2019 Universal Registration Document

including the annual financial report

CIC

Building the future in a changing world

cic.fr

CONTENTS

Building the future in a changing world

2019 UNIVERSAL REGISTRATION DOCUMENT

including the annual financial report

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

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

Through its commitment to the economy and society, and with a strong corporate governance system, CIC acts as a responsible bank in a rapidly changing world.

High entrepreneurial standards with operations built around five areas of activity:

RETAIL BANKING,
CORPORATE BANKING,
CAPITAL MARKETS,
PRIVATE BANKING,
PRIVATE EQUITY

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

This 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

Like Crédit Mutuel Alliance Fédérale, CIC is committed and responsible and is pursuing its objectives in employment, societal and environmental issues.

COMMITTING TO THE REAL ECONOMY AND FORGING CLOSE TIES WITH PEOPLE WHO HAVE AN ENTREPRENEURIAL SPIRIT

In response to the health crisis due to the Covid-19 pandemic, CIC is fully committed to supporting its customers, ensuring continuity and protecting its employees. In this uncertain context, it has taken exceptional measures to help individuals, professionals and companies address this situation. To do this, CIC can avail of the solid fundamentals, resilience and innovation capacity of its parent company, Crédit Mutuel Alliance Fédérale, and rely on its operational performance as attested its very positive results in 2019.

Net profit was up 5.2% to €1,468 million, highlighting the very good performance of its retail banking arm across all divisions (banking, insurance, telephony, remote surveillance, etc.) and its successful multiservice strategy.

Its 20,000 employees, working in almost 1,900 branches in the Île-de-France region network and five regional banks, provide support to 5.2 million customers, combining physical proximity and the best technology and online banking. With 6.4% of payroll expense spent on training, CIC underlines the strength of its commitments to employees, who are highly involved in the company's overall business plan and are active participants in its success.

A major actor in corporate financing – it is the bank for one in three SMEs in France – CIC supports entrepreneur projects at all stages of development, as a bank or investor. In 2019, as part of the push to mobilize companies in the development of the digital economy, CIC became actively engaged in the financing of French Tech.

Like Crédit Mutuel Alliance Fédérale, CIC is committed and responsible and is pursuing its objectives in employment, societal and environmental issues. In 2019, in addition to its initiatives to encourage diversity and parity, and its support of sport and culture, CIC made significant decisions in favor of climate action, such as winding down financing of coal power and projects related to non-conventional hydrocarbons.

In over one hundred and fifty years, CIC has proven its ability to overcome all nature of crises. Its commitment to the real economy, its high-quality standards, its proximity to the customer and its adaptability are just some of the assets available to build the future in a rapidly changing world.

Nicolas THÉRY
Chairman of CIC

Daniel BAAL
Chief Executive Officer of CIC

2019 KEY FIGURES

Activity

5.2 million CUSTOMERS

20,092 EMPLOYEES*

1,874 BRANCHES IN FRANCE

Internationally

- 5 BRANCHES
- 32 REPRESENTATION OFFICES
- 17 PRIVATE BANKING LOCATIONS
- 7 PRIVATE EQUITY LOCATIONS

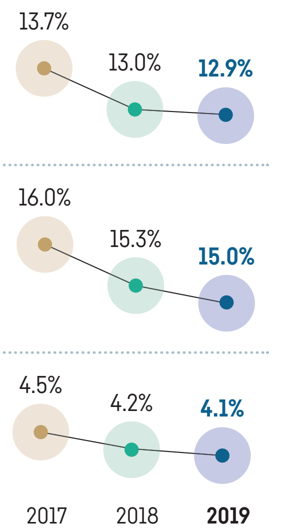
* Full-time equivalent.

Financial results

Income statement

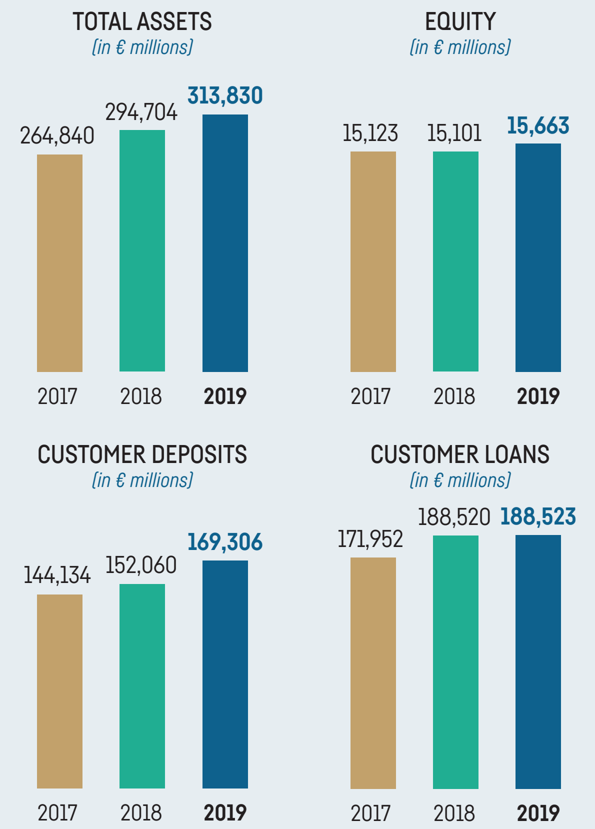
(in € millions)	Dec. -19	Dec. -18	Dec. -17
Net Banking Income	**5,213**	5,021	4,991
Gross operating income	**1,962**	1,855	1,888
Net profit	**1,468**	1,395	1,288
Cost/income ratio	**62.4%**	63.1%	62.2%

Capital

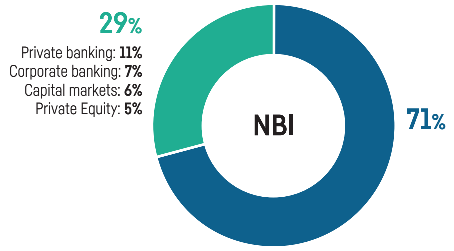


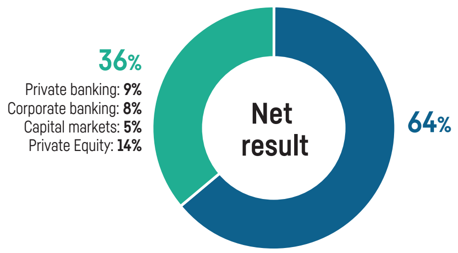
Data calculated without transitional measures.

Balance sheet



Breakdown of NBI and net profit for the period by business line





● Retail banking ● Specialized 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)" from Standard & Poor's, the "Adjusted Baseline Credit Assessment (Adj. BCA)" 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.

ENSEMBLE#NOUVEAUMONDE: CIC ROLLS OUT THE 2019-2023 STRATEGIC PLAN OF ITS PARENT COMPANY, CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

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 Crédit Mutuel Alliance Fédérale ensemble#nouveaumonde strategic plan addresses these developmental and transformational challenges. It maps out the strategic direction and ambitions of Crédit Mutuel Alliance Fédérale for 2019-2023 by using technology for the benefit of the people. CIC is fully signed up to these ambitions and is rolling out the commitments of the ensemble#nouveaumonde strategic plan on a daily basis.

THE 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 i**nnovative, multi-service** bank

Diversify and support all our customers' projects

2019: Year 1 of the ensemble#nouveaumonde strategic plan of Crédit Mutuel Alliance Fédérale

Concrete actions to serve the strategic ambitions of Crédit Mutuel Alliance Fédérale

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

- 6.4% 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 within the scope of Crédit Mutuel Alliance Fédérale;
- an increase in the number of work-study students within Crédit Mutuel Alliance Fédérale 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.

1

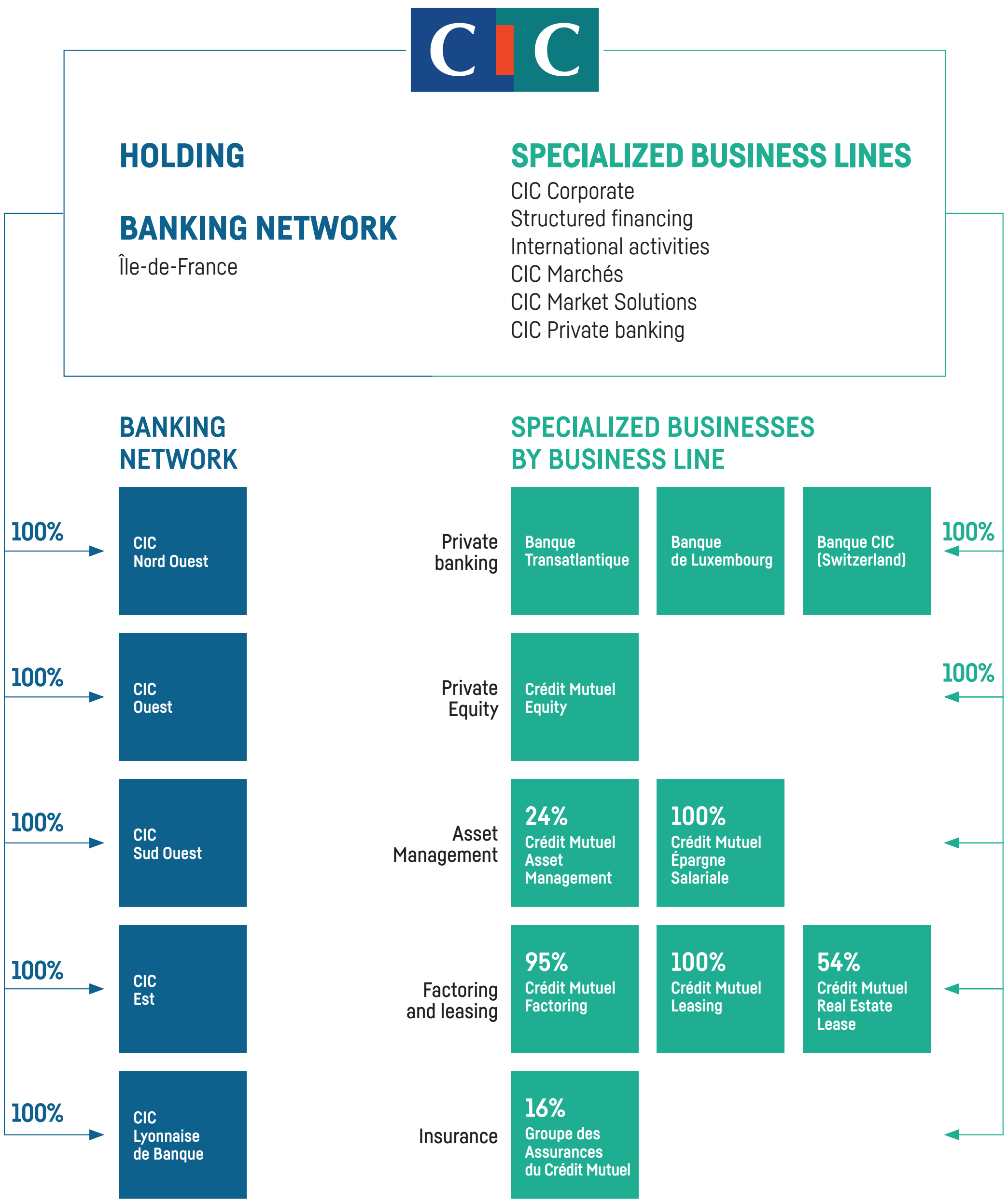
PRESENTATION OF CIC

1.1 ORGANIZATION OF CIC

CIC consists of:

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

2019 SIMPLIFIED ORGANIZATION CHART



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

1.2 BUSINESS LINES

1.2.1 Retail banking[1]

Retail banking is CIC's main business and it represented 71% of its net banking income at the end of 2019. 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 products are marketed 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, retail banking meets the needs and expectations of 5.22 million customers.

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 business model strives for excellence in customer service, an ambition that is regularly rewarded. In 2019, CIC was ranked no. 1 at the BearingPoint-Kantar Podium for Customer Relationship in the banking sector.

In 2019, network provides continuous support for its customers and their project financing activities. In 2019, the network's credit commitments grew by 5.9%, driven by home loans (+6.1%) and investment loans (+7.9%). Outstanding deposits grew by 11.5% due to accounts payable, saving accounts and fixed-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%).

1.2.1.1 The network's markets

CIC's retail banking offers a range of products and services for a diverse clientele, which includes individuals, professionals, farmers, non-profit organizations, and businesses.

1.2.1.1.1 Market for individuals

A core activity at CIC, the market for individuals meets the demands of non-professional persons. As a partner that supports its customers' goals and collective projects, CIC is pursuing its development strategy in order to offer customized, cutting-edge services. In addition to products dedicated to maintaining current accounts, savings, insurance, and financing solutions – through the supply of loans – CIC offers its 4.19 million individual customers services to facilitate their daily lives with, for example, a mobile phone offer, Internet box or the e-cyclo offer, a bike rental service with electric assistance. Thanks to its multi-service positioning and its keenness for customer service, CIC is growing year after year on a continuous basis in this customer segment.

The need for immediate customer service and the mobile app's appeal have translated into an increase in subscribers for the online banking offer (+8.7% in 2019). The service had more than 645 million connections over the year, more than half of which were made *via* mobile applications.

In 2019, as a continuation of developments initiated in 2018, CIC continued during 2019 to improve certain remote features enabling customers to be ever more autonomous (e-insurance claim declarations and online loan subscriptions). In addition, CIC continued its commitment to support entrepreneurs in esports, with an enhanced program, including a new partnership with the French league of the League of Legends, the first e-sport game to have exceeded one million players in France and the most practiced in the world. After a first edition in 2018, CIC is also supporting its second edition, the CIC Esport Business Awards, a major call for projects open to e-sport entrepreneurs.

1.2.1.1.2 Market for professionals

The market for professionals offers a clientele of more than 717,000 artisans, merchants and liberal professions a complete range of solutions to meet their needs in terms of financing, account management, and savings. It also offers solutions for executives and employees with regard to employee savings plans, provident schemes and health plans.

In order to respond in an appropriate manner to the various segments in this market, CIC has nearly 2,600 account managers specialized in the management of professional customers. Relying on targeted and suitable commercial operations, the number of professional customers grew by 2.6% in 2019.

In 2019, CIC had new offerings for its professional customers. The ten-year guarantee for structural defects now offers a full range of insurance products to building professionals. The digitalization of offers made it possible to respond even more quickly to financing requests. CIC continued its communication activities (radio campaign, etc.) and expanded its presence at events related to professional customers (trade shows, conferences, etc.). CIC also pursued various partnerships for professionals. As part of its support for the creation of enterprises, for ten years CIC has partnered with the *Union des Auto-Entrepreneurs* (Association of Self-Employed Entrepreneurs) and worked alongside them at various trade shows. CIC has also been a partner with the Moovje for 10 years, which supports young people between the age of 18 and 30 in entrepreneurship. Lastly, agreements with some retail networks (franchises and business partners) continued to develop.

1.2.1.1.3 The agricultural market

CIC responded to the specific needs of grain farmers, stock farmers, and winemakers, by providing dedicated offers and products adapted to better meet the needs of their trades and their specific risks. CIC responded to the specific needs of grain farmers, stock farmers, and winemakers, by providing them financing, account management, savings, and insurance-related products. In addition to day-to-day operation offerings, CIC offered solutions to insure their crops, to anticipate and manage the price risk on their agricultural products, or to build up precautionary savings.

(1) Outstanding amounts are average aggregate amounts and outstanding savings are non-capitalized.

To this end, CIC relied on approximately one hundred account managers specialized in managing its agricultural customers. With this dedicated offering, CIC had more than 43,700 customers in 2019, up 3.6%. 2019 was an excellent year after a year of consolidation in 2018, following the climatic hazards of 2016-2017.

The year 2019 was marked by the launch of the digitalization project for the two flagship products CICAGRI (equipment financing on-site at equipment dealers) and CIC-APPRO (financing the purchase of supplies directly at farm suppliers). This process helped secure and develop CIC's relationships with partners. In the renewable energy sector, CIC continued its development with the financing of around €40 million of loans in the agricultural sector.

1.2.1.1.4 Market for non-profit organizations

CIC has a full range of services dedicated to associations, foundations, work concils, and non-profit organizations (non-profits), and adapted to their needs, regardless of their size. The products offered cover their needs for account management – including the tracking and collecting of donations and contributions – savings, financing, insurance and employee savings plans. CIC also helped customers that wish to financially support associations whose corporate purpose is focused on helping and supporting people in difficulty.

Driven by a dynamic to penetrate the market, notably through developing relations with communities of property owners but also local associations, activity in the non-profit market was boosted in 2019. The number of customers in this segment grew overall by 4.9% to more than 125,000 customers.

2019 was marked by the introduction of the Pay Asso product, a new cashing solution for associations that is characterized in particular by the free[1] donation collection service. 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*).

1.2.1.1.5 Market for businesses

Historically, CIC is a partner to businesses. It provides them with solutions built specifically around their various needs: day-to-day business management, development strategy, human resources, company transfers, innovative startups/companies, and real estate professionals. In addition to its offerings designed for businesses, CIC also offers a range of products dedicated to the wealth management of executives. At the heart of its loyalty and conquest system, CIC has more than 600 account managers dedicated to this market. Their expertise, their capacity for innovation, and the quality of their follow-up actions convince more and more companies to join the network. In 2019, the number of CIC corporate customers continued to grow. At the end of the fiscal year, CIC had more than 142,000 corporate customers.

The year 2019 was marked by the operational start of the partnership signed at the end of 2018 with the European Investment Bank, which provides shared financing with this institution of amounts ranging between €5 and €50 million. The offering for startups and innovative companies is enhanced by CIC Start Export to help them in their international development and CIC Start ComFi for their communication needs during fundraisers.

In terms of technology in 2019, CIC has launched a new version of CIC e-facture (e-billing), its electronic invoice management service, which attracted great interest from companies. The telephony offering expanded to include new phone fleet management tools that can handle up to several thousand terminals. 2019 was the year for the launch of the electronic signing of remote contracts *via* Filbanque, with the aim of a gradual extension of this functionality to most of CIC's products and services. Lastly, the security of remote banking operations was enhanced with the widespread use of strong authentication solutions in line with the Payment Services Directive (PSD).

1.2.1.2 Support businesses to retail banking

1.2.1.2.1 Insurance

The group Assurances du Crédit Mutuel Group (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. The distribution is done primarily through the CIC network. GACM accompanies its policyholders on a day-to-day basis to protect their families, property, professional activity or even their businesses.

Regarding life insurance, GACM offers its customers solutions to diversify their savings, finance projects, prepare for retirement, or transfer capital through a range of management services comprising packaged formulas, guided management, and arbitration 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 policyholders (+2.7%), of which 25.9% were CIC customers. It generated revenues of €12.2 billion, up 1.2%, of which €3.7 billion or 30.8% were generated within the CIC network. For life insurance, gross premium income fell to €6.7 billion. GACM's strategy to improve the diversification of life insurance contracts for its policyholders, both for the inflows and the assets under management, continued in 2019.

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

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 profesional 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 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.

1.2.1.2.2 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 institutions. 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.

Since the beginning of 2020, Crédit Mutuel Asset Management has relied on Crédit Mutuel Investment Managers, the center of expertise of Crédit Mutuel Alliance Fédérale dedicated to asset management, to market its offer. To this end, Crédit Mutuel Asset Management created a new open-end investment company under French law (Sicav) in order to facilitate international marketing. Crédit Mutuel Investment Managers aims to promote, through a multi-boutique platform, the investment solutions of six management structures of Crédit Mutuel Alliance Fédérale – including Crédit Mutuel Asset Management – which total more than €90 billion in assets.

1.2.1.2.3 Employee savings

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 CIC branches – under the CIC Épargne Salariale brand – and through the Crédit Mutuel branches – under the Crédit Mutuel Épargne Salariale brand – as well as by a network of accounting 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. 2019 was marked by the abolition of the corporate tax (*forfait social*), calculated on employee profit-sharing and employer contribution for companies with less than 50 employees and on incentive schemes in companies with less than 250 employees. This had a significant effect on the distribution of contracts, which grew by 22.3% or more than 15,750 new contracts. 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 2019 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

1.2.1.2.4 Financing and management of customer receivables

Crédit Mutuel Factoring (formerly called CM-CIC Factor) is Crédit Mutuel Alliance Fédérale's factoring subsidiary. Specialized in the management and financing of customer and vendor trade receivables and payables, Crédit Mutuel Factoring has over 400 employees. It is involved in the short-term financing of more than 10,000 corporate and professional customers, both in France and abroad. Crédit Mutuel Factoring offers a wide range of solutions for factoring and for management of notified professional receivables (Dailly).

These offerings are accompanied by complementary services, including the tracking of customer receivables, collections, cash inflows, and insolvency guarantees. Crédit Mutuel Factoring also deploys digital offerings such as e-defact receivable dematerialization or e-mediat online financing. All offerings are marketed by a sales team based throughout France, in the Crédit Mutuel banks under the brand Crédit Mutuel Factoring and in CIC branches under the brand CIC Factoring Solutions.

In 2019, driven by a factoring market still growing in France (+11%[1] at September 30, 2019), the volume of receivables purchased outperformed the market and showed growth of 11.8%. At the end of the year, outstandings amounted to €6.3 billion.

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

1.2.1.2.5 Real estate leasing

A major player in the French real estate leasing market, Crédit Mutuel Real Estate Lease (formerly named CM-CIC Lease) meets the real estate investment needs of companies, professionals, social economy players and institutions, and Crédit Mutuel Alliance Fédérale customers. It offers them financing solutions in real estate leasing adapted to 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 local 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 2019 enable it to adapt to its customers' expectations due to the instantaneous production of financing studies for real estate leasing projects.

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.

1.2.1.2.6 Equipment leasing

Specialized for more than 50 years in the financing of movable capital equipment leasing and operating leases, Crédit Mutuel Leasing (formerly called CM-CIC Bail) offers adapted leasing solutions to investment projects by individuals, non-profit organizations, professionals, and companies, in France and internationally. It distributes its products mainly under the "CIC Leasing" brand within the CIC network.

In France, Crédit Mutuel Leasing relies on a largely decentralized organization, as close as possible to the networks and 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.

In 2019, in a context of increasing interest among young people for leasing, Crédit Mutuel Leasing continued its development momentum. Overall production was at €4.9 billion, increasing by 4.2% compared to 2018. The outstanding at the end of 2019 totaled €9.4 billion. The international business continued to grow and represented 20% 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 customers. offer enables the banking networks' customers to renew their vehicle while reducing their carbon footprint with attractive hybrid or electric vehicle rental solutions. This offer was extended to businesses in September 2019. Crédit Mutuel Leasing is also 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, financial contribution, mileage, and budget).

1.2.2 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..

1.2.2.1 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) Source: French Association of Financial Companies – statistics 2019.

1.2.2.2 Structured financing

CIC's structured financing department supports Crédit Mutuel Alliance Fédérale's business customers' projects through four business lines: acquisition financing, project financing, 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.

1.2.2.3 International operations and activities

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 subsidiaries 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 business offices. 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.

1.2.3 Capital markets[1]

1.2.3.1 Capital markets at the service of Crédit Mutuel Alliance Fédérale customers

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 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.

1.2.3.2 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) The group's cash management business is managed by the Banque Fédérative de Crédit Mutuel for all of Crédit Mutuel Alliance Fédérale branches, including CIC. Being a matter of management of the banks' balance sheet, the incomes are included in those of the group's other activities or, failing that, in that of the holding company. Refer to the Universal Registration Document of Crédit Mutuel Alliance Fédérale for more information.

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1.2.4 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 a unique positioning. In France, the activity is provided by CIC Private Banking and the Banque Transatlantique. CIC Private Banking, 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, €23 billion in loans and nearly 1,846 employees.

1.2.4.1 Private banking in France

1.2.4.1.1 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*.

1.2.4.1.2 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 2019, 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) Data on all private banking business (CIC Private Banking, Banque Transatlantique Group, Banque de Luxembourg and Banque CIC Switzerland).

1.2.4.2 International private banking network

1.2.4.2.1 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 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 also launched new products during 2019. 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.

1.2.4.2.2 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.

1.2.5 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 in 2019. 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 HISTORY OF CIC

CIC, the oldest French depositary bank, expanded internationally and in France before combining the insurance and banking businesses.

1859. On May 7, Société Générale de Crédit Industriel et Commercial was created by imperial decree of Napoleon III.

1864-1896. CIC participates in creating banks, in France and around the world

1917. The shares of regional subsidiaries appear on CIC's balance sheet.

1918. Acquisition of equity participation in the regional banks

1927. Inception of the Groupe des Banques Affiliées (GBA) formed by the regional banks

1929. Creation of the Union des Banques Régionales pour le Crédit Industriel (UBR), which grouped 18 regional and local banks around CIC. CIC establishes Société de Secours Mutuels.

1968. The Suez-Union des Mines Group takes control of CIC.

1971-1982. Majority of CIC's capital (72%) held by Compagnie Financière de Suez.

1982. CIC is nationalized, as well as nine regional banks grouped within the Groupe des Banques Affiliées.

1983. Restructuring of CIC: 51% of the equity of regional banks is held by the parent company.

1984. Creation of CIC Union européenne, International et Cie and the Compagnie Financière de CIC.

1985. The insurance company, GAN, gains an equity stake in the Compagnie Financière de CIC.

1987. Regional banks are now held 100% by the Compagnie Financière de CIC.

1989. GAN's interest grows to 51%.

1990. Merger of the Compagnie Financière de CIC and the Banque de l'Union européenne, giving rise to the creation of l'Union européenne de CIC, a bank and holding company of CIC, with 100% equity in the regional banks.

1998. Takeover of l'Union Européenne de CIC by Crédit Mutuel, inception of the Crédit Mutuel-CIC.

1999. Inception of Crédit Industriel et Commercial (CIC), a new structure and name, both the bank's head of network and a regional bank, resulting from the merger of the Union européenne de CIC (the Group's holding company) with CIC Paris (the regional bank in Île-de-France).

2001. Acquisition of an equity stake in Gan (23%) by Crédit Mutuel.

2004. National organization around six regional divisions: Île-de-France, North-West, East, South-East, South-West and West.

2016. Merger-absorption of CM-CIC Securities, on January 1, of the investment firm subsidiary by CIC which integrates the business lines under the brand CM-CIC Market Solutions.

2017. On August 11, 2017, delisting of the CIC share after the company's takeover by BFCM and Mutuelle Investissement. On December 2, sale of the private banking business in Asia to the Crédit Agricole Indosuez Wealth Management Group.

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. Launch, in January, of Crédit Mutuel Investment Managers, dedicated to managing the assets of Crédit Mutuel Alliance Fédérale organized according to a multi-boutique platform. Crédit Mutuel Investment Managers promotes the investment solutions of Crédit Mutuel Alliance Fédérale's management entities, including CIC for structured product issues led by CIC Market Solutions and CIC Private Debt.

2

REVIEW OF THE FINANCIAL POSITION AND RESULTS FOR FY 2019

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 the 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 system[2]). 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 bank's 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 risk;
- 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 or reduce the demand for the 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 CIC are presented in section "5.2 Risk factors" in Chapter 5 "Risks Factors and Pillar 3".

2.2 CIC'S ACTIVITIES AND CONSOLIDATED EARNINGS IN 2019

2.2.1 Accounting principles

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[1].

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

Risk management information is described in a separate section of the management report.

2.2.2 Changes in consolidation scope

The following changes in scope occurred:

- the inclusion of CIC Brussels (branch);
- the inclusion of Satellite (corporate banking);
- the merger of Adepi by Crédit Industriel et Commercial;
- 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 Conseil became CIC Conseil,
  - CM-CIC Épargne Salariale became Crédit Mutuel Épargne Salariale,
  - CM-CIC Factor became Crédit Mutuel Factoring,
  - 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).

In addition, the size of CIC group's stake in GACM was reduced to 16% from 18% previously.

2.2.3 Analysis of consolidated balance sheet

The following major changes occurred in the consolidated balance sheet:

- bank deposits from customers amounted to €169.3 billion, an increase of 12.8%[2] compared to 2018, given the steady growth of current accounts (+11.1%) and deposits into passbook accounts (+5.2%);
- total outstanding net loans to customers amounted to €188.5 billion, up 5.7%[2] compared to the 2018 outstandings. Outstanding equipment loans rose by 9.0% to €59.6 billion and home loans by 6.5% to €83.9 billion;
- the net loans/customer deposits ratio stood at 111.4% as of December 31, 2019 compared to 124% the previous year;
- accounting equity attributable to the group totaled €15,616 million (compared with €15,052 million at December 31, 2018). With no transitional measures, Basel III Common Equity Tier 1 (CET 1) prudential capital amounted to €13.6 billion, while the Common Equity Tier 1 solvency ratio stood at 12.9%[3], and the total ratio at 15.0%. The leverage ratio with the application of the delegated act without transitional measures stood at 4.1% compared to 4.2% in 2018 (the leverage ratio published in 2018 was 4.1% without the exemption of the centralized regulated savings assets which is now accepted according to the decision of the EU court on July 13, 2018).

(1) The entire framework is available on the European Commission's website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.
(2) Changes calculated excluding pensions – refer to the methodology notes at the end of the Chapter.
(3) Without transitory measures.

2.2.4 Analysis of the consolidated income statement

(in € millions)	2019	2018	Change
Net banking income	**5,213**	**5,021**	**+3.8%**
General operating expenses	-3,250	-3,166	+2.7%
Gross operating income/(loss)	**1,962**	**1,855**	**+5.8%**
Cost of risk	-311	-191	+62.9%
Operating income	**1,651**	**1,664**	**-0.7%**
Net gains and losses on other assets and ECC[1]	211	225	-6.4%
Profit/(loss) before tax	**1,862**	**1,889**	**-1.4%**
Income tax	-395	-494	-20.1%
Net profit/(loss)	**1,468**	**1,395**	**+5.2%**
Non-controlling interests	11	10	+3.2%
Net profit/(loss) attributable to the group	**1,457**	**1,385**	**+5.2%**

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

In 2019, CIC's net banking income totaled €5,213 million. It rose 3.8%, thanks in part to the strong performance of the retail and private banking networks.

Net income of retail banking reached €3,726 million in 2019. It accounted for the largest share (71%) of the income from operational business lines. It increased by 2.1% in one year due to the healthy development of network activity, which offset the negative effect of low rates on the intermediation margin.

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 .

The Net banking income from private banking (11% 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 after an exceptional year of 2018.

General operating expenses in 2019 reached €3,250 million compared to €3,166 million in 2018, their increase was contained at +2.7%, below the 3.8% increase in net banking income.

This positive margin squeeze resulted in a 0.7-point improvement in the cost/income ratio which amounted to 62.4% in 2019.

The gross operating income, at €1,962 million, increased by 5.8% compared to a 2.1% decrease in 2018.

The cost of risk increased by €120 million primarily due to an exceptional provision for a corporate banking default.

Excluding corporate banking, the cost of risk was down 12% and reflected the good quality of retail banking's portfolio assets.

In relation to commitments, the retail banking's cost of proven risk was stable at 10 basis points.

The non-performing loans rate stood at 2.7% at the end of 2019 compared to 2.8% at the end of 2018 and the coverage ratio was 57.9% at the end of 2019.

Operating income was down slightly by 0.7% to €1,651 million in 2019.

The profit before tax was €1,862 million.

The net profit for 2019 was up 5.2% to €1,468 million compared to €1,395 million in 2018.

2.2.5 Ratings

Three rating agencies have recognized the financial solidity and the relevance of its business model:

	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	11/04/2019
Fitch Ratings*	AA-	AA-	Négative	F1+	a+	03/30/2020

* *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) at Standard & Poor's, to the Adjusted Baseline Credit Assessment (Adj. BCA) at Moody's and the Viability Rating at 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 on the negative watch, and (ii) the banks whose ratings were deemed more resilient, such as those of Crédit Mutuel Alliance Fédérale, being given a negative outlook.

On October 16, 2019, Standard & Poor's upgraded the Crédit Mutuel group's intrinsic 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".

2.2.6 Analysis of results by business line

2.2.6.1 Description of business lines

The activities selected correspond to the organizational structure of CIC, as illustrated in the chart in the universal registration document.

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

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

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

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

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

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

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

2.2.6.2 Retail banking

(in € millions)	2019	2018	Change
Net Banking Income	**3,726**	**3,650**	**+2.1%**
General operating expenses	-2,337	-2,327	+0.4%
Gross operating income/(loss)	**1,390**	**1,322**	**+5.1%**
Cost of risk	-179	-182	-1.8%
Operating income	**1,211**	**1,140**	**+6.2%**
Net gains and losses on other assets and ECC[1]	145	199	-27.0%
Profit/(loss) before tax	**1,356**	**1,339**	**+1.3%**
Income tax	-379	-428	-11.3%
Net profit/(loss)	**977**	**912**	**+7.2%**
Non-controlling interests	5	4	+23.6%
Net profit/(loss) attributable to the group	**972**	**907**	**+7.1%**

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

The banking network and business subsidiaries continued their momentum of conquest and equipment resulting in high growth rates in outstanding loans and deposits.

Retail banking's outstanding loans rose 5.7% over one year to €154 billion and deposits increased by 10.9% to €130.9 billion.

Net banking income from retail banking increased by 2.1% compared to 2018 to €3,726 million. It accounted for 71% of the income of operational business lines. The increase in the interest margin supported this increase, as higher volumes offset the slight decrease in the intermediation margin rate.

The change in general operating expenses was limited to 0.4% thanks to the continued digital transformation of our customer relationship and the modernization of the network. The cost/income ratio of the retail bank improved by 110 basis points to 62.7% and the gross operating income at €1,211 million increased 6.2% from €1,140 million in 2018.

The cost of risk decreased by €3 million (-1.8%).

The net profit for retail banking improved by 7.2% to €977 million in 2019 from €912 million in 2018.

2.2.6.2.1 Banking network

(in € millions)	2019	2018	Change
Net Banking Income	**3,505**	**3,430**	**+2.2%**
General operating expenses	-2,180	-2,184	-0.2%
Gross operating income/(loss)	**1,324**	**1,246**	**+6.3%**
Cost of risk	-180	-167	+7.9%
Operating income	**1,144**	**1,079**	**+6.0%**
Net gains and losses on other assets and ECC[1]	-12	1	ns
Profit/(loss) before tax	**1,132**	**1,080**	**+4.8%**
Income tax	-366	-416	-12.0%
Net profit/(loss)	**766**	**664**	**+15.3%**
Net profit/(loss) attributable to the group	**766**	**664**	**+15.3%**

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

The number of banking network customers stood at 5.22 million at the end of December 2019, up 1.6% year-on-year. The number of self-employed professional and business customers increased by more than 3% with 1,032 million customers at end of 2019 (20% of the total) and for individuals the increase was of 1.2%.

Outstanding deposits increased significantly by 11.5% over one year to €128.1 billion: current accounts (up 12.9%), fixed-term deposits held mainly by companies and professionals (up 24.2%) and deposits on passbook accounts (up 6.3%).

Managed savings, held in custody, amounted to €60.9 billion in outstanding assets at the end of 2019 and increased by 6.1%, mainly driven by life insurance (up 6.5% to nearly €38.1 billion).

Appropriation of loans increased by 2.6%, with the result of a 5.9% increase in outstanding loans to almost €133 billion. This increase was marked for home loans (up 6.1%) and investment loans (up 7.9%).

Cross-selling of products and services for the client's benefit strengthened in insurance with growth of 4.3% in the number of in-force contracts (5.6 million) as in services:

- +8.7% in remote banking with 3.0 million contracts;
- +4.4% in Homiris theft protection (more than 107,000 contracts);
- +5.7% in telephony (more than 527,000 contracts);
- +3.6% in payment terminals (almost 149,000 contracts).

With respect to the income statement, the net banking income from CIC's banking and insurance network increased by 2.2% to €3,505 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 very well controlled (-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 by 4.8% at €1,132 million.

2.2.6.2.2 Support services for retail banking

Support services for retail bank insurance activities generated a net banking income of €222 million in 2019, up 1.1%. Increases in factoring, employee savings, and real estate leasing were partially offset by a drop in equipment leasing.

Profit before tax was €224 million, compared to €259 million in 2018, after taking into account the share of income of the Groupe des Assurances du Crédit Mutuel, of €156 million, down following the sale to BFCM of 2.44% of CIC's stake in GACM.

2.2.6.3 Private banking

(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%**
Net profit/(loss) attributable to the group	**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.

General operating expenses amounted to €413 million and increased by 10.1% compared to 2018 in line with the recruitment policy to adapt to the 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.

Net profit was down 4.2% (non-recurring income in 2018 on the line "Net gains and losses on other assets and ECC").

2.2.6.4 Corporate banking

(in € millions)	2019	2018	Change
Net Banking Income	**365**	**369**	**-1.0%**
General operating expenses	-117	-108	+9.0%
Gross operating income/(loss)	**248**	**261**	**-5.1%**
Cost of risk	-136	8	ns
Profit/(loss) before tax	**111**	**269**	**-58.7%**
Income tax	14	-67	ns
Net profit/(loss)	**125**	**202**	**-38.1%**
Net profit/(loss) attributable to the group	**125**	**202**	**-38.1%**

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 1% in 2019, amid low interest rates that weighed on margins, deposit-taking and lending conditions.

Expenses are rising. General operating expenses increased by 9%. The cost of risk amounted to -€136 million; it was impacted by exceptional provisions primarily relating to a loan default. Net profit/(loss) fell 38.1% to €125 million.

2.2.6.5 Capital markets

(in € millions)	2019	2018	Change
Net Banking Income	**337**	**244**	**+38.0%**
General operating expenses	-226	-212	+6.8%
Gross operating income/(loss)	**111**	**32**	**x3.4**
Cost of risk	-3	-1	ns
Profit/(loss) before tax	**108**	**31**	**x3.4**
Income tax	-28	-11	ns
Net profit/(loss)	**80**	**20**	**x3.9**
Non-controlling interests	6	6	-9.9%
Net profit/(loss) attributable to the group	**75**	**14**	**x5.3**

The Net banking income increased by 38% to €337 million; revenues benefited in particular from 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 €78 million.

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

2.2.6.6 Private equity

(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	-	1	n.s.
Profit/(loss) before tax	**214**	**230**	**-6.9%**
Income tax	-1	1	n.s.
Net profit/(loss)	**213**	**231**	**-7.6%**
Net profit/(loss) attributable to the group	**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 international deployment required to continue to support portfolio companies and develop equity investments accelerated: At the end of 2019, the investment in seven Credit 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.

This resulted in net income of €213 million.

2.2.6.7 Structure and holding

(in € millions)	2019	2018	Change
Net Banking Income	**-53**	**-70**	**-24.8%**
General operating expenses	-106	-95	+11.6%
Gross operating income/(loss)	**-159**	**-165**	**-3.9%**
Cost of risk	1	-1	n.s.
Operating income	**-157**	**-166**	**-5.3%**
Net gains and losses on other assets and ECC[1]	64	-0	n.s.
Profit/(loss) before tax	**-93**	**-166**	**-43.9%**
Income tax	32	58	-44.3%
Net profit/(loss)	**-61**	**-108**	**-43.7%**
Net profit/(loss) attributable to the group	**-61**	**-108**	**-43.7%**

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

At December 31, 2019, NBI of the holding structure mainly included:

- -€43 million for the financing of the cost of subordinated notes and group cash (-€52 million in 2018);
- -€34 million in financing for the network development plan (-€32 million in 2018).

The improvement in NBI of 27 million between 2018 and 2019 comes from the financial margin (€9 million), the increase in dividends (7 million) and the positive change in revaluations of unconsolidated securities (9 million).

General operating expenses went from -€95 million at the end of 2018 to -€106 million at the end of 2019.

The cost of risk recorded an expense of €1 million compared to a profit of €1 million in 2018.

This resulted in a pre-tax loss of -€93 million, compared to -€166 million at the end of 2018.

Taxes recorded proceeds of €32 million compared to proceeds of €58 million in 2018.

Net income attributable to the group amounted to -€61 million compared with -€108 million in 2018.

2.2.7 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

			Change	
(in € millions)	12/31/19	12/31/2018	in %	in M€
Loans and receivables to customers at amortized cost (A)	**188,523**	**188,520**	**0.0%**	**+3**
o/w repos* (B)	915	11,067	n.s.	-10,152
Customer loans excluding pensions (A) - (B)	**187,608**	**177,453**	**+5.7%**	**+10,155**

* *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.

OUTSTANDING CUSTOMER DEPOSITS

			Change	
(in € millions)	12/31/2019	12/31/2018	in %	in M€
Due to customers at amortized cost (A)	**169,306**	**152,060**	**+11.3%**	**+17,246**
o/w repos* (B)	3	2,024	n.s.	-2,021
Customer deposits excluding repos (A) - (B)	**169,303**	**150,036**	**+12.8%**	**+19,267**

* *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.

2.2.8 Alternative performance indicators

2.2.8.1 Definitions of alternative performance indicators

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).

Name	Definition/calculation method	For ratios, reason for use
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 items in the consolidated income statement: Difference between interest received and interest paid: ■ interest received = "Interest and similar income" item of the publishable consolidated income statement; ■ interest paid = "Interest and similar expenses" item of the publishable consolidated income statement.	Representative measurement of profitability.
Net loans/customer deposits 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.

2.2.8.2 Alternative performance indicators, reconciliation with the financial statements

Cost/income ratio *(in € millions)*	2019	2018
General operating expenses	-3,250	-3,166
Net banking Income	5,213	5,021
COST/INCOME RATIO	**62.4%**	**63.1%**

Cost/income ratio for retail banking *(in € millions)*	2019	2018
General operating expenses for retail banking	-2,337	-2,327
Net banking income for retail banking	3,726	3,650
COST/INCOME RATIO FOR RETAIL BANKING	**62.7%**	**63.8%**

Cost of proven customer risk related to outstanding loans *(in bps)*	2019	2018
Cost of proven customer risk of retail banking	-154	-146
Gross loans to customers of retail banking	156,113	147,849
COST OF PROVEN CUSTOMER RISK RELATED TO OUTSTANDING LOANS *(in bps)*	**10**	**10**

Coverage ratio *(in € millions)*	2019	2018
Customer write-downs	3,012	2,892
Non-performing loans	5,207	4,959
COVERAGE RATIO	**57.9%**	**58.3%**

Rate of non-performing loans *(in € millions)*	2019	2018
Non-performing loans	5,207	4,959
Gross loans to customers (excluding repurchase agreements and collateral deposits)	190,411	180,160
RATE OF NON-PERFORMING LOANS	**2.7%**	**2.8%**

2.2.9 Information on establishments included in the scope of consolidation

Information on establishments included in the scope of consolidation are provided according to Article 7 of Law 2013-672 of July 26, 2013 of the French Monetary and Financial Code amending Article L.511-45 and Decree No. 2014-1657 of December 29, 2014.

2019: Establishments by country	Business line
Belgium	
Banque Transatlantique Belgium	Private banking
Crédit Mutuel Leasing Benelux	Subsidiaries of the banking network
CIC Brussels (branch)	Corporate banking
Cayman Islands	
CIC Grand Cayman (branch)[1]	Capital markets
France	
Adepi	Structure and logistics
Banque Transatlantique	Private banking
CIC Est	Retail banking
CIC Lyonnaise de Banque	Retail banking
CIC Nord Ouest	Retail banking
CIC Ouest	Retail banking
CIC Participations	Structure and logistics
CIC Sud Ouest	Retail banking
Crédit Mutuel Asset Management	Subsidiaries of the banking network
Crédit Mutuel Leasing	Subsidiaries of the banking network
Crédit Mutuel Capital	Private equity
CIC Conseil	Private equity
Crédit Mutuel Épargne Salariale	Subsidiaries of the banking network
Crédit Mutuel Factoring	Subsidiaries of the banking network
Crédit Mutuel Innovation	Private equity
Crédit Mutuel Equity	Private equity
Crédit Mutuel Equity SCR	Private equity
Crédit Mutuel Real Estate Lease	Subsidiaries of the banking network
Crédit Industriel et Commercial – CIC	Bank
Dubly Transatlantique Gestion	Private banking
Gesteurop	Structure and logistics
Groupe des Assurances du Crédit Mutuel (GACM)	Insurance company
Satellite	Corporate banking
Germany	
Crédit Mutuel Leasing Gmbh	Subsidiaries of the banking network
Hong Kong	
CIC Hong Kong (branch)	Corporate banking
Luxembourg	
Banque de Luxembourg	Private banking
Banque de Luxembourg Investments SA	Private banking
Banque Transatlantique Luxembourg	Private banking
Cigogne Management	Capital markets
Netherlands	
Crédit Mutuel Leasing Nederland (branch)[2]	Subsidiaries of the banking network
Singapore	
CIC Singapore (branch)	Corporate banking, capital markets and private banking
Spain	
Crédit Mutuel Leasing Spain (branch)	Subsidiaries of the banking network

2019: Establishments by country	Business line
Switzerland	
Banque CIC (Switzerland)	Private banking
UK	
Banque Transatlantique London (branch)	Private banking
CIC London (branch)	Corporate banking
United States	
CIC New York (branch)	Corporate banking and capital markets

(1) Entity whose sole purpose is the refinancing of the New York branch through borrowing operations in dollars from money market funds.
(2) Entity included in the accounts of CM-CIC Leasing Benelux in 2018.

