crédit Mutuel and CIC, the group's main subsidiaries, and is directly supervised by the European Central Bank. The Board also based its decision on the fact that the other terms and duties of the Chief Executive Officer within the entities of Crédit Mutuel Alliance Fédérale will be performed on a voluntary basis from that date.

Agreements already approved by the Shareholders' Meeting

We hereby inform you that we have not been advised of any agreement already approved by Shareholders' Meetings that remained in force during the year under review.

Executed in Neuilly-sur-Seine and Paris-La Défense, April 9, 2020

The Statutory Auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Lévi	Hassan Baaj

Special report of the statutory auditors on regulated agreements

(Shareholders' Meeting to approve the financial statements for the fiscal year ending on December 31, 2019)

BANQUE FÉDÉRATIVE DU CRÉDIT MUTUEL – BFCM

To the Shareholders' Meeting of BFCM

In our role as statutory auditors of your company, we present our report on the regulated agreements.

It is our responsibility, based on the information passed on to us, to outline the characteristics, essential terms and grounds justifying the company's interest in the agreements of which we have been informed, or which we have discovered during our mission, without having to comment on their utility or merits, nor to look for the existence of other agreements. Pursuant to Article R.225-31 of the French Commercial Code, it is your responsibility to assess the interest inherent in the conclusion of these agreements with a view to their approval.

In addition, it is our responsibility, where appropriate, to provide you with the information scheduled in Article R.225-31 of the French Commercial Code relating to the performance during the past fiscal year of the agreements already approved by the Shareholders' Meeting.

We performed the due diligence we considered necessary in light of the professional standards of the French National Company of Statutory Auditors for this mission.

Agreements submitted to the Shareholders' Meeting for approval

We hereby inform you that we were not given notice of any agreement authorized and agreed during the past fiscal year to be submitted for the approval of the Shareholders' Meeting pursuant to the provisions of Article L. 225-38 of the French Commercial Code.

Agreements already approved by the Shareholders' Meeting

We hereby inform you that we have not been advised of any agreement already approved by Shareholders' Meetings that remained in force during the year under review.

Executed in Neuilly-sur-Seine and Paris-La Défense, April 9, 2020

The Statutory Auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Levi	Hassan Baaj

9.6 GENERAL INFORMATION

9.6.1 Company and trade name

Banque Fédérative du Crédit Mutuel

Acronym: BFCM

9.6.2 Place of incorporation of BFCM, LEI and registration number

Strasbourg B 355 801 929

APE/NAF business identifier code: 6419Z

LEI number: VBHFXSYT7OG62HNT8T76

9.6.3 Date of incorporation and term

The company was incorporated on June 1, 1933 with the name "Banque Mosellane". Its term will expire on June 2, 2032, unless it is dissolved or its term is extended before that date.

9.6.4 Company purpose

(Article 2 of the articles of association)

The purpose of the company is:

- to organize and develop the diversification business of the group it comprises with the Caisses de Crédit Mutuel in its area of business, the Caisse Fédérale du Crédit Mutuel du Centre Est Europe, the federation of the Crédit Mutuel du Centre Est Europe;
- to undertake for its own account, on behalf of third parties or as a joint venture, in France and abroad, all banking transactions and all related and contiguous transactions, to perform all insurance brokerage activities and more generally all insurance intermediation activities, and all other transactions in the area of business of a bank, in accordance with the regulations and legislation in force;
- to take and manage any direct or indirect shareholding in any French or foreign company via the establishment of new companies, contributions, subscriptions or purchases of securities or rights, mergers, associations or joint ventures, underwriting syndicates or other;
- and generally perform any financial, industrial, commercial, securities or real estate transactions directly or indirectly related to the aforementioned purposes or falling within the area of business of a bank.

The company also seeks to provide investment services governed by the French Monetary and Financial Code.

9.6.5 Other information about the issuer

Corporate fiscal year: From January 1 to December 31 each year.

BFCM registered office:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg.

BFCM contact address:
6 rue de Provence,
75452 Paris Cedex 09

Phone: +33 (0)1 53 48 77 02

Website: www.bfcm.creditmutuel.fr[1]

9.6.6 Legislation governing BFCM's activities and its legal form

BFCM, a French public limited company (société anonyme) is governed by the provisions of the French Commercial Code on public limited companies and the laws applicable to French credit institutions, mainly codified by the French Monetary and Financial Code. BFCM is a member of the French Banking Federation (FBF).

9.6.7 Date of the latest financial information

The most recent approved financial information of BFCM dates from December 31, 2019.

9.6.8 Significant changes

There was no significant change in Crédit Mutuel Alliance Fédérale and BFCM's financial performance since the financial statements for the year ended December 31, 2019 were published on February 19, 2020, with the exception of the Covid-19 epidemic referred to in sections 2.2.3 and 2.3.2 "Recent developments and outlook" of this universal registration document.

(1) The information provided on the website does not form part of the prospectus, with the exception of any information included by reference in the universal registration document.