Country	Net Banking Income	Income / (loss) before tax	Current tax	Deferred taxes	Other tax	Public subsidies	Workforce
Germany	4	2	0	0	-1		4
Belgium	17	7	-2	0	-1		49
Spain	1	0	0	0	0		5
United States of America	118	57	3	-2	-9		91
France	4,508	1,616	-396	29	-733		18,268
Hong Kong	8	3	-1	0	-1		15
Cayman Islands	0	0	0	0	0		0
Luxembourg	306	90	-18	2	-29		988
Netherlands	0	0	0	0	0		1
UK	43	18	-3	0	-4		70
Singapore	61	28	-4	0	-4		134
Switzerland	147	42	-5	2	-11		358
TOTAL	**5,213**	**1,863**	**-426**	**31**	**-793**		**19,983**

Except for the workforce, the data presented are in millions of euros.

2.2.10 Recent developments and prospects

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, of which CIC is a subsidiary, are to protect all employees and their families and 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.

Prospects

CIC posted good sales performances in 2019 in all aspects of its retail banking business: banking, insurance, mobile phone services, remote surveillance, etc. At the service of the regional economies, CIC is continuing, through its five regional banks and its network in Ile-de-France, its technological development for an enhanced relationship serving its 5.22 million customers. As a leading player in business financing, CIC supports entrepreneurs' projects at all stages of their development. In 2019, as part of the company mobilization effort for the development of the digital economy, CIC made a strong commitment to the financing of French Tech. Like its parent company, Crédit Mutuel Alliance Fédérale, it started Year 2 of its ensemble#nouveaumonde (together#newworld) strategic plan with the aim of affirming its performance and its positioning: to be a human-centered, responsible bank.

These items related to the outlook were announced at the Board of Directors' meeting on February 18. 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.

2.2.11 Significant changes

No significant changes to the commercial or financial position of CIC have occurred since the end of the last fiscal year for which audited financial statements have been issued, except for the Covid-19 epidemic which is covered in section 2.2.10 "Recent developments and prospects".

2.2.12 Financial risks related to climate change

See the section in Chapter 3 "Corporate social responsibility".

2.3 ACTIVITIES AND PARENT COMPANY RESULTS IN 2019

The annual financial statements were the subject of a report by the statutory auditors.

2.3.1 Accounting principles

Annual financial statements are prepared in accordance with ANC 2014-03 rules pertaining to general accounting blueprints as amended by ANC 2015-06 and 2014-07 rules pertaining to company accounts in the banking sector.

2.3.2 Highlights of fiscal year 2019

None.

2.3.3 Evolution of CIC network in the Paris region

On December 31, 2019, the Paris region network was comprised of 300 branches.

The number of customers stood at 797,866, an increase of 2.4%.

Outstanding loans were up by 6.8% in comparison to 2018. They reached €20.1 billion, of which €14.0 billion were home loans (+8.0%). Deposits rose by 9.5% with outstandings at €28.0 billion. Financial savings amounted to €11.5 billion (+8.5%).

2.3.4 Evolution of corporate banking and capital markets

Outstanding loans reached €20.6 billion, a decrease of 44.7%.

Deposits reached €10.7 billion as compared to €11.2 billion in 2018.

2.3.5 Corporate profit / (loss) for 2019

Net banking income (NBI) rose from €1,573 million in 2018 to €1,974 million in 2019, including a €209 million increase in the interest margin, and higher NBI on capital markets, helped by a rebound in portfolio valuations that made up for a difficult end of 2018. Dividends received from subsidiaries and holdings stood at €778.8 million compared to €641.3 million in 2018, up 21.4%. They originated essentially from regional banks and subsidiaries of Crédit Mutuel Alliance Fédérale.

Net commissions amounted to €375 million compared to €390 million in 2018.

General operating expenses increased 4.2% to €854 million (from €819 million in 2018) with an average full-time equivalent workforce increasing from 3,756 in 2018 to 3,841 in 2019.

Gross operating income (GOI) stood at €1,120 million compared to €754 million in 2018 (-48.6%).

The cost of risk increased by €71 million. It amounted to €118 million at the end of 2019 as compared to €47 million a year earlier. This increase was mainly attributable to an extraordinary corporate banking provision for an insolvency arrangement.

The net gain on non-current assets was €843 million compared to €117 million in 2018, due notably to net divestment of long-term investment securities (+€850 million in 2019 compared to +€128 million in 2018).

Taxes on profits include income tax pertaining to CIC's activity as well as CIC's result from tax consolidation. These were €19 million in 2019 compared to €49 million in 2018.

The corporate net profit was €1,823 million as compared to €772 million in 2018, or an increase of 136%.

Equity stood at €9,640 million on December 31, 2019 (8,809 on December 31, 2018).

For compensation paid to executives, please refer to the consolidated management report.

For shareholders at December 31, 2019, modifications that occurred during the fiscal year as well as dividends paid appear in chapter 8 "Capital and legal information."

The activities of subsidiaries are presented in the tables shown under 7.4 "Activities and financial results of subsidiaries and holdings."

2.3.6 The LME Law – Payment terms

Articles L.441-6-1 and D.441-4 of the French Commercial Code provide specific information pertaining to payment terms for suppliers and customers to companies whose financial statements are certified by an auditor.

In view of the statute establishing credit, information that is communicated pertaining to payment terms provided for under Article D.441-4 of the French Commercial Code does not include banking operations and related operations governed by the French Monetary and Financial Code.

- The status of outstanding invoices received and issued, which are due (Article D.441-4 § I), is defined as follows at the end of December 2019:

	Article D.441-4 1°: Outstanding invoices received at the end of the fiscal year which are due						Article D.441-4 2°: Outstanding invoices issued at the end of the fiscal year which are due					
	0 day (identifier)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)	0 day (identifier)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) TRANCHES OF LATE PAYMENTS												
Number of invoices concerned	259					101	341					98
Total amount of nvoices concerned including tax	1,442 884.17	659, 012.48	11,750.95	2,945.73	9,356.70	683, 065.86	1,623 749.55	44,127.00	74,570.00	51,254.88	211, 745.75	381, 697.63
Percentage of total amount of purchases including tax for the fiscal year	0.80%	0.36%	0.01%	0.00%	0.01%	0.38%						
Percentage of revenue including tax for the fiscal year								0%	0%	0%	0%	0%
(B) INVOICES EXCLUDED FROM (A) INVOLVING DISPUTED OR UNRECOGNIZED PAYABLES AND RECEIVABLES												
Number of invoices excluded												
Total amount of invoices excluded												
(C) TERMS OF PAYMENT OF REFERENCE USED (CONTRACTUAL OR LEGAL PERIOD – ARTICLE L.441-6 OR ARTICLE L.443-1 OF THE FRENCH COMMERCIAL CODE)												
Terms of payment of reference used for calculating late payments	■ Contractual delay: 30 days ■ Legal delays: without provisions to the contrary appearing in the terms of sale or agreed to between the parties, the deadline for payment is fixed on the 30th day following receipt of the merchandise or performance of the service.						■ Contractual delay: 30 days ■ Legal delays: without provisions to the contrary appearing in the terms of sale or agreed to between the parties, the deadline for payment is fixed on the 30th day following receipt of the merchandise or performance of the service.					

- Statement of invoices received and issued carrying late payments during the period (Article D.441-4 § II):

  There were no significant (non-banking) transactions that were subject to late payment during 2019.

The few outstanding debts at the end of 2019, insignificant in amount, which are more than 61 days past due represent remaining sums due following a dispute, oversight, or even in a few cases, debts representing notary expenses and taxes due to the Government in the context of the acquisition or construction of buildings.

3

CORPORATE SOCIAL RESPONSIBILITY

3.1 PREAMBLE

This non-financial performance statement is drawn up on a voluntary basis and 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.

The actions of Crédit Mutuel group in terms of corporate social responsibility are subject to statements of non-financial performance (NFPS) by the Confédération Nationale du Crédit Mutuel (voluntary) and by the Crédit Mutuel Alliance Fédérale. Crédit Mutuel Alliance Fédérale's statement is published in its registration document.

NB: Unless otherwise noted by an *, the following remarks apply to figures mentioned in the indicator tables included at the end of the statement.

Furthermore, some section headings include MA, R/O, SOCXX, SOTXX, ENVXX coding to facilitate comparison with the cross-reference table present at the end of this statement.

3.2 CIC'S BUSINESS AND VALUE-SHARING MODEL (BM)

For more than a century and a half, CIC has distinguished itself by relying on a spirit of initiative, a capacity for innovation, a taste for challenges, an entrepreneurial mindset and a search for simplicity.

The primary subsidiary of Crédit Mutuel Alliance Fédérale, CIC is a universal bank organized around five business lines – bank insurance, corporate banking, capital markets, private banking, private equity.

A community bank, CIC, a holding and retail banking network in the Paris region, brings together five regional banks and specialized subsidiaries in all the finance and insurance business lines, in France and abroad.

It relies on a physical network of nearly 2,000 branches in France, foreign branches, representation offices and private banking locations abroad covering 50 countries worldwide.

A digital bank that's 100% human, CIC is diversifying how it creates relationships: branches, social media, collaborative platforms, etc.

It is run by 20,000 employees in the service of more than five million customers.

DATA AS OF DECEMBER 31, 2019

CUSTOMERS BY MARKET [1]	COMMERCIAL ACTIVITY	FINANCIAL STRUCTURE
4.2 MILLION PRIVATE INDIVIDUALS	€188.5 BILLION IN LOANS [2]	€15.7 BILLION IN EQUITY
ALMOST 126,000 NON-PROFITS	€169.3 BILLION IN FUNDING [2]	CET1 RATIO WITH NO CIC GROUP TRANSITIONAL MEASURES: 12.9%
143,000 BUSINESSES	€179.3 BILLION IN SAVINGS (MANAGED AND HELD IN CUSTODY) €35.5 BILLION IN INSURANCE SAVINGS	CET1 RATIO WITH NO CRÉDIT MUTUEL ALLIANCE FÉDÉRALE TRANSITIONAL MEASURES: 17.3%
764,000 CORPORATE	€5.6 MILLION IN INSURANCE BASED SAVINGS IARD	LONG-TERM RARTINGS: MOODY'S [3]: Aa3 STANDARD&POOR'S [4]: A FITCH [5]: AA- OUTLOOK: STABLE [6]/ NEGATIVE [7]
	€2.3 BILLION INVESTED IN UNLISTED COMPANIES	

1 *Banking network customers.*
2 *Consolidated outstandings on the books.*
3 *CIC.*
4 *Crédit Mutuel Alliance Fédérale.*
5 *Credit Mutuel Group.*
6 *For Moody's and Standard & Poor's.*
7 *For Fitch Ratings.*

CIC's solid financial balance sheet underpins its development strategy in proposing multiple offers in banking, insurance, telephony, remote surveillance, etc.

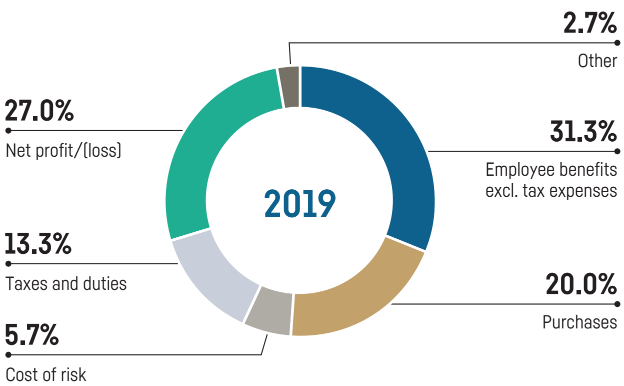
In the service of human beings, whom it places at the heart of the relationship, CIC strives to support its customers wherever they are in real time by proposing high quality, appropriate and competitive products, and by combining adept tools, a smooth flow of information, excellence in service and protection of data and assets in each of its business lines.

A digital bank, which benefits from the group's IT resources, it offers innovative products with cutting-edge technology.

The priority of CIC's strategic plan, which is part of Crédit Mutuel Alliance Fédérale's 2019-2023 strategic plan ensemble#nouveaumonde, is to be the bank of reference when it comes to customer service, range of services and innovation in a digital world, for an enhanced relationship between advisors and customers, and thus creating an ecosystem of trust in a context marked by:

- a complex macro-economic environment with historically low rates;
- increasing regulatory pressures;
- technological changes (digital change), which impact the customer relationship (internal processes, computer security) and create new competitors;
- new expectations by customers who are better informed, more connected, and concerned about secure on-line banking services;
- the changing behaviors and expectations of stakeholders;
- climate change and scarcity of resources.

DISTRIBUTION OF VALUE (SOT09)



At the employee level:

- 6.4% of payroll expense invested in training;
- nearly 4,500 hires (permanent + fixed-term contracts) in 2019;
- 47% of women among managerial staff or similar roles.

At the customer level:

- 83.8 billion in outstanding housing loans[1]; (+6.6% compared to 2018);
- 59.5 billion in outstanding equipment loans[1] (+9%);
- 1.6 billion in outstandings[2] for financing renewable energy projects in France and internationally;
- +14% in the number of projects financed in renewable energies with professionals, farmers and small businesses;
- 308 proprietary trading investments in non-listed companies.

At the country level:

- 86.5% of NBI is generated in France;
- +22% of Passbook Savings outstandings for others between 2018 and 2019;
- over 20 million in budget dedicated to patronage and sponsorships;
- 13% of revenues returned to communities through taxes and duties.

At the financial level:

- 71% of NBI achieved by retail banking;
- higher long-term financial ratings.

These elements complete the description of CIC's activities, its business model and the financial information presented at the beginning of this universal registration document (see Chapter 2).

(1) Consolidated outstandings on the books.
(2) Aggregate authorizations.

3.3 CIC'S SOCIAL AND ENVIRONMENTAL AMBITIONS

CIC participates in the policy defined by Crédit Mutuel Alliance Fédérale based on its values since its creation: proximity, responsibility, solidarity, and is associated with the Crédit Mutuel group's adherence, *via* CNCM, to the Principles for Responsible Banking of the United Nations Environment Program Finance Initiative (UNEP FI). These Principles define a framework, developed in partnership between banks around the world and UNEP FI, for a sustainable banking industry.

(ENV01) Crédit Mutuel Alliance Fédérale is developing its CSR approach – known as social and cooperative responsibility (SCR) – with a goal of creating innovation, wealth and sustainable growth. Based on a relationship of mutual trust by all, this policy has five goals broken down into fifteen commitments:

GOAL	COMMITMENTS
POLICYHOLDERS AND CUSTOMERS	1 – Listen to our customers and members
	2 – Promote bank inclusiveness
	3 – Control risks in the conduct of business
OF GOVERNANCE	4 – Support efficient functioning of governing bodies
	5 – Empower cooperative governance
SOCIETAL	6 – Formalize a policy of responsible purchasing
	7 – Maintain responsible relationships with our partners
	8 – Contribute to the development of the country
	9 – Support local initiatives
SOCIAL	10 – Promote diversity and equal opportunity
	11 – Strengthen support for careers, synergies in the development of internal mobility and development of skills
	12 – Make work life and internal communication processes a strategic lever for employee commitment
	13 – Strengthen the dynamics of social dialog
ENVIRONMENTAL	14 – Reduce our environmental impact
	15 – Promote quality products and responsible services

Work began at the end of 2019 to match these ambitions with the United Nations' sustainable development objectives, with the voluntary participation of all the group's entities. The ambition is to identify the Sustainable Development Goals (SDGs) corresponding to the group's strategic objectives and those that can be leveraged. The first step was to develop a questionnaire correlating the categories of the 17 SDGs with the actions carried out under the SCR strategy in order to assess the level of contribution to each SDG.

The analysis of this questionnaire made it possible to select six SDGs (numbers 3, 4, 5, 8, 9 and 13) that were consistent with the commitments of the group's SCR approach. These results will be put to a vote among the stakeholders in order to prioritize this selection and define those that will be integrated into the SCR strategy.

Finally, the SDGs selected will then be validated by the governing and deliberative bodies and subsequently integrated into the governance of Crédit Mutuel Alliance Fédérale after validation by the boards of directors concerned.

Furthermore, in 2015 Crédit Mutuel Alliance Fédérale adhered to Committee 21, a network of stakeholders involved in the operational implementation of sustainable development and on December 19, 2018, it committed itself alongside other businesses to initiatives regarding inclusive access to products and services concerning training and learning in 2019 and 2020, in conjunction with governmental measures taken in favor of purchasing power.

This SCR approach is an integral part of the 2019-2023 strategic plan "ensemble#nouveaumonde" of the group articulated in 2018 with employees, integrating in particular the following goals:

- 100% of employees trained in transformation;
- gender equality in management and governance positions;
- 30% increase in financing of projects with a significant impact on the climate;
- 30% reduction in the group's carbon footprint.

In order to evaluate its actions in environmental, social and governance matters and as part of a continuous improvement process, Crédit Mutuel Alliance Fédérale has mandated a non-financial rating agency to obtain an annual rating. As of October 31, 2019, Crédit Mutuel Alliance Fédérale obtained an A1 rating from Vigéo Eiris based on an overall score of 63/100. Crédit Mutuel Alliance Fédérale is among the top 2% of companies rated by Vigéo Eiris worldwide and fifth in the Diversified Banking sector in Europe.

As of April 15, 2020	Non-Financial Ratings*
VIGEO EIRIS	63/100
SUSTAINALYTICS	62/100
ISS OEKOM	C-
MSCI	AA

* *BFCM ratings taking into account the entire scope of Crédit Mutuel Alliance Fédérale for VIGEO EIRIS, SUSTAINALYTICS, MSCI, and Crédit Mutuel group rating for ISS OEKOM.*

CIC's mission also consists of pursuing its commitment to sustainable development in regions where it operates, through, among other things, its responsible management, its service offerings and its support for initiatives with positive social and environmental impacts.

Its contacts in each of the group's entities are working in collaboration with the SCR team, which is integrated with the risk, permanent control and compliance department of Crédit Mutuel Alliance Fédérale.

In parallel with the group's action, working groups and committees dedicated to particular themes or actions may be constituted within some of the group's entities. Likewise, some initiatives in this domain may be subject to approval at the management committee level and commitments taken by certain entities of the group. As an example, the Banque de Luxembourg is a member of the IMS Luxembourg business network, the national branch of Europe's CSR organization, which works in developing CSR policies in Luxembourg. It is involved in the ABBL's CSR working group and sustainable development working group. A CSR committee under the responsibility of the bank's general secretary, in which the bank's business lines, human resources, facilities, communication and compliance participate, coordinates existing initiatives within the Bank and leads a process of reflection to fully integrate CSR into the overall strategy.

3.4 THE GROUP'S NON-FINANCIAL RISKS AND OPPORTUNITIES (R/O)

CIC is exposed to a certain number of associated risks, which are detailed in the "Financial Information" section of the universal registration document.

The primary non-financial risks/opportunities identified result from the challenges confronted by the group as previously described and from relationships that it is developing with its stakeholders described below (ENV02):

- relationships with shareholders and executives: involvement of CIC and its subsidiaries in the process of corporate social responsibility described below (validation of sectoral policies by the boards of directors, etc.);
- at the level of employees and their representative bodies: refer to Chapter 3.5 "Responsible Management of Human Resources";
- with private customers, professionals, associations, businesses: this concerns communication at the time a service or product is designed, signing of contracts, response to the bidding process, response to questionnaires (see Chapter 3.7 "A Responsible Economic Agent");
- suppliers, sub-contractors, firms providing jobs for the unemployed or appropriate companies: relationships are established at the level of the group's business line centers for certain supplier relationships (logistics, IT) and at the level of each entity for other suppliers. These are detailed in Chapter 3.6 of the Vigilance Plan, "Being a Trusted Partner";
- associations, foundations, partnerships, universities, civil society: see Chapter 3.7: "An Actor in Culture and Society";
- professional organizations in the field of activity of each of CIC's entities: regular contacts as part of country-wide animation;
- governments, monitoring and regulatory authorities, rating agencies: transmission of information;
- the relationships with non-financial ratings agencies and NGOs when controversies are handled at the level of Crédit Mutuel Alliance Fédérale and the Confédération Nationale du Crédit Mutuel (CNCM).

A map of Environmental, Social and Governance (ESG) risks was outlined for all of Crédit Mutuel Alliance Fédérale. The summary of risks presented below covers all the risks identified other than governance risks or elements specific to Crédit Mutuel Alliance Fédérale.

The denoted performance indicators sometimes cover a larger scope than that of CIC to the extent it concerns indicators originating from Crédit Mutuel Alliance Fédérale's business line centers.

MAP OF SIGNIFICANT ESG RISKS

SUMMARY

Non-financial information category	Significant non-financial risks	Primary prevention measures	Performance indicators
GOVERNANCE			
Failure to advise the clientele Inappropriate goods and services sold	Risk of losing customers	Routine quality measures Satisfaction surveys Adaptation of proposed offerings	Complaints monitoring indicator (Paragraph 3.6.2.2.9 and 3.6.2.3.5)

GOVERNANCE: 2019 PERFORMANCE INDICATORS

Non-financial information	Performance indicators	
Failure to advise the clientele Inappropriate goods and services sold	Complaints monitoring indicator	Change 2019-2018 in the number of claims: +19.9%. Over 90% handled within 1 month during the year.

Non-financial information category	Significant non-financial risks	Primary prevention measures	Performance indicators
SOCIAL			
Transformation of skills Lack of employee training	Risk of non-compliance of banking operations	Significant training budget (> 6% of payroll expense)	Training indicators (Paragraph 3.12 – SOC46; SOC47; SOC50)
		Support for all employees in digital transformation	Rate of transformation training (Paragraph 3.5.1.1 – SOC122)
Discharge of employees (management of employees, professional recognition, quality of work life, etc.)	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 quality of work life, etc.)	Job rotation rate (Paragraph 3.5.2.1.1 – SOC27) Absenteeism indicators: Change in the number of days of absence (Paragraph 3.5.2.2 and 3.12-SOC 124; SOC38; SOC39; SOC40)

SOCIAL: 2019 PERFORMANCE INDICATORS

Non-financial information	Performance indicators	
Transformation of skills Lack of employee training	Training indicators	SOC46 Amount of payroll expense invested in training: €59.6m (+2.8% on 2018) SOC47 Percentage of payroll expense invested in training: 6.4% (stable) SOC50 Total number of hours allocated to employee training: 736,748, or 37 hours per employee (5.9%)
	Rate of transformation training	32.7% of employees registered for training on the digital passport in 2019 were certified.
Discharge of employees (management of employees, professional recognition, quality of work life, etc.)	Job rotation rate	Rotation rate of 4.2% (4.3% in 2018)
	Absenteeism indicator: Change in the number of days of absence	+0.5 day per employee between 2018 and 2019

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	Number of supplier charters signed (Paragraph 3.6.2.3.5)
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 control procedures of banking and insurance operations	Amount of claims for internal and external fraud (Paragraph 3.6.1.1)
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)	Availability rate of primary TP applications[1] (Paragraph 3.6.2.3.3) Impact of claims > €1,000 (Paragraph 3.6.2.3.3) GDPR training rate (Paragraph 3.5.1.1)

Non-financial information category	Significant non-financial risks	Primary prevention measures	Performance indicators
SOCIETAL: 2019 PERFORMANCE INDICATORS			
Non-financial information		**Performance indicators**	
Lack of awareness of the ESG issues in the group purchasing policy		Number of supplier charters signed	In 2019, nearly 2,000 charters were signed by suppliers of CCS (suppliers with revenue higher than €5,000) and nearly 80 by suppliers of Euro-Information (SOT100) (responsive or essential suppliers and new suppliers)
Malice in the handling of customer/prospect banking operations		Amount of claims for internal and external fraud	Internal and external fraud reached €15.3 million and accounts for almost 32% of total claims
IT systems security failure		Availability rate of primary TP applications[1]	The average availability rate of the primary TP2 applications is 99.54% (99.63% in 2018)
		Impact of claims > €1,000	There were 298 claims costing more than €1,000 (239 in 2018)
		GDPR training rate	Almost 75% of employees have completed an e-learning module on the General Data Protection Regulation
FIGHT AGAINST CORRUPTION			
Non-respect of procedures	Risk of corruption	Regular training of employees Internal controls	Percentage of employees trained in the fight against corruption (Paragraph 3.6.2.3.5)
FIGHT AGAINST CORRUPTION: 2019 PERFORMANCE INDICATORS			
Non-financial information		**Performance indicators**	
Non-respect of procedures		Percentage of employees trained in the fight against corruption	55% of training sessions were undertaken by relevant employees in 2019
HUMAN RIGHTS			
Controversies over the non-respect of human rights	Risk of exposure through banking and insurance activities	Contractual clauses Crisis management mechanism Monitoring performed using a scoring tool Monthly reporting and compilation of a list of excluded securities for asset management purposes	Number of alerts from the "Power to Report" monitoring tool (Paragraph 3.6.2.3.4)
	Risk of non-respect of the vigilance plan	Communication of the vigilance plan	
HUMAN RIGHTS: 2019 PERFORMANCE INDICATORS			
Non-financial information		**Performance indicators**	
Controversies over the non-respect of human rights		Number of alerts from the "Power to Report" monitoring tool	Data not available

Non-financial information category	Significant non-financial risks	Primary prevention measures	Performance indicators
ENVIRONMENTAL			
Absence of dedicated CSR governance	Regulatory risk (poor application of regulatory texts)	The group's CSR commitment Validation of decisions by the boards of directors of umbrella organizations Dedicated organization with contacts in each entity	CSR indicators included in the strategic plan "ensemble#nouveaumonde 2019-2023" (Paragraph 3.3)
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)	GHG Emissions: 5-year goal of 30% reduction in the group's carbon footprint (Paragraphs 3.6.2.3.3-3.9.1)
Failure to consider specific rules for sectors with high greenhouse gas emissions when granting financing	Risk of losing customers and attractiveness (impact on NBI)	Sectoral policies and integration of ESG criteria in granting loans and investment management	Growth rate in financing commitments for renewable energy projects (Paragraphs 3.7.3.2 and 3.6.2.3.5)
Absence of prevention measures to reduce the carbon footprint of banking and investment operations	Financial risk (depreciation of controversial securities in the portfolio)	Roll-out of Climate strategy for coal and non-conventional hydrocarbon activities	Decrease in outstandings Revision of exclusion thresholds for coal and hydrocarbon policies
Lack of consideration for risks associated with climate change	Risk of transition Physical risk	Exploratory approach to assessing climate risks: establishing limits by country including climate and ESG risks	Quarterly monitoring of limits by country
ENVIRONMENTAL: 2019 PERFORMANCE INDICATORS			
Additional work has been done to streamline the methodologies for measuring performance indicators.			

(1) TP: Transactional process – major applications used by the banking network and customers.

Methodology applied to creating the ESG risk mapping:

The risk, permanent control and compliance department of Crédit Mutuel Alliance Fédérale has a mapping of group risks that makes it possible to grasp 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 ESG implications for the group.

The approach in place, inspired by the CSR Reporting Methodological Guide published by the MEDEF, draws on the collaborative work of the risks and CSR teams, which consists of identifying risk factors for each area of ESG. These risks were subject to analysis (by experts) that allowed for grading based on the probability of occurrence, their seriousness in terms of impacts and the possibility of non-detection. The grading scale of 1 (very significant risk) to 5 (insignificant risk) is the one used of the group's mapping of risk and applied to the ESG implications. This work allowed us 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).

It should be noted, like legal risks, the risk to reputation is seen as a consequence of other risks (especially financial, operational, credit, commercial). The risk to reputation is managed by means of other risks. However, the threat of harm to the group's reputation may have significant consequences. That is why the group 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.

A description of policies and reasonable efforts associated with these risks is integrated into CIC's overall policy in terms of corporate social responsibility (refer to the performance Indicators included in the summary table above). Very attentive to potential risks, CIC is spearheading an active policy across all non-financial spheres, even if until now the indicators monitored haven't demonstrated significant risks other than those presented above. This policy also has as its goal to transform these risks into opportunities to increase the group's overall performance.

3.5 RESPONSIBLE MANAGEMENT OF HUMAN RESOURCES

As of December 31, 2019, CIC has 20,507[1] registered employees, distributed as follows:

- banks: 17,241;
- French subsidiaries: 1,358;
- branches/offices and foreign affiliates: 1,908.

The commitment and involvement of employees are key factors in the CIC's successful development and financial performance. CIC's social policy aims at creating conditions to better support profound changes that impact its various business lines, and which make it possible to address financial, regulatory and behavioral challenges while promoting career advancement and well-being at work.

3.5.1 Adapting skills and jobs to the group's transformation strategy

3.5.1.1 Training, a factor in the employability and development of employees

The aim of training is to help employees adapt to the rapid changes in their profession and to prevent one of the significant non-financial risks, that of non-compliance of banking operations in a context of transformation. It is a major lever for the success of the group's transformation strategy.

In 2019, as in 2018, the training budget represented 6.4% of payroll expense with a total of nearly 737,000 hours of training sessions, or 37 hours per employee.

A large part of training is provided by Cap Compétences[2], Crédit Mutuel Alliance Fédérale's skill center. This involves the establishment of training sessions that closely match the needs of employees to help them acquire sustainable skills. In 2019, 40% of CIC network's training sessions were related to career paths.

Cap Compétences favors a blended learning approach combining face-to-face training with distance learning. The e-learning modules, e-videos, on-line classes, etc., are considered complementary tools to face-to-face training, which help trainees experience new situations, share and work with others while acquiring knowledge. Three training centers located in the Bas-Rhin, the Essonne and the Loire-Atlantique regions, make it possible to bring together groups of employees, in the context of their careers, who are practicing the same profession for the purpose of sharing experience and training.

All employees have a FORMAD remote training platform, which integrates dynamic and interactive modules. The home page is personalized, and the catalog offers targeted trainings based on the profession practiced. Every year, new e-learning courses are posted on-line. In 2019, the number of hours of distance learning reached more than 122,000 hours, i.e. 17.5% of the total number of training hours.

Quantitative data concerning training appears at the end of the statement (indicators SOC46 to SOC50).

As for employees of the sales network, training is a priority and is built around three themes:

- inescapable strategic actions related to the acquisition of new skills (new offerings, regulations, technologies, etc.) or related to strengthening of skills (technical, methodological, behavioral) over a multi-year period;
- initiation of a career path and deepening of knowledge;
- individual actions to strengthen skills.

The curriculum of the directors' school, which alternates theoretical training and professional implementation of what has been learned, changed in 2019. New modules have been created to better understand management, customer relations and digital and increased agency immersion phases.

Mastering and using digital technology to strengthen human relations is a necessity for all of the group's employees. In 2019 Crédit Mutuel Alliance Fédérale created the digital passport, to enable everyone to position themselves on their level of office automation skills and digital literacy. The assessments cover knowledge of the digital environment, data and information processing, protection in a digital environment, means of communication and collaboration (social networks, online conferencing, online chat, etc.). The aim is for employees, on the basis of the diagnosis carried out using a questionnaire, to acquire new skills and progress at their own pace. This passport includes a certification that validates a level of knowledge. This certification allows employees to enhance their skills, and Cap Compétences to define the appropriate measures to improve employees' digital literacy. Nearly 33% of the employees concerned[3] voluntarily passed the certification in 2019 (SOC122).

In addition, a relational visa allows network employees to assess their level of proficiency in tools such as electronic signature, email analyzer, research assistants and online banking.

Cap Compétences, approved as an authorized training organization, extended its activity in 2019 to include apprenticeships to develop work-study programs and encourage the integration through employment of young people in Crédit Mutuel Alliance Fédérale.

(1) HR Data.
(2) Formerly CM-CIC Formation.
(3) Training for entities in France.

The agreement related to provisional job and skill management (GPEC) also specifies training modalities for other professions, training unrelated to skills unique to each profession and the means of individual training at the employee's initiative: personal training account (CPF), professional transition project (transition CPF), validation of prior experience (VAE), professional development counseling (CPE). Employees were informed this year of the launch of the Personal Training Account mobile application.

3.5.1.2 Provisional job and skill management

In 2016, a three-year group agreement related to provisional job and skill management (GPEC) was signed for the purpose of allowing businesses that benefit from this agreement to continually have the skills necessary for their activities, evolution and development. The GPEC tools are available to employees to acquire and update skills necessary for exercising their job, and to acquire new ones to evolve into a new position in the context of career management.

3.5.1.2.1 Anticipating the evolution of professions

With the entry into force of agreements signed in 2017 constituting the common statutes for employees of Crédit Mutuel Alliance Fédérale, the nomenclature of the positions shared by the entities that signed the agreements was prepared to include the specific functions exercised in each of CIC's businesses. This unique job nomenclature makes it possible to follow the evolution of professions and the skills necessary to practice them. Actions are taken depending on the needs of businesses in positions or in skills, as well as identified needs for training or change for employees whose jobs have evolved. This could involve measures to adjust staffing, mobility issues, adaptation training or reconversion, while still respecting the goals of workplace equality. A monitoring commission constituted of group union delegates is tasked with reviewing the intermediate results once a year and to make suggestions within the framework of action plans, monitoring the evolution of professions, issuing opinions on tools and established support measures, suggesting improvements or training as part of the GPEC and which could be, where appropriate, integrated into training plans.

3.5.1.2.2 The employee, a participant in his or her career plan

The professional interview is a privileged moment of exchange between managers and employees. It's a time to assess the employee's skill level, to set a path for progress in the job and to facilitate future changes, based on progress achieved and observed successes. It may involve a component of functional and/or geographic mobility. In 2019, the format was simplified to make it more user-friendly. For the group, it is also one of the procedures used to detect employees with high potential. Tools (guide, best practices) are available to managers to carry out these interviews.

3.5.1.2.3 Promoting mobility

As part of the agreements constituting common statutes, negotiations on mobility, which opened in 2017, resulted in a group agreement concerning geographic mobility in order to harmonize the conditions for mobility that apply to all employees from the entities that signed the agreement. The willingness to promote internal mobility and to primarily recruit employees internally was reaffirmed. Mobility is considered to be a key element in professional development and career progression, fostering employees' capacity to adapt and opening new horizons to them in an environment of constant change.

The employees benefit from the "JOBS" application. This job listing market facilitates the search of offerings published throughout the regions and internationally, and can create alerts about new opportunities that meet the user's expectations. The unique job nomenclature contributes to better understanding the jobs offered. A library of the job-skill data sheets shared by the entities is also available on the employees' intranet site. Data sheets are divided into 12 families and for each given job presents: the job, the primary tasks, the skills required to exercise these tasks, the primary jobs that are closely related (those from which an employee can advance to exercise this job and those towards which he or she may advance after a successful assignment on this job). For the same job, a summary sheet and a comprehensive data sheet are offered, complete with the required job skill levels, details on job skills and definitions of general skills. A guide to facilitate procedures for employees and defining the practical rules of group mobility is available on the intranet tool.

3.5.1.2.4 Recruiting for the future

At the end of 2018, a campaign to attract the best talents (#CICentreprendresonjob) was pitched around CIC's values: the spirit of initiative, a constructive manner, the challenger mindset and the spirit of simplicity. In 2019, as part of this campaign, every month, videos featuring an employee testimony were highlighted on social networks and on the CIC website to illustrate the diversity of profiles and career prospects within the group.

Collaborative platforms were made available to CIC and CIC OUEST employees to co-opt people in their entourage and also to share job offers on social networks.

At CIC, young talent recruitment involves in particular the use of work-study programs and internships, for which a proactive policy is being implemented (since this year, Cap Compétences is the ATC of Crédit Mutuel Alliance Fédérale), based on the quality of candidates, while making certain that the conditions in which they are welcomed are optimal. The goal is to hire them at the end of their contract. The number of work-study training courses increased by 30% compared to 2018.

At the same time, CIC is engaged in Crédit Mutuel Alliance Fédérale's commitment with the public authorities as part of the *Pacte avec les quartiers pour toutes les entreprises* (Neighborhood pact for all businesses – PAQTE) to promote the economic inclusion of young people in priority neighborhoods in urban policy (QPV). On this occasion, precise and concrete commitments were made in terms of training and apprenticeship. In order to strengthen this mobilization, a consortium of companies, including Crédit Mutuel Alliance Fédérale, has been created for a more inclusive economy. The first concrete manifestation of this commitment took place at CIC Est, which hosted the first Forum for the Future at its headquarters on November 7, 2019. Several major companies in the Grand Est region and associated partners in the Grand Est have combined their strengths and skills to offer young people between 16 and 30 years of age support in their efforts to access the professional world and enter the workforce. The objective was to give them the method, the training, the codes and above all to respond to their specific needs thanks to workshops, conferences and testimonials, advice, coaching, and assistance with orientation, networking, CV writing, leads for finding an internship, a work-study contract or even a job. The CIC Est agencies in the Alsace sector were mobilized to pass on the invitation. In the end, 500 young job-seekers came to the Forum. To continue its action to promote the inclusion of young people, employees will sponsor young job-seekers.

Moreover, CIC continues to develop close ties with numerous higher education establishments, particularly during trade gatherings, recruitment days and career forums, etc. Recruitment techniques are also evolving with the use of tools offering more dynamic and innovative applicant processes. A delayed video interview solution allows applicants to describe themselves beyond their CV and recruiters to better discover the personalities of the candidates.

4,438[1] employees were recruited in 2019 for open-ended and fixed-term contracts (-0.3%), representing 22.6% of the total workforce. The portion of employees within the scope (selected for social indicators) being less than 30 years old is stable and represents nearly 20% of the entire workforce.

Integration mechanisms are in place to support new employees. In this way, recently hired employees in the network benefit from a career path combining theoretical training, days of immersion and application in an office as well as self-learning. Furthermore, in subsidiaries, specific training sessions or tutorials are also adopted for new recruits.

3.5.2 An employer that encourages employee involvement in a sustainable fashion

Employee involvement is a strategic objective for Crédit Mutuel Alliance Fédérale entities and failure to achieve this objective has been identified as a significant non-financial risk. CIC's commitment is manifested by responsible social practices that are respectful of employees and the search for quality working conditions and living conditions.

3.5.2.1 A responsible social framework

3.5.2.1.1 Lasting jobs

Total workforce[2] of CIC entities increased by 0.8% compared to the end of 2018 at constant scope of consolidation, with the number of bank employees remaining stable (+0.1%). French subsidiaries saw their workforce increase by 68 employees (+5.3%). The workforce of foreign establishments also grew by 80 employees (+4.4%).

Over the scope selected for the following indicators (entities located in France, Banque de Luxembourg and Banque de Luxembourg Investments SA), which includes 19, 676 employees (natural persons), 95.1% have open-ended contracts (CDI).

CIC posted a turnover rate (SOC27) of 4.2%, stable in comparison to 2018 (SOC123). Data concerning hirings and firings are shown in the table of social indicators. The average seniority of employees in CIC entities is more than 14 years.

3.5.2.1.2 A policy of transparent and incentivized compensation

The components of fixed compensation are described in the appendix of the group's new agreement available on the intranet. Each job is positioned in a classification grid, shared the entities that signed the agreement, on one or several levels. Each classification level has a base salary range. The classification grid, base salary grid for the year, rules on changing levels, decision criteria and minimum amount of individual raises are published. The group agreement stipulates that job functions and compensation may not be subject to discrimination.

Moreover, an annual electronic individual social report (ISR) allows the employee to be knowledgeable about the components of his or her overall compensation for the preceding year and any changes.

Via the intranet site, "The Employee's Universe," employees have access to various tools and documents.

An annual report on compensation policies and practices for employees whose professional activities have substantial impact on the company's risk profile is communicated to the ACPR and published on CIC's Internet site.

The gross payroll expense of open-ended contract employees in 2019 is €925.3 million, an increase of 1.8% in comparison to 2018. At the beginning of 2019, all employees covered by the group agreement, present in entities that signed the agreement as of December 31, 2018, benefited from an exceptional purchasing power bonus in the amount of €1,000 gross under law no. 2018-1213 of December 24, 2018, on emergency economic and social measures.

Quantitative data concerning compensation appears at the end of the statement (indicators SOC73, SOC107 to 109 and SOC80).

3.5.2.1.3 Employees: partners in the overall performance

This year, the overall rate of profit-sharing and incentives paid in 2019 in respect of 2018 was raised to a historically high level of 15.0621% of total payroll (12.4349% for incentives and 2.6272% for profit-sharing). Thus, for CIC entities falling under the unique status, 20,050 employees for this reason received an overall amount of €126.2 million. In addition, the matching contribution to the group savings plan for 2019 was increased to €630 for a voluntary savings of €210. The amount of the matching contribution paid was €17.1 million.

As a reminder, following the new incentive and profit-sharing agreements signed in 2018, the calculation of profit-sharing is now based on Crédit Mutuel Alliance Fédérale's IFRS consolidated income, incorporating the performance of all companies that signed the agreements; the salaries used as the basis for the calculation are increased for the lowest salaries. These agreements illustrate the desire to fully recognize the contribution of employees to the company's results.

Complete information on employee savings was made available to all employees on the intranet (video, self-learning, documentation).

Incidentally, there are no stock option plans for CIC's executives.

(1) Refer to the SOC13 to SOC17 indicators, on all the companies in the group as indicated in the methodology appearing at the end of the statement.
(2) HR Data.

3.5.2.1.4 A progressive social security policy

With regard to supplemental health coverage, the general plan's contribution paid by CIC exceeds that prescribed by law. This system of a contribution proportional to salary favors the lowest incomes. Other measures also benefit families by improving on the provisions prescribed by the collective agreement. In terms of provident schemes, employees also benefit from quality protection financed to a large extent by the group, particularly concerning maintenance of salary for three years in the case of long-term illness and a level of income maintained until retirement in the case of disability. Also provided for in the guarantees for employee plans:

- in terms of beneficiaries of the death benefit, an increase per dependent child paid directly to them, which takes into consideration changing family situations;
- calculation formulas of the annuity of a spouse adjusted to actual age at time of retirement to allow spouses of older employees to receive a lifetime annuity;
- payment of the education annuity for children who pursue their studies or who are infirm until their 28th birthday.

For retirement, employees of the CIC benefit, in addition to the basic compulsory social security schemes and the complementary ARRCO-AGIRC, from a supplementary funded pension plan, "CIC Retraite," entirely funded by the employer. Employees have the possibility of making voluntary payments and to assign rights originating from the time-saving account (CET) to the plan. A second mechanism allows employees to establish a supplementary pension by funding a group collective retirement savings plan (PERCOG) by payment of profit-sharing, incentive compensation, through voluntary payments or transfer of rights from the CET.

3.5.2.2 A company concerned about the conditions and quality of life at work (SOC45)

3.5.2.2.1 Measures for prevention and monitoring with regard to employee health and safety and harassment

For all companies under the group agreement, there exist:

- an action plan pertaining to avoidance of stress on the job. The actions proposed for preventing, reducing and eliminating stress on the job take into account the work done by the task force and the survey conducted with employees by an outside firm. Preventive measures concern workstation design and equipment, adaptation of the intranet site, use of messaging, the role and training of the manager, training and support for employees, the organization of work;
- as an appendix to the internal rules of each company concerned:
  - a charter pertaining to the prevention of and fight against harassment and violence (an informational brochure on prevention of acts of harassment and violence at work was distributed to employees),
  - a security charter with rules applying to all employees and to any person with authorized access to facilities, IT resources or information made available to or used,
  - a safety handbook, which details procedures and safety instructions to apply to different situations that may occur. This guide is comprised of several themes and in particular the safety of premises and natural persons. It is available to employees on the intranet.

Moreover, besides the warning procedure in the context of prevention and combating harassment or violence within the entities that signed the group agreement, including CIC entities, employees also have the power to report any failure to respect the legal and regulatory obligations as well as professional or internal standards that they may observe in the context of their activities.

Concerning incivilities by the clientele, employees have an electronic resource that allows the reporting of incivilities and which contains recommendations concerning measures to take *vis-a-vis* concerned employees. Training sessions on the management of incivilities are conducted especially for employees at reception areas in branch offices. These employees must have previously followed a self-learning module on the subject.

For the companies concerned, an update of the single document for evaluating professional risks and the evaluation grid of arduousness is done annually. To prevent certain risks specific to business: armed attack, physical aggression, incivility, an update and reminder of safety instructions are done regularly.

Various documents (the safety handbook, the security toolkit and the network safety guides, "Act together in the face of incivility (in customer relations)," and "Preventing any acts of harassment and violence at work".) are available to employees on the intranet. Self-training modules ("Safety and Fire Prevention" and "Safety Awareness – Protection of People and Property") are also offered and awareness-raising activities, fire evacuation simulation exercises and risk prevention exercises are regularly rolled out. As the Crédit Mutuel has been a signatory to the Charter for Safer Roads since 2016, it reminded employees, including CIC employees, in 2019 of certain rules to give preference to videoconferencing instead of physical travel, to first study the possibilities of public transport if travel is necessary, and in the case of travel by car, to systematically respect the rules of good conduct to prevent road risks and to make their journeys in complete safety. Road Risk training is mandatory for employees who have to travel frequently in the course of their work.

As part of the Strategic Plan, a project was launched in 2019, entitled "Working Well Together," with the aim of raising awareness among all employees on the prevention of harassment, the fight against discrimination and internal incivility. Videos were distributed to managers and employees.

In addition, public health initiatives are regularly carried out: at CIC, information is disseminated on the Intranet, including an online medical library. In 2019 two awareness-raising days on relaxation and nutrition were held to promote improved well-being. In particular, an online questionnaire was made available to employees to measure the impact of lifestyle habits on their health and well-being. Based on the answers provided, personalized advice was given to improve their behavior and quality of life in terms of nutrition, physical activity, stress and sleep. At Banque de Luxembourg, a conference on "Good Habits to Prevent Cancer" by the Cancer Foundation was offered to employees.

In addition, the question of specific possible problems in dealing with family and professional responsibilities was addressed during professional interviews.

CIC declared 111 workplace accidents that resulted in medical leave (including relapses).

Absenteeism (SOC38) other than maternity/paternity leave represented 189,589 working days of absences over the fiscal year (+6.3% as compared to 2018) (SOC124), or 9.6 days per employee as compared to 9.1 days in 2018.

CIC is actively participating in employee health, provident and retirement coverage (see Section 3.5.2.1.4). All of the provisions are published in the "The Employee's Universe" on the intranet. In terms of health and safety (SOC84), two group agreements were signed: the agreement on donation of days and the agreement on the right to disconnect. Present in all CIC establishments with at least 50 employees, the economic and social committee, through the health, safety and working conditions committee (CSSCT), now contributes to protecting the health and safety of employees and improving working conditions, replacing the CHSCT.

3.5.2.2.2 Improving the job and workspace environment

This is manifested in the search for equipment and ergonomic furniture, (installation of adjustable standing/sitting desks at the Banque de Luxembourg for example), and by considering orientation with respect to fixtures and lighting.

3.5.2.2.3 Development of collaborative methods

In order to successfully achieve the ambitions of the strategic plan, collaborative working practices are being developed. Outside of co-optation schemes, initiatives are being launched to gather constructive proposals from employees. For example, at CIC Ouest and CIC Est, a platform for collecting ideas was launched in 2019, accessible on the intranet. The ideas submitted are studied with regard to their compatibility with the group's strategic orientations and may contribute to the emergence of new products, services or practices.

3.5.2.2.4 Promotion of the group's managerial values

Promotion of the managerial values are covered by a management charter common to all entities, so as to contribute to the quality of life at work. Management spec sheets are available to managers. Each one of them treats a managerial situation in a summarized manner, puts forth recommended practices and proposes lines of action. All of the documents are available on the intranet and accessible to everyone.

3.5.2.2.5 A flexible work organization with entitlement to days off

The agreement on work schedules, which came into force on January 1, 2018, allows entities that signed the agreement, including CIC entities, to adapt their organization to the behavioral changes of customers and adjust reductions in work time with flexibility. It takes into account the responsibility for employees' health and safety and must allow employees to balance professional life with personal life. Taking into account the diversity of activities and the organizational constraints of companies as a result of the new agreement, several possible work formulas were defined with acquisition of days off when the weekly schedule exceeds 35 hours (off-cycle). Practices within all the entities that signed the agreement are harmonized and simplified; that's the case, for example, of the period of reference for acquisition of paid vacation.

The proportion of part-time employees is 5.6% (indicators SOC29 to SOC32).

3.5.2.2.6 The search for work-life balance

Certain agreements signed at the CIC entity level contain measures to strengthen the balance between professional and personal life, particularly in terms of organization and work schedule.

The group agreement on supporting employees in the use of digital tools and the right to disconnect, signed in 2018, reminds employees of their right not to process e-mails read outside working hours except in cases of proven urgency. A code of good conduct for communication tools is included in this agreement for the purpose of ensuring reasonable, useful and efficient use of these tools. On this occasion, meetings were organized with branch managers so that they could present their point of view on the right to disconnect and its implementation with their employees. This testimony was posted on the intranet.

During the professional interview, the question of reconciling private and professional life can be raised and solutions sought in the event of difficulties.

Moreover, the agreement on the donation of days provides for establishment of a mutual fund in order to pool donations made by employees at the group level and not only, as prescribed by law, donating days for employees of the same company. Thus, employees who need a donation benefit from the same options whatever the size of the company in which they work. The possibility of using a donation was extended in the event of illness, disability or accident of particular seriousness of a spouse or civil partner.

Measures may also be taken to allow the employee to deal with constraints related to geographic mobility apart from moving expenses, according to agreements in force within the signatory companies.

3.5.3 Social dialogue*

3.5.3.1 Professional relationships and overview of collective agreements*(SOC78)

In 2019, an economic and social committee (ESC) was elected in 19 CIC entities concerned to replace the existing bodies: works council, employee delegates, 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 economic and social database (called BDU, a French acronym for unique database) set up within each company gathers all the information necessary for the consultations and recurring information of the CSE. Other data are provided monthly, especially on workforce, part time, fixed-term contracts, etc.

In companies with 50 or more employees, the CSE is consulted each year on three recurring themes:

- the company's strategic orientations;
- the company's economic and financial situation;
- the company's social policy, working conditions and employment.

And, periodically, on topics within its competence such as reorganization projects, the introduction of new technologies, internal regulations, collective working hours. To take account of the multiannual development plans defined within each entity, the parties agreed to consult on the strategic guidelines only every three years, except in the case of a major project (e.g. a new multiannual development plan), or a major change in that project, which would take place during those three years. An update on the implementation of the plan will be made each year where there is no consultation.

3.5.3.2 Social progress agreements (SOC83)

In 2019, the following group agreements were signed:

- amendment no. 1 to the agreement on the payment of an exceptional bonus to support purchasing power;
- agreement on the organization of professional elections and the use of electronic voting;
- amendment no. 7 to the group agreement on the CM-CIC provident and health insurance scheme;
- amendment no. 3 to the group Agreement;
- amendment no. 1 to the group agreement on profit-sharing;
- amendment no. 1 to the group agreement on employee profit-sharing;
- amendment no. 25 to the group savings plan;
- amendment no. 9 to the group's PERCO (collective retirement savings plan) settlement agreement;
- amendment no. 8 to the group agreement on the CM-CIC provident and healthcare expenses plan;
- agreement to pay an exceptional bonus to support purchasing power.

Specific agreements were signed at the level of certain CIC entities.

3.5.3.3 Employee satisfaction (SOC87)

For the third consecutive year CIC is ranked among the winners of the "Best Employer" by the magazine Capital, receiving second place in the banking and financial services sector (first for retail banks) based on grades awarded by its own employees, but also by those working in the same field.

In 2019, Crédit Mutuel Alliance Fédérale launched a commitment survey #vousavezlaparole!2019 in which CIC banks and subsidiaries in France participated. The purpose of this survey was to gather employees' opinions on subjects related to their company, their working conditions and environment and the Crédit Mutuel Alliance Fédérale in general. 76% of the Crédit Mutuel Alliance Fédérale's employees responded to 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.

3.5.3.4 Raising employee awareness about CSR

Awareness campaigns for employees are already present through several initiatives:

- existence of a company travel plan;
- an SRI (socially-responsible investment) employee savings plan, labelled by the Inter-Union Employee Savings Plan Committee (CIES);
- dematerialization of pay stubs, BSIs (Individual Social Reports), meal tickets;
- dissemination of articles on CSR in internal journals like #Initiatives, "*Le billet de l'ISR*," (socially-responsible banknote), found in the weekly letter of the Crédit Mutuel Asset Management "Economy and Markets";
- "Be a Good Eco-Citizen at Work" space on the intranet;
- in the professions in offerings proposed (SRI, solidarity savings); and
- at the level of compliance and risk management.

These actions have been reinforced by the integration of SCR objectives in the 2019-2023 strategic plan (reduction of the carbon footprint and development of financing with a high climate impact) and by the desire to obtain ISO 50001 certification for its energy management system. This ambition notably involves raising awareness and training all employees in the knowledge of the standard and the impact of their activities and behavior.

3.5.4 A business that promotes equal opportunity and diversity

The prohibition of and fight against any form of discrimination (SOC69) and respect for gender equality in the workplace (SOC56) are among the commitments of the managers and are featured on the intranet: "Management: best practices." A charter related to the fight against discrimination, promotion of diversity and vocational integration as well as retaining workers with disabilities has existed since 2016. Moreover, in all of the entities, employees of the HR department in charge of recruiting have taken training in non-discrimination at the time of hiring in order to comply with the law 2017-86 of January 27, 2017, regarding equality and citizenship (Article 214).

In 2019, Crédit Mutuel Alliance Fédérale strengthened its commitment to diversity by appointing a Diversity Manager, who is responsible for coordinating the network of Diversity correspondents set up in each HR team, including those in CIC entities.

In addition, an online survey dedicated to discrimination was conducted among employees at the end of 2019. 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.

3.5.4.1 Policy promoting gender equity (SOC 56)

Particular attention is given to equal representation of men and women in different jobs. Where appropriate, a company must implement a policy that encourages, or even extends invitations in particular towards women or men when they are underrepresented in a job, especially when the job has a bearing on their professional career.

At the level of the banks and certain subsidiaries, agreements or commitments exist. They may be incorporated into broader agreements like that of CIC Ouest on the quality of life at work and workplace equality or that of CIC Nord Ouest with an agreement pertaining to equality in the workplace, non-discrimination and quality of life at work. In terms of gender equality, these agreements deal with the promotion of workplace equality between men and women from the time of recruitment, equal treatment with regard to qualification, classification, compensation, conciliation between family and professional life and are subject to oversight. An outline of specific individual attributes for reducing identified wage disparities was defined as part of the agreements on mandatory annual negotiations (NAO).

In 2019, in accordance with Decree No. 2019-15 of January 8, 2019, implementing, inter alia, the provisions aimed at eliminating the gender pay gap in the workplace, the CIC banks published their Gender Equity Index. For the majority of them, the score is 86 or 87 points. This 100-point Index is calculated by taking into account the gender pay gap, the distribution gap of individual increases, the distribution gap of promotions, the number of female employees receiving an increase upon return from maternity leave, the number of people of the under-represented sex in the 10 highest salaries.

In March 2019, CIC Ouest was once again involved in the "*Printemps des Fameuses*," an event aimed at advancing gender equality. This sixth edition was devoted to the theme of Generation(s), to place gender equality in its historical and intergenerational context. This partnership is a major commitment for the bank. This event results in the publication of portraits of "*Fameuses CIC Ouest*" on the intranet. The bank also supports the *Femmes du Digital de l'Ouest* association, which promotes gender diversity in the digital and technology sectors in the *Pays de la Loire* region.

Through its initiative, "Impact f," the Banque de Luxembourg encourages women to take on responsibilities and recognize that they bring a wealth of assets benefiting the company. This initiative includes, in particular, personal development seminars and awareness campaigns for all employees and mentors. The bank is also making sure that its LinkedIn pages and other networks include gender representation in photos and employee testimonials.

Finally, the REV REM application (for REVision of REMuneration) provides specific information on the history and the positioning of compensation of each employee and makes it possible for managers to define salary proposals in the context of the package allocated annually. REV REM reproduces summaries that make it possible to verify that proposals preserve or improve gender equality.

Thus, 4,201 women are executives or managers with open-ended contracts, (+2.5% compared to 2018). 41.8% of executives or managers who were promoted in 2019 were women, compared to 42.6%[1] in 2018. The 2019-2023 strategic plan ensemble#nouveaumonde targets gender equality in managerial and governance positions. In 2019, the report shows that women hold 46.2% of these positions (men 53.8%), i.e. an increase of 0.6 percentage points as compared to 2018 (SOC126).

The distribution of the workforce by age and by sex appears at the end of the statement on all the companies in the group as indicated in the methodology note.

3.5.4.2 Actions promoting diversity (SOC69)

CIC is a partner of the portal *Mon stage de troisième* (My High School Internship) and welcomes trainees from priority neighborhoods.

In order to diversify talent, it contributes to the achievement of the ambitious objectives defined by Crédit Mutuel Alliance Fédérale in terms of integrating young people in the workforce:

- increase work-study recruitment by 40% (4,000 young people on work-study contracts over the period 2018/2020);
- propose permanent contracts for 80% of work-study students;
- bolster the recruitment of interns (2,000 young people per year);
- 25% of this internship recruitment is reserved for young people from priority city neighborhoods or living in rural communities with fewer than 5,000 inhabitants.

Partnerships have been set up with public stakeholders and non-profit associations to promote access to employment.

CIC Sud Ouest opened the doors of its branches to REP+ middle school students in order to introduce them to banking professions as part of their high school internship. It was a success, with more than twenty contracts signed.

(1) Revised 2018 data.

3

CIC entities are diversifying the profiles of candidates for employment. Several of them, including CIC and CIC Nord Ouest, are partners with the Mozaïk HR firm, which specializes in recruitment of diversity graduates in view of diversifying their applications. At the fourth edition of Social Change, a major CSR event, CIC Ouest was awarded the *Entreprise accueillante* (Hospitable Company) certificate (a scheme launched by Nantes Métropole) for its actions promoting employment and integration in Nantes.

CIC Lyonnaise de Banque is taking action in the context of *100 chances, 100 emplois* (participation in interview sessions and meetings in Marseille), whose goal is to help young adults find employment thanks to a network of local businesses, combat discrimination and promote diversity;

Beyond integrating young people, other initiatives to promote diversity are being carried out. Banque de Luxembourg is a signatory to the Lëtzebuerg diversity charter, the goal of which is to encourage businesses to respect and promote diversity. It also supports future retirees through the Sophía program.

3.5.4.3 Employment and Vocational Integration of persons with disabilities (SOC70)

Established in June 2016, the group charter pertaining to combating discrimination, promotion of diversity and vocational integration as well as retaining workers with disabilities, publicizes the following goals with regard to disabilities:

- promoting recruitment and integration of workers with disabilities;
- retaining workers whose disability occurred or evolved in the course of a career;
- allowing access to training for workers with disabilities under the same conditions as any other employee;
- promoting measures of assistance and support for workers with disabilities;
- establishing internal communications to inform employees about disabilities.

As an extension to this charter, agreements pertaining to vocational integration and retaining workers with disabilities was signed or specific commitments were taken in the context of broader agreements on workplace equality, non-discrimination and quality of life at work, like at CIC Nord Ouest and CIC Lyonnaise de Banque.

In the absence of specific agreements, mechanisms exist to promote the integration of persons with disabilities. It is reflected essentially in measures in favor of employees with disabilities and addresses participation in acquiring equipment related to the disability, support in administrative processes, granting of time-off for these processes, taking responsibility for the workstation layout, adjustments to the work schedule if the disability requires it, adaptation of physical conditions for professional training to the disability. At CIC Est, hotlines are established with a company specialized in disabilities to support employees in their reporting procedures.

There are one/several advisors for persons with disabilities in some entities. The goal is to communicate with and raise the awareness of employees regarding perceptions about disabilities, explain the advantages of the RQDW approach[1] for employment retention, help employees obtain disabled worker (DW) status, provide advice in terms of behavior to adopt regarding disability issues, and in some entities taking action to promote direct recruitment of employees with disabilities.

For example, at CIC in the Île-de-France region, on the occasion of the European Disability Employment Week, several actions were carried out to raise employee awareness of the invisible disability with online workshops (Short e-courses in "Hand'E Passeport" – a platform to raise awareness and train employees), face-to-face events, and to give them the opportunity to exchange ideas and information in complete confidentiality.

Several CIC entities take part in the Hello Handicap virtual recruitment fair.

CIC Ouest is committed to the association *Osons l'égalité* (Dare to be equal) in the joint construction of actions promoting the choice of orientation and the professionalization of young people with disabilities. This partnership should help to facilitate their progress to training that meets tomorrow's needs and facilitate their social and professional integration. In addition, the challenge for CIC Ouest is to make its employees aware of disability situations in order to promote the best possible integration of those who work at CIC Ouest.

Certain work was also entrusted to ESATs (assistance and service centers helping disabled people into work) or to EAs (adapted companies).

3.5.4.4 Promotion and respect for provisions of the fundamental conventions of the International Labor Organization

- Respect for the freedom of association and the right to collective bargaining (SOC67): CIC entities (with exceptions due to size) regularly gather their employee representatives (economic and social committee, health, safety and working conditions committee). Employers of entities in the scope of indicators have not been convicted of any infractions for obstruction. The agreements in force: on the one hand, the group's agreement on union negotiation, and on the other hand, the agreement on the duties of CIC's union representative and on union and social communication, which describe in particular the means made available to union representatives of the group and CIC, measures for the protection and development of careers from which the latter benefit, and the means made available for union and social communication.
- Elimination of discrimination in terms of employment and profession (SOC64): in accordance with the law, CIC is attentive in its social policy to promoting the elimination of these forms of discrimination, especially through actions described in sections 3.5.4.1 to 3.5.4.4.3.
- Elimination of forced or mandatory work (SOC65) and Effective Abolition of Child Labor (SOC66): CIC does not resort to forced or mandatory work, nor to child labor in its foreign branches or subsidiaries.

(1) Recognition of Disabled Worker Status.

3.6 BEING A TRUSTED PARTNER

3.6.1 Trustworthy practices (SOT79)

CIC is part of Crédit Mutuel Alliance Fédérale whose development model is based on the values of solidarity, proximity and social responsibility.

3.6.1.1 Actions undertaken to prevent corruption

Code of conduct

It is carried out by each entity in the Crédit Mutuel Alliance Fédérale, including CIC entities. This registration document, annexed to internal rules of procedure, resumes 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 employees in exercising their duties such as:

- 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 capital markets and corporate banking, portfolio management and financial analysis, exposing their holders to possibly situations of conflict of interest or to possessing privileged information. To that extent, they are subject to the rules that regulate and limit their personal transactions concerning financial instruments.

The latest version of the code of conduct, which has been in force since the summer of 2018, was adopted at the end of the legal consultation process with the social partners. In particular, it includes a chapter dedicated to combating corruption, which constitutes the code of conduct on the matter.

The chain of command is called to monitor respect for these principles whose application is subject to regular verification by the control and compliance departments.

It should be noted that the amount of claims related to internal and external fraud for CIC entities reached €15.3 million in 2019 [SOT101] against €7.1 million in 2018.

The mechanism to fight corruption

CIC has set up a system for detecting, preventing and combating corruption in accordance with law no. 2016-1691 of 09/12/2016 pertaining to transparency, the fight against corruption and the modernization of the economy (known as the Sapin 2 law) and which is based on a set 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.

In particular, the compliance department is responsible for ensuring the deployment of procedures to prevent and combat corruption, for verifying compliance with them, for organizing, with the support of the relevant departments, investigations in the event of suspicion and for answering employees' questions about potential or actual situations related to corruption. Compliance possesses the necessary independence and means to fulfill its mission in total impartiality.

Anti-money laundering and counter-terrorist financing

CIC has also established a mechanism to fight money laundering and financing of terrorism in accordance with legal and regulatory requirements and adapted to the risks generated by the various activities exercised across France and abroad. This mechanism includes a set of procedures and tools, which are implemented by employees trained and assigned to detect suspect operations. It is subject to thorough internal controls and to regular evaluation on the part of supervisory authorities.

In this context, CIC is committed to respect regulatory requirements, which consist of:

- 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, installation, products and distribution channels, and 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.

CIC prohibits any direct or indirect relationships with an offshore legal address, with consulting firms offering offshore structures or advisors. It also prohibits the provision of advice to clients of such companies or firms.

The fight against tax evasion (SOT91)

CIC implements, both in France and in the foreign countries where it is established, all regulations aimed at improving compliance with international tax obligations and ensuring tax transparency for its clients, including in particular:

- US regulations under the Foreign Account Tax Compliance Act (FATCA), implemented *via* the Inter-Governmental Agreement (IGA) signed by the United States with other States, including the IGA between France and the United States signed on November 14, 2013, to improve compliance with tax obligations at the international level and to implement the law on tax compliance for foreign accounts, which was approved by law no. 2014-1098 of September 29, 2014;
- the automatic exchange of information relating to financial accounts between the signatory States of the multilateral agreement signed in Berlin on 10/29/2014, including France, which approved it by law no. 2015-1778 of 28/12/2015;
- Directive (EU) 2018/822 amending Directive 2011/16/EU as regards the automatic and compulsory exchange of information in the field of taxation in relation to cross-border arrangements requiring a declaration ("DAC 6 Directive"), which was adopted by the Council on 05/25/2018 and which France incorporated into its domestic law by Order No. 2019-1068 of 21/10/2019 through Articles 1649 AD to 1649 AH of the French General Tax Code ("CGI").

In addition, CIC has adopted sector-specific policies, including a policy concerning private banking clients (i) which stipulates that transactions relating to the structuring of clients' assets must not encourage concealment, fraud or tax evasion and, more generally, that cross-border activities, in particular advisory and marketing activities, must be carried out in strict compliance with the laws and standards in force in the client's country of residence; and (ii) which requires compliance with reinforced Know Your Customer procedures in the presence of non-resident clients, with a requirement for a certificate of tax compliance in their country of residence.

In addition, CIC prohibits any contact with a person domiciled in a State that does not implement the automatic exchange of information referred to above, with the exception of those duly validated by a strictly controlled procedure. New relationships with politically exposed persons (PEP) domiciled in such a country are not authorized in any circumstances.

Absence of operations in non-cooperative States or countries for tax purposes

CIC has no establishment and does not conduct business in an uncooperative State or country for tax purposes, either on the list drawn up by France pursuant to the provisions of Article 238-0 A of the French General Tax Code or on the list drawn up by the European Union.

Compliance with transfer pricing regulations

CIC implements, both in France and in foreign countries where it operates, all tax laws and regulations relating to transfer pricing, i.e. the obligation, under a principle established by the OECD, to apply an "arm's-length" price to transactions carried out between group entities established in different countries:

- preparation 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 CGI in France), which the tax authorities may exchange automatically, pursuant to the Multilateral Agreement signed by France on 01/27/2016;
- annual preparation of transfer pricing documentation that complies with the OECD recommendations and the requirements of the tax legislation of the State of establishment (see Article L 13 AA of the French General Tax Code).

3.6.1.2 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.

CIC 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.

3.6.1.3 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, drawing up and circulating within the Crédit Mutuel Alliance Fédérale, and consequently CIC entities, lists of countries according to their degree of sensitivity: green (low risk), amber (standard risk) and red (high risk and strengthened 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 exchanges according to the OECD 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.

It is forbidden to maintain direct or indirect relationships with an offshore legal address, with consulting firms offering offshore structures or advisors.

3.6.1.4 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 registration of entities that meet the required criteria on the digital directory of the HATVP as well as sending the respective annual reports.

3.6.2 Vigilance plan

3.6.2.1 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].

3.6.2.2 Presentation of the group's vigilance plan

3.6.2.2.1 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.

3.6.2.2.2 Scope of the vigilance plan

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

1/ 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 legality, 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 freedoms, of opinion, expression, assembly, worship, 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 CIC (subsidiaries and employees)

(1) *https://www.CIC.fr/fr/banques/institutionnel/publications/responsabilite-societale-de-l-entreprise.html*

or partners (suppliers and intermediaries) on their stakeholders within the context of established commercial relationships.

2/ The health and safety of individuals

a) 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.

b) 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, suicides), etc.

c) The vigilance plan covers infringements on health and safety within the company, but also 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 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.

d) Environment

Risks related to the environment are industrial or technological risks generated by the company 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).

3.6.2.2.3 Persons concerned by the vigilance plan

All those people likely to be affected by a risk or an infringement of a social or environmental nature are those who are involved in the context of the company'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 are linked to this relationship or when these risks affect employees and third parties.

3.6.2.3 Vigilance plan measures

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.

3.6.2.3.1 The 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 action plan priorities based on the potential seriousness and probability of occurrence;
- implement preventive measures.

For each area (human rights, fundamental freedoms, health and safety, 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 first gross risk and then residual risk.

Gross risk[1] considers the probability of occurrence and frequency, as well as the impact that the particular case may have on the entity's activities and the services it provides to the clientele. Scoring is established based on the five 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 hedged by a suitable mechanism (organization, procedures, controls, etc.)	**Very satisfactory coverage**: risk hedged by a control 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, failure to fight 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.

3.6.2.3.2 Assessment procedures for the status of suppliers and subcontractors

Regular assessment of the status of subcontractors and suppliers particularly external ones with which there is a commercial relationship is conducted with the help of various operational procedures at Crédit Mutuel Alliance Fédérale.

1/ Bidding process procedures

Most purchasing is conducted by internal business line centers.

Certain business lines have defined procedures for the bidding process in view of the importance of negotiations. Therefore, at Euro-Information, suppliers were listed in categories whose principles are "essential" and/or "responsive 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.

2/ Collection of documentation and information on external suppliers

Numerous elements that make it possible to check on the identity of the supplier, its reputation 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 (Errors and Omissions) insurance, proof of 10-year liability insurance, license for domestic transport, CNAPS[2] governing approval (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,
  - the supplier charter signed for all new contacts with the 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 (CLCB-FT) are requested of the supplier or service provider.

3/ 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.

(1) The gross risk is defined without taking into account the control environment.
(2) National Council on Private Security Activities.

- 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.

4/ Outsourcing of essential services to group and non-group entities

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 each entity of Crédit Mutuel Alliance Federale 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 the internal control report is updated every year.

3.6.2.3.3 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.

1/ In relations with customers

a) Relationships based on ethics and the code of conduct

Rules of proper conduct exist to prevent risks to which customers could be subject. They are defined by internal rules that apply to all of the entities and to which is appended the safety charter, the code of conduct, the code of ethics and compliance and the charter on prevention and fight against harassment and violence in the workplace. The code of ethics and compliance, which is a public document, caps off this system.

b) 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 these data are protected and also covered by professional secrecy:

- 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 or answers and the consequences of failure to reply,
  - the recipients of this information,
  - one's rights of access, to object, 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.

CIC has adapted its tools and guidelines to incorporate the regulatory changes stemming from 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, CIC has adopted a security charter has adopted a security charter concerning personal data management, which is published on its website.

In 2019, nearly 75% of CIC's employees (SOT105) completed an e-learning course on the General Regulations on Data Protection (GDPR).

c) 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 across all production and hosting sites, thus making it possible for Euro-Information to earn ISO 27001:2013 certification in 2017. This certification was confirmed at the end of 2019 after a surveillance audit.

(1) General Data Protection Regulation.

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 are added:

- traceability of information;
- identification/authentication of persons 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 as in 2018, 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 as compared to 239 in 2018 (SOT103).

Employees are also trained and made aware of the most common types of fraud and the ethics rules applicable especially to the use of IT tools and email. A new "Security Info" tab was created in 2019 on the home page of the intranet in which information relating to the security of banking operations, people and property, computer security, fraud alerts, warnings, etc. appears. Furthermore, a newsletter on IT security published by Euro-Information is disseminated on the intranet of all employees.

d) 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.

e) Fragile and vulnerable populations

- By adopting a commitment policy for fragile and vulnerable populations: it describes the ongoing actions together with those which have been performed within Crédit Mutuel Alliance Fédérale since the end of 2017 to promote banking inclusiion, 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, to ensure that the legislative obligations and best practices for protecting fragile or vulnerable customers are properly implemented.

The works 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 tariff 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, CIC entities involded 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) and to the Banking Inclusion Observatory.

In addition, as part of its participation in the work of the FBF, Crédit Mutuel Alliance Fédérale is monitoring the work carried out by the joint ACPR-AMF unit to detect the decline in cognitive faculties of aging populations. The aim is to adapt commercial practices, mainly concerning the sale of financial and life insurance products, to this type of clientele.

f) 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, CIC provides everywhere it operates 2,258 ATMs, more than 99% of which are accessible the visually-impaired.

Bank statements are provided in braille. CIC 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. The level of accessibility of the site CIC.fr is specified on the home page.

In another area, CIC 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") from the French Banking Federation are accessible on the site CIC.fr.

g) 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 CIC'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. As of this year, the customer can directly enter a claim in the secure environment of the online banking space. He or she then receives an acknowledgment of receipt indicating the processing time for the claim according to the type of claim and can then track its processing.

As of 2019, 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.

In addition, a committee dedicated to analyzing customer claims and acting on behalf of all Crédit Mutuel Alliance Fédérale entities was set up at the end of 2019. Its purpose is to decide on the actions to be deployed to improve the claims handling system and remedy the operational malfunctions observed.

h) Mediation process (SOT74 to SOT78)

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-cic.fr/). 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.

i) Inclusion of ESG criteria in the business lines (SOT88)

Sectoral policies

Sectoral policies are formalized for the fossil fuel, defense and security, civil nuclear energy and mining sectors and apply to CIC entities.

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

Crédit Mutuel Alliance Fédérale has also decided to stop financing the exploration, production, transport infrastructure or processing of:

- shale oil or shale gas;
- oil from bituminous sands;
- heavy or extra heavy crude 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 website.

Project financing[1]

CIC 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.

(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 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.

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 (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[1] requires lessees to carry out an environmental study in different phases depending on the case:

- 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[2] 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.

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.

BLI-Banque de Luxembourg Investments, the asset management subsidiary of Banque de Luxembourg, also practices:

- establishing regular reviews of controversies that are likely to lead to the removal of companies from BLI's investment universe;
- excluding of companies linked to certain sectors;
- outlining a transparent strategy for voting by proxy;
- commitment by establishing a dialog between businesses on questions and controversies related to ESG.

An internal socially responsible investment committee (SRIC) is guarantor of the ESG approach.

2/ In the relationship with subcontractors and suppliers (SOT81)

a) 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. Special attention is given to complying with best practices in professional ethics and in particular to strictly complying with 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 reminding them of the respect linked to obligations in terms of sectoral purchasing policy.

b) 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 CIC and 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.

c) Supplier professions centers

A large part of purchases is done by the group's supplier professions centers, such as CCS, SOFEDIS and Euro-Information.

3

(1) Formerly CM-CIC Lease.
(2) Formerly CM-CIC Investissement.

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 labor law (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 each year.

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.

3/ In 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, including CIC entities. 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;
- Crédit Mutuel Alliance Fédérale's training system complements and enriches the culture of its employees, particularly in terms of respect for human rights:
  - the new module on "ethics," intended for all employees, which will be deployed on 2019/2020,
  - the module on "Working Well Together/Fighting discrimination" distributed in 2019,
  - the modules on "invisible disability" in 2019.

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.

a) Prevention of infringement to employees[1] rights 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, occupational medicine, etc.;
- group agreement on supporting employees in the use of digital tools and the right to disconnect;
- incivilities: procedure for combatting 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.

b) 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.). The percentage of digitized documents (GED) in the banking network, depending on the type of documents, varied between 82.3% and 98.7% at the end of November 2019;
- waste management: "collection of used printer cartridges" procedure, selective sorting mechanism (paper recycling, recovery of used batteries, etc.).

(1) Non-exhaustive list.

3.6.2.3.4 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 system is supervised by the compliance department, which ensures regular reporting.

3.6.2.3.5 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[1].

2019 Assessment of the code of ethics and compliance

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.

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 for values and texts.

The survey supplementing the evaluation of the code of conduct was sent to the 44,000 employees of all the entities (networks, head offices and business lines) including CIC. 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 in order to better adapt everyone's behavior.

In addition, in 2019, 55% of training courses on the rules of ethics including the fight against corruption and/or the fight against money laundering and the financing of terrorism were completed by registered CIC employees (SOT104).

Processing claims and mediation

The mechanism in force for processing claims within the group allows the clientele to transmit all types of claims, whether they concern the functioning of accounts, savings or non-financial matters.

(SOT106) At CIC banks, in 2019, the number of claims increased by 19.9% compared to 2018, notably due to the possibility given to customers in 2019 to enter their claims directly through online banking. (SOT107) More than 90% were closed during the year within less than one month (SOT108).

As concerns mediation, the number of referrals by the group's mediator decreased by 2.7%[2] in 2019. On the other hand, the number of files admissible (eligible for mediation) rose sharply, representing 19.7%[3] of referrals against 14.6%[4] in 2018.

The pricing of products and services remain the primary subject for referral.

It should be noted again this year that half of the files were not admissible on the grounds that internal remedies had not been exhausted.

Fragile clientele

Quarterly monitoring conducted at the level of Crédit Mutuel Alliance Fédérale identifies the number of third parties detected and the number of packages subscribed. The number of packages subscribed to by clients detected as fragile at the CIC level increased by nearly 25% between 2018 and 2019.

And more than 99% of staff in contact with customers were trained in customer protection at the end of 2019 (compared to 17% at the end of 2018).

Other indicators (non-exhaustive list)

Supplier charter

In 2019, nearly 2,000 charters were signed by CCS suppliers (suppliers with a revenue of more than €5,000) and nearly 80 by Euro-Information suppliers (SOT100) against 60 signed last year (suppliers with a revenue of more than €1 million).

Project financing

Of the 39 projects financed in 2019 (see Section 3.7.3.3), 35 are classified in category B, three in category C and one in category .

SRI

In 2017, Crédit Mutuel Asset Management earned three-year SRI certification for 16 funds:

- CM-CIC Objectif Environnement;
- CM-CIC Moné SRI;

3

(1) 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.
(2) Scope of banks, Banque Transatlantique and Crédit Mutuel Épargne Salariale.
(3) Data established on the basis of files processed on December 31, 2019.
(4) Data established on the basis of files processed on January 31, 2019.

- CM-CIC Obli SRI;
- as well as the 13 funds in the Social Active range: these cover all asset classes (equities/fixed income) and five of them are solidarity investment funds, thus contributing to the development of social and solidarity economy structures (ADIE, *Autonomie & Solidarité*, French Red Cross, *Entreprendre pour humaniser la dépendance*, InvESS *Île-de-France*, Initiative France, SIEL Bleu, France Active Investissement).

The SRI label allows us to point out to investors SRI products that address demanding specifications not only on transparency and quality of SRI management, but also on how they demonstrate concrete impact on the environment or society.

These funds amount to outstandings of €1.396 billion as at December 31, 2019.

And the outstanding amount of SRI solidarity employee savings managed by Crédit Mutuel Asset Management with the CIES label reached €1.415 million at the same date.

3.6.2.4 Documents available to view on the Internet

Title	Ref/link
Law No. 2017-399 of March 27, 2017, pertaining to the duty of vigilance of parent companies and sourcing companies	https://www.legifrance.gouv.fr/eli/loi/2017/3/27/2017-399/jo/texte
Sectoral policies	https://www.CIC.fr/fr/banques/institutionnel/publications/responsabilite-societale-de-l-entreprise.html

3.7 A RESPONSIBLE ECONOMIC AGENT

CIC is a committed player in the development of an economic and social ecosystem in the countries where it operates. This commitment translates by providing financing, offering products and services, responding to the needs of all, while taking into account the challenges and principles of sustainable development, especially in terms of ethics and code of conduct.

3.7.1 Financing offers and initiatives to develop entrepreneurship (SOT09) in all countries

The offer to companies was strengthened in 2019: CIC and the Banque Européenne du Crédit Mutuel, opened a pre-approved credit line of €1.4 billion. The packages, amounting to between €50,000 and €2 million, benefited nearly 3,400 client companies in CIC.

Among the new customers of business and professional markets in 2019, over 77% have revenue of less than €1.5 million. The Créa CIC offer provides a concrete response to project leaders in their quest for advice, services and banking products with:

- permanent support thanks to a network of account managers trained in business creation or taking over a business, a program of regular conversations to monitor the business, partnerships with several networks (Initiative France network, Management Agencies, ADIE, etc.);
- individualized financing solutions;
- social protection schemes;
- rate reductions adapted to the means of payment and account management.

Self-employed entrepreneurs also benefit from an offer adapted to their needs.

A charter on business creation completes the mechanism put in place for business creators/those taking over a business, which is based on a fitting and warm welcome and frequent and regular monitoring during the first three years of life of the future business.

For students under the age of 29 who wish to become entrepreneurs, CIC offers to accompany them during the period of analysis and for the first steps with the CIC Start Student Entrepreneurship Loan at 0% interest rate.

And a package promoting business creation in the *Quartiers prioritaires de la politique de la ville* (QPPV) was defined at the end of 2018, and as a result 37.9 million credits have since been granted by the banking network.

A dedicated space for business creation on the www.CIC.fr website and an "Entreprenons.fr" discussion platform is made available to business creators and all entrepreneurs (microenterprises, artisans, retailers, self-employed entrepreneurs, etc.) to help them in their efforts and provide them with free practical, legal, fiscal and qualitative social information accompanied by advice and answers from experts.

3.7.1.1 Support for innovation

CIC is also committed to innovative entrepreneurs.

A specific dedicated branch for start-ups and innovative businesses was established with account managers specialized in banking networks and with specific offers and measures.

At the national level, 50 corporate customer relationship managers are dedicated to the start-up branch.

The "Start Innovation CIC" scheme offers:

- specific services to respond to the various problems encountered by these start-ups;
- a community of business leaders, business experts and partners such as the BPI, the Carnot Institutes, MoovJee, the *Réseau Entreprendre*;
- *CIC Place de l'innovation* venues (in Lyon, Marseille, Paris and soon in Nantes) and events dedicated to innovation;
- calls for projects and competitions. This year, CIC Sud Ouest launched the first "Business Awards Start Innovation CIC" enabling start-ups and innovative companies to benefit from personalized coaching sessions, participate in thematic workshops led by leading experts, develop its network and exchange with the jury, and win one of two prizes: the *Espoir innovation* and *Espoir international* awards. For its part, CIC Lyonnaise de Banque has for several years been organizing the competition: "Innovating in a changing world" aimed at all those who want to promote and accelerate an innovative project: expert workshops, coaching sessions, networking, pitching sessions, etc. The bank is also a partner of the *Victoires de l'innovation* awards, which in 2019 focused on climate change, ecological transition and social justice.

Among the offers, the Innovative Business Loan with a repayment period of up to two years allows the entrepreneur to give his or her project time to succeed. A bundled offer of services dedicated to business startup was additionally launched at the end of 2018 (Global Startup Contract). CIC also offers a "Closing Express" service, which consists of delivering to the client within 48 hours the administrative bank documents related to the fundraising, a financial communication service (Up the Com) and an international support service (Start Export).

Finally, the unprecedented partnership signed on December 19, 2018, between the BEI and Crédit Mutuel Alliance Fédérale enables CIC to grant joint financing to innovative SMEs and ETIs and/or those located in the cohesion regions of the European Union on particularly attractive financial terms. The total amount of the partnership is €300 million, with the BEI and Crédit Mutuel Alliance Fédérale each contributing €150 million of investment.

Crédit Mutuel Innovation, a subsidiary of Crédit Mutuel Equity, invests – and often reinvests – its own capital to support innovative companies and structure their development in seed capital (prototype finalization), venture capital (first sales made), growth capital (growth, international).

This year, Crédit Mutuel Innovation has continued to strengthen its support for innovation and today represents €130 million in 40 innovative companies in all countries, with Crédit Mutuel Alliance Fédérale dedicating an additional €200 million exclusively to investment in French technology start-ups. It can thus double its total investment in these companies to €250 million within three years.

In addition, as an active shareholder, Crédit Mutuel Equity invites the managers of its "Tech it Easy3" holdings, to an annual gathering of the world's young innovative companies and medium-sized entities (ETIs), focused on technology to watch, which is already leading to a change in practices.

For its part, in 2018, Crédit Mutuel Asset Management offers the CM-CIC Global Innovation fund focused on innovative companies around the world for investors.

Partnerships were also formed with stakeholders in innovation (see Section 3.8.2.1).

3.7.1.2 A responsible and active stakeholder for development of SMEs over the long term

Crédit Mutuel Equity and its subsidiaries exercise the group's "equity transaction" activities by supporting companies over the long term, at all stages of their development, are signatories of the charter of Investors' Commitments for Growth of France Invest. They are therefore committed, beyond the rules already set in the profession's code of conduct and in the context of the regulatory framework defined by the AMF in terms of economic, social and human, environmental and good governance issues. Crédit Mutuel Equity SCR is also a shareholder of the LUCIE agency, creator of the first social responsibility label based on ISO standard 26000.

As of December 31, 2019, the capital invested of its own equity amounts to €2.6 billion in 360 investments, 86% of which are unlisted companies.

Crédit Mutuel Equity proposes the "Expansion SME" offering, intended to meet the needs of SMEs for equity and quasi-equity of less than €1 million in their plans for growth or transfer. As for the CIC "In the Regions" offering, it helps executive shareholders wishing to sell their small cap business (value of business less than or equal to €7 million).

The transfer and takeover of businesses are major economic challenges, both in terms of growth and employment and in terms of the country's appeal. CIC offers a support service to its clients who wish to transfer their company(ies) at all stages of the project: analysis of the various possible strategic options, search for the best buyer up to the signing of the transfer protocol. In order to better anticipate the transfer, a diagnosis can be established with the company director to highlight the weaknesses that may exist at the time of its establishment in relation to the project. In the case of the takeover of a family business, CIC has set up and is a partner in training courses for company directors to facilitate the handover between the different generations (see Section 3.8.2.1). It is also involved in information events for business leaders, such as CIC Ouest, which has been a partner of the Nuit de la transmission, organized by the Nantes-Saint Nazaire Chamber of Commerce and Industry and the Loire-Atlantique Chamber of Commerce and Industry, since the first edition.

3.7.2 Supporting the digitalization of businesses

In terms of financing, a new range of investment loans were rolled out at the end of 2018. Among these loans, the Digital Transition Loan has as its purpose to facilitate business digitalization projects. It concerns financing tangible and intangible investments related to the digitalization of a business' activities for the purpose of modernizing its tools and/or transforming its economic model through digital technology. Like all other loans in this portfolio, it receives subsidized interest rates.

In terms of digital tools, CIC offers its customers a range of products adapted to their needs:

- CIC e-invoices by Epithète, a complete on-line billing and payment service, which is intended for all economic and professional players in the broadest sense (associations, self-employed entrepreneurs, microenterprises, small and medium-sized companies, ETIs, large companies) and allows them to work easily with their customers and suppliers, even if they are not themselves subscribers to the service, and to exchange orders, estimates, invoices, payments, etc.;
- the e-services package of Crédit Mutuel Factoring[1], a subsidiary specialized in the mobilization of receivables and factoring, which proposes 100% digital and secure management of accounts receivables in its factoring offer to microenterprises and medium-sized companies…;
- a payment card that replaces paper meal tickets and whose functionalities were enhanced in 2018 by signing a partnership with Edenred – Ticket Restaurant® (CIC Restaurant Ticket Card);
- an e-boutique offer to support customers in new distribution channels by offering creation of their e-boutique along with a web agency, an e-payment solution and preferential financing, depending on their needs.

Meetings are organized concerning the digital field. As a partner of the Nantes Digital Week for the past three years, CIC Ouest has also organized its own event on major innovation trends: *Osons le futur!* (Venture into the future!) on the theme "What if Silicon Valley landed in Nantes?".

CIC Est took part in the big digital festival in Alsace Bizz & Buzz, organizing a whole day dedicated to new technologies, e-commerce techniques, digital communication and more. The day was divided into two parts: Jedi's of the Web and Off e-Commerce and e-Marketing. The bank welcomed a large public of all ages, from students who came to learn and "network" to shopkeepers and entrepreneurs who came to find solutions to their business problems.

(1) Formerly CM-CIC Factor.

3.7.3 Financing, investments and services to facilitate the energy transition (ENV53)

3.7.3.1 Financing and services for individuals (SOT59)

With regard to real estate, outstanding interest-free Eco-loans (Eco PTZ and complementary Eco PTZ) totaled €102.4 million. In addition to these loans, for certain specific work to improve the energy performance of housing in old buildings, long-term sustainable development loans are offered (outstandings: €1.2 million) and short-term loans (outstandings: €4.3 million) for work benefiting from tax credits in buildings completed more than two years ago.

This year, CIC Lyonnaise de Banque undertook to develop local cooperation with regional platforms for energy renovation by signing a partnership agreement with four other banks to promote the energy renovation of private housing with the Auvergne-Rhône-Alpes region, the State and the ADEME (French Environment and Energy Management Agency).

CIC has a joint offer with EDF to provide financial support to customers who wish to carry out energy renovation work, which includes, among other things, the free advance to the customer of the EDF energy bonus by means of an interest-free consumer loan at a rate of 0%.

In addition, CIC offers home insurance that covers renewable energy systems (heat pumps, geothermal, aero thermal, photovoltaic solar panels, etc.) along with the property on which they were installed. It is also envisaged to offer civil liability coverage for electrical production in the event electricity is sold back to the grid when photovoltaic panels are registered.

Concerning modes of transport, CIC has:

- Eco-Mobility offers with very favorable terms for hybrid or electric vehicles and attractive terms for petrol vehicles with no ecological malus. The production of lease financing for hybrid and electric vehicle acquisition made in 2019 more than tripled as compared to 2018;
- in terms of auto insurance, attractive offers for people with eco-friendly behavior: reduced rates if the vehicle travels less than 6,000 km a year, if a driver under 28 years old takes a driver education class, extension of the driver's bodily harm coverage if he or she uses other means of land-based transport (mass transit or bicycle rather than car for home-to-work trips). Damage to the bicycle is also covered. In addition, automotive liability protection covers disputes relating to public transit passes or bicycle rental. If it's a matter of insuring an electric vehicle, the battery and recharger cable are covered under the policy warranty. For vehicles three years or older, the policyholder who accepts the use of guaranteed refurbished parts to repair his or her car in the case of damage also benefits from a rate reduction;
- CIC also offers insurance for new mobility solutions:
  - for users of scooters, gyropods, hoverboards, gyrowheels, a package includes a civil liability cover and a Criminal Defense and Recourse cover,
  - with regard to carpooling, in addition to the vehicle assistance cover, their carpoolers benefit from a taxi to complete the carpool trip in the event that the vehicle is immobilized (following an accident or breakdown and within a certain limit). Insured customers can also benefit from this service if they take a seat in a carpool crew whose vehicle is damaged or breaks down.

3.7.3.2 Financing of renewable energy equipment for professionals and businesses

Financing investments dedicated to the energy economy and high-energy performance may be achieved with the energy Transition Loan from the new portfolio of investment loans with subsidized rates.

Two years ago, CIC also signed an agreement with the BEI aimed at establishing a refinancing package, valid for four years, on wind or photovoltaic projects. Besides the financing, the BEI will participate in up to 50% of the risk on selected projects. In the regions, the projects financed for businesses and professionals in 2019 concern almost exclusively methanization installations and photovoltaic parks.

Furthermore, professionals and companies benefit from specific financing offers in long-term leasing for the acquisition of hybrid, electric and public transportation vehicles.