9.6.9 Recent events specific to BFCM of material interest when assessing its solvency

No significant event relating to the financial or commercial situation of Crédit Mutuel Alliance Fédérale and BFCM (consolidated) has occurred since the publication on February 19, 2020 of the financial statements for the year ended December 31, 2019, with the exception of the Covid-19 epidemic referred to in sections 2.2.3 and 2.3.2 "Recent developments and outlook" of this universal registration document, which could affect the solvency of Crédit Mutuel Alliance Fédérale and BFCM (consolidated).

9.6.10 Major contracts

No major contracts have been signed by BFCM over the last two years that may alter BFCM's financial position to such an extent that BFCM cannot face the obligations related to the issue of its securities.

9.6.11 Legal and arbitration proceedings

On January 29, 2020, the Court of Cassation overturned the judgment of the Paris Court of Appeal dated December 21, 2017 which had validated the French Competition Authority's (Autorité de la Concurrence) decision on September 21, 2010 finding which sanctioned a number of banks, including CIC, concerning check image transfer fees. The case is referred back to the same Court of Appeal, otherwise composed.

There are no other administrative, legal or arbitration proceedings (including pending or threatened proceedings of which the issuer is aware) that could have or have had in the last 12 months a material effect on the financial position or profitability of the company and/or the group.

9.6.12 Position of dependence

Crédit Mutuel Alliance Fédérale is not dependent on any patent, license nor any industrial, commercial or financial supply contract.

Since 2018, CIC has been involved in the e-sport community by supporting and promoting entrepreneurs in this growing field. In 2019, CIC has chosen to join forces with the French League of Legends, a partnership that, with the help of sports journalists and quality ambassadors, is helping to showcase the professions and economic aspects of tomorrow's sport.

10 ADDITIONAL INFORMATION

10.1 DOCUMENTS AVAILABLE TO THE PUBLIC

During the validity of the universal registration document, the following documents (or copy of these documents) can be viewed:

Digitally on BFCM's website

http://www.bfcm.creditmutuel.fr

- Historical financial information of the BFCM and Crédit Mutuel Alliance Fédérale for each of the two fiscal years preceding the publication of the universal registration document.
- This universal registration document and those of the two previous fiscal years.

The information provided on the website does not form part of the universal registration document.

Regarding physical media

- The issuer's charter and articles of association.
- All reports, letters and other documents, historical financial information, valuations and statements prepared by an expert at the request of the issuer, a part of which is included or referred to in the universal registration document.
- The historical financial information of the subsidiaries of the BFCM for each of the two financial years preceding the publication of the universal registration document.

By sending a request by mail to:

Banque Fédérative du Crédit Mutuel

Legal department

4 rue Frédéric-Guillaume Raiffeisen
67913 STRASBOURG Cedex 9

+ 33 (0)3 88 14 88 14

10.2 DIRECTOR OF INFORMATION

Mr. Alexandre Saada

Deputy Chief Executive Officer of the BFCM

Email: alexandre.saada@creditmutuel.fr

Mrs. Annie Gain

Financial Director of Crédit Mutuel Alliance Fédérale

Email: annie.gain@creditmutuel.fr

10.3 PERSON RESPONSIBLE

Mr. Daniel Baal,

Chief Executive Officer of Caisse Fédérale de Crédit Mutuel.

Declaration by the person responsible

After having taken all reasonable measures to that effect, I hereby declare that, to the best of my knowledge, the information contained in this universal registration document is accurate and contains no omissions that could adversely affect its scope.

I hereby declare that, to best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the company and all subsidiaries included in the scope of consolidation, and that the management report (of which the cross-reference table of the annual financial report appearing in Chapter 10 of this universal registration document indicates the content) presents an accurate view of the changes in the business, results and financial position of the company and all the subsidiaries included in the scope of consolidation and that it describes the main risks and uncertainties which they face.

Strasbourg, April 27, 2020

10.4 STATUTORY AUDITORS

Principal statutory auditors

Ernst & Young et Autres, member of the Regional Association of Auditors of Versailles (Compagnie Régionale de Versailles) – represented by Mr. Hassan Baaj – 1-2 Place des Saisons, 92400 Courbevoie Paris la Défense 1.

Start date of first term of office: September 29, 1992.

Current term of office: six fiscal years with effect from May 11, 2016.

Renewal: the shareholders' meeting of May 11, 2016 renewed the term of office of the Ernst & Young et Autres firm as principal statutory auditors for a period of six years, i.e. until the end of the shareholders' meeting called to rule on the financial statements of fiscal year 2021.

PricewaterhouseCoopers France, member of the Compagnie Régionale de Versailles – represented by Mr. Jacques Lévi – 63 Rue de Villiers, 92200 Neuilly-sur-Seine.

Start date of first term of office: May 11, 2016.

Current term of office: six fiscal years with effect from May 11, 2016.