Developing renewable energy equipment for farmers

Experts are helping farmers more and more with high-performance renewable energy equipment projects. In 2019, photovoltaic and methanization unit projects accounted for 56% (with a 21% increase in financing granted) and 41% respectively.

3.7.3.3 Financing grand projects in renewable energy (SOT60) and project funding[1]

CIC also participated in higher profile projects in France and abroad in various domains.

In 2019, the ICC's project finance department financed 39 projects, 25 of which were renewable energy projects:

- 11 onshore wind farm projects, totaling more than 1,700 MW (eight projects in France, including notably the refinancing of Boralex's wind farms, two in Canada and one in the USA);
- five offshore wind farm projects in Europe representing more than 2,800 MW (including notably the Saint-Nazaire wind farm, the largest offshore wind farm in France, two wind farms in Scotland, one in Belgium and one in the Netherlands);
- eight solar projects for a total capacity of 525 MW (five in France, one in Spain, one in Chile, one in the USA);
- and a biomass power plant project in Guadeloupe.

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, representing an increase of 22% compared to the end of 2018.

CIC also financed 11 infrastructure projects, including two high-speed lines and a fiber-optic network in France, an airport in Croatia, motorways in Portugal and a metro in Spain and Australia. All funded projects strictly meet the environmental standards of the country in which they are located.

The group's 2019-2023 strategic plan ensemble#nouveaumonde set the growth target for financing projects with high-impact on climate at 30%. Initially, this goal concerns corporate banking activity, particularly through the financing of projects.

All funded projects strictly meet the environmental standards of the country in which they are located.

This financing is subject to an internal vetting procedure, including the ESG criteria described in the vigilance plan (Section 3.6.2.3.3).

3.7.3.4 Investments in businesses that respect the environment

Crédit Mutuel Equity and its subsidiaries also participate in development projects by investing in companies whose products are environmentally friendly and efficient in terms of energy consumption (manufacture of biomass-fired boilers, distribution of photovoltaic equipment, etc.).

Crédit Mutuel Equity has also chosen to support one of the very first players in the tourism sector to have fully integrated Social and Environmental Responsibility into its business model and offset 100% of the CO_2 emissions linked to its customers' travel and the activities of the companies that make up the group through reforestation programs.

3.7.4 Supporting the CSR efforts of businesses

The CSR Transition Loan helps businesses and professionals that wish to make investments in responsible development:

- at the social level: improving work conditions, training plan for teams, hardware equipment;
- in terms of energy savings: creation of new, more energy-efficient products, etc.;
- on environmental issues: waste recycling solutions, reduction of paper consumption, implementation of a process to comply with rules and regulations, solutions for reducing greenhouse gas emissions, introduction of assessment tools that make it possible to measure the impact of actions on the environment, etc.

A bonus is awarded after two years of amortization if the business presents a CSR audit that shows improvement over what was communicated to the bank at the time the loan was arranged.

3.7.5 Facilitating the integration of young people

For each important stage of a young person's life (apprenticeship, higher education studies in France or abroad, driver's license, first move away from home, first job, creation of a business, etc.), CIC offers customized solutions including:

- the CIC Study Loan with complete job search assistance (research strategy, writing the CV and cover letter, preparing for job interviews, etc.);
- advance payment of the security deposit when renting an apartment, and a rental guarantee in case of unpaid rent and charges thanks to "Accès Locatif" and "Loca-Pass" intended for the owner;
- the Youth loan at a preferential rate to finance equipment or installation expenses;
- the driver's license loan at €1 per day to facilitate access to driver training for vehicles in the 2-wheel category (A1 and A2) and autos (B) where the cost could represent a major obstacle to obtaining a job. The amount of loans granted in the banking network totaled €8.1 million at December 31, 2019.

(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 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.

3.7.6 Being present for associations (SOT40)

The number of non-profit organization (NPO) customers in the banking network registered a growth of 4.9% in 2019 in comparison to 2018. Among other things, CIC offers to optimize collection of donations (Dynaflux Globa'Collect) with a delegation that can assist with the entire donation process, from calling donors to receipt of gifts, from depositing checks to generating receipts, and integrating gifts into record keeping. The new "Pay Asso" offer also gives local associations the opportunity to offer members the possibility of paying by credit card even if they don't have 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.

Financing and investment solutions adapted to their needs are also offered, including lease financing.

Some associations also benefit from the Passbook Account and the Savings Cards for Others, which CIC offers to its clientele (see Section 3.7.81). CIC's commitment is also manifested by partnerships with associations in various domains (see Chapter 3.8).

3.7.7 Financing projects of a social nature (SOT37)

CIC is involved in the establishment of financing for construction of social housing and through CIC Dynaflux Immobilier and its subsidiary Euro TVS offers a solution to low-cost housing companies for processing collection of rental payments and expenses. It contributes to the financing of social housing by offering the Social Rental Loan (PLS), the Social Rental-Accession Loan (PSLA).

In 2019 it distributed Social Accession Loans (*Prêts à l'accession sociale* (PAS) or *Prêts conventionnés à l'accession sociale* (PCAS)) to individuals with modest incomes wishing to become homeowners.

3.7.8 An offering of responsible products and services

3.7.8.1 Promotion of Socially Responsible Investment (SRI) (SOT28)

Crédit Mutuel Asset Management, a committed player in responsible finance for more than 20 years, joined the Finance for Tomorrow initiative launched by Paris Europlace in 2019, thereby committing to help redirect financial flows towards a low-carbon and inclusive economy, in line with the Paris Accord and the UN's Sustainable Development Goals (SDGs). The company was already:

- a member of FIR (Forum for Responsible Investment) since 2004, and EuroSIF (the European Association of FIR);
- a member of the CDP water project (formerly Carbon Disclosure Project) since 2010, associated with its carbon program since 2011 and with its forest program since 2013;
- a member since 2011 of the ICGN (International Corporate Governance Network);
- a supporter of the AFG-FIR transparency code since its inception;
- a member of the Green Bonds Principles since 2015;
- signatory to the PRI (United Nations Principles for Responsible Investment) since 2012 (with a rating of A+, the highest since the beginning);
- a signatory of the Paris appeal on climate since December 2015 as part of COP21;
- a signatory to Access to Medicine Index since July 2017;
- a signatory to the declaration: "Towards generalization of non-financial rating" since 2017;
- and to the Global Investor statement to governments on climate change since 2018.

Crédit Mutuel is also a signatory to the United Nations Global Compact. This globally recognized initiative is based on international conventions (human rights, environment, etc.) and concerns all industrial sectors.

In detail, Crédit Mutuel Asset Management's offer can be broken down as follows:

- best-in-class SRI funds:
  - CM-CIC Objectif Environnement, CM-CIC Obli ISR, CM-CIC Moné ISR for private and institutional investors,
  - CM-CIC France Emploi, a solidarity mutual fund now managed according to "best-in-class" SRI principles and an approach that excludes the coal and tobacco sectors;
- the "Social Active" range of inter-company SRI funds, created by Crédit Mutuel Asset Management and Crédit Mutuel Épargne Salariale and accredited by the *Comité intersyndical de l'épargne salariale* (CIES). Dedicated SRI funds are also offered;
- a green bond fund: the CM-CIC Green Bonds fund, which has obtained the Greenfin government label intended for individual retail and institutional customers. Its objective is to contribute to the financing of the energy transition by adopting an approach focused on projects with high environmental benefits. Its outstandings as of December 31, 2019, were comprised of as much as 95.7% green bonds. These bonds are chosen with respect to Green Bonds Principles and environmental, social and governance criteria, and interest in the project being finance;
- the commitment to greener finance is reflected in a willingness to diversify funds. In 2019, a new fund with a formula indexed to the STOXX® Global ESG Leaders Select 50 EUR index, *Performance Monde Avenir 2025*, was launched for individual retail customers. The selection of the companies included in this index takes into account non-financial criteria to assess the extent to which sustainable development and long-term issues are taken into account in their strategy.

Following an extensive survey of individual and professional investors, Crédit Mutuel Asset Management was awarded the *Prix de la pédagogie* in the management company category at the 19th Investor Awards ceremony organized by Boursorama, in recognition of its efforts to promote a better understanding of the products on offer.

Crédit Mutuel Asset Management is also heavily involved in raising awareness of responsible and sustainable finance among its employees and savers. This theme is also the subject of a dedicated communication aimed at clients and on the networks' intranet site through "Le billet de la Finance Responsable," which is published bi-monthly. At the end of 2019, Crédit Mutuel Asset Management launched a series of animated educational videos entitled "Corentin and sustainable finance" to raise awareness among all stakeholders on the subjects of responsible finance, socially responsible investment and climate risks.

Banque de Luxembourg Investments (BLI), the subsidiary of asset management of the Banque de Luxembourg signed the United Nations charter on Principles of Responsible Investment (UNPRI) in 2017, and implements an investment strategy based on environmental, social and governance (ESG) criteria. It offers a management solution in socially responsible funds (SRI). The funds (third party, ETF, and BL Sustainable Horizon (SRI funds since 2008)) are selected based on the criteria of creating a positive impact and the presence of ESG themes (water, smart energy, green bonds, etc.). Alternative investments are excluded. Three types of approaches are used: best-in-class, thematic investment or ESG integration (selection of companies that integrate ESG factors in the same way as financial criteria).

3.7.8.2 Encouraging solidarity savings and investment

The Passbook Savings for Others is a solidarity product, as labelled by Finansol. 50, 75 or 100% of annual interest is given back in the form of donations to one to four partner associations, which work in the area of humanitarian emergencies (Action Against Hunger, Catholic Relief Services, Doctors of the World), children (The Little Princes Association and UNICEF), social housing (Abbé Pierre Foundation, Habitat and Humanism), or medical research (Curie Institute). The Card for Others also gives back donations to these same partners when making purchases with the card. Thanks to the donations collected throughout the year with these two solidarity products.

CIC also offers a sharing fund to support employment: CM-CIC France Emploi (as labelled by Finansol), of which half of the profits are donated to the France Active Association, which supports and finances solidarity businesses that create or consolidate jobs and people having difficulty finding employment who create their own business.

Among the range of SRI products dedicated to the "Social Active" employee savings plan, labelled by the Inter-Union Employee Savings Plan Committee (CIES), four mutual funds (FCPE) are solidarity plans (*obli solidaire*, *équilibre solidaire*, *tempéré solidaire*, *dynamique solidaire*).

3.7.8.3 Support for fragile populations (SOT39)

3.7.8.3.1 Offerings for the fragile or vulnerable clientele[1]

CIC is attentive to supporting customers who are going through difficult life situations, whether they are structural, social or short-term in nature. The provisions that have been put in place by the bank are described in the vigilance plans in Section 3.6.2.2.3.

3.7.8.3.2 Insurance and fragile populations

At the level of insurance, people with low incomes may receive State subsidies with regard to supplemental health coverage. The CMU-C[2] and the *Complémentaire santé ACS* health contract have been replaced since November 1, 2019, by the *Complémentaire santé solidaire*. This new coverage is provided by the state. Beneficiaries must be attached to their basic scheme for the implementation of this coverage.

Since January 2017, CIC's borrowers, insured at ACMs for a loan related to their principal residence, may benefit from continued medical approval. Enrollment in insurance coverage by ACM borrowers provides them the possibility of also being covered, in the future, under the same terms of medical approval, for a new loan in the event of changing primary residence without any additional medical paperwork, even if, in the meantime, they've encountered a health problem.

Borrowers can also complete their medical formalities online. This development is part of the desire to improve service to customers and making medical paperwork smoother.

In addition, CIC complies with the "AERAS" (Insurance and Borrowing with Aggravated Health Risk) agreement designed to facilitate access to insurance and credit for persons with an aggravated health risk.

The Health law of January 26, 2016, specifies the provisions on the right to oblivion which should allow people who have presented a cancerous pathology to be exempted, under certain conditions, from declaring their former illness when applying for insurance for a loan.

The nursing care insurance offered allows for fragile populations to finance their future needs in this area. Furthermore, isolated populations may find in the funeral coverage a solution for financing their funeral through an insurance mechanism, but also, thanks to the provisions, the guarantee that the funeral will be organized according to their desires.

3.7.8.3.3 Helping to manage one's budget

CIC is committed to offering products that allow the customer to control his or her budget:

- the "CIC Alerts," which sends alert messages by email or SMS related to the account(s) (balance, transactions, etc.), payment transactions, payment instruments (bank card outstandings, etc.). The receiving frequency, thresholds and manner of activation are parameters set by the customer;
- the "Budget Management" functionality offered by mobile solutions and on CIC.fr, gives a summary and graphic view of expenses and income. It includes an account aggregation function of secondary institutions inside or outside the group;

(1) *Protected adults and persons facing death of a loved one.*
(2) *Supplementary universal health coverage.*

- credit simulators are also available on all of the sites of CIC banks;
- after review, consolidation of several existing loans into a single loan may also be suggested, which can facilitate monitoring one single monthly payment and one single contact person;
- moreover, a sector policy on consumer credit sets the rules to respect with regard to marketing and business practices, approval and financing, collection, preventing and combating money laundering and financing terrorism, processing of personal data and processing claims;
- concerning credit in reserve, the rate defined is fixed depending on the purpose, and it is possible to benefit from the best rates at the time on any unreleased portion; as long as credit is not used it costs nothing, the amount and the monthly payment are adapted to the customer's budget, reimbursement of credit may occur at any time with no additional charges;
- in the "Assur Prêt" offering, a borrower's insurance, calculation of the premium is determined at the time of enrollment so that the borrower knows in advance about all the annual premiums;
- finally, contingency plans to maintain one's level of income in the event of a work stoppage are also offered.

3.7.8.4 Responsible offers with regard to health and safety (SOT80)

With regard to health, with its bank insurance business, CIC offers health insurance products, provident schemes, nursing care insurance for individuals and self-employed persons, and group insurance coverage for businesses. In addition to a supplemental health offer for all private sector employees, customizable for the business, additional supplementary health coverage is offered. This latter coverage is aimed at complementing benefits paid by basic and supplemental insurance plans, the coverage related to these plans often proven to be insufficient for the employee and his or her family. Dedicated services complement these offerings. The Avance Santé card allows insured persons to pay their health care expenses without doing so in advance. Health insurance subscribers have the possibility of transmitting estimates and invoices, which are not transmitted electronically, from a mobile device (by sending photos) and thus obtaining a quick response as to what expenses are covered. A helpline support service called CIC Senior Assistance is also available in order to enable isolated or fragile individuals to live at home and maintain autonomy. CIC Lyonnaise de Banque assists clients who wish to carry out adaptation work so that they can continue to live at home for longer through its RSE CONSO financing offer at a subsidized rate.

Concerning property loan insurance, CIC offers continued medical approval during a change in primary residence (see Section 3.7.8.3.2). Furthermore, when an enrollment request for borrower's insurance is subject to medical formalities (declaration of state of health, health questionnaire, medical analysis, medical report, etc.) the medical e-approval device makes a secure site available to the borrower on the Internet where he or she can fill out medical paperwork. The customer may thus fill out the paperwork when and where it is most convenient and obtain a quick response.

In terms of physical security, CIC offers Theft Protection (protection for property and persons), which was complemented by an offer of a remotely-monitored carbon monoxide detector, as this kind of poisoning represents one of the primary causes of accidental death by poisoning. Moreover, the e-declaration is a quick way to file a home or auto claim by computer and/or a smartphone, which is available to individuals 24/7. And in the event of severe weather in a geographical area, an appropriate support system is set up with CIC employees and experts to provide all the necessary support in a personalized manner in the declaration of a claim, the implementation of compensation, and the immediate release of advance payments according to the degree of urgency.

In terms of IT security, significant resources have been deployed to secure banking transactions. Recurrent messages to raise the awareness of customers are present on personal pages of online banking, as well as permanent content, especially in the "Security" folder.

Security solutions for Internet bank transactions are suggested (Safetrans, K-sign certificate, keyless entry, confirmation code sent by SMS of interactive voice service, mobile confirmation) so that the customer provides authentication with CIC's online banking services and can make sensitive transactions.

In the context of combatting fraud pertaining to transactions made by card *via* the Internet, customers have the possibility, from their personal space on the Internet or from mobile applications, to suspend use of the payment card for home shopping transactions made for a period of his or her choice. Moreover, customers may subscribe to a card with a dynamic cryptogram, where the three numbers of the printed cryptogram printed on the back of the card are replaced by a small screen generating a new code every hour.

3.7.9 A relationship that's mindful of respect for the customer – the desire to establish quality service (SOT73)

CIC continued the development announced as part of Crédit Mutuel Alliance Fédérale's 2019-2023 strategic plan ensemble#nouveaumonde, which aims for excellence in customer relations. It strives to offer its customers the best of the relationship, whether physical or digital, and to provide products tailored to the new needs and uses of today's world, digital, simple, relevant and attractive. CIC was ranked number one in this year's banking sector Customer Relations Awards organized by BearingPoint – Kantar TNS.

3.7.9.1 Strengthening of employee's skills

The advisor remains at the center of the face-to-face, telephone and digital relationship with customers. With a budget of more than 6% of payroll expense, there are many training sessions: in terms of welcoming, listening, diagnostic accuracy, relevancy of offers, control of tools. Training modules were developed regarding the areas of online and digital banking (see Section 3.5.1.1 "Digital Passport").

A program called "My Digital Ally" was 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. Besides being a dedicated intranet universe, Mon Allié Digital also provides employees with a monthly video on a specific subject.

Area specialists may also be called in to provide support for specific customer needs, including by remote means, since this year by webinar. Digital advisors support agency employees in the field to ensure that they assimilate the group's digital changes. Moreover, in order to support Corporate customer relationship managers, a store with downloadable videos and interactive PDFs is available to managers during conversations with customers. Chats are also organized on specific topics for customer relationship managers with specialists with whom they can discuss complex subjects. Monitoring is carried out with respect to the domain of online banking, whether in terms of its use by customers, delays in response from advisors or recourse by the latter to the email analyzer or virtual assistants.

3.7.9.2 A more personalized relationship with clientele

The website CIC.fr makes it possible to enhance the customization of advice and content based on the customer profile. The customer may save the most utilized operations as favorites and customize his or her profile with display preferences. He or she also has the possibility *via* the online banking application accessible on computer, smartphone or tablet of staying in touch with his or her advisor thanks to a dedicated space and declaring the projects or areas of interest from the customer space in order to take advantage of customized offers at the right time. Furthermore, modularity is also one of the criteria considered in the design of new offers. Therefore, the customer may now create, with his or her advisor, the individual health coverage that best corresponds to his or her needs: in supplemental health, for coverage of preventive and alternative care as well as hospitalization costs, and additional supplemental coverage.

It should be noted that customer relationship managers do not receive commissions on sales of products they offer, which contributes to offering customers the most appropriate solution.

Furthermore, in order to build long-term relationships with new customers, the Welcome process makes it possible to personalize interactions with customers throughout the first year depending on their contact patterns and their activities.

3.7.9.3 Innovative and secure offerings that simplify the life of customers

Surveys are conducted in order to suggest offerings that are aligned with the needs of customers.

New offerings that are introduced are more and more frequently co-designed with future users, customers and network employees based their universe of needs. Among the new services offered this year:

- the Ticket Restaurant® CIC card in partnership with Endered, which is simple to set up and manage, with a secure online customer area enabling the company to monitor and carry out its day-to-day operations. It is also more versatile for employees to use: payment to the nearest cent, as opposed to a paper ticket, direct access to delivery platforms and distance selling, it adapts to new methods of consumption and payment (contactless, mobile payment) and incorporates the security and advantages of a payment card;
- in terms of insurance, a Small and Medium Fleet Vehicle offer four to 30 vehicles insuring, in a single contract, all the vehicles of the same professional or company with options and guarantees adapted to each type of vehicle and its activity, for all drivers without nominative designation, and offering advantages in terms of tariff and guarantee for electric vehicles;
- CIC also participated in the implementation of a contactless payment system for urban transport in the *Pays de Dreux* conurbation.

3.7.9.4 An efficient and reactive approach

The decentralized organization of the banking network leads to responsiveness to customer demands. About 90% of decisions to grant credit are taken locally and autonomously in the consumer market. CIC opted for proximity, simplifying the organization of regional hierarchical structures for the benefit of local branches, allowing them to provide a more responsive service.

Facilitating tools were also put in place to allow advisors to maximize contacts, like the email analyzer rolled out in branches. A research assistant also assists customer relationship managers in answering recurring questions concerning specifics in terms of auto and fire or casualty insurance, savings, consumer credit and related borrower's insurance, lease financing, health and individual provident schemes and any questions relating to contracts and areas of Legal Protection coverage. The tools deployed must allow network employees to make time to provide the necessary scope of advice and spend relational time with customers. More broadly, the goal is to use cognitive solutions in all banking insurance business lines where these solutions are likely to generate growth.

3.7.9.5 To be in phase with customers who are increasingly connected and autonomous

- CIC is adapting to new lifestyles while offering customers a fluid and monitored relationship through the means of their preferred communication with the bank. A user's guide that consolidates the various topics related to digitalization of branches was implemented so that customer relationship managers assimilate all tools of the omni-channel relationship. More and more digital transactions may now be carried out on the Internet and on mobile applications with, in the case of contracts, recourse to electronic signature. The targeted goal is to make 100% of functionalities in all markets accessible to the customer on the web or mobile device.
- **In terms of credit**, as with the monitoring on the website, the customer can now track the progress of his home loan application *via* his mobile Online Banking app, converse with his adviser and attach supporting documents *via* the online banking (BAD) messaging system.

  For consumer credit, numerous transactions may be carried out remotely by the customer under certain conditions: simulation, subscription, unlocking amortized consumer credit, instant unlocking of funds from a smartphone for customers having credit in reserve, increasing bank card limits for an "impulse" purchase before making a cash payment or consumer credit subscription within a 30-day period. The advisor at the center of the process follows simulations, a customer's subscription process that's been started or finalized, interacts with the customer, and after assessing the risk, finalizes the loan;

- **In the domain of insurance**, customers have on their smartphone a dedicated space in which appears information related to insurance, policies held and in which they have the possibility of accessing various services: quotes for home insurance, the "three-photo auto quote" for auto insurance, which makes it possible to obtain a complete custom quote in a few seconds by simply taking photos with a smartphone of the vehicle's registration certificate, the operator's driver's license and the information statement of current auto insurance. Online or at the branch, the account manager gets involved during the subscription process to answer potential questions and make useful adjustments depending on the needs of the future insured.

  Borrowers can also complete medical paperwork online in a totally secure and confidential manner and have follow-up to their medical approval in real time.

  Declarations and follow-up on auto or home claims are also feasible online. Regarding auto claims, the insured may now choose his or her garage, take advantage of approved garage services, chose the date of the appraisal;
- **In terms of service**, CIC offers a unique mobile solution that anticipates the uses and preponderance of the mobile in the lives of customers: the Lyf Pay all-in-one mobile payment application, which already combined numerous payment features and benefits, loyalty offers, and made it easier to donate to associations, now offers the possibility of creating a participatory kitty free of charge. Once the kitty is created by the organizer from the Lyf Pay application, it can be shared with participants, whether or not they are Lyf Pay users. At the closing of the kitty, the organizer can either transfer the money to his or her account or use the amount collected in stores accepting the Lyf Pay payment solution.

  Customer management of payment cards is also facilitated: from the customer space and on the mobile application, the customer may consult detailed card information and manage parameters depending on needs: temporarily increase his or her payment and withdrawal limits, activate/deactivate payments on the Internet, stop payments and order a new card simultaneously.

3.7.9.6 Measuring quality

In order to bring ever more attentiveness, quality and responsiveness to customers, we regularly collect their feedback. They are questioned not only on their satisfaction but also on the design of applications developed for them: design, functionality, ergonomics. Employees may also be solicited as users when new offers are launched.

In the context of the quality process, satisfaction surveys are routinely done with new individual and professional customers. Surveys are also conducted in the event a relationship is terminated.

The Net Promoter Score, an indicator of customer loyalty, which evaluates with a single question the probability of recommending the bank is at a high level and is up three points compared to 2018.

Since the end of October, a new survey has been in place to systematically collect the level of satisfaction and referral intention of clients, regardless of seniority, after an appointment with their customer relationship manager. More than 37,000 customers responded. The results will be made available to the networks in 2020.

Constant monitoring allows branch managers to know what their customers are thinking. At branches, a scoreboard – involvement and mobilization for the quality action plan (IMPAQ) – allows us to consult various quantitative and qualitative indicators related to the quality of customer relationships and helps us to identify failings or alerts when there are sensitive situations.

This monitoring also makes it possible to adapt responses to identified customer expectations. Focused surveys and studies are conducted simultaneously, and CIC also participates in external satisfaction surveys. For the first time, CIC won the 2019 Customer Relationship Award for the banking sector. The award was presented by BearingPoint and Kantar TNS and recognizes the commitment of all CIC teams to a single goal: excellence in customer relations.

The subsidiaries that support the network are also committed to a quality approach, such as Crédit Mutuel Leasing with its "Service Attitude" Other activities benefit from the same ISO 9001 certification like the CCS[1] payment method, Crédit Mutuel Épargne Salariale or AFEDIM (Crédit Mutuel Immobilier's real-estate agency), and the ETS customer relations center for AFNOR's quality standard NF Customer Service Relation 345. In addition, CCS monitors the level of quality of its services through a monthly dashboard made available to its members and sets annual improvement targets by business line.

3.7.10 Encouraging suppliers and subcontractors to consider social and environmental issues (SOT81)

Mechanisms are in place to create favorable conditions for long-term relationships with suppliers. They are described in the group's vigilance plan (see Section 3.6.2): purchasing policy, supplier charter, etc.

(1) The group's business center involved in bank output, logistics and network support.

3.8 AN ACTOR IN CULTURE AND SOCIETY

3.8.1 Patronage, cultural partnerships (SOT57)

3.8.1.1 Long-term support for cultural projects and heritage preservation

Since 2003, CIC has been the major partner of the *Hôtel national des Invalides* (*Musée de l'armée*), whose heritage activities (restoration work), cultural activities (concerts, musical seasons) and temporary exhibitions (in 2019, *Picasso et la guerre* and *les Canons de l'élégance*) it actively supports. CIC has renewed its support through 2021. In addition, thanks to the sponsorship of the CIC, the mobile at the Croix de Lorraine known as France Forever, created by the American sculptor Alexander Calder in the autumn of 1942 and recognized as a work of major heritage interest in June 2019, has joined the collections of the Musée de l'Armée. This acquisition, which marks the opening of the Museum to modern and contemporary art, will be exhibited from June 2020 in the Historial Charles de Gaulle museum.

CIC is also a founding sponsor of the Aix-en-Provence Easter Festival, which has achieved international recognition and has a strong local economic impact.

3.8.1.2 Support for young artists

CIC's partnership with the *Victoires de la musique classique* introduces young virtuosos to the general public by giving them the opportunity to perform at the Hôtel National des Invalides and on many stages in France. Since 2005, Ophélie Gaillard has been playing a cello made by Francesco Goffriller in 1737 thanks to CIC. On October 8, 2019, the press conference announcing the 2020 Easter Festival was held at Les Invalides. On this occasion, the CIC Michel Lucas Prize was awarded to six young laureates by Daniel Baal, director general of the CIC, Renaud Capuçon and Dominique Bluzet, respectively artistic director and executive director of the Easter Festival. Its aim is to reward each year the merit, excellence and hard work of young musicians from all over France.

Bank CIC (Switzerland) is a sponsor of the *Nouveau Cirque*, which is part of Young Stage, Switzerland's largest circus festival, which rewards young artists with prizes in the form of money or appearances in circuses, TV shows, and variety theaters.

3.8.1.3 Patronages and sponsorships throughout France

Major cultural and regional sports projects funded in 2019	Beneficiaries	Patrons/Partners
Fine Arts		
Exhibition Braque, Calder, Miro, Nelson: Varengeville, a workshop on the cliffs	*Métropole Rouen Normandie*	CIC Nord Ouest
Lille Métropole Museum of Modern Art, Contemporary Art and Art Brut	LAM *Lille Métropole*	CIC Nord Ouest
Support for the museum – Participation in the exhibitions: *l'Algérie de Gustave Guillaumet* and *Traverser la lumière*.	City of Roubaix – *La Piscine, musée d'Art et d'Industrie André Diligent*	CIC Nord Ouest
Scientific and cultural project	*Musée de Pont-Aven*	CIC Ouest
Cultural programs	*Musée d'Arts de Nantes*	CIC Ouest
Cultural development	The Lyon Biennial	CIC Lyonnaise de Banque
Conservation of national heritage and the enrichment of the collections, for the benefit of the Fine Arts Museum of Lyon.	*Club du Musée Saint-Pierre*	CIC Lyonnaise de Banque
Music		
Musical projects	*Orchestre national de Lille*	CIC Nord Ouest
Support for "Pygmalion" and "The Magic Flute"	*Opéra de Lille*	CIC Nord Ouest
Musical projects	*Opéra national du Rhin de Strasbourg*	CIC Est
Festival de musique de Besançon Franche-Comté	*Festival de musique de Besançon*	CIC Est
Festival international de Colmar	*Office de tourisme de Colmar* – City of Colmar	CIC Est
Nancy Jazz Pulsation	Nancy Jazz Pulsation	CIC Est
Classical music festival and cultural activities	*Les Flâneries musicales de Reims*	CIC Est
Support for *Les Jeunes à l'Opéra* actions and video transmission project in the Auvergne Rhône-Alpes Region	*Opéra de Lyon*	CIC Lyonnaise de Banque
International Lyric Art Festival in Aix en Provence	Association for the Aix en Provence Festival	CIC Lyonnaise de Banque
Concerts classiques à des fins sociales, culturelles et pédagogiques	*La Folle Journée de Nantes*	CIC Ouest
Maguelone Festival de Musique	*Les amis du Festival de Maguelone*	CIC Sud Ouest
Initiatives to provide access to music for socially disadvantaged, ill, disabled and elderly people	*Écouter pour Mieux s'Entendre* (EME) Foundation	Banque de Luxembourg
Concerts	Philharmonic concerts – Luxembourg Philharmonic Orchestra	Banque de Luxembourg

Major cultural and regional sports projects funded in 2019	Beneficiaries	Patrons/Partners
Theater		
Théâtre Impérial de Compiègne	*Centre d'Animation Culturelle de Compiègne et du Valois*	CIC Nord Ouest
History and cultural events		
Memorial and historical exhibition "In their footsteps" composed of seven history booths distributed in seven communes, mainly in the Juno sector as part of the 75th anniversary of the Landing and the Battle of Normandy.	the Terres de Nacre tourist office and the Juno Beach Center	CIC Nord Ouest
Les *Rendez-vous de l'Histoire – l'Italie* Festival in Blois – *L'économie aux Rendez-vous de l'histoire* lecture series – Historical novel prize – *Prix Coup de Cœurs des Lecteurs de la Banque*	*Rendez-vous de l'Histoire* Endowment fund	CIC Ouest
Architecture and heritage preservation		
Preservation, restoration and promotion of France's architectural and cultural heritage	French Heritage Society	Banque Transatlantique
Restoration of the Saint-Philippe-du-Roule church's stained-glass windows	"Transatlantique" Endowment fund	Banque Transatlantique
Reassembly of the Columbarium of the National Archives	National Archives	Banque Transatlantique
Realization of the space "History of Roubaix" planned in the extension of the museum	City of Roubaix – *La Piscine, musée d'Art et d'Industrie André Diligent*	CIC Nord Ouest
Festival Debord de Loire which aims to promote and bring the estuary to life.	*Association Culturelle de l'Été*	CIC Ouest
Development of the "Terrasses de Foix" at the Royal Castle in Blois	City of Blois	CIC Ouest
Cultural events on the themes of architecture, engineering, urban planning, history of architecture and heritage as well as other disciplines involved in the act of building.	Luxembourg Center for Architecture	Banque de Luxembourg
Film		
Sport, Littérature et Cinéma Festival	*Institut Lumière*	CIC Lyonnaise de Banque
Festival du film de Sarlat	*Festival du film de Sarlat*	CIC Sud Ouest
Les écrans de la mer – International Sea Film Festival	*La Guilde Européenne du Raid*	CIC Ouest
Sports		
Cycling race	*Les 4 jours* CIC Bretagne-de-Plouay	CIC Ouest and CIC
Participation in the sports budget	Nantes Atlantique Cyclists Union	CIC Ouest
World tennis tournament for children 14 and under	*Les Petits As*	CIC Sud Ouest
Support for the Nancy basketball team	SLUC Nancy Basket	CIC Est

3.8.1.4 Actions to promote access to culture and sports

Partnerships are formed in the group to facilitate access to cultural events for disadvantaged people:

- CIC Banque (Suisse) contributes to the Caritas *CarteCulture Suisse*, which allows people on the brink of poverty to participate in Switzerland's cultural and other offerings;
- the Banque de Luxembourg supports the EME (*Écouter pour Mieux s'Entendre*) Foundation, whose mission is to give greater access to music to people who are often excluded from cultural life (elderly people, the sick, people with disabilities, the socially disadvantaged) through participation in workshops and attendance at concerts and shows;
- CIC Est contributes to the promotion of classical music through its partnership with Radio Accent 4, which gives airtime to musical groups and associations in Alsace in the form of local music news broadcast every four hours (five times a day) and recordings and broadcasts of local concerts;
- CIC Lyonnaise de Banque participates in the *Tous au Balcon* project with the Opéra de Lyon, which offers 500 young people aged 18-28 access to an opera at a reduced rate of €10.

In addition, both nationally and regionally, employees can get free or discounted tickets to performances, museums and concerts. Partnerships can also offer the opportunity to host an exhibition or a work of art in the bank or to give employees access to works of art through private visits. Finally, events can also be organized for employees with associations.

CIC is also committed to the values promoted by sports and supports numerous regional events or sporting organizations.

This is why CIC Ouest is involved in basketball, in the form of employee and volunteer training partnerships, partnerships with players that help families in difficulty fund their dreams, sports activities with the Basketball Pays de la Loire regional league, and partnerships for various projects with ADA Blois Basket, including the organization of educational actions and social integration through sports.

Partnerships were also formed with national structures. This year, CIC made a commitment to the French Cycling Federation, as cycling is recognized as a major social issue in terms of both health and ecology. It was already, since 2012, partner of the "*4 jours de Plouay*."

3.8.2 Responsible commitment (SOT53)

3.8.2.1 Support for many social, solidarity, economic and environmental projects

Below are a few examples in various fields:

- **Health** (prevention, support for research, help for the sick)
  - CIC Lyonnaise de Banque is a founding member of the Hospices Civils de Lyon Foundation, which was recognized as a public-interest organization in 2017 and supports projects that accelerate medical research and innovation and provide comfortable hospital stays and support for patients and their loved ones beyond medical treatment. The bank also supports the CIC – *Cerveau et Santé Mentale* at the Neurodis Foundation, which supports fundamental and clinical research projects on the brain in the Rhône-Alpes and Auvergne regions. The aim is to provide new research solutions in neuroscience, so that patients and their families can benefit as quickly as possible from medical advances in the brain;
  - CIC Ouest is a founding member of the *Fondation d'entreprise thérapie génique en Pays de Loire* and assists the SantéDige Foundation in Nantes in the improvement of management of liver and digestive diseases;
  - Banque Transatlantique is a founding member of the *Fondation Académie de médecine*, and is involved with Dubly Transatlantique Gestion alongside the Institut Curie in supporting the MC21 (Marie Curie 21st Century) campaign;
  - This year, CIC Nord Ouest supported the "Alzheimer's disease" campaign at the Pasteur Institute in Lille by encouraging customers *via* a message on the Hauts de Seine ATMs and social networks, and employees to make a donation to help overcome this disease.

  The group's companies sometimes go beyond partnerships, donations (for the purchase of new toys for hospitals and other causes) and collection of donations. They want to involve employees in events organized by associations by participating in marathons or races. At CIC Est, as part of the fight against melanoma, every time employees wear a symbolic t-shirt during sporting events, a donation of €5 is made to the Gustave Roussy Institute (Alsace Vineyard Marathon, Run in Reims, *Course de Meaux*, *Souille de Coulommiers*, *Course de Heillecourt*). As they do every year, Banque de Luxembourg employees helped to make the Fondation Cancer's *Relais pour la Vie* a success.

- **Social**
  - As a founding member, CIC Lyonnaise de Banque is committed to the actions carried out by *L'Entreprise des possibles*, a group of companies in the Lyon metropolitan area launched this year, in favor of the homeless or people in dire straits. The bank has set up a system whereby the company matches employee donations, whether in the form of a donation of days or time. The donation of paid vacation days was deployed in 2019. Each day donated by the employee is valued and monetized, then these donations are donated to the *L'Entreprise des possibles* Endowment Fund;
  - CIC also participated in the solidarity effort for the reconstruction of Notre-Dame de Paris and supported the *Association pour le développement des oeuvres sociales des Sapeurs-Pompiers de Paris* (Association for the development of the charitable works of the Paris Fire Brigade). A collection was organized for customers who also wished to participate;
  - As part of its partnership with the French Swimming Federation, CIC supported "La nuit de l'eau," a sporting and charitable event organized by the French Swimming Federation and UNICEF that aims to raise public awareness of the importance of water as a key resource for people around the world and raise funds for a UNICEF program to provide access to safe drinking water;
  - CIC Ouest continued its commitment to the association *Toit à Moi*, which helps the homeless people by offering them housing, and by helping them reintegrate into society. CIC Nord Ouest conducted a clothing drive for its employees and donations will be used by the beneficiaries of the association *La Cravate solidaire* for their upcoming job interviews;
  - CIC Est supported the association *Les Foulées du Sourire*, which fights against domestic violence, violence through education for children, and indifference. At the end of the year, branches and the CIC bank's headquarters organized a toy drive for the benefit of local associations for underprivileged children;
  - Banque de Luxembourg has continued its support to the Friendship Luxembourg association, which supports the poorest communities living in the most remote areas of Bangladesh through medical aid, education and good governance programs, sustainable economic development, natural disaster prevention and emergency assistance and river heritage conservation.

- **Education**

  CIC supports projects to promote equal opportunities:
  - this is the case for CIC Lyonnaise de Banque, which participated in the *Déployons nos Elles* program of the *Les Entreprises pour la Cité* association, whose objective is to fight against stereotypes by helping young girls discover "men's" professions. The bank also lent its support to the *Lyon gagne avec ses femmes* festival organized by the *Les Lumineuses* association, which highlights female performance in all forms, including the arts, culture, sports, entrepreneurship, and is a partner of the *Coup de pouce* association, which works for the right to succeed;
  - CIC Ouest became involved this year with the Break Poverty Foundation, which identifies and supports projects to combat extreme poverty by offering young people access to education, training or the implementation of an economic project to help them become self-sufficient.

  At the same time, CIC supports many higher education institutions (SOT44). These partnerships can be strengthened by providing useful skills to students: advice on job interviews, information meetings on business creation, as is the case at CIC Ouest.

It is also a partner in educational programs for the promotion of family entrepreneurship, with particular emphasis on the exchange of good practices in the transfer of the family business, such as:

- Audencia in Nantes: participation of CIC Ouest and Crédit Mutuel Equity: "Family entrepreneurship and society" chair, with a specific continuing education program for young people who work in family businesses called "Future Family Business Leader Certificate." CIC Ouest also supports research and teaching programs on innovation such as the Audencia Chair in Managerial Innovation and the Nantes Institute for Advanced Studies;
- EM Strasbourg: CIC Est is involved in the "Young Family Business Ownership" program created by the "Governance and Family Business Transfers" chair, and is a partner of the "Saving Failing Businesses" Master's at Mines de Nancy;
- a Chair in Family Business was created at HEC Liège in partnership with Banque de Luxembourg. The goal of the three-year academic research will be to question the family business model and to determine the extent to which this model makes sense.

CIC also participates in employment forums, sends internship proposals to higher education institutions and trains apprentices and work-study trainees.

- **Integration and reintegration (SOT45)**

CIC has maintained or developed other partnerships that promote inclusion, including:

- CIC Nord Ouest's partnerships in the Lille Foundation's *Bourses de l'Espoir* (awarding of scholarships to support the career paths and commitments of people in education and vocational training as part of its action for the promotion of equal opportunities) and with ARELI Émergence (helping the professional and social development of deserving students), its commitment to the Alliances network, which works through *Squad Emploi* and exchange networks on good practices, for the employment of young graduates from minority backgrounds, and with AJIR Hauts de France for the integration of young people from the region. Once again this year, CIC Nord Ouest also participated in the mini-enterprise competition organized by the association *Entreprendre pour apprendre*, which raises awareness among young people about entrepreneurship in France;
- CIC Ouest is a partner of the *60 000 Rebonds Grand Ouest* association, which supports and assists entrepreneurs post-bankruptcy and also positions itself as a permanent laboratory for post-failure recovery, with the aim of taking an in-depth look at failure in France. The bank also contributes to solidarity employment in the La Similienne sports association for the sustainability of subsidized jobs, and the project to increase the training of young graduates and volunteers in the Basketball section;
- CIC Lyonnaise de Banque supports the "*Sport dans La Ville*" association for integration through sport to support young people in their social and professional integration and its "*L dans la Ville*" program, which supports young girls in their personal development and professional integration;
- in 2019, CIC Sud Ouest helped finance the opening of a *Café Joyeux* in Bordeaux, a solidarity coffee shop that employs people with mental and cognitive disabilities.

- **Emerging projects**
  - CIC promotes youth entrepreneurship:

  It is a major partner of WorldSkills France for the Olympiades des Métiers, which every two years brings together young talents in more than 50 technical, artisanal and service trades. It continues its partnership with MoovJee (Movement for Young People and Student Entrepreneurs), which, through the "MoovJee – Innovons Ensemble Award," rewards students who run or are planning to run businesses with endowments and an individual mentoring program.

  This year, CIC deployed a global initiative to reveal and support the talents of tomorrow's esport business. For the second year, it launched the CIC Esport Business Awards, to help new players in this sector to grow their businesses and to raise public awareness of the esport professions. It partnered with the French League of Legends (LFL), the leading competition in France for the League of Legend game, and sponsored the fourth edition of the esport Summit, an event for esport professionals.

  - Many actions were also carried out for all entrepreneurs in 2019:

  This year, CIC Est supported the *Trophées d'OR des Entreprises Alsaciennes*, organized by DNA, Alsace and EBRA events, which aim to showcase Alsatian companies through remarkable initiatives and achievements, identified in their regions by the editorial staff. CIC Est is a partner of the *Des ailes de cristal* event which aims to reward the know-how of Lorraine's entrepreneurs and craftsmen while highlighting the potential of our region.

  This year, with *Talents à l'Ouest*, a series of thematic meetings, CIC Ouest promotes the conditions for an effective network so that actors from all walks of life (entrepreneurs, associations, cultural, sports, etc.) can get to know each other, talk, inspire each other and create links and synergies in the Grand Ouest region. CIC Ouest has also maintained its support for the activities of the association *La Cantine*, which brings together the actors in online and digital innovation in the Pays de la Loire and for the Nantes Digital Week. The bank also participates in events organized by Atlanpole, whose objective is to foster the creation and development of innovative companies with high growth potential, and is also a partner of the local social network "C'Chartres Business," which aims to develop local economic life and promote synergies between all entrepreneurs.

  CIC Nord Ouest also renewed its partnership with LMI Innovation, which supports and funds the creators of innovative companies in the Hauts-de-France region.

  CIC Lyonnaise de Banque also continued its partnership with the Cuisine du Web association, which promotes online and digital entrepreneurship. In addition, the bank is a founding member, along with Crédit Mutuel Equity (formerly CM-CIC Investissement), of the *Fondation Émergences de Lyon*, which helps to generate social projects, and is a partner of Minalogic, a global competitiveness cluster for digital technologies in Auvergne-Rhône-Alpes. It is also a director of the Lyon French Tech association, whose mission is to strengthen Lyon's position as the leading metropolis in Europe for Innovation.

Other support structures for business start-up projects are supported by the group:

- CIC Nord Ouest is active with the Eurasanté EIG and is particularly interested in the support provided by the Eurasanté Bio-incubator to innovative healthcare companies as part of their creation and development;
- CIC Ouest is a Partners Club member of the Valorial agribusiness competitiveness cluster and supports ADN Booster, which supports start-ups and innovative projects in the Pays de la Loire and Brittany regions;
- Banque Transatlantique is a founding partner of Club IN, which acts to promote the growth and success of medium-sized companies. It also supports the Télémaque Institute, conceived as a veritable "transmission incubator".

- **Support for philanthropy**
  - Banque de Luxembourg devotes most of its patronage budgets to promoting philanthropy, social entrepreneurship and impact investing in the countries where it operates. This action is expressed mainly through a strong dialogue with the Government of Luxembourg about the measures to be put in place to develop an environment in the Grand Duchy that encourages the commitment of each resident to projects of general interest and information campaigns nationwide. In 2019, the Bank began a partnership (notably financial, logistical and strategic support) with the UP Foundation, a Luxembourg foundation dedicated to non-formal education, in order to establish in Luxembourg a method of philanthropic engagement within schools, the "*Bâtisseurs des possibles*" scheme supported by the Synlab association.
  - The mission of Banque Transatlantique's endowment fund is to contribute to the rise of philanthropy. It finances projects for excellence in the fields of health, solidarity and culture and offers a vehicle for structuring the generosity of philanthropists to facilitate the engagement of philanthropists for the general interest. The bank also organizes events to promote exchanges between philanthropists and between philanthropists and foundations and associations.
  - In addition, events are held to raise awareness among banking network customers about philanthropy (creation of endowment funds, sharing funds, etc.).

    In 2019, a philanthropic competition was launched within the CIC private banking business line around the theme of health. From September to November, the 400 employees of the sector, spread across the six CIC banks, were invited to submit projects by associations or foundations on the theme of health to a regional jury. Three projects per region were selected, then submitted to a vote by employees to select only one per region. The six winning projects will benefit in 2020 from a fundraising campaign *via* a CIC Banque Privée philanthropic fund within the Transatlantic Endowment Fund. An award ceremony to present the amounts collected to the winners will take place in June 2020.

- **Defense of the environment (SOT46)**

  Several initiatives were taken by the group's entities in 2019:
  - CIC Sud Ouest's commitment to the development and protection of the Bassin d'Arcachon with, in particular, the launch of the B'A card. Any subscription to this card generates the payment of one euro to the Natural Marine Park of the Bay of Arcachon. Two operations were carried out: a waste collection and sorting operation with the local CIC Sud Ouest teams and led by the Natural Marine Park, and an operation aimed at the public to provide a waste collection kit (gloves and bags) to be collected in certain branches;
  - Banque Transatlantique's support for the Fondation de la Mer, whose mission is to promote and raise public awareness of the French maritime space, its particularities, its challenges and its preservation, and also to foster cooperation and synergies between maritime industry stakeholders;
  - CIC Ouest's involvement in the "Blue Day" organized by the Ruptur association, to mobilize companies, communities and students and get them thinking about the blue economy, which is based on the principles of the circular economy and promotes responsible, sustainable and ecological growth;
  - in 2019, Banque de Luxembourg supported the initiative *Urgence climatique* – PLANÈTE NANUK organized by the *Institut français du Luxembourg*, the French Embassy in Luxembourg, the City of Luxembourg and the Association Victor Hugo, which presented an exhibition of polar bear photos and landscapes showing the beauty of the fauna and landscapes now threatened by global warming, photos by Michel Rawicki and Eilo Elvinger, coupled with scientific seminars, a series of conferences and documentary film screenings.

3.8.2.2 Skills sponsorship

The group sponsors skills, and several entities are active with the association *Nos Quartiers ont des Talents*, which individually and effectively supports young graduates from modest social backgrounds in their search for employment. In 2019, nearly 40 young people were sponsored by CIC Ouest volunteers.

Executive employees of CIC Lyonnaise de Banque sponsor young people through the "L dans la Ville" program.

Banque de Luxembourg employees who are involved in solidarity and education projects can ask the bank's *hellef helleffen* (help to help) committee for support. As a general rule, Banque de Luxembourg ensures that it always maintains a balance between financial support and skills sponsorship in its partnerships. The following associations have particularly benefited from this approach in terms of governance, communication, fundraising and risk management: the Luxembourg Red Cross, the EME (*Écouter pour mieux s'entendre*) Foundation and the NGO Friendship Luxembourg.

3.8.2.3 Taking action against bank exclusion by supporting microfinance

The total amount of lines made available to the ADIE by the six banks to finance micro-entrepreneurs increased from €5.4 million in 2018 to €5.8 million in 2019. CIC also participated in Microloan Week and supported micro-entrepreneurs through the ADIE.

CIC is actively involved on both a national and local level in the Initiative network. It contributes to the sustainability of loan funds and helps to finance support for business creators. A number of employees are also actively involved in the various platforms. In 2017, CIC Ouest supported the Pays de Loire Initiative for the creation of a new Loan Fund specifically dedicated to the financing of company transfers and takeovers. CIC is also a partner of France Active.

For its part, Banque de Luxembourg is the main private funder of ADA (*Appui au développement autonome* – Support for Autonomous Development), which plays a leading role in the promotion of microfinance in the Grand Duchy.

3.8.2.4 Human rights (SOT82)

CIC is committed to respecting human rights, in particular the rights covered by the main ILO Conventions (see Section 3.5.4.4 of the chapter on "Responsible human resources management" and Section 3.6.2.3.3 on the protection of personal data in the vigilance plan).

CIC Est supports the *Regards d'enfants* association, whose purpose is to inform, train and educate children about citizenship and human rights. Every year, the bank supports the competition organized by the association, whose theme for 2019-2020 is "Share your views on an article on Human Rights."

Other solidarity, health, social and education actions were initiated in 2019 by CIC (see Section 3.8.2.1 of the chapter on "An actor in culture and society").

Concerning the fight against food insecurity (SOT92), CIC Nord Ouest has for many years supported the Food Bank of the North and CIC Sud Ouest and its employees have offered meals to Red Cross beneficiaries.

3.8.2.5 Commitments to responsible, fair and sustainable nutrition (SOT89)

Because of its activity, CIC's commitments in this area are mainly reflected in investments in responsible companies in the agri-food sector.

3.9 A STRONGER APPROACH TO THE ENVIRONMENT

(ENV01) CIC is a committed player in the implementation of the 2019-2023 strategic plan together with Crédit Mutuel Alliance Fédérale, a signatory to the Paris Appeal. This plan includes ambitious environmental commitments (ENV56):

- reducing the group's environmental impact, with a goal of reducing the group's carbon footprint by 30% between 2018 and 2023; and
- a 30% increase in funding for climate-impact projects over the same period, with loans for projects that reduce energy consumption.

In addition, in accordance with the French State's request, a coal strategy and a timetable for an overall exit from the financing of coal activities have been finalized for the first half of 2020 (see Section 3.9.6.1.2 "More stringent sectoral policies").

3.9.1 Reduction of the direct carbon footprint

Like Crédit Mutuel Alliance Fédérale, CIC this year estimated its carbon footprint in France on the basis of 2018 data and the "office life" perimeter for all scopes. This is an initial approach that makes it possible to frame the issues at stake and to implement ways of reducing the footprint. Work will be carried out in 2020 to refine the method for calculating certain emission items and make certain data more reliable.

CIC will participate in the carbon footprint compensation mechanism being developed by Crédit Mutuel Alliance Fédérale. This contribution will be calculated for all entities on the basis of their footprint, based on emission stations where actions can be leveraged, and will be used to fund the Fondation Crédit Mutuel Alliance Fédérale, whose objective is to support the financing of projects with a high climate impact.

In addition to these initiatives, internal actions were launched in the CIC entities to raise employee awareness at professional meetings or through messages, intranet videos or internal newsletters.

Furthermore, CIC (social scope), CIC Sud Ouest, CIC Nord Ouest, CIC Lyonnaise de Banque, CIC Est, published in 2019 on the ADEME[1] website, in accordance with regulations, a third GHG emissions assessment on the 2018 database. The "operational control" method was adopted for all member entities of Crédit Mutuel Alliance Fédérale.

3.9.1.1 Measure and reduce or optimize energy consumption in buildings (ENV03)

In 2018, a responsible energy management approach was launched through the implementation of an "Energy Management System" (EMS) and it should be ISO 50001-certified in 2020 for all CCS members and customers and be national and uniform in scope. It aims to increase energy performance through more effective monitoring and action plans, and to improve maintenance. This ambition also involves raising awareness and training all employees in the knowledge of the standard and the impact of their activities and behavior. To this end, an e-learning system has been deployed in the intranet application FORMAD. Employees are called upon to contribute to optimizing the energy consumption of the buildings they occupy by modifying their behavior and adopting good habits: switching off the lighting in rooms that are no longer occupied, rapidly reporting air conditioning malfunctions, reminding them of the rules to be respected for air-conditioned offices, etc. They can also refer to the documents in the "Being an Eco-Citizen at Work" section on the intranet.

In 2015, 111 branches and 27 central offices of CIC and Banque Transatlantique underwent energy audits pursuant to law no. 2013-619 of July 16, 2013, introducing the obligation of a first energy audit for large companies. These audits were submitted in 2016 on the ADEME platform (ENV41). The recommended actions related in particular to the replacement of lighting with LEDs, control of heating and cooling systems (temperatures), hourly programming of air handling units, economical management of computers, etc.

During significant renovation work, the standards or regulations in force are applied and the energy fixtures are reviewed. Heating distribution works, roof insulation, roofing, double flow ventilation and centralized technical management are planned. As a result, renovations and expansions at CIC Nord Ouest headquarters are ongoing and should enable the new building to receive a label. In addition to its compliance with the 2012 Thermal Regulation, the building will be given thermal labels certified by an external body: the *Bâtiment basse consommation en rénovation* label (BBC Rénovation) for existing parts and the Effinergie+ label for the extension and raised sections of the fifth floor.

No HQE labeling is planned, but HQE targets:

- low-impact construction site (demolition waste, construction waste, acoustics);
- user comfort (thermal, acoustic, visual);

will be determined separately. Those technical benchmarks have been incorporated into the specifications.

The new elevators at CIC headquarters benefit from new energy-consuming technologies (an electrical system replaces a hydraulic system).

Mechanisms are being tested, such as heat recovery on air conditioning systems (dry coolers[2] to the air handling units). When moving offices, the ecological footprint of new buildings is also taken into consideration.

(1) French Environment and Energy Management Agency (Agence de l'environnement et de la maîtrise de l'énergie).
(2) Air coolers.

In some branches, an automatic shutdown of certain electrical circuits (lighting, electrical outlets, etc.) is programmed at night and on weekends. The replacement of conventional sources of lighting with LEDs is as much a commitment for new offices as for existing offices, such as in the parking lot of the CERGY building, or the replacement of the self-contained[1] ELUs with LED models. Presence detection (to manage lighting) is taken into account in renovations (WC, corridors, etc.). Nighttime lighting of buildings and certain retail outlets is in compliance with lighting extinguishment obligations (Decree No. 2012-118 of January 30, 2012, respecting outdoor advertising, signs and banners),

(ENV40) In addition, consumption of renewable or "green" energy is growing mainly through new connections to urban heating or cooling networks. Connections to these networks already exist in the Paris region, the north of France (Lille, Roubaix) and Nantes and are planned for Strasbourg. At Banque de Luxembourg, all energy for buildings comes from renewable energies (hydroelectric and wind), and at CIC Lyonnaise de Banque, geothermal equipment is regularly maintained to improve its efficiency (ENV38). As part of the European H2020 mySMARTLife project in partnership with NANTES Métropole, photovoltaic panels were installed at the end of 2019 on three terraces of the CIC Ouest headquarters. This installation will prevent the emission of ten tons of CO² per year locally.

The use of green electricity will also increase following the signature in December 2019 of an exclusive partnership between Crédit Mutuel Alliance Fédérale and Voltalia, a producer of renewable energy, to create a first corporate PPA[2] for the supply of green electricity with a minimum of 10 megawatts over a period of 25 years. To this end, Voltalia will develop and build a new solar power plant. Its subsidiary Helexia, a specialist in energy management, will also offer solutions ranging from energy audits to investment in self-generation capacity (solar roofs and shades), which will make it possible to produce part of the consumption of the group's sites locally.

As for IT equipment, the process for the automatic turning off and on of workstations in branches and headquarters is operational. This measure is monitored to measure its impact.

The equipment referenced and verified by Euro-Information is being monitored and energy consumption features compared. The new equipment installed by Euro-Information Services is both more efficient and less resource-intensive. Employees are also made aware of good Internet and e-mail practices to limit the resulting power consumption.

3.9.1.2 Optimize travel (ENV37)

Travel plans already exist in several CIC entities, including CIC Ouest for the headquarters in Nantes (plan jointly set up with other Crédit Mutuel Alliance Fédérale entities), CIC Nord Ouest travel plan for the Lille Metropolitan Area (reviewed in 2015), and CIC Lyonnaise de Banque. In 2019, the plan for CIC Sud Ouest headquarters was completed. This year, CIC Lyonnaise de Banque launched a review to develop its mobility plan.

Electrical terminals are present in parking lots for electric vehicles or rechargeable hybrids.

At CIC Est, an intranet hub entitled: "Working at Wacken" is devoted in part to the company travel plan (limited to the Wacken headquarters in Strasbourg) and initiatives to encourage cycling, public transit (payment for 50% of passes), carpooling (reserved parking spaces), free shuttles between headquarters and the train station, free distribution of tram ticket books for cyclists and bike repair offered on site once a month paid for by the employer. Elsewhere, the use of public transit, cycling and carpooling is encouraged for the commute between home and work.

E-bike pool tests were conducted at CIC Est in 2019.

In addition to buildings, the scope of the Energy Management System includes the automotive fleets managed by CCS, which has undertaken to promote the energy transition of the automotive fleets managed for its members. The group's corporate vehicle charter includes environmental aspects: consideration of all types of energy (including electric) in the choice of vehicles, a few hybrid vehicle models, creation of a green "CSR" bonus of €3,000 for clean cars (hybrid and electric), capping of vehicle CO_2 emission rates. It was reviewed at the end of 2019 with the aim of reducing the carbon footprint of vehicles by 30% by 2023.

Online conferences and unified communication tools also make it possible to limit travel, such as using Skype to organize and take part in video conferences directly from the workstation, and providing employees with self-training modules to be carried out from the workstation for training without having to travel.

In addition, in 2019, the frequency of mail rounds was reduced at CIC Nord Ouest: the number of mail rounds was reduced from six to five per week, resulting in a decrease of approximately 10% in the number of kilometers traveled. This practice is expected to spread to other group entities.

And the group travel policy requires that public transport (bus, tramway, RER, metro) be prioritized for all journeys.

3.9.1.3 Reduce resource consumption (ENV39)

Given its activity, CIC's actions focus on:

- water consumption: to optimize water consumption, air conditioning systems that discharge water are replaced whenever possible. Other mechanisms continue to be rolled out: presence detectors, limitation of water flows, water fountains connected to tap water instead of bottles requiring transportation, installation of aerators on faucets and the installation of an automatic watering system with humidity probes to optimize the watering of green spaces. Raising staff awareness to detect abnormal water consumption (reporting and rapid repair of leaks, reporting abnormally high bills) is also one of the means used;

(1) Autonomous lighting and security blocks.
(2) Power Purchase agreement.

- paper and ink consumption: internally, with default black and white and double-sided document printing, electronic document management, a shift from individual to network printers, some workstations equipped with double screens to work directly on scanned documents. Employees are also made aware of the use of recycled paper by intranet messages. This is highlighted in the SOFEDIS group central purchasing catalogue. The roll-out of printer control software for multifunction copiers and network printers (WATCHDOC) continued in 2019. Its purpose is to simplify management of the printer fleet and measure the ecological footprint of this resource-consuming activity, and make users aware of the environmental impacts through personalized feedback; companies that reduce the consumption of paper (see Section 3.7.2);
- Consumption of plastic cups and bottles: this year, plastic cups at the central sites managed by CCS have been replaced by compostable cups and plastic "consumables" are gradually being replaced by more ecological solutions in the SOFEDIS catalogue. To accompany the movement, mugs can be offered to employees as at CIC Nord Ouest.

In addition, most of the group's employees have opted for electronic pay slips (95.6% are now digitized compared to 94.6% a year earlier), the individual social report, restaurant tickets and #Initiatives internal reviews are also digitized (ENV43).

Invoices from intragroup suppliers are also digitized, as are those from customers in the public sphere (State, local authorities, public institutions). For other suppliers, the digitalization of invoices is an ongoing process.

For customers, the shift from paper statements to electronic statements for customers and employees continues to progress through incentives. The subscription to the web statement (instead of the paper statement) is automatic when a customer account is opened. The replacement of paper excerpts and statements by digital versions available on the Internet generated savings of paper of 57.5% at the end of December 2019, compared to 55.3% at the end of December 2018. Finally, customers who wish to keep paper statements are encouraged to consolidate the sending of excerpt statements for all family members or a third party or group of third parties into a single envelope and optimize the frequency of mailings of account statements. The optimized postal envelopes rate reached 64.4% throughout the banking network at the end of 2019. Euro TVS, the group's IT subsidiary specializing in digitalization in all areas, has implemented an ISO 14001-certified environmental management system.

The proliferation of remote services and the possibility of using electronic signatures, including in branches, offers new possibilities for reducing paper consumption. Signed documents and addendums are then archived electronically (GED) and are accessible in the customer's online banking space (under "Documents and Contracts").

In 2019, in order to take part in local solidarity and community initiatives and to develop the use of electronic signatures, a competition entitled "My CIC branch, united and involved" was launched in the CIC Lyonnaise de Banque network. This operation has rewarded the best performing agencies in terms of electronic signature, in progression or in absolute value. Thirty-three branches received €1,500, to be offered to an association with a CSR-related, as well as a local presence.

At the end of 2019, more than 57% of contracts were signed electronically in banks.

In addition, CIC offers digital solutions for professionals and companies to reduce paper consumption (see Section 3.7.2).

Some publications for customers are also digitized and available in the customer space. Paper invitations are also being replaced by e-mailings and SMS confirmations.

3.9.1.4 Sustainable use of resources: land use (ENV49)

The group has no particular actions in this area.

3.9.1.5 Waste reuse and management (ENV39)

Initiatives are also being taken to develop the use of recycled or PEFC- or FSC-certified paper, such as the manufacture of small-format checkbooks made with mixed FSC paper (which represents 190 tons of mixed FSC paper in 2019). The use of reusable cups in hot drink dispensers and biodegradable cups for cold drinks is spreading throughout the group's entities.

In 2019, CCS continued to deploy an optimization policy with waste recycling and equipment collection points: recycling and selective sorting (paper, cartridges, metal, glass, plastic) or participative sorting are now in place at most of the central sites managed by CCS with more than 250 employees. Participatory sorting was thus deployed in 2019 at CIC headquarters (excluding buildings under renovation); individual baskets have been replaced by voluntary drop-off points for paper, household waste, cups, metal cans and empty ink cartridges. Banque de Luxembourg, for its part, has been awarded the SuperDreckskëscht label for waste management renewed (annual audit). This quality label is recognized by the European Commission, which has awarded it the "best practice" label in natural resource preservation and climate protection.

In addition, CIC Sud Ouest monitors the recycling rate on a quarterly basis and raises the awareness of agencies whose recycling rate is less than 25%. The bank's goal is to achieve a recycling rate for the bank of 75%, the achievement rate was 52% at the end of December 2019.

At network level, a paper recycling contract is in place.

Waste electrical and electronic equipment is treated in accordance with the obligations of Decree No. 2016-288 of March 10, 2016.

With regard to computer equipment, end-of-life management for all equipment is monitored annually by Euro-Information by type of action: resale, destruction, repackaging, assignment pending.

Since 2018 the depth of the history allows us to understand the future of a fleet at five years and hence to compare two generations for the first time this year. Between the situation in 2018 for the initial fleet in 2014 and that in 2019 for the initial fleet in 2015, for equipment managed for CIC banks and Banque Transatlantique, the share of the customer base increased from 52% to 53%, the share of reconditioned equipment increased from 8% to 9%, the share of equipment destroyed and taken back is stable (11% and around 2% respectively) and the share of equipment resold decreased from 28% to 25%,

Euro-Information Services uses spare parts from used equipment to extend the life of old equipment still in use.

The fixed IP telephones purchased by Euro-Information Services are second-hand telephones from a company that also carries out repairs and reconditioning.

For telephones marketed to customers, a recycling solution is offered.

The obligation to recycle is also a concern of CCS real estate, which incorporated it into standard maintenance contracts for elevating devices. The service provider must provide the reprocessing slip for waste from electrical and electronic equipment (W3[rd]), special industrial waste and waste from service providers (packaging of new equipment, aerosol cans, glues and mastics, paint residues).

Food waste: restaurants in central buildings are managed in most cases by catering companies. Different bins are clearly identified and made available to employees to enable sorting. At CIC Est, organic waste is now treated with lombri-composting and at Banque de Luxembourg, a take-away solution with the national ecobox system (plastic box deposit system) has been implemented in the company restaurant.

3.9.1.6 Food waste (ENV54)

Since a large part of collective catering is handled by service providers, CIC is not particularly concerned by the issue of food waste. Nevertheless, practices are being developed in this regard, and providers are taking greater account of employee expectations and thus avoiding waste. In addition, most foods are weighed (quantity per person). The use of small quantity food stocks and fast cooking makes it possible to adjust supply to demand at the end of service. Orders from caterers are also adapted to the number of guests. Employees are also invited to reduce food waste.

3.9.2 Actions with suppliers (ENV42)

Attention is paid to CSR policy:

- direct suppliers:
  - PEFC certification (forest certification recognition program that promotes the sustainable management of forests) for printers, some of which also have the Imprim'Vert label, which implies the implementation of actions to reduce the impact of their activity on the environment (choice of recycled paper),
  - increased digitalization of invoices;
- *via* the group's business centers in charge of logistics or IT.

The existing system is described in the vigilance plan in Section 3.6.2.2.2 "Being a Trusted Partner."

In addition, CCS Moyens Généraux systematically questions its suppliers during their account review on the evolution of their automotive fleet. In 2019, this approach resulted in a financing offer for the renewal of part of a carrier's fleet.

It should be noted that supplier CSR policies cannot, however, systematically constitute a determining criterion for the choices to be made given economic or technical constraints.

3.9.3 Measures to prevent, reduce or repair air, water and soil discharges that seriously affect the environment and consideration of any form of pollution specific to an activity, including noise and light pollution (ENV45)

In terms of CIC's own operations, there are many initiatives (recycling of paper, ink cartridges, selective sorting, thermal and sound insulation during installation of air conditioning) that have been supplemented internally by employee awareness-raising actions. They also involve customers.

3.9.4 Land use (ENV49)

The group has no particular actions in this area.

3.9.5 Measures taken to expand and preserve biodiversity (ENV50)

CIC contributes internally to the protection of biodiversity through its purchasing policy (use of recyclable paper, use of green cleaning products), reduced consumption of resources (water management, digitalization of documents) and recycling (paper, ink cartridges, recovery of used phones from customers in branches).

This protection of biodiversity can also be reflected in the management of its building stock, such as at the Banque de Luxembourg (green roof on the Royal site, late mowing of green spaces, etc.) or CIC Lyonnaise de Banque (planting of native species with low water needs at its Marseille Prado site) or the installation of hives or vegetable gardens on the roofs of buildings (CIC, CIC Lyonnaise de Banque with Euro-Information Production, etc.).

Support for associations that work for the protection of biodiversity and also indirectly for animal welfare (ENV55) is another line of action (see Section 3.8.2.1 – Environmental Defense chapter "An actor in culture and society"). CIC's commitments to promote these associations can be relayed to customers as part of initiatives, as was the case at Lyonnaise de Banque, which supports the Cœur de Forêt association for a reforestation project in the MASOALA park in Madagascar. In the business lines, social and environmental criteria are taken into account when financing major projects (respect for protected areas) and in the investments made by Crédit Mutuel Equity and its subsidiaries, which are signatories to the France Invest charter and have therefore promised to promote the implementation of good practices in the protection of ecosystems and biodiversity in certain sectors of activity.

This includes the support of Crédit Mutuel Innovation for a company that aims to produce oil-based molecules (isobutene) from renewable resources such as non-food agricultural resources or of Crédit Mutuel Investissement for companies specializing in the collection, sorting and recovery of waste.

In addition, the SRI CM-CIC Objectif Environnement action and the Green Bonds Fund described in Section 3.7.8.1 below are also a response to the preservation of biodiversity.

3.9.6 Climate change and CIC's activities

CIC is associated with the measures taken by Paris financial market actors on climate change and is mobilizing as part of Crédit Mutuel Alliance's commitments on the subject.

3.8.6.1 Greenhouse gas emissions generated by activity (ENV51)

3.9.6.1.1 Carbon footprint of the business credit portfolio

By virtue of its activities, CIC is a significant player within Crédit Mutuel Alliance Fédérale in corporate financing. An analysis of the carbon footprint of the corporate credit portfolio for all Crédit Mutuel Alliance Fédérale 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 CO2. 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.

3.9.6.1.2 A policy of reducing greenhouse gas emissions in financing and investment operations

1/ More stringent sectoral policies

CIC participates in the development of the group's sectoral policies and oversees their application. These policies are part of the ESG risk management framework (see section 3.6.2.3.3).

In 2019, Crédit Mutuel Alliance Fédérale worked to strengthen its sectoral policies to combat the use of coal and unconventional hydrocarbons and to support the economy's energy transition, and acted the decision to reduce the exposure of its financing and investment portfolios to coal to zero by 2030 for all countries in the world.

As of March 1, 2020, companies developing their activities in the coal sector[2] have been excluded from any financial support along the entire value chain. During the first quarter of 2020, Crédit Mutuel Alliance Fédérale exited from all positions taken by its investment and asset management subsidiaries of these companies. Generally, Crédit Mutuel Alliance Fédérale will cease supporting companies for which:

- the annual coal production is is greater than 10 million tons;
- the installed coal-based capacities are in excess of 5 gigawatts;
- the share of coal in revenue is greater than 20%;
- the share of coal in the energy mix is greater than 20%.

(1) *Calculations made and controlled by IPLF Inflection Point by La Française https://www.la-francaise.com/fileadmin/docs/corporate/PolitiqueEngagementLFAM2018.pdf*
(2) *The list of companies increasing their coal capacity is taken from the Global Coal Exit List (GCEL), a database published by BankTrack (https://www.banktrack.org/) which aims to identify companies in the global coal industry. Their research is mainly based on public data provided by the companies themselves. Many leading investors now use this database not only to assess the coal-related risks in their portfolios, but also to plan and execute significant divestment measures.*

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.

In addition, in 2020 Crédit Mutuel Alliance Fédérale is carrying out an analysis to determine criteria applicable to companies encouraging the phasing out of non-conventional 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.

2/ CIC signatory to the Poseidon Principles

In January 2020, CIC signed the Poseidon Principles for the decarbonization of maritime transport. They provide for the introduction of climate assessment criteria in maritime financing decisions and are in line with the strategy to reduce greenhouse gas emissions adopted in April 2018 by the member states of the International Maritime Organisation (IMO). 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.

3/ ESG issues and investment policy of the insurance and asset management business lines

Since 2017, in accordance with Article 173 IV of the Energy Transition Act, the ACMs and Crédit Mutuel Asset Management communicate within the given deadlines, to policyholders and in their annual report, how ESG issues (environment, social, and good governance) are to be taken into account in their investment policy, and in particular, as part of the "Environment" component for the measurement of greenhouse gas emissions from the assets in the portfolio. In the case of Banque de Luxembourg Investments portfolios, they tend to have a lower carbon intensity than their representative market indices.

3.9.6.2 Financial risks related to climate change (ENV52)

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.

Like the entire financial sector, climate change exposes CIC to:

- physical risks resulting from natural hazards (100-year floods, storms, hurricanes, tornados, typhoons, earthquakes) and environmental or accidental risks arising from natural hazards (pollution, dam ruptures, major fires, Seveso hazards, 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 physical impact on its own operations, the other impacts identified are as follows:

- risk of default by borrowers: in retail banking and corporate 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 into account the "Notre Dame Global Adaptation Index" – or ND-GAIN[1] which reflects:

- the vulnerability of countries to climate change, (vulnerability), based on 36 quantitative and qualitative criteria (main themes: health, food, ecosystems, habitat, access to water, infrastructure);
- 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/

3.9.6.3 Adaptation to the consequences of climate change (ENV53)

Supporting clients in the climate transition on a personal basis or through their professional activities and the development of financing with a high climate impact of 30% over the duration of the 2019-2023 strategic plan together#newworld, are powerful responses by CIC to the consequences of climate change.

In terms of support, CIC provides individuals with financing solutions to reduce their energy consumption, use renewable energy for their homes, individual modes of transport (e-bikes, hybrid or electric vehicles) and insurance offers to reduce fuel consumption (see Section 3.7.3.1).

CIC also offers savers SRI funds, through employee savings plans (see Section 3.7.8.1) and through:

- the CM-CIC Objectif Environnement fund, which invests in companies that are attentive to the environmental footprint of their production methods and to the "green" added value of their products and services as well as their governance and social issues;
- the TEEC-labeled CM-CIC Green Bonds fund, for which Crédit Mutuel Asset Management has defined its own analysis model that incorporates ESG criteria to select its bonds in compliance with the Green Bonds Principles.

As regards prevention, natural disasters (flooding, mudslides, avalanches, landslides, land subsidence) are covered by the multi-risk home insurance policies offered.

For companies, CIC finances projects for microenterprises and SMEs or large companies that involve renewable energies or generate energy and fuel savings (see Sections 3.7.3.2 and 3.7.3.3).

For prevention, "crop insurance" is offered to farmers to enable them to continue their activity in the event of climatic hazard from multiple perils (drought, hail, storms, frost, excess water) or hail and storms.

Support for companies in energy transition is also reflected in partnerships with competitiveness clusters. For example, CIC Ouest is a partner of the *Pôle Mer Bretagne Atlantique* competitiveness cluster, whose expertise includes:

- promoting the search for clean technologies to pursue the development of environmentally friendly shipbuilding;
- developing fisheries and aquaculture, stemming from a better understanding of biological resources;
- promoting the balanced and integrated development of the coastline.

As regards major projects, funding for equipment to develop renewable energy is increasing (see Section 3.7.3.3).

Through its investment choices in innovative companies, Crédit Mutuel Equity and its subsidiaries also support companies in energy transition such as a company that offers the professional contractor market a complete range of photovoltaic equipment.

The application of Article 173 of the Energy Transition and Green Growth Act is also a factor that reinforces the actions of Crédit Mutuel Asset Management and the ACMs toward companies so that they improve their environmental practices. For Crédit Mutuel Asset Management (signatory of the PRI and the Global Investor Statement to Governments on Climate Change, and member of the CDP water program, formerly the Carbon Disclosure Project, associated with its carbon program and its forest program), this is reflected in particular through a process of dialogue and in-depth shareholder engagement with climate and environmental issues. The ACMs are committed to improving their capacity to assess the risks and opportunities of climate change. They are signatories to the "Global Investor Statement on Climate Change" of 2014, the sustainable development charter of the French Insurance Federation and the charter for energy efficiency in public and private tertiary buildings established by the Sustainable Building Plan. Their ESG policy is based on two main axes: promoting sustainable investments and encouraging their partners to engage in a sustainable approach through dialogue and voting policy:

- institutional investor clients have the opportunity to invest in SRI funds (as do associations) and the CM-CIC Objectif Environnement and CM-CIC Green Bonds funds;
- in addition, since 2016, CIC has held a stake in Méridiam Transition, a pioneering fund for long-term investment (15-20 years) dedicated to energy transition. The purpose of this fund is to finance projects of all sizes in the energy efficiency sector (public or private energy performance contracts), local energy services (urban heating networks, waste energy recovery units), electricity and gas networks (smart meters, interconnections with neighboring countries), and renewable energy projects (small hydropower plants, floating wind turbines).

In addition, actions carried out in CIC's biodiversity protection activities (see Section 3.9.5) can also contribute to mitigating climate change.

The group was also involved in the creation of the FBF brochure "Successfully Financing the Energy Transition" about the defense of the Green Supporting Factor (GSF), which recommends, with respect to prudential regulation, the introduction of a discount factor applicable to the capital requirements associated with exposures to assets that encourage energy transition. This could be a benefit to financing or investments made with counterparties whose activity falls within the scope of energy transition and financing or investments whose purpose is also in the field of energy transition. On March 21, 2018, the FBF, together with the ABI[1], expressed its support for the European Commission's action plan, which includes the GSF, and reiterated its commitment to accelerating energy transition.

(1) *Associazone Bancaria Italiana.*

3.10 GOVERNANCE

The governance aspect is addressed in the "Corporate governance" chapter of this 2019 CIC universal registration document.

Some indicators at the end of the statement supplement the approach.

3.11 METHODOLOGICAL NOTE

The production of CSR indicators is part of a desire for knowledge and information about the behavior and contributions of CIC entities to society in general.

CIC uses the measurement and reporting methodology shared by Crédit Mutuel Alliance Fédérale entities.

This methodology organizes the rules for collecting, calculating and consolidating indicators, their scope, and the controls performed.

The approach adopted in the methodology is based in particular on:

- Article 225 of the Grenelle II law as amended by the Order of July 19, 2017, and the Decree of August 9, 2017. following the transposition of the European Directive of October 22, 2014, on the publication of non-financial information;
- the Order of July 12, 2017, respecting various measures to simplify and clarify the information obligations of the company;
- the NRE law;
- Article 173 of the Energy Transition and Green Growth Act;
- the law of March 27, 2017, respecting the duty of vigilance of parent companies and sourcing companies;
- the Sapin 2 law of December 9, 2016, respecting transparency, the fight against corruption and the modernization of economic life;
- the completion of greenhouse gas emission budgets (Decree No. 2011-829 of July 11, 2011);
- the ILO;
- the guiding principles of the OECD;
- the Global Reporting Initiative (GRI);
- the Global Compact;
- the Principles for Responsible Investment (PRI);
- the French Financial Management Association – Forum for Responsible Investment (AFG-FIR) Transparency Code;
- the label of the Inter-Union Employee Savings Plan Committee (CIES);
- the public label (SRI);
- the Finansol label for solidarity products;
- regular discussions with stakeholders.

Reference periods for data collected

The data correspond to the calendar year. They may in some cases refer to a previous fiscal year (2018 for microloans) or be reported over a rolling year and in this case receive an annotation.

Parameters and main management rules

A tool is used to collect quantitative data. However, for some indicators, for which the information retrieved is considered insufficiently reliable or non-existent, it was considered preferable not to say anything.

Corporate indicators

The entities included in the scope are:

- CIC in metropolitan France;
- the consolidated French banks and subsidiaries;
- Banque de Luxembourg and its subsidiary BLI.

This scope represents 95% of the workforce in entities consolidated in CIC.

The corporate data comes from the group HR information system, except for Banque de Luxembourg and its subsidiary BLI.

The majority of workforce indicators are expressed in terms of registered workers.

They incorporate all types of employment contracts, including summer auxiliary contracts and contracts for AFB service employees not subject to collective bargaining agreements.

Societal indicators

The scope includes the banking network, Banque Transatlantique and Banque de Luxembourg.

The figures are based on the CGW management control group information system, except for microloan data (source Adie, France Active Garantie and Initiative France), data tracked by the savings department of Euro-Information Développement (donations to associations (LEA)), and data on mediation from the SARA tool).

Patronage and sponsorship budgets were monitored by the various entities.

Environmental indicators

The scope is as follows:

- CIC in metropolitan France;
- the consolidated French banks and subsidiaries;
- Banque de Luxembourg and its subsidiary BLI.

Data:

- consumption of electricity and hot and cold gas from urban networks: consumption comes from files 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 CIC bank and subsidiary buildings, especially branches, 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 months entered into the CONSOS tool),
  - consumption missing from some meters (average consumption per m^2 multiplied by the building area). Published data covers, in most cases, the period from November 1, 2018 to October 31, 2019;
- 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 the Crédit Mutuel group;
- 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.

The reduction targets and actions stated for continued reduction of energy consumption include the continuation of:

- the optimization of energy consumption in buildings based on ISO 50001 certification, the recommendations from the energy audits carried out in 2015, the implementation of turning off and restarting of computer stations at headquarters (after the branches);
- the digitalization of documents and the deployment of electronic signatures in branches for the signing of contracts by customers;
- the optimization of travel with a vehicle charter to encourage vehicles with a green bonus and a lower CO_2 emission rate.

The company has already implemented the following actions:

- informing employees to develop eco-friendly actions: raising awareness of ISO 50001 certification led by CCS, best practice guide for: the use of lighting, regulation of heating and air conditioning temperatures, etc.;
- integration of energy consumption considerations into the design of our new branches in compliance with the standards in force and during the renovation of older branches;
- the use of more energy-efficient lighting systems and the gradual replacement of conventional light bulbs with energy-saving light bulbs;
- for paper: encouraging the sending of electronic statements and other documents to our customers, the website and development of services available on that site, e-mail correspondence with our customers, increased use of the digitized documents (GED) internally, use of two-sided printers;
- regarding the automotive fleet, attention is paid to renewing the automotive fleet to equip it with less polluting vehicles.

3.12 INDICATORS 2019

CORPORATE INDICATORS – GROUP ENTITIES LOCATED IN FRANCE AND BANQUE DE LUXEMBOURG AND BANQUE DE LUXEMBOURG INVESTMENTS SA

Publication indicators	Title	2019	2018	Comments
WORKFORCE				
SOC01_bis	Registered workforce (individuals)	19,676	19,520	
SOC06	*Men*	*7,959*	*7,911*	
SOC07	*Women*	*11,717*	*11,609*	
	Managers or equivalents	*9,037*	*8,951*	
SOC05	*Non-managers or equivalents*	*10,639*	*10,569*	
SOC08	*Open-ended contract employees*	*18,716*	*18,775*	
SOC08_NCadre	*Non-manager open-ended contract employees or equivalent*	*9,695*	*9,845*	
SOC12	*% open-ended contract employees*	*95.1%*	*96.2%*	
Age pyramid (individual workforce)		**19,676**	**19,520**	
SOC88	Under 25 years old	1,341	1,290	
	Men	*513*	*493*	
SOC89	*Women*	*828*	*797*	
SOC90	25 to 29 years old	2,519	2,518	
	Men	*1,001*	*994*	
SOC91	*Women*	*1,518*	*1,524*	
SOC92	30 to 34 years old	2,806	2,864	
	Men	*994*	*1,003*	
SOC93	*Women*	*1,812*	*1,861*	
SOC94	35 to 39 years old	3,209	3,201	
	Men	*1,190*	*1,155*	
SOC95	*Women*	*2,019*	*2,046*	
SOC96	40 to 44 years old	2,714	2,592	
	Men	*1,034*	*1,023*	
SOC97	*Women*	*1,680*	*1,569*	
SOC98	45 to 49 years old	2,091	1,924	
	Men	*894*	*852*	
SOC99	*Women*	*1,197*	*1,072*	
SOC100	50 to 54 years old	1,714	1,817	
	Men	*767*	*797*	
SOC101	*Women*	*947*	*1,020*	
SOC102	55 to 59 years old	2,369	2,454	
	Men	*1,059*	*1,121*	
SOC103	*Women*	*1,310*	*1,333*	
SOC104	60 years old and older	913	860	
	Men	*507*	*473*	
SOC105	*Women*	*406*	*387*	

Publication indicators	Title	2019	2018	Comments
FTE data				
SOC01	Total FTE workforce	19,372	19,217	FTE (full-time equivalent) employees enrolled in the workforce as of December 31: ■ regardless of type of employment contract (fixed-term/open-ended/work-study/vacation assistant); ■ even if "suspended", without compensation paid; ■ excluding interns under internship agreements; ■ excluding temporary workers, excluding external service providers. People on disability are included.
SOC02	*France*	*18,388*	*18,298*	
	Non-France	*984*	*919*	
WORKFORCE – MOVEMENTS				
New hires – Recruitment				
SOC13	Total number of individuals hired	4,438	4,451	All types of contracts (fixed-term/open-ended/work-study/vacation assistant). Including fixed-term or temporary worker contracts converted to open-ended contracts. Excluding trainees and temporary workers.
SOC14	*Men*	*1,740*	*1,713*	
SOC15	*Women*	*2,698*	*2,738*	
SOC16	*Open-ended contracts*	*1,263*	*1,405*	
SOC17	*Fixed-term contracts*	*3,175*	*3,046*	
Dismissals and reasons				
SOC19	Number of open-ended contract employees who left as individuals	1,214	1,319	Types of open-ended contract "exits": resignations, ending of test period (mutually by employer and employee), conventional breaking of contract, dismissal, group mobility, retirement. Including deaths.
SOC20	*dismissals*	*188*	*165*	Whatever the reason: disciplinary (serious reason, for gross or serious misconduct)/economic/personal (professional inadequacy). Including transactional departures preceded by dismissal. Except conventional breaking of contract.
SOC27	*Turnover*	*4.2%*	*4.3%*	Resignations + dismissals + end of probationary period + conventional breaking of contract/end-of-year total permanent employees
ORGANIZATION, WORKING HOURS AND ABSENTEEISM				
Organization of working time				
SOC29	Number of individual full-time employees	18,582	18,425	Employees on open-ended or fixed-term contracts whose working time is equal to the legal number of hours in the country. France: ■ 35 hours per week or 151.67 hours per month for non-managers; ■ full-time day (not reduced) for managers.
SOC30	Number of individual part-time employees	1,094	1,095	Employees on open-ended or fixed-term contracts whose working time is less than the legal number of hours in the country. France: ■ less than 35 hours per week or 151.67 hours per month for non-managers; ■ full-time day (reduced) for managers.
SOC31	% of full-time employees	94.4%	94.4%	
SOC32	% of part-time employees	5.6%	5.6%	
Absenteeism and reasons				
SOC38	Total number of days of absence in working days	189,589	178,408	Days of absence of total workforce regardless of employment contract (fixed-term/ open-ended/work-study) – Excluding interns and temporary workers. Excluding days of paid leave or contractual days (reduced working hours – seniority – etc.). Absenteeism takes into account sick leave and absences due to workplace/commuting accidents. Maternity/paternity leave is excluded.
SOC39	Illnesses	*182,948*	*170,305*	*Excluding occupational illnesses*
SOC40	Workplace accidents	*6,641*	*8,103*	*Including commuting accidents and occupational illnesses.*
HEALTH AND SAFETY CONDITIONS				
SOC44	Number of declared workplace accidents, with medical leave	111	120	Workplace and commuting accidents that were declared to CPAM (and classified as such by CPAM) resulting in medical leave, regardless of the number of days off. Workplace or commuting accidents that did not result in medical leave are excluded. Relapses are included.

Publication indicators	Title	2019	2018	Comments
COMPENSATION AND CHANGES				
SOC73	Gross payroll *(in €)*	925,339,351	909,131,071	Cumulative gross compensation of employees in the establishment (excluding employer contributions). Compensation corresponds to salaries and bonuses paid during the fiscal year to all employees.
SOC107	Total gross annual compensation *(in €)* of fixed-term contract employees	911,764,112	901,330,715	Fixed-term contract employees only – all statuses combined including executive management.
SOC108	Total gross annual compensation *(in €)* – non-executive open-ended contract employees	325,526,546	321,809,198	
SOC109	Total gross annual compensation *(in €)* – fixed-term contract management employees	586,237,566	579,521,516	
SOCIAL SECURITY CONTRIBUTIONS				
SOC80	Total amount of social security contributions paid *(in €)*	554,960,523	566,939,318	Employer contributions only.
TRAINING				
SOC46	Amount of payroll invested in training *(in €)*	59,640,181	58,021,484	
SOC47	% of payroll expense dedicated to training	6.4%	6.4%	
SOC50	Number of total hours spent on employee training[1]	736,748	690,005	Including e-learning hours as a prerequisite for face-to-face training, but excluding hours of e-learning training only.
	Total number of hours allocated to employee training as a proportion of the number of employees	37	35	
EQUAL OPPORTUNITY				
Workplace equality between men and women				
SOC59	Number of women managers or equivalent (open-ended + fixed-term contracts)	4,211	4,108	Working in France or abroad.
	Number of men managers or equivalent (open-ended + fixed-term contracts)	4,826	4,843	
SOC60	% of women among managers or equivalent (open-ended + fixed-term contracts)	46.6%	45.9%	
SOC61	Number of managers or equivalents promoted in the year to a higher level of function[1]	545	554	
SOC62	*of which women[1]*	*228*	*236*	
	of which men[1]	*317*	*318*	
SOC63	% of women in promotions of anagers or equivalent	41.8%	42.6%	
Employment and inclusion of disabled workers				
SOC68	Number of disabled workers	449	418	Number of people with disabilities (declared and recognized disability) within the entity, as a number of "individuals", not FTEs or "beneficiary units", defined in the mandatory declaration of employment of disabled workers.
SOC71	% of people with disabilities in total workforce	2.3%	2.1%	
SOCIAL DIALOGUE				
Promotion and respect for provisions of the fundamental conventions of the International Labor Organization.				
SOC67	Number of convictions for obstruction (in France)	0	0	Final judgments only (not subject to appeal).

(1) Revised 2018 number.