The shareholders' meeting of May 11, 2016 appointed PricewaterhouseCoopers France, principal statutory auditors for a period of six years, i.e. until the end of the shareholders' meeting called to rule on the annual financial statements of fiscal year 2021, for the company and consolidated financial statements.

Alternate statutory auditors

Cabinet Picarle & Associés, Jean-Baptiste Deschryver.

10.5 CROSS-REFERENCE TABLES

10.5.1 Cross-reference table for the Crédit Mutuel Alliance Fédérale universal registration document

Sections of Appendix 1 of Delegated Regulation (EU) 2019/980: "Registration document for equity securities"		page no. of the universal registration document filed with AMF on April 27, 2020
15	**Employees**	
15.1	Number of employees	394; 475; 516
15.2	Interests in the issuer's share capital and directors' stock options	N/A
15.3	Agreement providing for employee ownership of the issuer's shares	N/A
16.	**Major shareholders**	
16.1	Shareholders holding more than 5% of the share capital or voting rights	528
16.2	Existence of different voting rights of the aforementioned shareholders	528
16.3	Control of the issuer	529
16.4	Knowledge by the issuer of an agreement likely to result in a change in control at a later date	528
17.	**Related-party transactions**	**399; 479**
18.	**Financial information on the issuer's assets and liabilities, financial position and results**	
18.1	Historical financial information	325-405; 407-487; 489-524; 543
18.2	Interim and other financial information	N/A
18.3	Verification of the annual historical financial information	403-405; 483-487; 522-524
18.4	Pro forma financial information	N/A
18.5	Dividend distribution policy	529
18.6	Legal and arbitration proceedings	536
18.7	Material change in the financial position	536
19.	**Additional information**	
19.1	Share capital	528
19.2	Charter and articles of association	528
20.	**Major contracts**	**536**
21.	**Documents available to the public**	**540**

Sections of Appendix 2 of Delegated Regulation (EU) 2019/980: "Universal registration document"		page no. of the universal registration document filed with AMF on April 27, 2020
1.	**Information to be disclosed about the issuer**	
1.1	Information required pursuant to Appendix 1 of Delegated Regulation (EU) No. 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 consolidated financial statements, management report as well as the statutory auditors' report on the consolidated financial statements as of December 31, 2018, presented respectively for Crédit Mutuel Alliance Fédérale on pages 108 to 183, 68 to 107 and 184 to 186 of the registration document of Crédit Mutuel Alliance Fédérale – 2018 fiscal year, registered with the AMF on April 18, 2019 under number D.19-0359;
- the consolidated financial statements, management report as well as the statutory auditors' report on the consolidated financial statements as of December 31, 2018, the extract of the annual financial statements including the management report for the fiscal year ended December 31, 2018 presented respectively for Banque Fédérative du Crédit Mutuel on pages 328 to 400, 312 to 327 and 401 to 406 of the registration document of Crédit Mutuel Alliance Fédérale – 2018 fiscal year, registered with the AMF on April 18, 2019 under number D.19-0359;
- the consolidated financial statements, management report as well as the statutory auditors' reports on the consolidated financial statements as of December 31, 2017, presented respectively for the Crédit Mutuel CM11 group on pages 112 to 169, 68 to 111 and 170 to 171 of the registration document of the Crédit Mutuel CM11 group – 2017 fiscal year, registered with the AMF on April 20, 2018 under number D.18-0354;
- the consolidated financial statements, management report as well as the statutory auditors' reports on the consolidated financial statements as of December 31, 2017, the extract of the annual financial statements including the management report for the fiscal year ended December 31, 2017 presented respectively for Banque Fédérative du Crédit Mutuel on pages 274 to 331, 251 to 272, 332 to 333 and 338 to 368 of the registration document of the Crédit Mutuel CM11 group – Fiscal year 2017, registered with the AMF on April 20, 2018 under number D.18-0354.