SOCIETAL INDICATORS – BANKING NETWORK, BANQUE TRANSATLANTIQUE FRANCE, BANQUE DE LUXEMBOURG AND BANQUE DE LUXEMBOURG INVESTMENTS SA

Publication indicators	Title	2019	2018	Comments
TERRITORIAL, ECONOMIC AND SOCIETAL IMPACT				
Territorial impact				
SOT01	Number of banking network branches	1,874	1,911	
SOT01A	Other branches France	1	1	Banque Transatlantique (scope covered by the non-financial performance statement).
SOT01B	Other branches non-France	3	3	Banque de Luxembourg (scope covered by the non-financial performance statement).
Associations				
SOT40	Number of NPO customers (associations, unions, works councils, etc.)	125,984	120,324	Revised 2018 number. Refined management rules.
Patronage and sponsorships				
SOT52	Total budget dedicated to patronage and sponsorships *(in €)*	20,720,166	13,634,775	
Environmental impact				
SOT63	Number of interest-free Eco-loans granted during the year	2,647	1,028	
SOT65	Total amount of interest-free Eco-loans granted during the year *(in €)*	34,949,056	18,410,714	Annual production (end of month outstanding). Volume of loans granted to customers in the form of interest-free loans for the financing of new construction, under certain conditions, renovations and deliveries in new condition, extensions or elevations.
SOT69	Number of renewable energy projects financed (professionals and farmers)	199	174	Financing projects for renewable energy installations or systems actually carried out over the calendar year with professionals, farmers and small businesses. These include improvements to energy efficiency projects.
MICROLOAN				
Supported personal microloan (partnership)				
SOT10	Number of microloans granted during the year	-	-	CIC does not distribute personal microloans.
SOT13	Amount of microloans financed during the year *(in €)*	-	-	
Intermediate professional microloan – ADIE				
SOT16	Number of applications processed	1,787	1,556	
SOT17	Amount of credit lines made available *(in €)*	5,800,000	5,380,000	
Intermediate professional microloan – France Active Garantie				
SOT19A	Number of new microloans financed	666	560	Market for professionals and businesses.
SOT20A	Amounts guaranteed (France Active Garantie + FGIF) *(in €)*	15,910,157	12,090,089	
Intermediate professional microloans – France Active (interest-free loan from Caisse des Dépôts)				
SOT19B	Number of Caisse des Dépôts interest-free loans disbursed with a supplementary loan from the group	136	115	Market for professionals and businesses.
SOT20B	Amounts lent *(in €)*	776,110	812,100	Total amount of corresponding bank loans: €4,675,196.
Intermediate professional microloan – Initiative France				
SOT22	Number of supplementary bank loans granted	N/A	2,105	
SOT23	Amount of supplementary bank loans granted	N/A	145,400,000	

Publication indicators	Title	2019	2018	Comments
Other supported professional microloans				
SOT201	Number of supported professional microloans granted during the year (as part of a partnership)	-	-	
SOT202	Amount of supported professional microloans granted during the year (as part of a partnership)	-	-	
Local microcredits				
SOT26	Number of local microloans granted locally in the group	-	-	
SOT27	Amount of local microloans granted locally in the group *(in €)*	-	-	
RESPONSIBLE FINANCIAL SAVINGS				
SRI and ESG (management companies)				
SOT28	SRI outstanding [1] *(in € million)*	1,907	1,511	Total CM-CIC Asset Management and Banque de Luxembourg Investments SA.
SOT28LNOV	SRI outstanding with SRI or Luxflag label *(in € million)*	1,443	1,100	Total CM-CIC Asset Management and Banque de Luxembourg Investments SA.
SOT87	Outstanding amounts invested by including ESG selection criteria *(in € million)* excluding SRI outstanding[1]	50,085	49,387	Outstanding amounts managed by CM-CIC Asset Management and Banque de Luxembourg Investments SA.
SOT29	SRI – Voting policy – Resolution approval rate	78%	78%	Shareholders' meetings in which CM-CIC Asset Management participated.
SOT29-R	SRI – Voting policy – Number of esolutions handled	13,397	14,679	
SOT29-RA	SRI – Voting policy – Number of resolutions approved	10,495	11,501	Excluding minority resolutions approved and including minority resolutions rejected.
SOT30	SRI – Voting policy – Number of shareholders' meetings in which the company participated	993	1,081	
Employee solidarity savings				
SOT37LCIES	Outstanding amount *(in €)* of employee solidarity savings with the CIES label	317,513,591	246,981,597	
Solidarity savings				
SOT33LFinansol	Savings outstanding on products with the FINANSOL label	32,864,774	26,888,780	
SOT33	*Outstandings excluding capitalization (in €) passbook savings account Livret d'Épargne pour les Autres (LEA)*	*32,604,444*	*26,633,498*	
SOT31	*France Emploi mutual fund – Outstandings*	*260,330*	*255,282*	
SOT35	Amount repaid to associations from solidarity products	105,751	121,353	
	LEA donations	*92,821*	*111,221*	
	Donation of cards for others	*9,428*	*9,251*	
SOT32	*France Emploi mutual fund*	*3,502*	*882*	

3

Publication indicators	Title	2019	2018	Comments
CORPORATE PRODUCTS AND SERVICES				
SOT71	Outstanding regulated social loans (PLS, PSLA)	ND	ND	There are no outstanding PLS (social lease loan)/PSLA (social lease-ownership loan) loans in CIC banks because, like Crédit Mutuel, all of those loans are managed by Caisse Fédérale de Crédit Mutuel for refinancing matters. Outstanding investment loans to CIC local banks as of December 31, 2019 amounted to €77.6 million.
QUALITY OF SERVICE				
SOT75	Number of eligible cases in banking mediation	197	175	Cases received by customer relations department in France whose outcome is in regulatory framework of mediation
SOT77	Number of decisions in favor of the customer	78	74	Data established for files processed on 1/31/2019
SOT78	Percentage of decisions favorable or partially favorable to the customer consistently applied	48.8%	49.0%	Statistics from the handling of cases transmitted to the mediator whose outcome is favorable to the customer, either consistently or after the decision of the mediator. Revised 2018 data.
ECONOMIC IMPACT INDICATORS AVAILABLE IN MANAGEMENT REPORTS				
	Outstanding customer loans *(outstanding amount at the end of the month in millions of euros)*	138,688	128,078	
SOT83	*Individuals*	*68,978*	*64,703*	
	Home loans	81,341	75,972	
SOT84	*Individuals*	*60,488*	*56,681*	
	Consumer loan	6,219	6,211	
SOT85	*Individuals*	*5,041*	*4,806*	
SOT86	Equipment loan (microenterprises)	41,200	38,282	
	Individuals	*2,834*	*2,847*	
	Farmers	*1,657*	*1,490*	
	Professionals	*14,916*	*13,681*	
	Businesses	*20,771*	*19,252*	
	NPOs	*809*	*807*	

(1) As part of the Ensemble#nouveaumonde strategic plan, in 2019 Crédit Mutuel Asset Management changed its methodology for calculating SRI assets under management to a more restrictive definition based on the principles of the SRI State label. The 2018 data have been restated.

ENVIRONMENTAL INDICATORS – FRANCE, BANQUE DE LUXEMBOURG AND BANQUE DE LUXEMBOURG INVESTMENTS SA

Publication indicators	Title	2019	2018	Comments
RESOURCE CONSUMPTION				
ENV04	Water consumption *(in m^3)*	211,865	215,936	
ENV05	Total energy consumption *(in KWh)*	124,377,959	128,088,801	
ENV06	*electricity (in kWh)*	*97,581,815*	*102,128,663*	
ENV07	*natural gas (in kWh)*	*18,927,115*	*17,246,092*	
ENV08	*fuel oil (in kWh)*	*1,049,009*	*1,108,921*	
ENV05_1	*Steam heating in urban networks (in kWh)*	*4,602,903*	*5,170,150*	
ENV05_2	*Chilled water in urban networks (in kWh)*	*2,217,117*	*2,434,976*	
ENV09	Total paper consumption *(in tonnes)*	2,817	3,065	All paper-based (white paper, calendars, etc.) or cardboard-based (interleaves, archives, etc.) supplies with the exception of the packaging box for these supplies (recorded in waste). Revised 2018 data.
WAYS OF REDUCING ENVIRONMENTAL IMPACT AND GREENHOUSE GAS EMISSIONS				
ENV15R	Consumption of recycled paper purchased *(in tonnes)*	280	270	
ENV15	Recycled used paper as output (waste) *(in tons)*	3,270	2,529	
ENV16	Used toner cartridges recycled after use (number)	30,529	40,361	
ENV30	Leakage of refrigerating gases from air conditioning facilities (tertiary air and water air conditioning)	ND	ND	
ENV20	Business travel – Automotive fleet *(in km)* GHG emissions assessment measured	44,097,861	49,010,210	Revised 2018 data.
	Automotive fleet – number of km in vehicle (gasoline)	*6,023,724*	*2,925,859*	
	Automotive fleet – number of km in vehicle (diesel)	*38,074,137*	*46,084,351*	
	Automotive fleet – number of km in electric vehicle	*43,578*	*125,065*	
ENV23	Business travel with personal vehicle *(in km)*	11,182,903	11,551,663	
ENV44	Human resources devoted to CSR in FTE	6.8	4.3	
ENV32K	Number of km avoided by videoconferencing	37,172,038	24,460,689	Excluding Banque de Luxembourg.
ENV34	Documents digitized *(in tonnes of paper avoided)*	1,179	1,113	
ENV47	Amount of provisions and guarantees for environmental risk	-	-	
ENV48	Amount of compensation paid during the fiscal year pursuant to a court order for the environmental matters and actions for remedy for damage caused by it	-	-	

GOVERNANCE – CIC HOLDING

Publication indicators	Title	2019	2018
GOUV01	Number of members of the board of directors or supervisory board	8	7
GOUV02	Number of women members of the board of directors or supervisory board*	3	3
GOUV9-01	Number of members of the board of directors or supervisory board by age bracket		
GOUV9-02	<40	1	1
GOUV9-03	40-49	0	0
GOUV9-04	50-59	3	3
GOUV9-05	>60	4	3
GOUV25	Total turnover rate of Boards during the year (new members elected out of total members)	12,50%	0.0%
GOUV26	Board attendance rate	76%	61.0%

* *Excluding director representing employees.*

3.13 CROSS-REFERENCE TABLE

Articles R.225-105 and L.225-102-1 of the French Commercial Code	CIC indicators present in the CSR report (text and tables)
Business model	BM
Non-financial risks	R/O
Policies implemented/results of policies For performance indicators, refer to the table on pages 45 and 47 of this statement.	
1° SOCIAL INFORMATION	
a) **Employment:**	
■ the total number and distribution of employees by gender, age and geographic area	SOC01_bis, SOC02, SOC05 to SOC08, SOC12 and SOC88 to SOC105
■ hires and dismissals	SOC13 to SOC17, SOC19, SOC20, SOC27
■ compensation and changes	SOC73, SOC80 and SOC107 to SOC109
b) Work organization:	
■ organization of working time	SOC29 to SOC32
■ absenteeism	SOC38 to SOC40
c) Health and safety:	
■ safety and health conditions at work	SOC45
■ workplace accidents, frequency and seriousness, and occupational illnesses[1]	SOC44
d) Employee relations:	
■ organization of social dialogue, the procedures for informing and consulting employees and negotiating with them	SOC78, SOC79, SOC87
■ summary of collective agreements for health and safety at work and other issues	SOC83 to SOC84
e) Training:	
■ policies implemented for training, in particular with regard to the protection of the environment	SOC46, SOC47, ENV37, ENV43
■ total number of hours of training	SOC50
f) Equality of treatment:	
■ measures taken to promote equality between women and men	SOC56, SOC59 to SOC63
■ measures taken to promote the employment and integration of disabled people	SOC68, SOC70, SOC71
■ anti-discrimination policy	SOC69
2° ENVIRONMENTAL INFORMATION	
a) General environmental policy:	
■ organization of the company to take into account environmental issues and, where applicable, environmental assessment or certification procedures	ENV01 to ENV03, ENV41
■ resources devoted to the prevention of environmental risks and pollution	ENV44
■ amount of the provisions and guarantees for environmental risks, provided that this information is not likely to cause serious damage to the company in litigation in progress	ENV47 *
b) Pollution:	
■ measures to prevent, reduce or repair air, water and soil discharges that seriously affect the environment	ENV32K, ENV37
■ consideration of any form of pollution specific to an activity, especially noise and light pollution	ENV45
c) Circular economy:	
■ waste prevention and management	
■ prevention, recycling, reuse, other forms of recovery and waste disposal	ENV39, ENV43
■ actions to prevent food waste	ENV54
■ sustainable use of resources	
■ water consumption and water supply based on local constraints	ENV04, ENV39
■ consumption of raw materials and measures taken to improve efficiency in their use	ENV09, ENV15R, ENV39, ENV43

Articles R.225-105 and L.225-102-1 of the French Commercial Code	CIC indicators present in the CSR report (text and tables)
■ energy consumption, measures taken to improve energy efficiency and the use of renewable energies	ENV05 to ENV08, ENV40
■ land use	ENV49 *
d) Climate change:	
■ significant greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	ENV20; ENV23; ENV37; ENV51
■ measures taken to adapt to the consequences of climate change	ENV39, ENV38, ENV42, ENV52, ENV53
■ voluntary medium-term reduction targets to reduce greenhouse gas emissions and the resources used for that purpose	ENV56
e) Protection of biodiversity:	
■ measures taken to preserve or restore biodiversity	ENV 50
3° SOCIETAL INFORMATION	
a) Societal commitments for sustainable development:	
■ impact of the company's activity on employment and local development	SOT01, SOT09, SOT59 to SOT60, SOT63, SOT65
■ the impact of the company's activity on neighboring or local populations[2]	SOT10, SOT13, SOT16, SOT17, SOT19A, SOT20A, SOT19B, SOT20B, SOT22, SOT23, SOT26 to SOT31, SOT33, SOT37LCIES, SOT39, SOT40, SOT71, SOT72, SOT73, SOT74, SOT75, SOT77, SOT78, SOT83 to SOT88, SOT106
■ relations maintained with the stakeholders of the company and terms of dialogue with them	SOT44, SOT45
■ partnership or patronage actions	SOT46, SOT52, SOT53, SOT55, SOT57
b) Subcontracting and suppliers:	
■ consideration of social and environmental issues in purchasing policy	SOT81
■ consideration in relations with suppliers and subcontractors of their corporate social responsibility;	SOT81
c) Trustworthy practices:	
■ measures taken for consumer health and safety	SOT80

* *Indicators not adapted to CIC's banking activity.*

Additional information

1° INFORMATION ABOUT COMBATING CORRUPTION:	
■ actions undertaken to prevent corruption	SOT79
2° INFORMATION ABOUT ACTIONS TO PROMOTE HUMAN RIGHTS	
a) Promotion and respect for provisions of the fundamental conventions of the International Labor Organization regarding:	
■ respect for the freedom of association and the right to collective bargaining	SOC67, SOC83 and SOC87
■ the elimination of discrimination in employment and professional life	SOC64
■ the elimination of forced or compulsory labor	SOC65
■ the effective abolition of child labor	SOC66
b) Other actions undertaken to promote human rights.	**SOT82**
3° OTHER INFORMATION	
■ Societal commitments for:	
■ the fight against tax evasion	SOT91
■ the fight against food insecurity	SOT92
■ animal welfare	ENV55
■ responsible, fair and sustainable food	SOT89

* *Indicators not adapted to CIC's banking activity.*

(1) The frequency and severity of workplace accidents are not reported explicitly, but the data needed for the calculations are published.

(2) CIC expresses its territorial impact through its local presence. Its activity does not have an impact on neighboring populations.

3.14 INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL PERFORMANCE STATEMENT

To Executive Management,

Pursuant to the request made to us and in our capacity as independent auditor, a member of the network of statutory auditors of CIC company (hereinafter, the "company"), we hereby present our report on the Consolidated Non-Financial Performance Statement for the fiscal year ended December 31, 2019 (hereinafter, the "Statement"), that the company has chosen to prepare and present in its management report, by reference to the provisions of Articles L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code.

The entity's responsibility

Within the scope of this voluntary approach, the company 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.

Independence and quality control

Our independence is defined by the profession's code of conduct. 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 auditor's

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 Articles 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 the activities 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 in 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: CIC Lyonnaise de Banque;
- 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 between 19% of the workforce and 17% of the group's energy consumption;
- we assessed the overall consistency of the Statement in relation to our knowledge of all of the entities 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, distributing 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

The independent auditor

EY & Associés

Marc Charles Partner	Caroline Delérable Partner, Sustainable Development

Appendix 1: Information considered to be the most important

SOCIAL INFORMATION

Quantitative information (including key performance indicators)	**Qualitative information (actions or results)**
■ 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	■ Employee training

ENVIRONMENTAL INFORMATION

Quantitative information (including key performance indicators)	**Qualitative information (actions or results)**
■ Building energy consumption ■ Number of renewable energy projects funded by networks ■ Outstanding renewable energy projects funded by networks	■ 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

4

CORPORATE GOVERNANCE

4.1 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 the 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, Crédit Industriel et Commercial (hereinafter referred to as CIC) does not refer to the Afep-Medef Code.

CIC 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 (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 those 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 of insignificant importance that are investment firms."

This corporate governance report explains how CIC has implemented the guidelines in accordance with the ACPR Notice and its own interpretation.

4.2 COMPOSITION OF MANAGEMENT BODIES AS OF DECEMBER 31, 2019

Board of directors

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

Employee directors

- Ségolène Denavit;
- William Paillet.

Non-voting directors

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

Other participants

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

Executive Management

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

4.3 POSITIONS AND FUNCTIONS HELD BY THE CORPORATE OFFICERS

4.3.1 Board of directors

Nicolas Théry

55 years old

Born December 22, 1965

Business address:

Crédit Industriel et Commercial
6 avenue de Provence
75009 Paris

Summary of main fields of expertise and experience

Nicolas Théry began his career in the financial inspection department in 1989 before joining the Treasury Department in 1993. From 1997 to 2000, he was an adviser in the office of the Minister of the Economy and Finance in charge of monetary and financial topics and then international and European topics. In 2000, he became director of the Private Office of Florence Parly, Secretary of State for the Budget. From 2000 to 2002, he was Confederal Secretary of the CFDT in charge of economic issues. He helped create the inter-union committee for employee savings schemes and the Vigeo rating agency created by Nicole Notat. From 2002 to 2009, he worked at the European Commission as director of cabinet of Pascal Lamy, Commissioner for International Trade before joining the Directorate-General for Enterprise and becoming director at the Directorate-General for the Environment, where he worked on climate change. In 2009, he joined Crédit Mutuel after holding various positions within the banking group. He was Chairman and CEO of CIC Est from 2012 to 2016.

Since 2014, he has been Chairman of the Caisse Fédérale de Crédit Mutuel, Banque Fédérative du Crédit Mutuel and Crédit Industriel et Commercial. Since 2016, he has been Chairman of Confédération Nationale du Crédit Mutuel and Fédération du Crédit Mutuel Centre Est Europe. He also chairs the supervisory board of Groupe des Assurances du Crédit Mutuel.

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

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

Other offices

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

Offices held over the past five years

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

Catherine Allonas Barthe

65 years old
Born January 18, 1955

Business address:
94/96, boulevard Haussmann
75008 Paris

Summary of main fields of expertise and experience

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

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

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

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

Permanent representative of BFCM, Member of the board of directors
Appointed to the Board 2017
Term expires: 2023

Other offices

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

Offices held over the past five years

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

4

Éric Charpentier

60 years old
Born October 6, 1960

Business address:
Crédit Mutuel Nord Europe
4, place Richebé
59800 Lille

Summary of main fields of expertise and experience

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

Director
Appointed to the Board: 2015
Term expires: 2021

Other offices

Chairman of the supervisory board
Groupe la Française

Chief executive officer
Caisse Fédérale du Crédit Mutuel Nord Europe

Chairman of the board of directors
Beobank NV
Banque de Tunisie

Director
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
Société Foncière et Immobilière Nord Europe
Euratechnologies

Director and Chairman of the management committee
CMNE Nord Europe
Crédit Mutuel Nord Europe Belgium

Permanent representative of CFCM Nord Europe, Member of the supervisory board
Groupe des Assurances du Crédit Mutuel
Euro-Information

Permanent representative of BFCM, Member of the board of directors
Astree Assurances

Offices held over the past five years

Chairman of the board of directors
BKCP Banque (SA-Belgium) – merger of Beobank

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

Gérard Cormorèche

63 years old
Born July 3, 1957

Business address:
8 rue Rhin et Danube
69009 Lyon

Summary of main fields of expertise and experience

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

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

Director
Appointed to the Board: 2019
Term expires: 2022

Other offices

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

Offices held over the past five years

Non-voting director
Crédit Industriel et Commercial

Étienne Grad

68 years old
Born December 26, 1952

Business address:
4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main fields of expertise and experience

A graduate of the Karlsruhe Chamber of Commerce and Industry in Germany, Etienne Grad is the Chairman of Etienne GRAD Conseil et Développement.

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

Since 1992 he has been the appointed Chairman of the board of directors of Caisse de Crédit Mutuel du cours de l'Andlau. Since 2010 he has been Chairman of the Communauté Urbaine de Strasbourg District of the Fédération du Crédit Mutuel Centre Est Europe.

Director
Appointment: 2019
Term expires: 2021

Other offices

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

Offices held over the past five years

Director
Banque Fédérative du Crédit Mutuel

Catherine Millet

60 years old
Born July 31, 1960

Business address:
Centre de conseil et de service
CCS – 4 rue Frédéric-Guillaume Raiffeisen
67000 Strasbourg

Summary of main fields of expertise and experience

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

Director
Appointed to the Board: 2017
Term expires: 2023

Other offices

Chairman
Filaction
Member of the board of directors
Euro Automatic Cash
AXXES
Sole director/chief executive officer
Centre de conseil et de service – CCS
Permanent representative of BFCM, Member of the management board
Euro Information
Sofedis
Permanent representative of CCS, Member of the management board
Euro-Information Épithète
Permanent representative of Impex Finance, Member of the board of directors
CIC Est

Offices held over the past five years

Member of the supervisory board
COFIDIS Participations
COFIDIS SA
Euro Information Production
Chair of the management committee
CM-CIC Centre de Services et de Traitement
Chairman of the board of directors
Cemcice Servicios Espana (CSE)
Member of the management board
Euro Télé Services
Euro Information Développements
Member of the board of directors
Euro Automatic Cash

Employee directors

Ségolène Denavit

40 years old
Born July 27, 1980

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

Summary of main fields of expertise and experience

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

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

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

Other offices

None

Offices held over the past five years

None

William Paillet

62 years old
Born April 3, 1958

Business address:
CIC Est
3, rue des Coutures
77200 Torcy

Summary of main fields of expertise and experience

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

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

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

Other offices

None

Offices held over the past five years

None

Directors whose terms of office ended in 2019[1]

Jean-François Jouffray

72 years old

Born June 18, 1948

Business address:

Crédit Mutuel Île-de-France
18, rue de La Rochefoucauld
75439 Paris Cedex 09

Summary of main fields of expertise and experience

Jean-François Jouffray is currently an Honorary Inspector General of Sustainable Development Administration. He holds an advanced degree in law and has had a career as a senior executive at the Ministry of the Sea, interspersed with various positions at the French Court of Audit. He has been a member of the management board of the Compagnie Générale Maritime et Financière since 2011 and President of the *Conseil Supérieur des Gens de Mer* since 2012.

After serving as Chairman of the Caisse de Crédit Mutuel de la Marine Marchande, in 1988 he became a member of the board of directors of Caisse de Crédit Mutuel Paris 15 Champ de Mars, where he was appointed Chairman in 1995. He has been Chairman of the auditing and accounting committee of the Caisse Fédérale de Crédit Mutuel since 2016 and Chairman of the Fédération and Caisse Régionale du Crédit Mutuel Ile de France since 2019.

Director
Appointed to the Board: 2017
Term expires: 2019

Other offices

Chairman
Conseil supérieur des gens de mer
Chairman of the board of directors
Fédération du Crédit Mutuel Île-de-France
Caisse Régionale du Crédit Mutuel Île-de-France
Caisse de Crédit Mutuel Paris Champ-de-Mars
Permanent representative of Caisse régionale du Crédit Mutuel Île-de-France
ACM VIE SAM
Director appointed by the State
Compagnie Générale Maritime et Financière
Non-voting director
Caisse Fédérale de Crédit Mutuel

Offices held over the past five years

Member of the board of directors
Caisse Maritime d'Allocations Familiales
Director
Confédération Nationale du Crédit Mutuel
Caisse Centrale du Crédit Mutuel
Crédit Industriel et Commercial

4

(1) *For the sake of transparency, the directors of Crédit Mutuel Alliance Fédérale whose terms of office within CIC came to an end during 2019 but who also hold offices within Crédit Mutuel Alliance Fédérale are listed below.*

4.3.2 Executive Management

Daniel Baal

63 years old
Born December 27, 1957

Business address:
Crédit Industriel et Commercial
6 avenue de Provence
75009 Paris

Summary of main fields of expertise and experience

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

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

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

Chief executive officer and Effective Manager
Appointed to the Board: 2017
Term expires: 2021

Other offices

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

Offices held over the past five years

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

Philippe Vidal

66 years old
Born August 26, 1954

Business address:
Crédit Industriel et Commercial
6 avenue de Provence
75009 Paris

Summary of main fields of expertise and experience

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

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

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

Deputy Chief executive officer and Effective Manager
Appointed to the Board: 2017
Unlimited term of office

Other offices

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

Offices held over the past five years

Director
Batipart Invest

4

4.4 PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD

4.4.1 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 10 to 16 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 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 may be natural persons or legal entities representing members.

The board of directors also includes two directors representing employees, in accordance with Article L.225-27-1 of the French Commercial Code, who are elected for renewable six-year terms.

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).

Application of the principle of balanced representation of women and men on the board of directors

The Copé-Zimmermann Act (law 2011-103 of January 27, 2011, as amended in 2014 and in force as of January 1, 2017) is applicable to CIC.

If the board of directors is composed of eight members or fewer, the difference between the numbers of directors of each gender may not be greater than two[1].

As of December 31, 2019, the board of directors of CIC includes two women out of a total of six members.

The Board can also count on the participation of one female director and one male director representing employees.

Directors skills and training

CIC attaches great importance to the skills of its directors. A special module for the training of directors has been put in place under the impetus of the interfederal committee for the Training of Elected Officials. It is designed to consolidate the knowledge and skills of CIC voting and non-voting directors with regard to the regulatory skills required since the transposition into French law of the CRD4 Directive.

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 CIC and its private interests and/or other duties. The code of conduct of Crédit Mutuel Alliance Fédérale applicable to CIC 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, CIC 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.

(1) Determination of this difference shall not include employee directors.

4.4.2 Work of the Board in 2019

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

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

In 2019, the board of directors met three times. The meeting attendance rate for directors was 74% on average.

Meeting of February 19, 2019

The board of directors meeting of February 19, 2019 focused on the following topics in particular:

- Presentation of the CIC annual and consolidated financial statements as of December 31, 2018;
- Presentation of network activity;
- Presentation of specialized business line and market activities;
- Liquidity and interest rate risk management;
- Report of the group auditing and accounting committee dated February 18, 2019, which presented the following items: amendment of the internal rules of the audit committee, self-assessment of the audit committee, new organization of periodic control and process for appointing general inspectors, summary of external assessments of the control system;
- Approval of the CIC annual and consolidated financial statements as of December 31, 2018;
- Terms of office and composition of the board of directors;
- FY 2018 management report;
- Corporate governance report;
- Review of regulated agreements;
- Convening shareholders' meeting, setting agenda and draft resolutions;
- Report of the group risk management committee dated January 8, 2019;
- Relations with supervisors;
- 2018 internal control report;
- Approval of 2019 bodies of rules;
- Social responsibility and mutual insurance: approval of sectoral policies for Civil Nuclear Energy and Defense & Security.

Meeting of July 24, 2019

- Presentation of CIC Group consolidated financial statements as of June 30, 2019;
- Information on the Crédit Mutuel Alliance Fédérale consolidated financial statements;
- Presentation of network activities;
- Presentation of specialized business line and market activities;
- Group auditing and accounting committee reports dated April 25, 2019 and July 24, 2019;
- Approval of consolidated financial statements;
- Delegation of authority for the CIC compliance committee of Singapore Branch;
- Group risk management committee reports dated April 11, 2019 and July 11, 2019;
- Risk appetite framework;
- Approval of ICAAP/ILAAP reports;
- Operational risks;
- Relations with supervisor;
- Presentation and review of the annual internal control report;
- Approval of the annual LCB-FT internal control report;
- Results of the social and economic committee elections.

Meeting of November 14, 2019

- Presentation of CIC activities;
- Presentation of network activities;
- Presentation of specialized business line and market activities;
- Group auditing and accounting committee report dated September 20, 2019;
- Interest rate and liquidity risk management at the end of September 2019;
- Report of the group risk monitoring committee dated October 24, 2019;
- Information on operating risks;
- Relations with supervisors;
- Merger-absorption of ADEPI by CIC;
- Review of regulated agreements authorized by the Caisse Fédérale de Crédit Mutuel.

4

4.4.3 Executive Management

General management of the company

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

CIC's Executive Management is comprised of:

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

Prerogatives of Executive Management

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

4.4.4 Membership in the regulatory committees Crédit Mutuel Alliance Fédérale

Since the CIC board of directors meeting of November 17, 2017, CIC 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 CIC 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 the Caisse Fédérale de Crédit Mutuel).

4.4.5 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.

4.5 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 the 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 the Credit 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 remuneration policy memorandum 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.

4.6 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 19, 2019, the CIC board of directors decided that service as Chairman of the board of directors would no longer be remunerated as of June 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 2019 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 indemnity 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 indemnity 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 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.

As of 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 in kind[(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 portion and €250,000 for the CIC portion) and annual compensation of €880,000 over 7 months for the Crédit Mutuel portion.

(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 in kind[(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 compensation committee of CFdeCM following the shareholders' meeting that approves the financial statements for the previous financial 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).

5

RISK FACTORS AND PILLAR 3

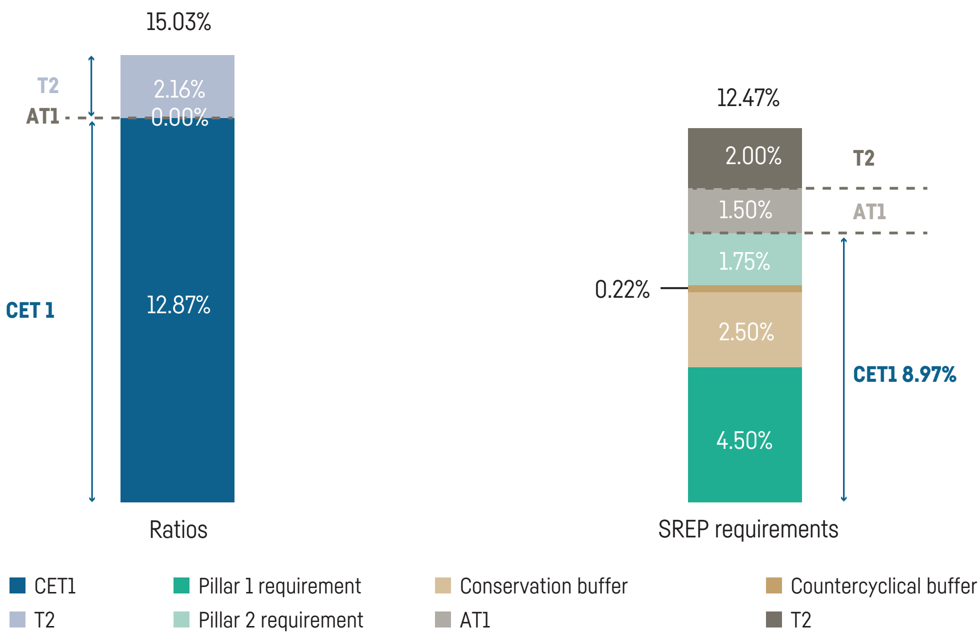
5.1 KEY FIGURES

SOLVENCY RATIOS

(in € millions)	12/31/2019	12/31/2018
Common Equity Tier 1 capital (CET1)	13,636	13,056
Additional Tier 1 capital (AT1)	0	0
Tier 2 capital (T2)	2,284	2,254
TOTAL SHAREHOLDERS' EQUITY	**15,921**	**15,310**
TOTAL RISK-WEIGHTED ASSETS	**105,951**	**100,353**
Common Equity T1 (CET1) ratio	12.87%	13.01%
Tier 1 ratio	12.87%	13.01%
Overall ratio	15.03%	15.26%

The transitional measures have no impact on CIC's ratios. The information with or without transitional measures is therefore identical.

REGULATORY REQUIREMENTS AND SOLVENCY RATIOS



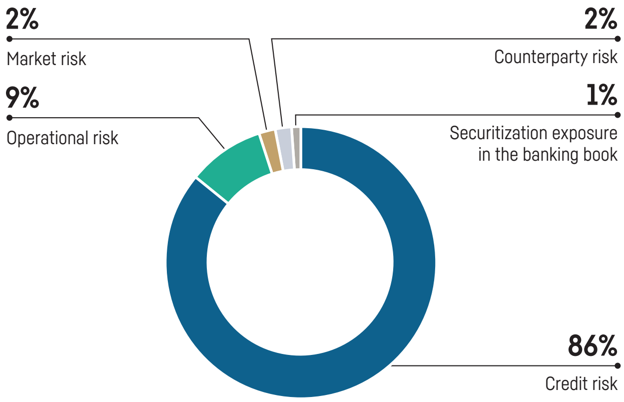
As of March 1, 2019, there are no more Pillar 2 requirements for CIC.

As of July 1, 2019, a countercyclical buffer ratio of 0.25% will be calculated for exposures in France.

RISKS WEIGHTED BY TYPE OF RISK

(in € millions)	12/31/2019	12/31/2018
Credit risk	91,067	85,910
Operational risk	9,179	9,561
Market risk	2,254	2,426
Counterparty risk	1,861	1,572
Securitization exposure in the banking book	953	822
Settlement risk	0	0
Amounts less than deduction thresholds (risk weighting of 250%)	638	61
TOTAL RISK-WEIGHTED ASSETS	**105,951**	**100,353**

Risks weighted by type of risk 12/31/2019

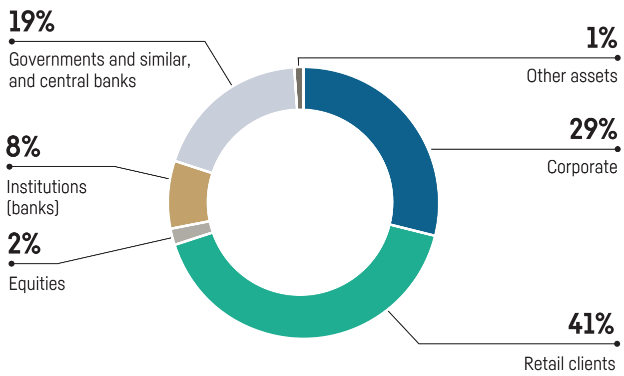


CREDIT RISK

EAD BY CATEGORY

(in € millions)	12/31/2019	12/31/2018
Businesses	86,238	83,925
Retail clients	122,342	113,919
Shares	4,808	4,833
Institutions (banks)	24,819	23,990
Central governments and similar, and central banks	56,175	46,785
Other assets	3,706	3,122
TOTAL RISK-WEIGHTED ASSETS	**298,088**	**276,575**

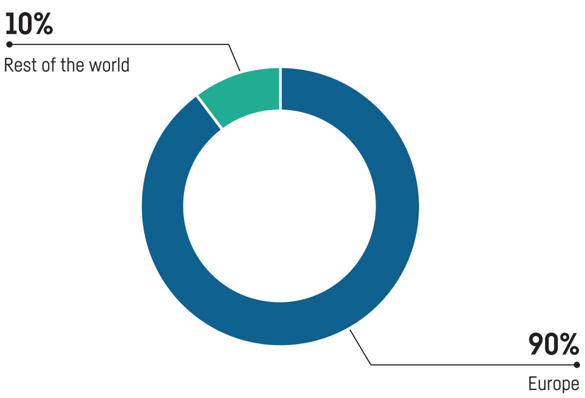
Weighted credit risk (RWA) by category at 12/31/2019



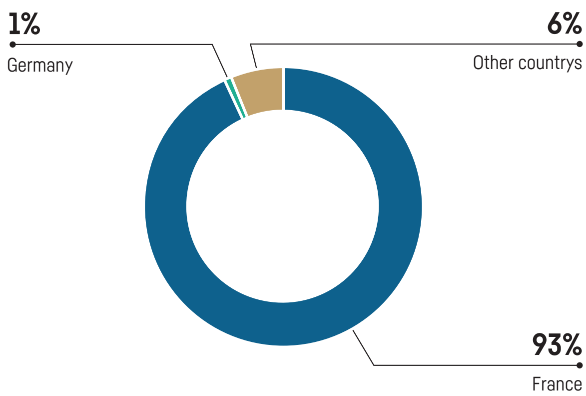
EAD BY GEOGRAPHIC AREA

(in € millions)	12/31/2019	12/31/2018
Europe zone	**267,822**	**248,380**
France	249,245	231,416
Germany	2,502	2,378
Other countries	16,075	14,586
Rest of World	**30,266**	**28,195**
United States	9,013	8,590
Other countries	21,253	19,605
TOTAL RISK-WEIGHTED ASSETS	**298,088**	**276,575**

EAD by geographic area at 12/31/2019



EAD by geographic area EUROPE at 12/31/2019



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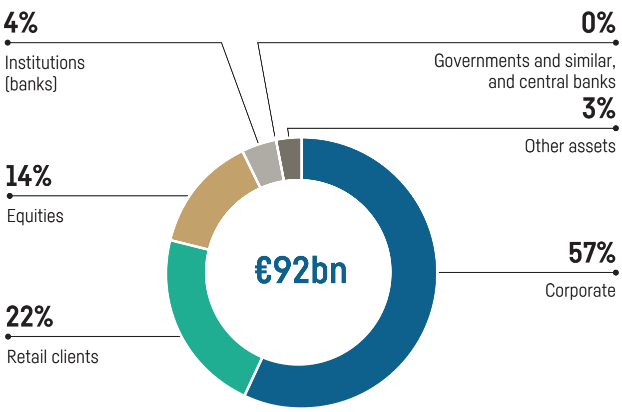
WEIGHTED CREDIT RISK BY CATEGORY

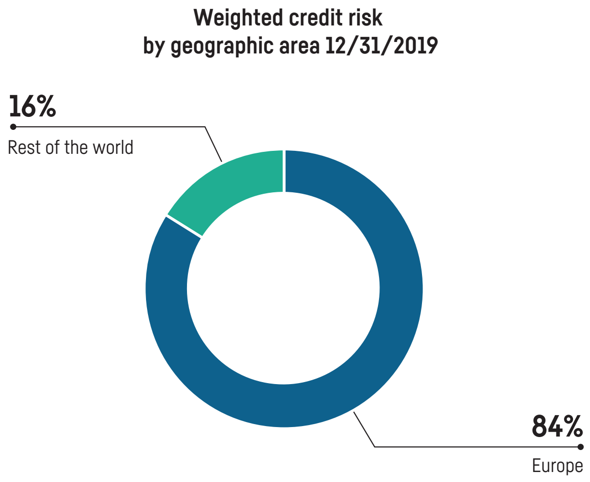
(in € millions)	12/31/2019	12/31/2018
Businesses	51,899	49,031
Retail clients	20,367	17,077
Shares	12,398	13,116
Institutions (banks)	3,432	3,589
Central governments and similar, and central banks	391	438
Other assets	3,218	2,719
TOTAL RISK-WEIGHTED ASSETS	**91,705**	**85,971**

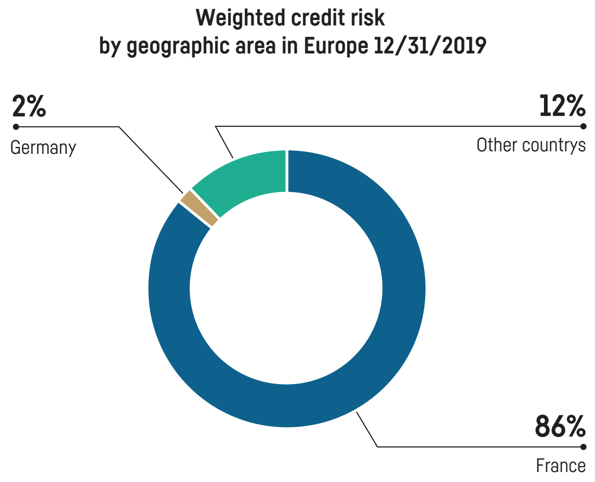
Weighted credit risk (RWA) by category at 12/31/2019



WEIGHTED CREDIT RISK BY GEOGRAPHIC AREA

(in € millions)	12/31/2019	12/31/2018
Europe zone	**77,295**	**74,055**
France	66,421	64,093
Germany	1,559	1,395
Other countries	9,315	8,567
Rest of World	**14,512**	**11,916**
United States	3,519	3,702
Other countries	10,993	8,214
TOTAL RISK-WEIGHTED ASSETS	**91,807**	**85,971**





LEVERAGE RATIO

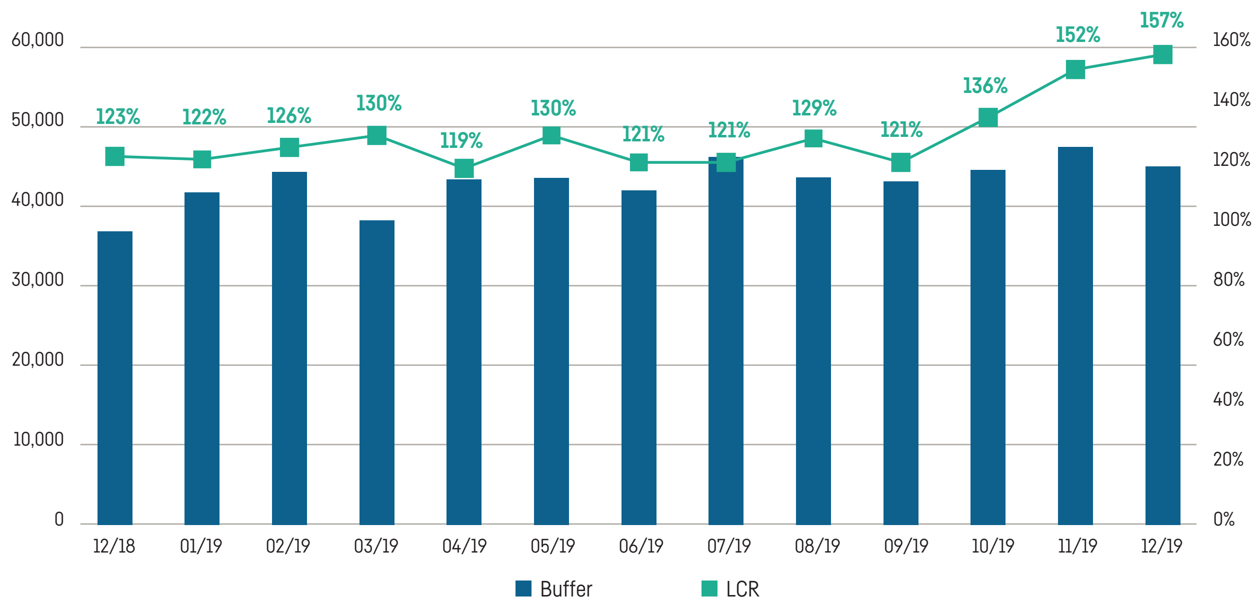
(in € millions)	12/31/2019		12/31/2018
	Exempting savings centralized in the CDC	Not exempting centralized CDC savings	Exempting savings centralized in the CDC
Tier 1 capital	13,637	13,637	13,057
TOTAL LEVERAGE EXPOSURE *(Total exposure measure)*	**329,005**	**336,031**	**310,332**
Leverage ratio	4.14%	4.06%	4.21%

The transitional measures have no impact on CIC's ratios. The information with or without transitional measures is therefore identical.

LIQUIDITY COVERAGE RATIO (LCR)

Annual and average LCR *(in € millions)*	Annual LCR (end of month)		Average ratio at end of half year (on a rolling 12-month basis)[2]	
	12/31/2019	12/31/2018	6/30/2019	12/31/2019
Liquidity buffer (after weightings)	**44,873**	**36,714**	**42,148**	**43,459**
o/w Central Bank exposures and collections	36,473	29,477	34,358	34,982
o/w other HQLA[1]	8,400	7,237	7,790	8,477
Liquidity Coverage Ratio (LCR)	**157%**	**123%**	**126%**	**130%**

(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 CIC (hereinafter "the group") is exposed.

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

After the reporting date of December 31, 2019, the COVID-19 epidemic 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 epidemic 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, like 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 and counterparty risks

Because of its business model, CIC's primary risk is credit risk. Gross exposures (balance sheet, off-balance sheet, derivatives and repurchase agreements) to credit risk represented €357 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 2008 on CIC's profitability and solvency could be significant. The probability of such an occurrence is considered to be low. Nevertheless, such a deterioration could have four kinds of significant impact on the group's exposures in terms of credit risk.

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 CIC's balance sheet guarantee activities (which appear off-balance-sheet) as well as other activities exposing the group to a risk of counterparty default, notably its activities related to the trading and settlement/delivery of financial instruments on the capital markets, and to insurance. The risk of default would immediately take the form of more non-performing loans (NPL, an indicator of default risk) and also a major point of concern to European regulators and supervisors. It would also be reflected in a higher cost of risk due to the provisioning of those non-performing loans. At December 31, 2019, the NPL ratio (NPL/gross loans) of CIC was 2.7% and the cost of risk was €311 million (as a fraction of gross outstanding loans, the cost of customer risk was 0.16%). However, after the 2008 crisis, the group's NPL ratio rose to 3.91% (at December 31, 2013), spiking the cost of proven risk to 0.70% of gross loans at the time – over a more restricted scope, given the acquisitions made by CIC since 2009.

1.2 The second impact would depend on the **method used to calculate weighted risks in the denominator of the solvency ratio**. Under the standard method, the change in credit quality has little impact on the calculation of weighted risks and therefore on the solvency ratio. But if the credit portfolios have been authorized by the supervisor to use internal models to calculate weighted risks, any deterioration of the affected portfolios increase the denominator of the solvency ratio. At CIC, nearly 73% of the total exposures to credit risk are given an internal[1] rating the quality of which affects the calculation of the credit risk-related capital requirements under Basel 3 and therefore the group's solvency ratio. Lower ratings on all or part of the portfolio would consequently entail lower solvency of the group in terms of risk of changed ratings.

1.3 Because of the large size of its real estate loans (€84 billion or 54% of customer loans, of which €80 billion in France), the group is exposed to a **decline in the real estate sector.** A scenario of that type would impact its cost of risk through higher defaults and also, in terms of mortgage-backed financing, if the value of dwellings given as collateral should be significantly affected for a considerable period of time by a decline in the real estate market. Following the crisis of 2008, the cost of risk on the network's portfolio of property loans reached 0.10% of the balance sheet commitments during two years (2009 and 2010). It reached 0.02% of home loans on the balance sheet in 2019.