10.5.2 Cross-reference table of BFCM's annual financial report

		Articles of the French Commercial Code	Articles of the French Monetary and Financial Code	Articles of the French General Tax Code	Articles of the AMF General Regulations	Pages
1	**Declaration by the person responsible for the registration document**					**540**
2	**Management report**					
2.1	Position of the company and group during the past fiscal year	L.232-1 II, L.233-26				4-5; 37-69
2.2	Analysis of the changes in revenue, results and financial position of the company and group	L.225-100-1 I 1°				4-5; 37-69
2.3	Key financial and non-financial performance indicators of the company and group	L.225-100-1 I 2°				37-69; 71-139
2.4	Other information on the position of the company and group					
	Foreseeable development of the company and group	L.232-1 II, L.233-26				65
	Significant events that occurred after the closing date of the fiscal year but before the publication date of this management report	L.232-1 II, L.233-26				65
	Research and development activities of the company and group	L.232-1 II, L.233-26				N/A
	Existing branches	L.232-1 II				N/A
	Information regarding establishments by state or territory		L.511-45, R.511-16-4			440
	Equity investment in or takeover of companies with registered offices in France during a fiscal year	L.233-6, L.247-1				N/A
	Activity and results of the entire company, subsidiaries of the company and the companies that it controls by branch of activity	L.233-6				20-32; 66-69; 518-521
2.5	Information on risks and internal control procedures					
	Main risks and uncertainties that the company and the group must face	L.225-100-1 I 3°				195-200
	Financial risks associated with the effects of climate change and implementation of a low-carbon strategy	L.225-100-1 I 4°				201
	Main characteristics of the internal control and risk management procedures implemented by the company and group relating to the preparation and processing of accounting and financial information	L.225-100-1 I 5°				208-211
	Objectives and policy regarding hedging of each major category of transactions of the company and group	L.225-100-1 I 6°				282-285
	Exposure to price, credit, liquidity and cash risks of the company and group	L.225-100-1 I 6°				190-194; 226-265; 286-295
	Expenses and charges not deductible from taxable profits paid due to said expenses and charges			223 quarter		530-531
	Amount and characteristics of the loans that they finance or distribute as defined in III of Article 80 of Act No. 2005-32 of January 18, 2005, the Social Cohesion Planning Act, and as such benefiting from public guarantees		L.511-4-1			N/A
2.6	Non-financial performance statement					
	Information on consideration of the social and environmental consequences of the company's activities, subsidiaries and controlled companies, the effects of such activities on respect for human rights and the fight against corruption and tax evasion	L.225-102-1 III, R.225-105				71-139
	Consequences on climate change of the activity and use of the goods and services produced	L 225-102-1 III, R.225-105				109

		Articles of the French Commercial Code	Articles of the French Monetary and Financial Code	Articles of the French General Tax Code	Articles of the AMF General Regulations	Pages
	Societal commitments to promote sustainable development, the circular economy, responsible, fair and sustainable food and diversity, combat food waste and food insecurity and respect animal welfare	L.225-102-1 III, R.225-105, R.225-105-1				88-111
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10.6 GLOSSARY

This glossary lists some of the technical terms and abbreviations in this document. The list is not comprehensive.

Acronym

ACPR ***Autorité de contrôle prudentiel et de résolution*** French Prudential Supervisory and Resolution Authority.

AMF ***Autorité des marchés financiers*** French Financial Markets Authority.

ARC ***Atténuation du risque de crédit*** Credit risk mitigation. See CRM.

BCE ***Banque centrale européenne*** European Central Bank

CCF Credit Conversion Factor.

CRBF ***Comité de réglementation bancaire et financière*** Banking and Financial Regulation Committee.

CRD Capital Requirement Directive European directive on regulatory capital.

DTA Deferred tax assets.

EBA European Banking Authority. See EBA.

EFP Capital requirement.

ESR European Solvency Ratio.

ETI ***Entreprise de taille intermédiaire*** Medium-sized business.

FBF ***Fédération bancaire française*** French Banking Federation.

FCPE ***Fonds commun de placement entreprise*** Company employee investment fund.

FCPI ***Fonds d'investissement de proximité dans l'innovation*** Local innovation investment fund. UCITS with significant tax advantages acquired provided the shares are retained for a minimum of five years.

FED Federal Reserve System Central bank of the United States.

FRA Forward Rate Agreement.

FTE Full-time equivalent.

HQLA (level 1/level 2) High Quality Liquid Assets (level 1/level 2) Assets of high (level 1) and extremely high (level 2) liquidity and credit quality.

IARD ***Incendie, accidents et risques divers*** Property and casualty insurance.

IAS International Accounting Standards.

IDD Insurance Distribution Directive.

IFRS International Financial Reporting Standards.

M&A Mergers and acquisitions.

NACE (code) Statistical classification of economic activities in the European Community.

NII Net interest income.

NRE French New Economic Regulations Act.

OSTs ***Opérations sur titres*** Security trades.

OTC Over-the-counter.

PACTE ***Plan d'action pour la croissance et la transformation des entreprises*** Action Plan for Business Growth and Transformation.

Risk weight Weighting of exposures that is applied to a specific exposure to determine the corresponding risk-weighted assets. See RWA.

SCPI ***Société civile de placement immobilier*** Real estate investment company.

TAM *Taux annuel monétaire* Annual monetary rate.

TMO ***Taux moyen obligataire*** Fixed-rate bond index.

UCITS Undertakings for Collective Investment in Transferable Securities.

Definitions

A

ABCP Asset-Backed Commercial Paper Money market security whose payments are derived from cash flows from a pool of underlying assets. ABCP conduits: off-balance sheet securitization vehicles used to finance a variety of bank assets through commercial paper with maturities of less than one year.

ABS Asset-Backed Securities Securities representing a pool of financial assets, excluding mortgage loans, whose cash flows are derived from the underlying asset or pool of assets.

Add-on[1] Additional requirement.

ALM Asset and Liability Management Set of management techniques and tools to measure, control and analyze the overall on- and off-balance sheet financial risks (mainly liquidity risk and interest rate risk).

AQR Asset Quality Review includes the prudential risk assessment, the asset quality review and stress tests.

Arbitrage 1- On a market, a transaction involving the sale of a security, financial product or currency to buy a different one. For a life insurance policy, a transaction that involves transferring some or all of the savings from one vehicle to another. 2- Legal term for a form of alternative dispute settlement. The resolution of a dispute is referred to a third party, the arbitrator, who is selected by the parties and whose decision is binding thereon (as opposed to mediation).

AT1 Additional Tier 1 Perpetual debt instruments, with no incentive or obligation to redeem (in particular step-ups in interest rates). The AT1 instruments are subject to a loss absorption mechanism that is triggered when the CET1 ratio falls below a certain threshold.

B

Banking book[1] Banking portfolio. All assets and off-balance sheet items not in the trading book.

Basel 1 (the Basel Accords) Prudential framework established in 1988 by the Basel Committee to ensure the solvency and stability of the international banking system by setting an international standard minimum limit on the amount of equity of banks. It introduces a minimum ratio of capital to total risks borne by the bank of 8%.

Basel 2 (the Basel Accords) Prudential framework for better assessment and limitation of the risks borne by credit institutions. It comprises three complementary and inter-dependent pillars: – Pillar 1, core minimum capital requirements: addresses the minimum capital required for credit, market and operational risk; Pillar 2 institutes the principle of a supervisory review process; Pillar 3 is focused on market discipline. It sought to improve banks' financial transparency by requiring that they disclose the information third parties would need to understand their capital adequacy.

Basel 3 (the Basel Accords) In 2009, the Basel Committee announced several series of measures to reinforce financial regulation and supervision. New rules were published to reinforce Basel 2 on prudential coverage of market risks and securitization transactions, risk management under Pillar 2, transparency under Pillar 3.

BCBS 239 Basel Committee on Banking Supervision The Basel Committee issued its "14 principles for effective risk data aggregation and risk reporting" to enhance banks' ability to aggregate their risk data.

Broker Stock market intermediary who buys and sells on behalf of his or her clients.

C

CAD Capital Adequacy Directive (minimum equity requirements) European Directive imposing capital requirements on investment firms and credit institutions.

Cash Flow Hedge Hedge of the exposure to variability in the cash flows of a recognized asset or liability or of a highly probable forecast transaction and that could affect profit or loss.

CCR Credit and counterparty risk Risk of loss due to the default of a counterparty. RWAs and capital requirements concerning the Credit and Counterparty Risk include the amounts related to the hedging of CVAs inherent to over-the-counter derivatives other than credit derivatives recognized as reducing RWAs for credit risk, as well as RWAs and capital requirements pertaining to contributions to the default fund of a central counterparty.

CDS Credit Default Swap[1] Default hedging. Contract in which an institution that would like to protect against the risk of non-payment of a loan it holds makes regular payments to a third party in exchange for which it receives a predetermined amount should the default in fact occur.

CET1 Common Equity Tier 1 A component of Tier 1 capital consisting of share capital instruments and the associated issue premiums, reserves, retained earnings and the general banking risks reserve.

CET1 ratio Ratio between Common Equity Tier 1 and assets weighted by risks, according to the CRD 4/CRR rules.

CGU Cash-Generating Unit The smallest identifiable group of assets whose cash flow is largely independent of the cash flows generated by other assets or groups of assets, in accordance with IAS 36.

CIU Collective investment undertaking[3] investment fund which pools the savings of a large number of investors in order to invest in marketable securities (shares, bonds, etc.) or in real estate (for OPCIs). This amount is invested by professionals (investment management firms) in a diversified range of assets according to a defined strategy.

CLO Collateralized Loan Obligations Securitization of loans of different sizes structured in multiple tranches.

CMBS Commercial Mortgage-Backed Securities Debt security backed by an asset portfolio of mortgage-backed corporate real estate loans.

Collateral A transferable asset or guarantee provided as a pledge to repay a loan if the beneficiary of the loan is unable to meet its payment obligations.

COREP Common Solvency Ratio Reporting Name of the prudential reporting promoted by the Committee of European Banking Supervisors (CEBS).

Cost/income ratio Ratio indicating the proportion of NBI (net banking income) used to cover operating expenses (operating costs of the enterprise). It is calculated by dividing operating expenses by NBI.

Cost of non-proven risk Introduced by IFRS 9, which imposes a new impairment model based on the principle of provisioning all or part of the expected losses, meaning a statistical provisioning when the loan is granted.

Cost of proven risk Net provisions on impaired assets (non-performing loans).

Covered bonds Simple securitization instruments. Covered bonds comparable with conventional bonds, with protection in the event of the bond issuer's insolvency. Covered bonds are backed by a pool of assets, allowing payments to be made to bondholders. Covered bonds are usually backed by mortgages or public sector (local government) debt.