1.4 CIC has unitary exposure that is relatively high to certain states, to bank counterparties or to large groups, mainly French. **The default of one or more of the group's largest customers could degrade its profitability.** Concerning States, the group is principally exposed to France, mainly the Banque de France - member of the euro system - and to the Caisse des Dépôts et Consignations (equivalent to French sovereign risk, due to the mechanism for centralizing deposits from regulated savings). Other than States, on December 31, 2019, single exposures, on and off-balance sheet, exceeding €300 million to banks represented €2.7 billion to four counterparties. For companies its represented €23.8 billion to 40 counterparties. The probability of several of these counterparties being downgraded or even defaulting simultaneously cannot be ruled out and would affect the profitability of the group.

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

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 as existing or expected economic conditions. One of the main risks concerned is interest rate risk, defined as the difference in the profit/(loss) of a bank when interest rates vary upwards or downwards. As the value of an institution is directly related to its earnings, changes in interest rates also mean changes in its asset value with an impact on the balance of on- and off-balance sheet items.

The 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 capital. CIC is sensitive to a flattening of the yield curve, with a downward sensitivity of NPV of -13.56% with respect 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 CIC, with an impact of -4.61%, or -€231 million at December 31, 2019.

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

As a large portion of CIC's revenues are tied to the net interest margin, which directly impacts the group's profitability. Interest rate fluctuations are caused by a number of factors over which CIC has no control, such as the level of inflation, the monetary policies of States, including that of the French State, in particular the level of regulated rates (Passbook savings rate "A," Passbook savings rate "bleu," etc.). Thus CIC's revenues and profitability are impacted by the changes in interest rates at different points on the yield curve.

The low interest rate environment in the markets for several years has significantly impacted the profitability of banks including CIC. 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 CIC because it may be unable to sufficiently offset the fall in revenues related to granting loans at market levels with the level of interest rates for customer resources and regulated savings products (Passbook savings rate "A," Passbook savings rate "bleu," PEL (mortgage savings plans)) remunerated at rates above the market rate. This situation is increasing early repayments and renegotiations of real estate loans and other fixed rate loans to individuals and companies, companies seeking to benefit from the low interest rates. CIC must also deal with a new production of loans with particularly low rates. In addition, in order to comply with its regulatory liquidity constraints, CIC must place excess liquidity with the central bank at negative interest rates. Customers meanwhile are not charged for bank deposits which contributes to reducing the interest margin and the bank's profitability. All these factors could markedly impact the group's activity, financial position and results.

2.2 Likewise, a sudden upswing in market rates could have a significant unfavorable effect on the net banking income and affect CIC's profitability.

The end of a prolonged period of low rates, especially if it comes as a result of a tightening of monetary policy, carries risks for the banking industry in general and for CIC in particular. An abrupt exit from these interest rate levels could have an unfavorable impact on the bank's revenues and profitability. In particular, such a rise in rates could significantly affect the cost of refinancing on the banking sector's markets in terms of issuing short- and medium-long-term debt. In addition, CIC could have difficulty in immediately passing on these higher interest rates in producing real estate loans and other fixed-rate loans for private individuals and businesses, whereas the cost of customer deposits would tend to increase more quickly. Some volatile, non-interest bearing demand deposits might be turned into more costly deposits such as term deposits and passbook accounts. A portion of the volatile deposits might also be shifted to off-balance sheet vehicles such as UCITS and life insurance.

2.3 Changes in the benchmark indexes such as EURIBOR and LIBOR could affect CIC in a variety of ways.

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

5.2.3 Regulatory/prudential risk

The regulatory environment in which CIC operates is described in the section above devoted to that topic [Section 2.1.2 "Regulatory environment" in Chapter 2.] The group is subject to a great many banking regulations, some of which are not reflected in its ratios but could have a significant effect on them.

As specified in 1.2, a large majority of the group's exposures are approved by the supervisor for calculation using the internal risk weighting model. However, changes to the "finalization of Basel 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 €62 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 *de facto* constrains the structure of CIC's debt (because of its weight in the Crédit Mutuel group) and will require it to instead fund through the subordinated debt markets, impacting the cost, strategy and potentially CIC financing capacity.

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.

CIC is part of the centralized cash management system and is fully incorporated into the Crédit Mutuel Alliance Fédérale system. One good way to assess CIC's liquidity risk is the regulatory Liquid Coverage Ratio (LCR), which shows highly liquid assets against net cash outflows for 30 days under a stress scenario. CIC's average LCR was 130.5% in 2019, representing an average surplus of €10 billion over the minimum regulatory requirements. The liquidity reserve managed at the Crédit Mutuel Alliance Fédérale level consists of deposits at central banks and available debt securities and receivables on central banks eligible for refinancing. Crédit Mutuel Alliance Fédérale's liquidity reserve was €134.6 billion at 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 111.2% 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 and CIC's business activities. Financing involves the issuance of medium and long-term debt and short-term negotiable debt instruments (TCN). Guaranteed financing operations such as repurchase agreements also are involved. Thus if market access and market conditions severely deteriorated, the impacts on the financial sector in general and on CIC in particular could significantly impact the level of its liquidity and the group's financial situation, particularly in terms of profitability.

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 and CIC's liquidity reserve.

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

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

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

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

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

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

BFCM, as the refinancing center of the group, is the principal issuer of bonds, from which CIC benefits as a subsidiary. CIC also issues, through its London branch, certificates of deposit whose ratings are linked to that of BFCM, by which it is over 95% owned. Accordingly, BFCM obtains ratings on behalf of the group. The ratings are based primarily on a review of the governance, strategy, quality and diversity of the revenue sources, the adequacy of equity, the quality and structure of the balance sheet, the risk management and risk appetite. BFCM's long-term ratings as of December 31, 2019 were A+ from Fitch Ratings, Aa3 from Moody's and A from Standard & Poor's (this last agency rates the Crédit Mutuel group and its principal issuers). A substantial reduction in these credit ratings and in particular a deterioration in the factors that go into the rating could have a major impact on CIC's refinancing. This situation could limit access to refinancing, increase costs and diminish the group's ability to expand. A significant deterioration could have a large impact on the group's liquidity situation, results and profitability.

5.2.5 Operational risks

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

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

Operational risk so defined excludes strategic and reputational (image) risks.

The main risk factors associated with operational risks are:

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

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

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

5.4 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, €734 million of equity was allocated to cover the losses generated by this risk. At that same date, the ratio between the allocation of equity capital (potential loss) and losses (proven loss) stood at 15 (representing €734 million of equity capital allocated for proven loss of €48 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 the 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.

The policy in terms of customers, products and business practices represented 38% of CIC's loss experience in 2019, which was greater than fraud (representing 32%, including 26% for external fraud). CIC's total loss experience (excluding any insurance recoveries) in 2019 represented about 0.96% of the group's net banking income.

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

5.2.6 Market risk

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

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

The main risk factors associated with market risks are:

6.1 A worsening of economic prospects negatively affecting the financial markets in that they are supposed to reflect the financial health of issuers of the capital and debt securities that are traded in them. The valuation of securities declines and the volatility of valuations increases. The effect on the activities of CIC Marchés is therefore negative.

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

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

Given the favorable conditions of the financial markets in 2019, CIC Marchés reported 2019 earnings well up from 2018. The lower stock valuations in the last quarter of 2018 recovered in the first quarter of 2019; and the positive trend observed thereafter in both the equity and credit markets – a rise in global equity indexes and general tightening of credit spreads, both sovereign and not – were favorable to banking operations during the year.

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

To summarize: The market risk to which the CIC Marchés division is exposed is weak. The equity capital allocated to CIC Marchés is €555 million (1.2% of overall prudential 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 99% one-day VaR of the trading portfolio stood at €4 million at the end of 2019. The NBI per IFRS 2019 came to €312 million, and profit/(loss) before tax to €104 million (see Chapter 3 "Financial Information – Analysis of results by business line – Capital markets").

5.2.7 Climate risks

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

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

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

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

As stated elsewhere, Crédit Mutuel Alliance Fédérale and CIC face three types of financial risks linked to climate change:

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

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

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

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

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

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

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

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

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

This system is part of an iterative approach to assess the monitoring of climate risks and will be subject to changes depending on the progress made on related projects carried out within Crédit Mutuel Alliance Fédérale and CIC.

Information related to climate risks is further presented in Chapter 3 "Corporate social responsibility."

5.3 RISK MANAGEMENT (EU OVA)

The Chapter "CIC Risk Management" describes the risks to which the group is exposed and provides the list of major risks that might have a significant unfavorable effect on our business.

5.3.1 Risk profile of the institution

CIC is a subsidiary of Crédit Mutuel Alliance Fédérale, a cooperative bank, not listed for trading and owned wholly by its members. As of December 31, 2019, it was not on the list of Global Systemically Important Financial Institutions (G-SIFIs)[1].

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 in its total capital requirements and the predominance of the retail book in its total exposures. CIC operates predominantly in France and in European countries.

CIC strives to maintain and regularly add to the financial strength from which its derives its soundness and durability. Its Common Equity Tier 1 (CET1) solvency ratio is 12.87%.

The group's risk management approach is designed around its risk profile, its strategy and the appropriate risk management systems.

5.3.2 Risk appetite

CIC's risk appetite framework evolved from the group's desire to have a general framework setting out its core principles with regard to risk.

In summary, the aim of CIC'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 CIC and its shareholder. 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 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.

CIC 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;
- LAAP (Internal Liquidity Adequacy Assessment Process). The group'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).

5

(1) *The indicators resulting from the QIS dedicated to their identification are made public on the group's institutional website in the document entitled a "Indicateurs de systémicité" (Systemicity Indicators).*

5.3.3 Management of risks

CIC's internal control and risk management system is incorporated in that of Crédit Mutuel Alliance Fédérale. As a reminder, Crédit Mutuel Alliance Fédérale includes the entities placed under a single banking accreditation, that of Caisse Fédérale de Crédit Mutuel (the entities of Crédit Mutuel Centre Est Europe, Île-de-France, Sud-Est, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique et Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranéen and Anjou) together with all the subsidiaries and companies included in its consolidated financial statements, including CIC, the head of the network, and its regional banks.

The purpose of internal control and risk management work is to ensure compliance with all rules defined by supervisory authorities for the conduct of the group's operations, by using the internal and professional standards, tools, guidelines and procedures put in place to that end.

5.3.3.1 Risk oversight system

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:

Detection

- 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 the identified risks are effectively monitored, measured and controlled by the operating 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.

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 board of directors.

It meets at least quarterly 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.

5.3.3.2 Methods and tools

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.

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.

5.3.3.3 Risk management and oversight

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.

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.

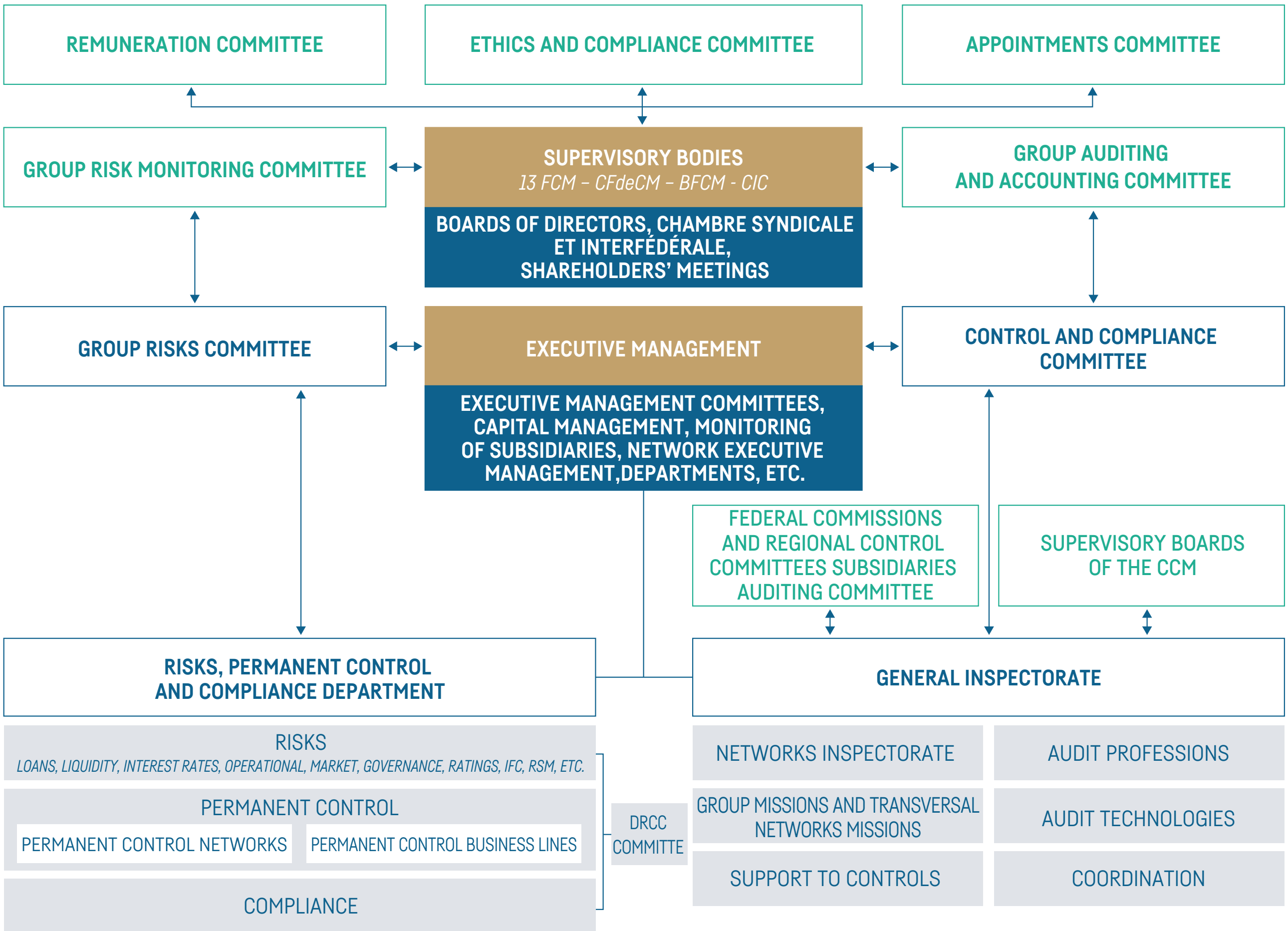
Information for assessing trends in credit, market, ALM and operational risks is provided regularly to the management bodies and other responsible persons concerned. The risk department carries out general management with regard to the regulatory capital consumed by each activity by reference to the risks incurred and the return obtained.

5.3.4 Internal control system

5.3.4.1 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



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 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 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.

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.

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.

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.

5.3.4.2 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.

Organization of controls

In accordance with the Decision 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.

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 the implementation of the resulting recommendations.

The control and compliance committee also reviews 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.

5.3.4.3 The risk oversight system

Controls 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 is 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;
- 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 items (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 to 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 "CRR"), the accounting and regulatory entities are the same.

The entities making up the grouping appear in note 2a to the consolidated financial statements.

The make-up of the prudential consolidation scope as compared to the accounting consolidation at December 31, 2019 looks as follows:

The consolidation methods as between the prudential and accounting consolidations are identical. The EU LI3 table is therefore not presented.

TABLE 1: 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:				
12/31/2019 *(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*	subject to provisions relating to securi-tization	subject to the market risk framework*	not subject to capital requirements or subject to deduction from equity
ASSETS							
Cash, Central banks – Assets	38,811	38,811	38,811	-	-	-	-
Financial assets at fair value through profit or loss	31,641	31,641	3,558	16,719	8	28,075	-
Hedging derivatives – Assets	635	635	-	635	-	-	-
Financial assets at fair value through other comprehensive income	12,190	12,190	6,199	-	6,016	-	-24
Securities at amortized cost	2,544	2,544	2,544	-	-	-	-
Loans and receivables to credit institutions and similar, at amortized cost	28,679	28,679	22,739	5,065	875	-	-
Loans and receivables due from customers at amortized cost	188,523	188,523	187,336	1,123	-	-	63
Revaluation adjustment on rate-hedged books	803	803	-	-	-	-	803
Short-term investments in the insurance business line and reinsurers' share of technical provisions	-	-	-	-	-	-	-
Current tax assets	687	687	687	-	-	-	-
Deferred tax assets	333	333	333	-	-	-	-
Accruals and other assets	5,568	5,568	5,568	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-
Deferred profit-sharing	-	-	-	-	-	-	-
Investments in associates	1,577	1,577	1,525	-	-	-	52
Investment properties	49	49	49	-	-	-	-
Property, plant and equipment and finance leases	1,578	1,578	1,578	-	-	-	-
Intangible assets	179	179	-	-	-	-	179
Goodwill	33	33	-	-	-	-	33
TOTAL ASSETS	**313,830**	**313,830**	**270,927**	**23,542**	**6,899**	**28,075**	**1,106**

12/31/2019 *(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*	subject to provisions relating to securi-tization	subject to the market risk framework*	not subject to capital requirements or subject to deduction from equity
LIABILITIES							
Central banks – Liabilities	4	4	-	-	-	-	4
Financial liabilities at fair value through profit or loss	19,178	19,178	-	18,015	-	18,999	179
Hedging derivatives – Liabilities	1,658	1,658	-	1,658	-	-	-
Due to credit institutions	68,374	68,374	-	2,969	-	-	65,406
Due to customers	169,306	169,306	-	-	-	-	169,306
Debt securities	29,684	29,684	-	-	-	-	29,684
Revaluation adjustment on rate-hedged books	-22	-22	-	-	-	-	-22
Current tax liabilities	290	290	-	-	-	-	290
Deferred tax liabilities	246	246	246	-	-	-	-
Accruals and other liabilities	6,237	6,237	-	1,470	-	-	4,767
Liabilities on assets held for sale	-	-	-	-	-	-	-
Technical provisions	-	-	-	-	-	-	-
Due to credit institutions – JV	-	-	-	-	-	-	-
Debt securities – JV	-	-	-	-	-	-	-
Trading derivatives	-	-	-	-	-	-	-
Liabilities to cred. inst.	-	-	-	-	-	-	-
Hedging derivatives – Liabilities	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Subordinated debt issued by insurance cos.	-	-	-	-	-	-	-
Provisions for risks and expenses	979	979	-	-	-	-	979
Subordinated debt issued by bank	2,233	2,233	-	-	-	-	2,233
Total shareholders' equity	15,663	15,663	-	-	-	-	15,663
Shareholders' equity attributable to the group	15,616	15,616	-	-	-	-	15,616
Share capital and related pay-ins	1,696	1,696	-	-	-	-	1,696
Consolidated reserves – Group	12,410	12,410	-	-	-	-	12,410
Unrealized gains and (losses) recognized directly in equity – Group	53	53	-	-	-	-	53
Net profit – Group	1,457	1,457	-	-	-	-	1,457
Shareholders' equity – Non-controlling interests	47	47	-	-	-	-	47
TOTAL LIABILITIES	**313,830**	**313,830**	**246**	**24,112**	**-**	**18,999**	**288,489**

* *Some items may be subject to capital requirements both for the counterparty risk framework and the market risk framework.*

5

TABLE 2: MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING AMOUNTS IN THE FINANCIAL STATEMENTS (EU LI2)

12/31/2019 *(in € millions)*	Total	Items subject to: credit risk framework	counterparty risk framework	securitization provision	market risk framework
1 - Carrying amount of assets in the regulatory consolidation	**329,443**	**270,927**	**23,542**	**6,899**	**28,075**
2 - Carrying amount of liabilities and equity in the regulatory consolidation	**43,356**	**246**	**24,112**	**-**	**18,999**
3 - Total per the regulatory consolidation	**286,087**	**270,681**	**-569**	**6,899**	**9,076**
4 - Off-balance-sheet commitments	**60,382**	**60,382**	**-**	**-**	**-**
- OBS valuation diff.	**-35,932**	**-35,932**	**-**	**-**	**-**
5 - Valuation diff.	*2,038*	-	*2,038*	-	-
6 - Diff. due to differing rules for offsetting other than those already in line 2	*6,147*	-	*9,611*	-	*-3,465*
7 - Diff. due to the inclusion of provisions	*3,147*	*3,147*	-	-	-
8 - Diff. due to prudential filters	-	-	-	-	-
9 - Other	*-1,871*	*298*	-	*-2,169*	-
10 - Regulatory amount of exposures	**319,998**	**298,577**	**11,080**	**4,730**	**5,611**

5.5 SHAREHOLDERS' EQUITY

5.5.1 Components of shareholders' equity

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 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.

Additional Tier 1 capital (AT1) 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 adjustments to CET1 mainly involve:

- anticipation of dividend distributions;
- deducting goodwill and other intangible assets;
- the negative difference between the provisions and the expected losses as well as expected losses on equities;
- value adjustments due to the requirements for conservative valuation;
- deferred tax assets that rely on future profitability and do not arise from temporary differences net of the 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 redemption 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: "Reconciliation of financial balance sheet, the regulatory balance sheet and shareholders' equity".

TABLE 3: RECONCILIATION OF THE FINANCIAL BALANCE SHEET, THE REGULATORY BALANCE SHEET AND SHAREHOLDERS' EQUITY AT DECEMBER 31, 2019

(in € millions)	CET1	AT1	AT2	Total prudential
Shareholders' equity – attributable to the group				
Capital called up & paid in	608	-	-	608
(-) Indirect investments in CET1 instruments	-	-	-	-
Issue premiums	1,088	-	-	1,088
Prior year earnings not distributed	12,645	-	-	12,645
Profit or loss (attributable to the group)	1,457	-	-	1,457
(-) Share of interim profits or ineligible closing date profits	-1,457	-	-	-1,457
Shareholders' equity – Non-controlling interests	**-**	**-**	**-**	**-**
Eligible non-controlling interests	2	-	30	33
Accumulated other comprehensive income	**-182**	**-**	**-**	**-182**
o/w capital instruments	*-116*	-	-	*-116*
o/w debt instruments	*-65*	-	-	*-65*
o/w cash flow hedges	-	-	-	-
Balance sheet items put into the calculation of equity capital	**-**	**-**	**-**	**-**
(-) Gross amount of other intangible assets, inc. DTL on intangible assets (a-b)	-179	-	-	-179
(-) Goodwill on intangible assets	-107	-	-	-107
(-) DTA that rely on future profitability and do not arise from temporary differences net of related tax liabilities	-	-	-	-
(-) Deductible deferred tax assets dependent on future profits and resultant from temporary differences	-	-	-	-
Subordinated debt	-	-	2,230	2,230
(-) Securitization positions that can, optionally, be weighted 1,250%	-13	-	-	-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	-	-	-	-
Other adjustments	**-**	**-**	**-**	**-**
Prudential filter: Reserve for cash flow hedges	-	-	-	-
Prudential filter: Value adjustments due to the requirements for conservative valuation	-47	-	-	-47
Prudential filter: Cumulative gains or losses due to change in the bank's credit standing and on liabilities measured at fair value	-	-	-	-
Prudential filter: Gains or losses in the JV resulting from own credit risk on derivative liability instruments	-1	-	-	-1
Transitional adjustments to capital instruments due to grandfather clauses	-	-	-	-
Transitional adjustments to additional non-controlling interests, due to grandfather clauses	-	-	-	-
Transitional adjustments to capital instruments for capital gains & losses	116	-	-	116
Transitional adjustments to debt instruments for capital gains & losses	65	-	-	65
Other transitional adjustments	-181	-	-	-181
Using the IRB approach, the negative difference between provisions and expected losses	-178	-	-	-178
Using the IRB approach, the positive difference between provisions and expected losses	-	-	24	24
Credit risk adjustments – Standard approach	-	-	-	-
Excess deduction of T2 items impacting AT1	-	-	-	-
Excess deduction of AT1 items impacting CET1	-	-	-	-
TOTAL	**13,636**	**-**	**2,284**	**15,921**

Detailed information on shareholders' equity in the format of Appendix VI to EU Implementing Regulation No. 1423/2013 of December 20, 2013 are presented in Appendix 1.

Similarly, the principal characteristics of capital instruments in the format of Appendix 2 to EU Implementing Regulation No. 1423/2013 of December 20, 2013 are presented in Appendix 2.

5.5.2 Capital requirements

TABLE 4: OVERVIEW OF RISK-WEIGHTED ASSETS (EU OV1)

CURRENT UPPER LIMIT APPLICABLE TO CET1 INSTRUMENTS SUBJECT TO PROGRESSIVE EXCLUSION

	Risk-Weighted Assets		Minimum requirements for equity
(in € millions)	2019	2018	2019
Amount excluded from AT1 due to the upper limit (amount in excess of the upper limit after repayment and installments)			
Current upper limit applicable to AT1 instruments subject to gradual exclusion			
Amount excluded from AT1 due to the upper limit (amount in excess of the upper limit after repayment and installments)	**91,067**	**85,910**	**7,285**
Current upper limit applicable to T2 instruments subject to gradual exclusion	16,440	14,566	1,315
Amount excluded from T2 due to the upper limit (amount in excess of the upper limit after repayment and installments)	8,910	8,142	713
4 o/w advanced internal ratings-based approach	*54,463*	*50,620*	*4,357*
5 o/w shares using the internal ratings-based approach	*11,253*	*12,582*	*900*
6 Counterparty risk	**1,861**	**1,573**	**149**
7 o/w market value	*1,520*	*1,160*	*122*
8 o/w initial exposure	-	-	-
9 o/w standard approach applied to counterparty risk (SA – CCR)	-	-	-
10 o/w internal models method (IMM)	-	-	-
11 o/w amount of risk exposure for contributions to the default fund of an SPC	*102*	*149*	*8*
12 o/w CVA	*239*	*263*	*19*
13 Settlement risk	**1**	**0**	**0**
14 Securitization exposure in the banking book	**953**	**822**	**76**
15 o/w internal ratings-based approach (IR)	*750*	*761*	*60*
16 o/w supervisory formula method	-	-	-
17 o/w internal valuation approach	-	-	-
18 o/w standard approach (SA)	*203*	*61*	*16*
19 Market risk	**2,253**	**2,426**	**180**
20 o/w standard approach (SA)	*2,253*	*2,426*	*180*
21 o/w approaches based on the internal models method (IMM)	-	-	-
22 Major exposures	**-**	**-**	**-**
23 Operational risk	**9,179**	**9,561**	**734**
24 o/w base indicator approach	*242*	*228*	*19*
25 o/w standard approach	*85*	*79*	*7*
26 o/w advanced measurement approach	*8,852*	*9,254*	*708*
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	**638**	**61**	**51**
28 Floor adjustment	**-**	**-**	**-**
29 TOTAL	**105,951**	**100,353**	**8,476**

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, amounted to:

TABLE 5: SOLVENCY RATIO

(in € millions)	2019	2018
COMMON EQUITY TIER 1 CAPITAL (CET1)	**13,636**	**13,056**
Capital	1,696	1,696
Eligible reserves before adjustments	12,645	11,984
Deductions from Common Equity Tier capital	-708	-623
ADDITIONAL TIER 1 CAPITAL (AT1)	**0**	**0**
TIER 2 CAPITAL (T2)	**2,284**	**2,254**
TOTAL SHAREHOLDERS' EQUITY	**15,921**	**15,310**
Risk-weighted assets for purposes of credit risk	94,518	88,102
Risk-weighted assets for purposes of market risk	2,254	2,690
Risk-weighted assets for purposes of operational risk	9,179	9,561
TOTAL RISK-WEIGHTED ASSETS	**105,951**	**100,353**
SOLVENCY RATIOS – TRANSITIONAL METHOD		
Common Equity T1 (CET1) ratio	12.87%	13.01%
Tier 1 ratio	12.87%	13.01%
Overall ratio	15.03%	15.26%

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, CIC 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 from January 1, 2019 forward;
- a counter-cyclical equity buffer specific to each institution equal to 0.03% of the 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*).

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.

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 counter-cyclical capital buffer of 0.25%;
- from July 1, 2020, exposures in Belgium were to be subject to a counter-cyclical capital buffer of 0.5%, requiring a recognition decision on the part of the HSCF;

CIC's specific counter-cyclical capital buffer ratio is calculated as the weighted average of the counter-cyclical buffer ratios applied in the countries where the group's relevant credit exposures are located.

CIC is not subject to the OSII (Other Systemically Important Institutions) buffer, which applies solely at the nationally consolidated level.

TABLE 6: AMOUNT OF COUNTER-CYCLICAL EQUITY BUFFER SPECIFIC TO THE INSTITUTION

(in € millions)	2019	2018
010 Total risk-weighted assets	105,951	100,353
020 Counter-cyclical capital buffer ratio specific to the institution	0.2244%	0.0342%
030 Required counter-cyclical capital buffer specific to the institution	237.777	34.315

(1) CRR: third part/title1/chapter 1/section 1/article 92.

TABLE 7: GEOGRAPHICAL BREAKDOWN OF RELEVANT CREDIT EXPOSURES FOR THE CALCULATION OF THE COUNTER-CYCLICAL CAPITAL BUFFER

	General credit exposures		Trading book exposures		Securitization exposures	
12/31/2019 *(in € millions)*	Amount exposed to risk using the standard approach	Amount exposed to risk using the 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 the standard approach	Amount exposed to risk using IR approach
France	6,350.866	180,409.130	1,871.468	0.0	521.779	828.843
United Kingdom	199.551	2,501.053	282.635	0.0	27.405	333.522
Ireland	50.017	788.267	82.946	0.0	26.070	35.946
Hong Kong	4.743	803.907	90.947	0.0	0.0	83.551
Sweden	30.012	315.993	19.386	0.0	0.0	0.0
Norway	21.844	158.259	22.035	0.0	0.0	0.0

	Capital requirements					
12/31/2019 *(in € millions)*	Of which: general credit exposures	Of which: trading book exposures	Of which: securitization exposures	Total	Weighting of capital requirements	Counter-cyclical buffer ratio
France	5,162.653	47.914	12.229	5,222.796	71.07%	0.250%
United Kingdom	139.263	4.570	5.887	149.720	2.04%	1.000%
Ireland	41.881	0.887	0.630	43.398	0.59%	1.000%
Hong Kong	29.958	1.813	0.496	32.267	0.44%	2.000%
Sweden	18.955	0.448	0.000	19.403	0.26%	2.500%
Norway	10.082	0.382	0.000	10.464	0.14%	2.500%

	General credit exposures		Trading book exposures		Securitization exposures	
12/31/2018 *(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
United Kingdom	190.324	2,230.305	354.771	0.000	0.000	502.979
Hong Kong	14.228	963.660	98.383	0.000	0.000	81.935
Sweden	35.348	169.038	111.927	0.000	0.000	0.000
Norway	8.288	137.910	49.633	0.000	0.000	5.937
Czech Republic	4.863	7.543	0.000	0.000	0.000	0.000
Slovakia	3.800	1.888	0.000	0.000	0.000	0.000
Lithuania	0.654	0.233	0.000	0.000	0.000	0.000
Iceland	0.348	0.017	9.345	0.000	0.000	0.000

	Capital requirements					
12/31/2018 *(in € millions)*	of which: general credit exposures	of which: trading book exposures	of which: securitization exposures	Total	Weightings of capital requirements	Counter-cyclical buffer ratio
United Kingdom	113.610	5.631	5.862	125.103	1.83%	1.000%
Hong Kong	33.360	1.630	0.486	35.476	0.52%	1.875%
Sweden	11.857	1.691	0.000	13.548	0.20%	2.000%
Norway	5.746	0.811	0.035	6.592	0.10%	2.000%
Czech Republic	0.972	0.000	0.000	0.972	0.01%	1.000%
Slovakia	0.365	0.000	0.000	0.365	0.01%	1.250%
Lithuania	0.053	0.000	0.000	0.053	0.00%	0.500%
Iceland	0.029	0.150	0.000	0.178	0.00%	1.250%

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.

CIC does not have a large gross net outstandings with a single recipient (customer or customer group) reaching the threshold of 10% or 5% of the bank's equity.

TABLE 8: MAJOR RISKS

CORPORATE

Concentration of retail risks	12/31/2019	12/31/2018
Commitments in excess of €300 million		
Number of counterparty groups	38	37
Total commitments *(in € millions)*	**23,478**	**21,547**
o/w Total balance sheet (in € millions)	*8,515*	*8,356*
o/w Total off-balance sheet guarantees and financing (in € millions)	*14,964*	*13,191*
Commitments in excess of €100 million		
Number of counterparty groups	136	129
Total commitments *(in € millions)*	**38,884**	**36,107**
o/w Total balance sheet (in € millions)	*16,267*	*15,844*
o/w Total off-balance sheet guarantees and financing (in € millions)	*22,617*	*20,264*

Commitments: balance sheet + off-balance sheet uses.

BANKS

Concentration of retail risks	12/31/2018	12/31/2017
Commitments in excess of €300 million.		
Number of counterparty groups	3	3
Total commitments *(in € millions)*	**2,113**	**1,919**
o/w Total balance sheet (in € millions)	*1,708*	*1,495*
o/w Total off-balance sheet guarantees and financing (in € millions)	*406*	*424*
Commitments in excess of €100 million.		
Number of counterparty groups	12	13
Total commitments *(in € millions)*	**3,484**	**3,413**
o/w Total balance sheet (in € millions)	*2,747*	*2,527*
o/w Total off-balance sheet guarantees and financing (in € millions)	*737*	*885*

Commitments: balance sheet + off-balance sheet uses.

5.6.3 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 CIC;
- an internal limit has been defined at CIC 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 CIC's boards of directors.

TABLE 9: LEVERAGE RATIO: JOINT STATEMENT (LRCOM)

Exposures *(in € millions)*	**2019**	**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)	294,802	273,698
2 - (Assets deducted to determine Tier 1)	-178	-112
3 - Total balance sheet exposures (excl. derivatives, temporary sales of securities and fiduciary assets) – sum of lines 1 and 2	**294,625**	**273,586**
DERIVATIVES		
4 - Replacement cost for all derivatives (i.e. net of eligible margin calls received)	1,078	882
5 - Add-on for future potential exposures associated with derivatives (mark-to-market method)	2,025	2,076
7 - (Deductions of cash margin calls paid as part of transactions in derivatives)	-2,421	-2,212
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 to derivatives – sum of lines 4 to 10	**2,841**	**3,105**
EXPOSURES TO TEMPORARY SALES OF SECURITIES		
12 - Gross assets equal to temporary sales of securities (without offset) after adjusting for transactions accounted as sales	15,424	17,232
14 - Exposures to counterparty credit risk from assets related to temporary sales of securities	13	55
16 - Total exposures to temporary sales of securities – sum of lines 12 to 15a	**15,436**	**17,287**
OTHER OFF-BALANCE SHEET EXPOSURES		
17 - Off-balance sheet exposures in gross notional amount	57,192	53,226
18 - (Adjustments and equivalent credit risk amounts)	-34,064	-31,243
19 - Other off-balance sheet exposures – sum of lines 17 and 18	**23,128**	**21,983**
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 sheeteet))	-	-
EU-19b – (Exempt exposures under article 429.14 of the CRR (on and off-balance sheet))	-7,026	-5,630
SHAREHOLDERS' EQUITY AND TOTAL EXPOSURE		
20 - Tier 1	**13,637**	**13,057**
21 - Total exposures – sum of lines 3, 11, 16, 19, EU-19a and EU-19b	**329,005**	**310,332**
LEVERAGE RATIO		
22 - Leverage ratio	**4.14%**	**4.21%**
TRANSITIONAL ARRANGEMENTS CHOSEN AND AMOUNTS OF DE-RECOGNIZED FIDUCIARY ITEMS		
EU-23 - Transitional arrangements chosen to define the measurement of equity	YES	YES

TABLE 10: SUMMARY OF RECONCILIATION OF CONSOLIDATED ACCOUNTING ASSETS AND EXPOSURES FOR LEVERAGE RATIO PURPOSES (LRSUM)

Exposures *(in € millions)*	2019	2018
1 - CONSOLIDATED ASSETS IN THE REPORTED FINANCIAL STATEMENTS	**313,830**	**294,704**
2 - Adjustments for entities in the accounting consolidation but outside the regulatory consolidation	-	-
4 - Adjustments for derivatives	-652	-509
5 - Adjustments for temporary sales of securities (SFTs)	-420	-381
6 - Adjustments for off-balance sheet items (converted to credit equivalents)	23,128	21,983
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	-7,026	-5,630
7 - Other adjustments	143	165
8 - TOTAL LEVERAGE RATIO EXPOSURE	**329,005**	**310,332**

TABLE 11: BREAKDOWN OF EXPOSURES ON THE BALANCE SHEET (EXCEPT DERIVATIVES, SFTS AND EXEMPT EXPOSURES) (LRSPL)

Exposures *(in € millions)*	2019	2018
EU-1 - TOTAL BALANCE SHEET EXPOSURES *, O/W:	**285,356**	**265,856**
EU-2 - Trading book exposures	**13,788**	**13,646**
EU-3 - Banking book exposures, o/w:	**271,567**	**252,210**
EU-4 - Covered bonds	621	205
EU-5 - Exposures treated as sovereign	48,355	40,204
EU-6 - Exposures to regional governments, multilateral development banks, international organizations and public sector entities not treated as sovereign	355	345
EU-7 - Institutions	22,824	22,699
EU-8 - Covered by a real estate mortgage	94,804	89,542
EU-9 - Retail exposures	29,627	29,148
EU-10 - Corporate exposures	57,060	52,985
EU-11 - Exposures in default	2,633	2,395
EU-12 - Other exposures (stock, securitizations and other assets unrelated to credit exposures)	15,289	14,688

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.

5.7.1 Governance and process

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 Mutue 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 management;
- 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.

Each year, CIC 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 CIC, 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 gramework 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 effective officers. At the end of the fiscal year, the information complied must be sufficient to enable the governing bodies to determine the capital adequacy of CIC.

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 CIC, 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.

5.7.2 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 CIC, 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), CIC 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, CIC 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 CIC, 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)

5.8.1.1 A business model centered on retail banking

Because of its business model, CIC's primary risk is credit risk.

Historically, CIC was originally more oriented to the corporate market but gradually expanded in the individual retail segment. It still remains on the corporate market, however.

5.8.1.2 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 CIC 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 CIC, 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 CIC's consolidation by means of an intranet deployed in the group's French and foreign entities.

5.8.1.3 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.

Loan origination system

Loan origination is a sequence 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 repeated 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 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 in 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 weightingmay 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 the 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.

System for assessing risks, oversesing 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 a 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, CIC 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

CIC 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 Sections 3.3.2 "Credit risks" and 3.3.7 "Internal control and risk monitoring system".

5.8.2 Exposures

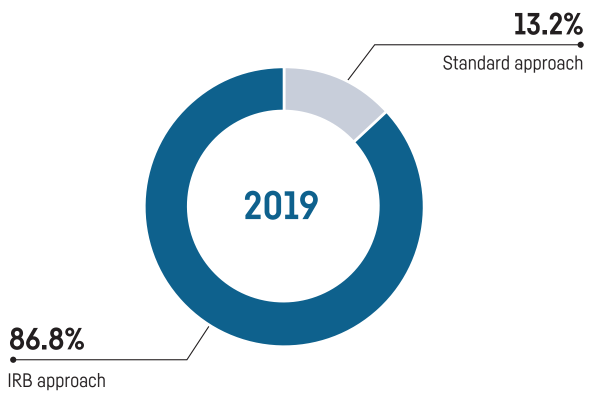
CIC has focused on the most advanced forms of the Basel 2 accord, beginning with its core business, retail customers.

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 customers 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.

For CIC, the percentage of exposures approved under the advanced internal rating method for the Institutions, Corporate and Retail regulatory books was almost 87% at December 31, 2019.

Share of gross exposures at December 31, 2019



Share of gross exposures at December 31, 2018

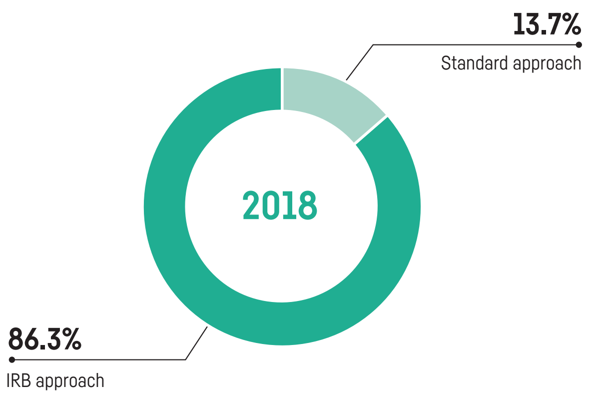


TABLE 12: TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES (RCB-B)

(in € millions)	2019		2018	
	Net exposures at end of period	Average net exposure over the year	Net exposures at end of period	Average net exposure over the year
1 - Governments and central banks	**0**	**0**	**0**	**0**
2 - Institutions (banks)	**19,118**	**17,561**	**18,324**	**16,127**
3 - Businesses	**95,545**	**93,659**	**89,416**	**85,577**
*4 - o/w using slotting criteria**	*8,232*	*8,050*	*7,763*	*7,607*
5 - o/w: SME	*19,647*	*19,151*	*18,476*	*18,063*
6 - Retail customers	**121,055**	**118,721**	**114,870**	**112,499**
7 - o/w: Secured by real estate mortgages	*80,957*	*79,460*	*76,437*	*74,497*
*8 - o/w: SME***	*12,889*	*12,520*	*11,970*	*11,605*
9 - o/w: Non-SME	*68,068*	*66,940*	*64,497*	*62,892*
10 - o/w: Revolving	*6,909*	*6,760*	*6,431*	*6,246*
11 - o/w: Other retail customers	*33,190*	*32,500*	*32,002*	*31,757*
12 - o/w: SME	*18,452*	*18,158*	*17,668*	*17,520*
13 - o/w: Non-SME	*14,738*	*14,342*	*14,333*	*14,237*
14 - Shares	**4,227**	**4,385**	**4,423**	**4,423**
14a - Other assets	**3,127**	**3,251**	**2,730**	**2,695**
15 - TOTAL IRB	**243,072**	**237,578**	**229,763**	**221,321**
16 - Governments (sovereign borrowers) and central banks	48,595	45,363	40,531	42,532
17 - Regional or local authorities	355	374	314	339
18 - Public sector (public organizations excluding central governments)	7,443	7,138	6,081	5,777
19 - Multilateral development banks	0	0	0	0
20 - International organizations	0	0	0	0
21 - Banks	5,946	5,828	5,995	5,777
22 - Businesses	12,307	11,181	10,634	9,192
23 - o/w: SME	*1,873*	*1,694*	*1,678*	*1,211*
24 - Retail clients	3,182	3,078	3,235	3,152
25 - o/w: SME	*2,464*	*2,330*	*2,263*	*2,245*
26 - Exposures secured by real estate mortgages	5,669	6,198	5,942	5,649
27 - o/w: SME	*0*	*0*	*0*	*0*
28 - Exposures in default	446	444	387	330
29 - Exposures presenting especially high risk	772	439	311	335
30 - Covered bonds	36	33	25	35
31 - Exposures to institutions and companies given a short-term credit evaluation	0	0	0	0
32 - Exposures in the form of UCIT shares or equities	4	4	3	1
33 - Exposures in the form of equities	133	139	136	171
34 - Other assets	729	764	531	556
35 - TOTAL STANDARD	**85,617**	**80,983**	**74,126**	**73,847**
36 - TOTAL	**328,689**	**318,561**	**303,889**	**295,168**

* *Slotting criteria: specialized financing algorithm.*

** *Small- and medium-sized enterprises.*

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Exposures by geographic area

CIC is fundamentally a French and European firm. In terms of the geographic breakdown of the gross exposures, at December 31, 2019, 93% of CIC's commitments concerned the European region.