CRD 4 European directive that transposes the proposals of the Basel 3 Accords, which define the rules for bank capital. More specifically, it provides a harmonized definition of capital, proposes rules on liquidity, and seeks to address pro-cyclicality.

CRM Credit Risk Mitigation Mitigation of credit risk by taking into account real securities, personal sureties and credit derivatives, or clearing or novation mechanisms.

CRR (under Pillar 3) Capital Requirement Regulation European Capital Requirements Regulation (like CRD 4), which aims to stabilize and strengthen the banking system by forcing banks to set aside more capital, including high-quality capital, to mitigate the effects of crises.

CVA Credit Valuation Adjustment Accounting adjustment, introduced by IAS 39, to the fair value measurement of over-the-counter derivatives (interest-rate swaps whether or not they are collateralized, etc.). The adjustment involves incorporating a discount equal to the market value of the counterparty default risk into the valuation of products.

D

Derivatives Financial instruments whose value depends on an underlying commodity or marketable security, such as oil or grain prices, for example, or interest rates and monetary developments. They may be used in different ways, including as insurance against certain risks or for investment or speculative purposes.

Desk Each desk on a trading floor specializes in a particular product or market segment.

DSN Deeply subordinated notes Perpetual subordinated issuance giving rise to perpetual remuneration. Their indefinite term is the result of the absence of any contractual repayment commitment, which remains at the issuer's discretion. In the event if liquidation, they are repaid from other creditors.

E

EAD Exposure At Default Likely amount of exposure at risk at the time of default. This concerns the institution's on and off-balance sheet exposures in the event of counterparty default. Off-balance sheet exposures are converted to a balance sheet equivalent using internal or regulatory conversion factors.

EBA European Banking Authority European supervisory authority that replaced the Committee of European Banking Supervisors (CEBS). Its purpose is to promote harmonized and more reliable European standards and can override national supervisors in an emergency. In addition to the new stress tests, the EBA must ensure application of new international solvency and liquidity standards.

EL Expected Loss Loss expected in the event of default. It is determined by multiplying exposure at default (EAD) by probability of default (PD) and by loss given default (LGD).

EMTN Euro Medium Term Note Debt security generally maturing in five to ten years. These securities may have very different characteristics depending on the issuance programs, including more or less complex arrangements in terms of remuneration or guaranteed capital.

Eonia Euro OverNight Index Average The daily benchmark rate for unsecured (i.e., not backed by securities) interbank deposits made overnight in the eurozone.

ETF Exchange Traded Funds [3] Funds that reproduce the changes in an index. When investors buy an ETF, they are exposed to rises and falls in the securities that make up the index in question without having to buy them. An ETF can be bought or sold on the exchange throughout the trading day just like "traditional" shares. ETFs are subject to approval by the AMF or another European authority.

EURIBOR Euro Interbank Offered Rate Inter-bank rate offered in euros; Euro area monetary market reference rate.

European Securities and Markets Authority "ESMA" The ESMA groups regulators of the financial markets of the member States of the European Union. This authority helps create standards and common practices on regulation and supervision.

F

Fair Value Hedge Hedge of exposure to changes in the fair value of a financial instrument that is attributable to a particular risk and could affect profit or loss.

FATF Financial Action Task Force Intergovernmental organization, the objectives of which are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

FIP *Fonds d'investissement de proximité* Local Investment Fund. Fund whose assets are made up of at least 70% of unlisted French SMEs from four neighboring regions and created less than seven years ago.

Front office Traders on the trading floor who handle market, foreign currency and interest rate transactions.

FSB Financial Stability Board A body of 26 financial authorities, several international organizations and bodies that develop financial stability standards. It facilitates cooperation in the supervision and oversight of financial institutions.

G

GAAP Generally Accepted Accounting Principles[1] Accounting standards in force in the United States, defined by the Financial Accounting Standards Board.

Gross exposure Exposure before accounting for provisions, adjustments and risk mitigation techniques.

H

Hybrid security Security that combines the characteristics of equity and debt (convertible bonds, equity notes, etc.).

I

Iboxx Index made up of bonds with a range of maturities.

ICAAP Internal Capital Adequacy Assessment Process Regulatory procedure for assessing whether banks have sufficient capital to cover all the risks to which they are exposed. The ICAAP must describe the procedures for calculating and stress-testing the institution's various risks. The supervisor approves the institution's ICAAP once a year.

ILAAP Internal Liquidity Adequacy Assessment Process Regulatory procedure which can assess whether the situation of the institution is sufficient to cover the liquidity risk. The principle involves finding out the measures that the institution uses to control and mitigate this risk.

Insurance savings product Life insurance outstandings held by our customers – management data (insurance company).

Investment grade Long-term rating assigned by an external agency ranging from AAA/Aaa to BBB-/Baa3 for a counterparty or an underlying issue. A rating of BB+/Ba1 or below signifies a Non-Investment Grade instrument.

IRB Internal Rating-Based Regulations have established a standard rating system but each institution may develop its own internal rating system.

Itraxx Credit derivatives market. It consists of the most liquid names in the European and Asian markets.

K

KRI Key Risk Indicators Measures indicating operational risks. Key elements for modeling the internal approaches (AMA – Advanced Measurement Approach) implemented by the banks. Identified through risk mapping carried out in advance. The indicators must be data that are objective, quantifiable and continuously monitored. Each indicator has a threshold above which systematic actions are triggered. The indicators must be reviewed periodically as their relevance depends on the effectiveness of the risk control measures put in place.

L

LCR Liquidity Coverage Ratio Short-term, 30-day ratio that requires banks to continuously hold enough high-quality liquid assets to bear an acute crisis. This monthly ratio is one of the provisions of Basel 3.

LGD Loss Given Default Ratio of loss in the event of default expressed as a percentage of EAD.

Liquidity The ability to cover short-term maturities. A market or security is liquid when transactions (buy/sell) can be carried out seamlessly, without sharp price fluctuations, due to high trading volumes.

Liquidity buffer Buffer required to meet cash outflows assuming the markets are closed and there is no access to any liquidity.

Liquidity risk An institution's ability to secure the funds needed to finance its commitments at a reasonable price at any time.

M

Mark-to-model Valuation of a financial instrument at fair value based on a financial model, in the absence of a market price.

Market risk Risk related to capital markets and the volatility of markets (rates, foreign exchange, liquidity, counterparty), which presents a risk of loss on an instrument due to adverse movements in market prices, for the minimum period needed to liquidate the position (one day, one month, etc.).

Mezzanine Form of financing that falls between equity and debt. In terms of rank, mezzanine debt is subordinate to "senior" debt but is senior to shares.

Micro-hedging Hedging of the interest-rate, foreign-exchange or credit risks of an asset portfolio on an asset-by-asset basis.

Mid-cap Medium-sized market capitalization.

MIF1/MIF2/MIFID2/MIFIR European directive on markets in financial instruments (MIF 1), which entered into force on November 1, 2007 and defines the major guidelines for capital market activities in Europe. . In 2018, MIF 2 was introduced to complement MIF 1. MIF 2 aims to enhance the security, transparency and operation of financial markets while also strengthening investor protections.

MREL Minimum Requirement Eligible Liabilities Minimum level of debts eligible for "bail-in" (MREL), in a credit institution. About 8% of liabilities according to the Bank Recovery and Resolution Directive, but which the national resolution authority will set on a case-by-case basis.

N

NDI Negotiable debt instruments Short-term investments comprising negotiable medium-term notes, certificates of deposit or OTC commercial paper.

Netting Netting systems are used to reduce the number of interbank settlements, the risks incurred on counterparties and the liquidity needs of participants.

New lending Amounts of new funds made available to customers – source: management data, sum of individual data for entities in the "Retail banking – Banking network" segment.

NSFR ratio Net Stable Funding Ratio One-year ratio of available stable funding relative to required stable funding. Sources of funding must cover applications of funding at a ratio of 100% over a one-year horizon. Amounts to be funded are weighted by their liquidity and sources of funding by their stability. This quarterly ratio is one of the provisions of Basel 3.

O

OAT *Obligations assimilables du trésor*[2] Fungible treasury bonds. Government bonds issued by the French Treasury. Government bonds issued by Agence France Trésor (French Treasury) These listed bonds are called "fungible" because each new series (tranche) issued is linked to an already existing series with the same characteristics: interest rate, nominal value, maturity, repayment terms.

OCI Other Comprehensive Income This corresponds to revenues, expenses, gains and losses and other similar items that contributed to an increase or decrease in equity but which are excluded from the income statement. It includes, among others, unrealized gains and losses on short-term investment securities recognized at fair value and unrealized foreign currency gains or losses.

OPE *Offre publique d'échange*[3] Public exchange offer. Transaction in which an entity publicly announces to shareholders of a listed company (the target company) that it has agreed to acquire their securities. The entity offers to acquire the securities in exchange for existing securities or securities to be issued in the future.

Option[3] Financial instrument which enables an investor to obtain the right, at a future date, to purchase (call) or to sell (put), a financial asset (share, bond, currency…) at a price fixed in advance. An option is a risky product.

P

PD Probability of Default Expressed as a percentage over a one-year horizon and calculated by the bank based on its observation of default rates over a long-term period. PD is calculated by type of borrower and type of loan.

PUPA *Plan d'urgence et de poursuite de l'activité* Contingency and Business Continuity Plan. Series of measures aiming to ensure, under various crisis scenarios (including extreme shocks), the continuation of services or other vital or important operating tasks at the company concerned (where required, in a temporarily downgraded mode), as well as the planned resumption of activities and the mitigation of losses

R

Rating Assessment by a financial rating agency (Moody's, Fitch Ratings, Standard & Poor's), the financial solvency risk of a national government or another public authority or of a given transaction: bond issue, securitization, etc. The rating has a direct impact on the cost of raising capital.

Rating agency Company that assesses the financial solvency risk of a company, bank, national government, local government (municipality (*commune*), department (*département*), region (*région*)) or financial transaction. Their role is to measure the risk of non-repayment of the debts that the borrower issues.

Representative office[2] Office established by a bank in a foreign country where activity is limited to representation and information. This office may not carry out banking transactions.

Retail Retail banking.

RMBS Residential Mortgage-Backed Securities.

RWA[1] Risk Weighted Assets are based on banks' exposures and their associated risk levels, which depend on the counterparties' creditworthiness, measured using the methods provided for in the Basel 2 framework.

S

Secondary market Market on which securities that have already been issued are traded, also known as the stock exchange.

Securitization Financial technique which consists of transferring to investors financial assets such as debt (for example, unpaid invoices or outstanding loans), by transforming this debt, through an ad hoc company known as a Special Purpose Vehicle, into financial securities issued on the capital markets.

Security interest in real property Guarantee that pledges specific property on which the creditor may collect payment if the debtor defaults. (e.g., pledge on movable property or mortgage on real estate property).

Senior (security) Security benefiting from specific guarantees and priority repayment.

SFH ***Société de financement de l'habitat*** Home loan financing firms. Subsidiaries of generalist banks, the objective of which is to grant or finance home loans.

Sponsor (in the context of securitization)[1] The sponsor is an institution, separate from the originator, which establishes and manages a program of asset backed commercial paper (ABCP) or any other operation, or securitization structure within which it purchases the exposures of third parties.

Spread The difference between the yield on the bond and the yield on a risk-free bond with the same maturity; the benchmark for the latter can be either the government bond rate or the swap rate.

SREP Supervisory Review and Evaluation Process The objective of the SREP is to ensure that entities have implemented adequate provisions, strategies, procedures and mechanisms and that they have sufficient capital and liquidity to ensure sound and prudent management of the risks they may face, in particular those identified by stress tests and systemic risks.

SRF Single Resolution Fund Fund designed to help failing banks refinance themselves during the resolution phase. This phase involves implementing the plan endorsed by the Single Resolution Board (SRB), during which the bank in question no longer has access to the interbank market.

SRI Socially Responsible Investment The process asset management companies use to select the marketable securities that make up their portfolio by systematically taking into account the issuer's environmental, social and governance (ESG) practices, in addition to financial criteria. This management is ideally accompanied by dialogs with the management companies and the active exercise of the voting rights attached to the securities.

Stress-test Stress tests of earnings and capital seek to assess a company's ability to withstand various crisis scenarios and an economic downturn. Pillar II of Basel 2 requires that stress tests be conducted.

Stressed Value at Risk (SVaR) It adjusts for the VaR procyclicality by applying scenarios that have been calibrated to a period of stress, and not just to the continuous 12-month historical observation period, to portfolio positions at a given calculation date.

Swap Contract that is equivalent to swapping only the value differential.

T

Tier 1 capital This consists of Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital.

Tier 1 Ratio Ratio between Tier 1 capital and assets weighted by risks, according to the CRD 4/CRR rules.

Tier 2 capital Tier 2 capital consists of subordinated debt instruments with a minimum maturity of five years. Incentives for early redemption are prohibited.

TLTRO Targeted Long Term Refinancing Operation Targeted Long Term Refinancing Operations are part of the ECB's monetary policy. TLTRO grant long-term loans to banks to encourage them to increase their lending (for TILTRO II) up to three times the net amount of the loans granted to non-financial private agents (excluding home mortgages).

Tracfin ***Traitement du renseignement et action contre les circuits financiers clandestins*** Unit for intelligence processing and action against illicit financial networks. The anti-money laundering unit of the French Ministry of Finance.

Trading[3] Buy and sell transactions on various types of assets (shares, commodities, currencies…) intended to make a profit. Trading is generally done by a trader who buys and sells financial income from the trading floor of a financial institution.

Treasury shares Shares of its own stock held by a company, under share buyback programs and otherwise. Treasury shares have no voting rights and are not included in the earnings per share calculation.

U

Underlying asset[3] Financial instrument (share, bond, etc.) on which an investment is based. The change in the value of the underlying determines the change in the value of the investment.

V

Value at Risk (VaR)[1] This is defined as the maximum potential loss following an adverse change in market prices over a specified period of time and at a given level of probability (also called the confidence level). It is an aggregate and probabilistic measure of market risk.

Volatility [3] Range of variation in the price of a security, fund, market or index over a given period. This degree gives an indication of the investment risk. The higher the degree of change, the greater the likelihood that the security, fund or index will undergo significant changes in the future.

(1) Source : https://acpr. banque-france. fr/glossaire-acpr and notice relative to the procedures for calculating prudential ratios within CRD 4.
(2) Source : http://fbf.fr/fr/secteur-bancaire-francais/lexique.
(3) Source : www.amf-france.org/En-plus/Lexique.

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