TABLE 13: GEOGRAPHIC BREAKDOWN OF EXPOSURES (RCB-C)

12/31/2019	Net value					
(in € millions)	Europe	France	Germany	Belgium	Spain	Luxembourg
1 - Governments and central banks	-	-	-	-	-	-
2 - Institutions (banks)	17,296	14,905	138	48	86	20
3 - Businesses	83,231	72,603	881	888	662	1,711
4 - Retail clients	120,265	118,965	69	234	63	74
5 - Shares	4,223	4,144	-	15	-	57
- Other assets	3,033	3,023	-	-	-	-
6 - TOTAL IRB	**228,049**	**213,642**	**1,088**	**1,184**	**811**	**1,863**
7 - Governments (sovereign borrowers) and central banks	41,130	36,737	369	298	6	1,210
8 - Regional or local authorities	329	295	33	-	-	1
9 - Public sector (public organizations excluding central governments)	7,443	7,438	-	-	-	5
10 - Multilateral development banks	-	-	-	-	-	-
11 - International organizations	-	-	-	-	-	-
12 - Institutions	5,699	5,290	100	9	2	66
13 - Businesses	11,729	4,236	799	611	236	1,702
14 - Retail clients	3,161	1,593	19	66	65	148
15 - Exposures secured by real estate mortgages	5,608	251	14	125	9	1,391
16 - Exposures in default	419	273	13	7	13	9
17 - Exposures presenting especially high risk	663	253	33	1	-	67
18 - Covered bonds	36	36	-	-	-	-
19 - Exposures to institutions and companies given a short-term credit evaluation	-	-	-	-	-	-
20 - Exposures in the form of UCIT shares or equities	4	-	-	-	-	4
21 - Exposures in the form of equities	133	16	-	4	-	77
22 - Other assets	729	93	259	122	-	194
23 - TOTAL STANDARD	**77,083**	**56,511**	**1,638**	**1,244**	**332**	**4,875**
24 - TOTAL	**305,132**	**270,152**	**2,726**	**2,428**	**1,143**	**6,738**

Net value								
Netherlands	Switzerland	United Kingdom	Other	Rest of the world	United States	Canada	Other	Total
-	-	-	-	-	-	-	-	-
17	1,311	571	202	1,821	309	288	1,224	19,118
1,846	613	2,383	1,643	12,314	5,473	203	6,637	95,545
21	378	288	172	790	210	38	543	121,055
-	3	-	4	4	4	-	-	4,227
-	-	10	-	94	75	-	18	3,127
1,884	**2,305**	**3,251**	**2,020**	**15,024**	**6,073**	**529**	**8,422**	**243,072**
153	2,132	21	202	7,465	4,319	20	3,126	48,595
-	-	-	-	25	-	25	-	355
-	-	-	-	-	-	-	-	7,443
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	111	114	8	246	189	18	40	5,946
93	3,430	153	470	579	117	38	423	12,307
1	1,243	13	12	22	1	1	20	3,182
-	3,753	21	44	61	1	-	59	5,669
6	63	23	12	27	4	-	23	446
-	309	-	-	109	1	109	-	772
-	-	-	-	-	-	-	-	36
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	4
-	35	-	-	-	-	-	-	133
2	59	-	-	-	-	-	-	729
255	**11,136**	**345**	**748**	**8,534**	**4,632**	**211**	**3,691**	**85,617**
2,139	**13,440**	**3,596**	**2,769**	**23,557**	**10,705**	**740**	**12,113**	**328,689**

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12/31/2018 *(in € millions)*	Europe	France	Germany	Belgium	Spain	Luxembourg
1 - Governments and central banks	-	-	-	-	-	-
2 - Institutions (banks)	16,464	14,533	132	68	26	5
3 - Businesses	77,298	67,429	875	792	569	1,507
4 - Retail clients	114,161	112,916	65	239	58	71
5 - Shares	4,418	4,343	-	16	-	57
- Other assets	2,705	2,701	-	-	-	-
6 - TOTAL IRB	**215,046**	**201,921**	**1,073**	**1,115**	**653**	**1,640**
7 - Governments (sovereign borrowers) and central banks	33,883	29,533	328	150	9	448
8 - Regional or local authorities	304	236	53	0	13	1
9 - Public sector (public organizations excluding central governments)	6,068	6,057	2	-	-	8
10 - Multilateral development banks	-	-	-	-	-	-
11 - International organizations	-	-	-	-	-	-
12 - Institutions	5,893	4,710	154	22	7	50
13 - Businesses	10,263	4,969	706	646	216	1,673
14 - Retail clients	3,169	1,676	137	88	61	221
15 - Exposures secured by real estate mortgages	5,894	218	13	68	2	1,059
16 - Exposures in default	355	235	14	3	7	4
17 - Exposures presenting especially high risk	277	207	11	-	-	23
18 - Covered bonds	25	25	-	-	-	-
19 - Exposures to institutions and companies given a short-term credit evaluation	-	-	-	-	-	-
20 - Exposures in the form of UCIT shares or equities	3	-	-	-	-	3
21 - Exposures in the form of equities	136	16	-	10	-	77
22 - Other assets	531	9	185	132	0	186
23 - TOTAL STANDARD	**66,800**	**47,893**	**1,603**	**1,120**	**315**	**3,754**
24 - TOTAL	**281,846**	**249,814**	**2,676**	**2,235**	**968**	**5,394**

	Netherlands	Switzerland	United Kingdom	Other	Rest of the world	United States	Canada	Other	Total
	-	-	-	-	-	-	-	-	-
	27	1,077	483	113	1,860	550	218	1,092	18,324
	1,666	871	2,102	1,486	12,118	5,636	147	6,335	89,416
	19	365	276	151	709	182	29	498	114,870
	-	1	0	2	5	5	-	0	4,423
	-	-	5	-	24	18	-	6	2,730
	1,712	**2,314**	**2,866**	**1,752**	**14,716**	**6,390**	**394**	**7,932**	**229,763**
	121	2,934	22	337	6,648	3,753	4	2,891	40,531
	-	0	-	0	10	-	10	-	314
	-	-	-	-	13	-	13	-	6,081
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	38	60	767	85	102	36	12	54	5,995
	26	1,428	135	463	372	58	7	306	10,634
	1	862	39	84	67	25	0	41	3,235
	3	4,492	28	12	48	0	-	48	5,942
	1	76	8	6	32	2	0	30	387
	-	35	-	-	34	1	32	1	311
	-	-	-	-	-	-	-	-	25
	-	-	-	-	-	-	-	-	-
	-	0	-	-	-	-	-	-	3
	-	33	-	-	-	-	-	-	136
	-	18	-	-	-	-	-	-	531
	191	**9,938**	**999**	**987**	**7,326**	**3,876**	**80**	**3,370**	**74,126**
	1,903	**12,252**	**3,865**	**2,739**	**22,043**	**10,266**	**474**	**11,302**	**303,889**

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Exposures by type of industry or counterparty

CIC 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 (29%) and public administration (17%).

TABLE 14: CONCENTRATION OF EXPOSURES BY TYPE OF INDUSTRY OR COUNTERPARTY (RCB-D)

12/31/2019 *(in € millions)*	Public administration	Banks and financial institutions	Individuals	Sole proprietors	Farmers	Non-profit organizations
1 - Governments and central banks	0	0	0	0	0	0
2 - Institutions (banks)	0	19,118	0	0	0	0
3 - Businesses	0	0	0	120	764	744
4 - Retail clients	0	0	92,560	7,865	2,485	189
5 - Shares	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
6 - TOTAL INTERNAL RATING APPROACH	**0**	**19,118**	**92,560**	**7,985**	**3,250**	**933**
Central governments or central banks	48,595	0	0	0	0	0
Regional or local authorities	355	0	0	0	0	0
Public sector (public organizations excluding central governments)	7,443	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0
International organizations	0	0	0	0	0	0
Institutions	0	5,946	0	0	0	0
Businesses	0	0	0	0	14	4
Retail clients	0	0	640	5	15	5
Exposures secured by real estate mortgages	0	0	3,441	0	0	0
Exposures in default	28	0	70	1	0	1
Exposures presenting an especially high risk	0	0	9	0	1	0
Covered bonds	0	36	0	0	0	0
Exposures from institutions and companies given a short-term credit evaluation	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	0	0	0	0	0	0
Shares	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
23 - TOTAL STANDARD APPROACH	**56,420**	**5,982**	**4,160**	**6**	**30**	**11**
24 - TOTAL	**56,420**	**25,100**	**96,720**	**7,991**	**3,280**	**944**

* *CIC Suisse, Banque de Luxembourg.*

Other group subsidiaries *	Travel & leisure	Chemistry	Distribution	Automotive	Construction & building materials	Manufacturing goods and services	Healthcare	Other financial activities
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
133	4,103	1,337	6,707	2,659	8,752	7,583	2,499	6,147
0	1,590	34	2,626	503	2,350	1,619	277	1,597
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
133	**5,693**	**1,371**	**9,333**	**3,162**	**11,102**	**9,202**	**2,776**	**7,744**
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
5,398	48	52	1,265	624	356	412	115	44
898	27	8	318	25	593	226	19	12
2,194	0	0	0	0	0	0	0	0
86	6	0	47	4	56	42	4	2
269	13	1	69	7	19	36	1	4
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
8,845	**94**	**60**	**1,699**	**661**	**1,024**	**715**	**140**	**62**
8,978	**5,786**	**1,432**	**11,032**	**3,823**	**12,126**	**9,916**	**2,916**	**7,806**

12/31/2019 *(in € millions)*	Industrial transportation	Household products	Real estate development	Other real estate (Inc. rental and RE Invest. cos.)	Utilities	Food & beverages
1 - Governments and central banks	0	0	0	0	0	0
2 - Institutions (banks)	0	0	0	0	0	0
3 - Businesses	6,242	2,327	4,401	4,958	2,786	5,107
4 - Retail clients	1,019	266	0	1,143	124	401
5 - Shares	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
6 - TOTAL INTERNAL RATING APPROACH	**7,261**	**2,594**	**4,401**	**6,101**	**2,910**	**5,509**
Central governments or central banks	0	0	0	0	0	0
Regional or local authorities	0	0	0	0	0	0
Public sector (public organizations excluding central governments)	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0
International organizations	0	0	0	0	0	0
Institutions	0	0	0	0	0	0
Businesses	233	91	23	95	205	244
Retail clients	72	32	0	36	11	34
Exposures secured by real estate mortgages	0	0	0	0	0	0
Exposures in default	9	14	1	20	3	6
Exposures presenting an especially high risk	7	3	3	2	3	11
Covered bonds	0	0	0	0	0	0
Exposures from institutions and companies given a short-term credit evaluation	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	0	0	0	0	0	0
Shares	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
23 - TOTAL STANDARD APPROACH	**321**	**141**	**27**	**154**	**222**	**295**
24 - TOTAL	**7,582**	**2,735**	**4,428**	**6,255**	**3,132**	**5,804**

Media	Holdings & Conglomerates	High technology	Oil & Gas, Commodities	Telecom-munications	Miscellaneous	Shares	Other assets	Total
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	19,118
2,165	8,050	4,104	4,684	1,075	8,097	0	0	95,545
134	680	157	85	13	3,338	0	0	121,055
0	0	0	0	0	0	4,227	0	4,227
0	0	0	0	0	0	151	2,976	3,127
2,299	**8,730**	**4,261**	**4,769**	**1,088**	**11,435**	**4,378**	**2,976**	**243,072**
0	0	0	0	0	0	0	0	48,595
0	0	0	0	0	0	0	0	355
0	0	0	0	0	0	0	0	7,443
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	5,946
55	119	265	91	108	2,446	0	0	12,307
27	34	28	15	4	99	0	0	3,182
0	0	0	0	0	34	0	0	5,669
5	5	8	1	2	25	0	0	446
3	3	2	4	2	7	292	0	772
0	0	0	0	0	0	0	0	36
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	4	0	4
0	0	0	0	0	0	133	0	133
0	0	0	0	0	0	0	729	729
90	**161**	**302**	**112**	**116**	**2,611**	**428**	**729**	**85,617**
2,389	**8,891**	**4,563**	**4,881**	**1,204**	**14,045**	**4,806**	**3,705**	**328,689**

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12/31/2018 *(in € millions)*	Public administrations	Banks and financial institutions	Private individuals	Individual business owners	Farmers	Non-profit organizations
1 - Governments and central banks	0	0	0	0	0	0
2 - Institutions (banks)	0	18,324	0	0	0	0
3 - Businesses	0	0	0	129	697	669
4 - Retail clients	0	0	87,692	7,488	2,326	181
5 - Shares	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
6 - TOTAL INTERNAL RATING APPROACH	**0**	**18,324**	**87,692**	**7,617**	**3,023**	**850**
Governments or central banks	40,531	0	0	0	0	0
Regional or local authorities	314	0	0	0	0	0
Public sector (public organizations excluding central governments)	6,081	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0
International organizations	0	0	0	0	0	0
Institutions	0	5,995	0	0	0	0
Businesses	0	0	0	0	2	11
Retail clients	0	0	897	6	16	10
Exposures secured by real estate mortgages	0	0	3,082	0	0	0
Exposures in default	24	0	52	1	1	2
Exposures presenting especially high risk	0	0	0	0	0	0
Covered bonds	0	25	0	0	0	0
Exposures to institutions and companies given a short-term credit evaluation	0	0	0	0	0	0
Exposures in the form of UCIT shares or equities	0	0	0	0	0	0
Shares	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
23 - TOTAL STANDARD APPROACH	**46,950**	**6,020**	**4,032**	**7**	**19**	**22**
24 - TOTAL	**46,950**	**24,344**	**91,723**	**7,624**	**3,042**	**871**

* *CIC Suisse, Banque de Luxembourg.*

Other group subsidiaries*	Travel & leisure	Chemicals	Distribution	Automotive	Construction & building materials	Manufacturing goods and services	Healthcare	Other financial activities
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
181	3,828	1,132	6,453	2,377	7,818	6,603	2,436	5,979
0	1,526	42	2,625	490	2,108	1,521	270	1,489
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
181	**5,354**	**1,173**	**9,078**	**2,867**	**9,927**	**8,124**	**2,706**	**7,468**
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
3,809	57	38	1,331	388	356	505	55	33
717	25	7	293	24	544	216	16	13
2,828	0	0	0	0	0	0	0	0
29	5	0	92	7	47	32	2	1
0	3	0	71	3	19	13	1	3
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
7,382	**90**	**46**	**1,786**	**421**	**966**	**767**	**73**	**50**
7,563	**5,444**	**1,219**	**10,864**	**3,288**	**10,893**	**8,891**	**2,779**	**7,518**

5

12/31/2018 *(in € millions)*	Industrial transportation	Household products	Real estate development	Other real estate (inc. rental and RE Invest. cos.)	Utilities	Food & beverages
1 - Governments and central banks	0	0	0	0	0	0
2 - Institutions (banks)	0	0	0	0	0	0
3 - Businesses	5,428	1,556	3,453	4,705	2,795	4,928
4 - Retail clients	981	270	0	1,046	130	406
5 - Shares	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
6 - TOTAL INTERNAL RATING APPROACH	**6,409**	**1,826**	**3,453**	**5,751**	**2,925**	**5,334**
Governments or central banks	0	0	0	0	0	0
Regional or local authorities	0	0	0	0	0	0
Public sector (public organizations excluding central governments)	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0
International organizations	0	0	0	0	0	0
Institutions	0	0	0	0	0	0
Businesses	212	113	12	100	171	208
Retail clients	67	33	0	35	11	31
Exposures secured by real estate mortgages	0	0	0	0	0	0
Exposures in default	8	5	0	9	6	7
Exposures presenting especially high risk	5	3	0	0	3	4
Covered bonds	0	0	0	0	0	0
Exposures to institutions and companies given a short-term credit evaluation	0	0	0	0	0	0
Exposures in the form of UCIT shares or equities	0	0	0	0	0	0
Shares	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
23 - TOTAL STANDARD APPROACH	**292**	**154**	**13**	**143**	**190**	**249**
24 - TOTAL	**6,701**	**1,980**	**3,466**	**5,894**	**3,116**	**5,583**

	Media	Holdings & conglomerates	High technology	Oil & gas, commodities	Telecom-munications	Miscellaneous	Equities	Other assets	Total
	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	18,324
	1,871	7,615	4,369	4,848	1,264	8,282	0	0	89,416
	125	578	147	87	10	3,334	0	0	114,870
	0	0	0	0	0	0	4,423	0	4,423
	0	0	0	0	0	0	138	2,591	2,730
	1,996	**8,193**	**4,516**	**4,935**	**1,273**	**11,616**	**4,561**	**2,591**	**229,763**
	0	0	0	0	0	0	0	0	40,531
	0	0	0	0	0	0	0	0	314
	0	0	0	0	0	0	0	0	6,081
	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	5,995
	43	119	312	76	166	2,518	0	0	10,634
	29	29	30	11	4	171	0	0	3,235
	0	0	0	0	0	32	0	0	5,942
	5	4	10	2	0	39	0	0	387
	3	3	12	1	29	4	131	0	311
	0	0	0	0	0	0	0	0	25
	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	3	0	3
	0	0	0	0	0	0	136	0	136
	0	0	0	0	0	0	0	531	531
	80	**156**	**364**	**90**	**199**	**2,765**	**270**	**531**	**74,126**
	2,076	**8,348**	**4,880**	**5,025**	**1,472**	**14,381**	**4,831**	**3,122**	**303,889**

5

Term of exposures

TABLE 15: BREAKDOWN BY REMAINING MATURITY

Category of gross exposure 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	39,339	967	1,820	889	1,331	10,757	115	55,218
Institutions	10,935	4,708	2,071	1,789	2,511	781	13	22,808
Businesses	17,820	5,474	6,556	6,942	20,306	16,500	0	73,598
Retail clients	7,831	2,831	8,932	11,111	27,897	56,127	0	114,729
TOTAL BALANCE SHEET	**75,925**	**13,980**	**19,379**	**20,731**	**52,045**	**84,165**	**128**	**266,353**
Off-balance sheet								
Governments and central banks	48	0	55	93	300	357	0	853
Institutions	1,804	1	237	2	346	3	264	2,657
Businesses	7,261	506	4,817	3,850	14,814	1,603	5,725	38,576
Retail clients	6,464	711	687	1,691	601	3,730	1,101	14,985
TOTAL OFF-BALANCE SHEET	**15,577**	**1,218**	**5,796**	**5,636**	**16,061**	**5,693**	**7,090**	**57,071**

Category of gross exposure 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 < years	D > 5 years	Indefinite	Total
Balance sheet								
Governments and central banks	32,139	882	1,902	827	1,021	8,708	0	45,480
Institutions	9,961	5,000	2,654	1,490	2,507	624	12	22,249
Corporate	18,718	5,645	6,105	6,559	17,286	14,788	0	69,100
Retail clients	7,714	2,776	8,612	10,750	26,733	52,627	50	109,263
TOTAL BALANCE SHEET	**68,532**	**14,304**	**19,274**	**19,626**	**47,547**	**76,747**	**62**	**246,091**
Off-balance sheet	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Governments and central banks	69	5	74	51	562	394	0	1,154
Institutions	1,655	0	9	13	407	2	343	2,429
Businesses	7,498	470	3,764	3,834	13,808	1,283	4,766	35,422
Retail clients	5,733	720	730	1,667	550	3,670	884	13,956
TOTAL OFF-BALANCE SHEET	**14,955**	**1,196**	**4,576**	**5,565**	**15,327**	**5,349**	**5,993**	**52,961**

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.

CIC 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. CIC 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.

CIC 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 the 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 the 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 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

CIC uses the 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 the 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. CIC 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 CIC adds qualitative ones such as installments unpaid or late by more than 30 days, 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 losses

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

These parameters are based on the same values as prudential models and adapted to meet the IFRS 9 requirements. They are used both for assigning loans to a status and for calculating the 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 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 16: BREAKDOWN OF OUTSTANDINGS AND IMPAIRMENTS BY STATUS

(in € millions)	Provisionable balance sheet outstandings	Impairment
Status 1	210,069	256
Status 2	10,198	347
Status 3	5,385	2,582

(in € millions)	Off-balance sheet outstandings before provisionable CCF	Provisions
Status 1	59,404	58
Status 2	903	37
Status 3	255	103

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 17: CREDIT QUALITY OF EXPOSURES BY CATEGORY OF EXPOSURE AND BY INSTRUMENT (RC1-A)

	b	a		c	d	g
	Gross exposures		Provisions (on non-performing loans and IAS 39)			Net exposure
12/31/2019 *(in € millions)*	Performing exposures	Exposures in default		Specific provisions	Collective provisions	(a+b-c-d)
1 - Governments or central banks	**0**	**0**	**0**	**0**	**0**	**0**
2 - Institutions (banks)	**19,118**	**1**	**1**	**0**	**0**	**19,118**
3 - Businesses	**94,950**	**1,920**	**1,325**	**0**	**0**	**95,545**
4 - o/w: Specialized financing	*8,133*	*128*	*29*	*0*	*0*	*8,232*
5 - o/w: SME	*19,339*	*717*	*409*	*0*	*0*	*19,647*
6 - Retail clients	**119,932**	**2,902**	**1,779**	**0**	**0**	**121,055**
7 - Exposures secured by real estate mortgages	*80,307*	*1,284*	*634*	*0*	*0*	*80,957*
8 - SME	*12,714*	*372*	*197*	*0*	*0*	*12,889*
9 - Non-SME	*67,593*	*912*	*437*	*0*	*0*	*68,068*
10 - Revolving	*6,905*	*64*	*60*	*0*	*0*	*6,909*
11 - Other – retail customers	*32,720*	*1,554*	*1,084*	*0*	*0*	*33,190*
12 - SME	*18,081*	*1,210*	*839*	*0*	*0*	*18,452*
13 - Non-SME	*14,639*	*343*	*245*	*0*	*0*	*14,738*
14 - Shares	**4,229**	**0**	**2**	**0**	**0**	**4,227**
14a - Other assets	**3,127**	**0**	**0**	**0**	**0**	**3,127**
15 - TOTAL IRB APPROACH	**241,355**	**4,824**	**3,107**	**0**	**0**	**243,072**
16 - Governments or central banks	**48,607**	**0**	**12**	**0**	**0**	**48,595**
17 - Regional or local authorities	**355**	**0**	**0**	**0**	**0**	**355**
18 - Public sector (public organizations excluding central governments)	**7,443**	**0**	**0**	**0**	**0**	**7,443**
19 - Multilateral development banks	**0**	**0**	**0**	**0**	**0**	**0**
20 - International organizations	**0**	**0**	**0**	**0**	**0**	**0**
21 - Institutions (banks)	**5,947**	**0**	**1**	**0**	**0**	**5,946**
22 - Businesses	**12,314**	**0**	**6**	**0**	**0**	**12,307**
23 - o/w: SME	*1,873*	*0*	*0*	*0*	*0*	*1,873*
24 - Retail clients	**3,184**	**0**	**2**	**0**	**0**	**3,182**
25 - o/w: SME	*2,466*	*0*	*2*	*0*	*0*	*2,464*
26 - Exposures secured by real estate mortgages	**5,678**	**0**	**9**	**0**	**0**	**5,669**
27 - o/w: SME	*0*	*0*	*0*	*0*	*0*	*0*
28 - Exposures in default	**0**	**555**	**109**	**0**	**0**	**446**
29 - Exposures presenting an especially high risk	**772**	**0**	**0**	**0**	**0**	**772**
30 - Covered bonds	**36**	**0**	**0**	**0**	**0**	**36**
31 - Exposures to institutions and companies given a short-term credit evaluation	**0**	**0**	**0**	**0**	**0**	**0**
32 - Exposures in the form of UCIT shares or equities	**4**	**0**	**0**	**0**	**0**	**4**
33 - Equity exposures	**133**	**0**	**0**	**0**	**0**	**133**
34 - Other assets	**729**	**0**	**0**	**0**	**0**	**729**
35 - TOTAL STANDARD APPROACH	**85,201**	**555**	**139**	**0**	**0**	**85,617**
36 - TOTAL	**326,556**	**5,379**	**3,246**	**0**	**0**	**328,689**

	b	a	c	d	f	g
12/31/2018 *(in € millions)*	Gross exposures performing	Gross exposures in default	Specific provisions	Collective provisions	Provisions for the period	Net exposure (a+b-c-d)
1 - Governments or central banks	**0**	**0**	**0**	**0**	**0**	**0**
2 - Institutions (banks)	**18,325**	**1**	**2**	**0**	**-2**	**18,324**
3 - Businesses	**89,040**	**1,515**	**1,139**	**0**	**301**	**89,416**
4 - o/w: Specialized financing	*7,707*	*89*	*32*	*0*	*14*	*7,763*
5 - o/w: SME	*18,205*	*709*	*438*	*0*	*84*	*18,476*
6 - Retail clients	**113,653**	**3,058**	**1,841**	**0**	**199**	**114,870**
7 - Exposures secured by real estate mortgages	*75,672*	*1,404*	*639*	*0*	*152*	*76,437*
8 - SME	*11,740*	*400*	*200*	*0*	*56*	*11,940*
9 - Non-SME	*63,933*	*1,004*	*440*	*0*	*96*	*64,497*
10 - Revolving	*6,432*	*64*	*65*	*0*	*13*	*6,431*
11 - Other – retail customers	*31,549*	*1,590*	*1,137*	*0*	*34*	*32,002*
12 - SME	*17,311*	*1,233*	*876*	*0*	*110*	*17,668*
13 - Non-SME	*14,237*	*357*	*261*	*0*	*-76*	*14,333*
14 - Shares	**4,425**	**0**	**2**	**0**	**0**	**4,423**
14a - Other assets	**2,730**	**0**	**0**	**0**	**0**	**2,730**
15 - TOTAL IRB APPROACH	**228,172**	**4,575**	**2,984**	**0**	**498**	**229,763**
16 - Governments or central banks	**40,531**	**0**	**0**	**0**	**0**	**40,531**
17 - Regional or local authorities	**314**	**0**	**0**	**0**	**0**	**314**
18 - Public sector (public organizations excluding central governments)	**6,081**	**0**	**0**	**0**	**0**	**6,081**
19 - Multilateral development banks	**0**	**0**	**0**	**0**	**0**	**0**
20 - International organizations	**0**	**0**	**0**	**0**	**0**	**0**
21 - Institutions (banks)	**5,995**	**0**	**1**	**0**	**1**	**5,995**
22 - Businesses	**10,642**	**0**	**7**	**0**	**-9**	**10,634**
23 - o/w: SME	*1,679*	*0*	*1*	*0*	*-5*	*1,678*
24 - Retail clients	**3,237**	**0**	**5**	**0**	**0**	**3,231**
25 - o/w: SME	*2,264*	*0*	*1*	*0*	*1*	*2,263*
26 - Exposures secured by real estate mortgages	**5,953**	**0**	**10**	**0**	**8**	**5,942**
27 - o/w: SME	*0*	*0*	*0*	*0*	*0*	*0*
28 - Exposures in default	**0**	**488**	**101**	**0**	**-41**	**387**
29 - Exposures presenting an especially high risk	**311**	**0**	**0**	**0**	**0**	**311**
30 - Covered bonds	**25**	**0**	**0**	**0**	**0**	**25**
31 - Exposures to institutions and companies given a short-term credit evaluation	**0**	**0**	**0**	**0**	**0**	**0**
32 - Exposures in the form of UCIT shares or equities	**3**	**0**	**0**	**0**	**0**	**3**
33 - Equity exposures	**136**	**0**	**0**	**0**	**-1**	**136**
34 - Other assets	**531**	**0**	**0**	**0**	**0**	**531**
35 - TOTAL STANDARD APPROACH	**73,758**	**488**	**124**	**0**	**-42**	**74,122**
36 - TOTAL	**301,931**	**5,063**	**3,109**	**0**	**456**	**303,885**
37 - o/w: Loans	*296,687*	*5,062*	*3,107*	*0*	*466*	*298,642*
38 - o/w: Debt securities outstanding	*5,243*	*1*	*2*	*0*	*-10*	*5,242*
39 - o/w: Off-balance sheet exposures	*52,708*	*255*	*180*	*0*	*153*	*52,783*

TABLE 18: CREDIT QUALITY OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES (RC1-B)

12/31/2019 *(in € millions)*	Gross exposures		Provisions (on non-performing loans and IAS 39)	Specific provisions	Collective provisions	Net exposure
	Performing exposures	Exposures in default				
	a	b		c	d	(a+b-c-d)
1 - Public administrations	56,404	28	12	-	-	56,420
2 - Banks and financial institutions	25,101	2	2	-	-	25,101
3 - Individuals	95,992	1,514	787	-	-	96,719
4 - Individual business owners	7,934	191	134	-	-	7,991
5 - Farmers	3,235	111	67	-	-	3,279
6 - Non-profit organizations	944	6	7	-	-	943
7 - Other group subsidiaries *	8,929	116	67	-	-	8,978
8 - Travel & leisure	5,689	271	173	-	-	5,787
9 - Chemistry	1,432	8	9	-	-	1,431
10 - Distribution	10,795	586	349	-	-	11,032
11 - Automotive	3,808	61	46	-	-	3,823
12 - Construction & building materials	11,943	322	139	-	-	12,126
13 - Manufacturing goods and services	9,802	250	135	-	-	9,917
14 - Healthcare	2,921	19	24	-	-	2,916
15 - Other financial activities	7,738	286	218	-	-	7,806
16 - Industrial transportation	7,471	202	91	-	-	7,582
17 - Household products	2,699	86	51	-	-	2,734
18 - Real estate development	4,394	103	69	-	-	4,428
19 - Other real estate (incl. rental and RE invest.)	6,206	129	80	-	-	6,255
20 - Utilities	3,066	80	14	-	-	3,132
21 - Food & beverages	5,760	132	88	-	-	5,804
22 - Media	2,375	38	24	-	-	2,389
23 - Holdings companies & conglomerates	8,739	294	142	-	-	8,891
24 - High technology	4,540	47	24	-	-	4,563
25 - Oil & gas, commodities	4,858	127	104	-	-	4,881
26 - Telecommunications	1,177	34	6	-	-	1,205
27 - Miscellaneous	14,090	335	380	-	-	14,045
28 - Shares	4,808	-	2	-	-	4,806
29 - Other assets	3,705	-	-	-	-	3,705
30 - TOTAL	**326,556**	**5,379**	**3,246**	**-**	**-**	**328,689**

12/31/2018 *(in € millions)*	Gross exposures Performing exposures a	 Exposures in default b	Provisions (on non-performing loans and IAS 39)	Specific provisions c	Collective provisions d	Net exposure (a+b-c-d)
1 - Public administrations	46,926	25	1	-	-	46,950
2 - Banks and financial institutions	24,346	1	3	-	-	24,344
3 - Individuals	90,924	1,609	814	-	-	91,720
4 - Individual business owners	7,555	214	145	-	-	7,624
5 - Farmers	3,003	107	67	-	-	3,042
6 - Non-profit organizations	872	7	8	-	-	871
7 - Other group subsidiaries (*)	7,558	60	54	-	-	7,563
8 - Travel & leisure	5,340	256	152	-	-	5,444
9 - Chemistry	1,218	9	8	-	-	1,219
10 - Distribution	10,624	577	336	-	-	10,864
11 - Automotive	3,266	66	44	-	-	3,288
12 - Construction & building materials	10,725	318	150	-	-	10,893
13 - Manufacturing goods and services	8,785	246	140	-	-	8,891
14 - Healthcare	2,770	28	18	-	-	2,779
15 - Other financial activities	7,442	305	230	-	-	7,518
16 - Industrial transportation	6,642	143	84	-	-	6,701
17 - Household products	1,950	79	49	-	-	1,980
18 - Real estate development	3,441	93	68	-	-	3,466
19 - Other real estate (incl. rental and RE invest.)	5,840	119	65	-	-	5,894
20 - Utilities	3,110	12	6	-	-	3,116
21 - Food & beverages	5,533	139	89	-	-	5,583
22 - Media	2,068	31	22	-	-	2,076
23 - Holdings companies & conglomerates	8,300	100	53	-	-	8,348
24 - High technology	4,865	35	19	-	-	4,880
25 - Oil & gas, commodities	4,993	120	88	-	-	5,025
26 - Telecommunications	1,427	51	6	-	-	1,472
27 - Miscellaneous	14,454	313	386	-	-	14,381
28 - Shares	4,833	-	2	-	-	4,831
29 - Other assets	3,122	-	0	-	-	3,122
30 - TOTAL	**301,931**	**5,063**	**3,109**	**-**	**-**	**303,885**

TABLE 19: CREDIT QUALITY OF EXPOSURES BY GEOGRAPHIC AREA (RC1-C)

12/31/2019 *(in € millions)*	Gross exposures: Performing exposures b	Gross exposures: Exposures in default a	Specific provisions c	Collective provisions d	Net exposure (a+b-c-d)
1 - EUROPE	**303,163**	**5,099**	**3,130**	**0**	**305,132**
2 - France	268,345	4,802	2,995	0	270,152
3 - Germany	2,717	18	8	0	2,726
4 - Belgium	2,388	52	12	0	2,428
5 - Spain	1,131	19	7	0	1,143
6 - Luxembourg	6,732	28	23	0	6,738
7 - Netherlands	2,136	8	4	0	2,139
8 - Switzerland	13,381	116	57	0	13,440
9 - United Kingdom	3,574	38	17	0	3,596
10 - Other	2,760	16	7	0	2,769
11 - REST OF THE WORLD	**23,393**	**281**	**116**	**0**	**23,557**
12 - United States	10,679	73	48	0	10,705
13 - Canada	740	1	1	0	740
14 - Other	11,973	207	67	0	12,113
15 - TOTAL	**326,556**	**5,379**	**3,246**	**0**	**328,689**

12/31/2018 *(in € millions)*	Gross exposures: Performing exposures b	Gross exposures: Exposures in default a	Specific provisions c	Collective provisions d	Net exposure (a+b-c-d)
1 - EUROPE	**279,993**	**4,885**	**3,032**	**0**	**281,842**
2 - France	248,069	4,630	2,885	0	249,810
3 - Germany	2,663	19	6	0	2,676
4 - Belgium	2,230	14	9	0	2,235
5 - Spain	962	16	9	0	968
6 - Luxembourg	5,394	31	30	0	5,394
7 - Netherlands	1,904	3	5	0	1,903
8 - Switzerland	12,178	122	48	0	12,252
9 - United Kingdom	3,856	25	16	0	3,865
10 - Other	2,736	26	23	0	2,739
11 - REST OF THE WORLD	**21,938**	**178**	**73**	**0**	**22,043**
12 - United States	10,233	73	40	0	10,266
13 - Canada	474	1	1	0	474
14 - Other	11,230	104	32	0	11,302
15 - TOTAL	**301,931**	**5,063**	**3,105**	**0**	**303,885**

TABLE 20: AGE OF OUTSTANDING EXPOSURES (RC1-D)

	Gross carrying amount					
	Performing loans		Loans in default			
12/31/2019 *(in € millions)*	With no arrears or arrears ≤ 30 days	> 30 days ≤ 90 days	Payment unlikely but without arrears or arrears <= 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1 - Loans	253,130	337	1,347	97	79	3,645
2 - Debt securities	15,110	-	41	-	-	136
3 - TOTAL	**268,240**	**337**	**1,389**	**97**	**79**	**3,781**

	Gross carrying amount					
	Performing loans		Loans in default			
12/31/2018 *(in € millions)*	With no arrears or arrears ≤ 30 days	> 30 days ≤ 90 days	Payment unlikely but without arrears or arrears <= 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1 - Loans	249,411	1,953	67	32	3,508	21
2 - Debt securities	14,252	253	-	-	134	-
3 - TOTAL	**263,663**	**2,206**	**67**	**32**	**3,642**	**21**

TABLE 21: NON-PERFORMING, RENEGOTIATED EXPOSURES (RC1-E)

	Gross carrying amount of exposures						Accumulated impairment and negative adjustment of fair value attributable to credit risk				Sureties and guarantees received	
				o/w loans in default			o/w performing loans		o/w loans in default			
12/31/2019 *(in € millions)*		o/w performing loans with arrears > 30 days and ≤ 90 days	o/w performing restructured loans		o/w loans downgraded per accounting	o/w restructured loans		o/w restructured loans		o/w restructured loans	o/w loans in default	o/w restructured loans
010 - Debt securities	15,287	-	-	388	178	178	136	-10	-	-161	-	-
020 - Loans and advances	258,674	337	222	4,959	5,207	5,207	912	-593	-9	-2,421	-419	1,427
Of which: small and medium-sized enterprises	60,562	-	6	255	255	-	1	95	0	103	-	26
Of which: Households – loans secured by residential real estate	-	-	-	-	-	-	-	-	-	-	-	-
Of which: Households – consumer credit	-	-	-	-	-	-	-	-	-	-	-	-
030 - Off-balance sheet	-	-	-	-	-	-	-	-	-	-	-	-

TABLE 22: 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 loans	
		Non-performing loans						
12/31/2019 *(in € millions)*	Performing loans		o/w loans in default	o/w impaired loans	On restructured performing loans	On restructured non-performing loans		O/w collateral and guarantees on restructured non-performing loans
Loans and advances	**222**	**912**	**912**	**912**	**-9**	**-419**	**607**	**426**
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	81	81	81	-1	-54	43	28
Non-financial corporate	154	676	676	676	-6	-314	425	301
Households	50	155	155	155	-2	-51	139	97
Debt instruments	**0**	**136**	**136**	**136**	**0**	**0**	**0**	**0**
Loan commitments given	**6**	**1**	**1**	**1**	**0**	**0**	**4**	**0**
TOTAL	**228**	**1,050**	**1,050**	**1,050**	**-9**	**-419**	**612**	**426**

TABLE 23: CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY AGING OF PAST DUE DAYS (TEMPLATE 3)

12/31/2019 (in € millions)	Gross carrying amount/nominal amount											
	Performing loans			Non-performing loans								
		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	Arrears > 2 years ≤ 5 years	Arrears > 5 years ≤ 7 years	Arrears > 7 years	o/w loans in default
LOANS AND ADVANCES	**205,728**	**205,391**	**337**	**5,207**	**1,347**	**97**	**79**	**3,584**	**61**	**26**	**13**	**5,207**
Due to central banks	1	1	0	0	0	0	0	0	0	0	0	0
Public administration	1,670	1,669	1	25	9	0	0	16	0	0	0	25
Credit institutions	17,489	17,489	0	1	0	0	0	0	0	0	0	1
Other financial institutions	8,301	8,297	4	159	54	0	1	103	0	0	0	159
Non-financial corporate	114,521	114,238	283	4,223	1,130	69	63	2,896	34	25	6	4,223
o/w: SMEs	*77,071*	*76,838*	*233*	*3,027*	*521*	*65*	*56*	*2,324*	*31*	*24*	*6*	*3,027*
Households	63,747	63,697	50	800	154	28	15	569	27	0	7	800
DEBT INSTRUMENTS	**15,110**	**15,110**	**0**	**178**	**41**	**0**	**0**	**136**	**0**	**0**	**0**	**178**
Due to central banks	823	823	0	0	0	0	0	0	0	0	0	0
Public administration	5,415	5,415	0	0	0	0	0	0	0	0	0	0
Credit institutions	4,627	4,627	0	1	1	0	0	0	0	0	0	1
Other financial institutions	838	838	0	139	3	0	0	136	0	0	0	139
Non-financial corporate	3,407	3,407	0	38	38	0	0	0	0	0	0	38
OFF-BALANCE SHEET COMMITMENTS	**60,307**	**0**	**0**	**255**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**255**
Due to central banks	45			0								0
Public administration	812			0								0
Credit institutions	5,558			23								23
Other financial institutions	2,792			2								2
Non-financial corporate	42,533			223								223
Households	8,567			6								6
TOTAL	**281,145**	**220,501**	**337**	**5,640**	**1,389**	**97**	**79**	**3,721**	**61**	**26**	**13**	**5,640**

5

TABLE 24: PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS (TEMPLATE 4)

12/31/2019 *(in € millions)*	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			Cumulative impairment and fair value adjustment on performing loans			Cumulative impairment and fair value adjustment on non-performing loans			Partial cumul-ative reversals	On perfo-rming loans	On non-perfo-rming loans
		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			
LOANS AND ADVANCES	**205,728**	**195,585**	**10,142**	**5,207**	**0**	**5,207**	**-593**	**-246**	**-347**	**-2,421**	**0**	**-2,421**	**0**	**127,590**	**1,791**
Due to central banks	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public administration	1,670	1,639	30	25	0	25	-7	-7	0	-1	0	-1	0	1,205	14
Credit institutions	17,489	17,489	0	1	0	1	-1	-1	0	0	0	0	0	106	0
Other financial institutions	8,301	8,175	126	159	0	159	-15	-12	-3	-80	0	-80	0	2,793	71
Non-financial corporate	114,521	107,271	7,250	4,223	0	4,223	-464	-198	-266	-1,994	0	-1,994	0	69,543	1,320
o/w: SMEs	77,071	71,254	5,817	3,027	0	3,027	-337	-121	-216	-1,524	0	-1,524	0	54,458	1,056
Households	63,747	61,011	2,736	800	0	800	-106	-28	-78	-346	0	-346	0	53,941	386
DEBT INSTRUMENTS	**15,110**	**14,484**	**55**	**178**	**0**	**178**	**-10**	**-10**	**0**	**-161**	**0**	**-161**	**0**	**0**	**0**
Due to central banks	823	823	0	0	0	0	0	0	0	0	0	0	0	0	0
Public administration	5,415	5,414	0	0	0	0	-3	-3	0	0	0	0	0	0	0
Credit institutions	4,627	4,578	0	1	0	1	-3	-3	0	-1	0	-1	0	0	0
Other financial institutions	838	722	0	139	0	139	0	0	0	-137	0	-137	0	0	0
Non-financial corporate	3,407	2,948	55	38	0	38	-4	-4	0	-23	0	-23	0	0	0
OFF-BALANCE SHEET COMMITMENTS	**60,307**	**59,404**	**903**	**255**	**0**	**255**	**-95**	**-58**	**-37**	**-103**	**0**	**-103**	**0**	**10,268**	**82**
Due to central banks	45	45	0	0	0	0	0	0	0	0	0	0		0	0
Public administration	812	812	0	0	0	0	0	0	0	0	0	0		654	0
Credit institutions	5,558	5,556	2	23	0	23	-1	-1	0	-17	0	-17		156	4
Other financial institutions	2,792	2,772	20	2	0	2	-4	-4	-1	-1	0	-1		343	0
Non-financial corporate	42,533	41,833	700	223	0	223	-86	-51	-35	-84	0	-84		7,367	76
Households	8,567	8,386	181	6	0	6	-3	-2	-1	0	0	0		1,747	2
TOTAL	**281,145**	**269,474**	**11,101**	**5,640**	**0**	**5,640**	**-698**	**-314**	**-384**	**-2,685**	**0**	**-2,685**	**0**	**137,857**	**1,873**

TABLE 25: COLLATERAL OBTAINED BY TAKING POSSESSION AND EXECUTION PROCESSES (TEMPLATE 9)

	Collateral obtained by taking possession (accumulated)	
12/31/2019 *(in € millions)*	**Value at initial recognition**	**Cumulative negative changes**
Property, plant and equipment	0	0
Other property, plant and equipment	0	0
Residential real estate property	*0*	*0*
TOTAL	**0**	**0**

5.8.4 Reconciliation of adjustments for credit risk

TABLE 26: CHANGE IN THE BALANCE OF ADJUSTMENT FOR GENERAL AND SPECIFIC CREDIT RISK (RC2-A)

The following table shows the change over time in the balance of adjustments for credit risk.

12/31/2019 *(in € millions)*	**Cumulative adjustments for specific credit risk**	**Cumulative adjustments for general credit risk**
OPENING BALANCE	**-3,109**	**-**
Increases due at origination and on acquisition	-240	-
Decreases due on derecognition	77	-
Changes due to changes in (net) credit risks	-101	-
Changes due to (net) amendments without derecognition	-69	-
Change due to updating the models	-	-
Reversals of provisions due to classification in loss	211	-
Currency translation adjustment	-	-
Recombination of companies, including acquisitions/disposals of subsidiaries	-	-
Other	46	-
CLOSING BALANCE	**-3,185**	**-**
Recoveries of assets previously classified in loss	12	-
Classification in loss	-240	-

5.8.5 Standard approach

Exposures treated using the standard method are given in the table below.

CIC 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 27: BREAKDOWN OF EXPOSURES UNDER THE STANDARD APPROACH (RC5)

12/31/2019 *(in € millions)*	Weighting																	
Categories of exposure	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**70%**	**75%**	**100%**	**150%**	**250%**	**370%**	**1250%**	**Other**	**Deducted**	**Total**	**o/w not rated**
1 - Governments or central banks	46,957	-	-	-	296	-	105	-	-	59	-	87	-	-	-	-	47,505	-
2 - Regional or local authorities	-	-	-	-	357	-	-	-	-	-	-	-	-	-	-	-	357	-
3 - Public sector (public organizations excluding central governments)	8,313	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,313	-
4 - Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 - International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 - Institutions (banks)	5,176	-	-	-	771	-	3	-	-	-	-	-	-	-	-	-	5,950	-
7 - Businesses	-	-	-	-	392	-	1,335	-	-	9,327	71	-	-	-	-	-	11,125	-
8 - Retail clients	-	-	-	-	-	-	-	-	2,021	-	-	-	-	-	-	-	2,021	-
9 - Exposures secured by real estate mortgages	-	-	-	-	-	4,355	1,259	-	-	-	-	-	-	-	-	-	5,614	-
10 - Exposures in default	4	-	-	-	-	-	-	-	-	91	316	-	-	-	-	-	411	-
11 - Exposures presenting an especially high risk	-	-	-	-	-	-	-	-	-	-	720	-	-	-	-	-	720	-
12 - Covered bonds	-	-	-	36	-	-	-	-	-	-	-	-	-	-	-	-	36	-
13 - Exposures to institutions and companies given a short-term credit evaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 - Exposures in the form of UCIT shares or equities	-	-	-	-	-	-	-	-	-	4	-	-	-	-	-	-	4	-
15 - Equity exposure	-	-	-	-	-	-	-	-	-	133	-	-	-	-	-	-	133	-
16 - Other assets	-	-	-	-	-	-	-	-	-	729	-	-	-	-	-	-	729	-
17 - TOTAL	**60,451**	**-**	**-**	**36**	**1,815**	**4,355**	**2,702**	**-**	**2,021**	**10,343**	**1,107**	**87**	**-**	**-**	**-**	**-**	**82,917**	**-**

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 CIC limited to high-quality counterparties.

12/31/2018 *(in € millions)* Categories of exposure	Weighting 0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other	De-ducted	Total	o/w not rated
1 - Governments or central banks	38,854	-	-	-	239	-	46	-	-	35	-	101	-	-	-	-	39,276	
2 - Regional or local authorities	0	-	-	-	349	-	-	-	-	-	-	-	-	-	-	-	349	
3 - Public sector (public organizations excluding central governments)	7,128	-	-	-	28	-	-	-	-	-	-	-	-	-	-	-	7,157	
4 - Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5 - International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6 - Institutions (banks)	4,659	-	-	-	1,405	-	3	-	-	-	-	-	-	-	-	-	6,067	
7 - Corporate	-	-	-	-	453	-	1,006	-	-	8,072	20	-	-	-	-	-	9,551	
8 - Retail customers	-	-	-	-	-	-	-	-	2,213	-	-	-	-	-	-	-	2,213	
9 - Exposures secured by real estate mortgages	-	-	-	-	-	4,769	1,135	-	0	14	-	-	-	-	-	-	5,918	
10 - Exposures in default	1	-	-	-	-	-	-	-	-	55	283	-	-	-	-	-	339	
11 - Exposures presenting an especially high risk	-	-	-	-	-	-	-	-	-	-	278	-	-	-	-	-	278	
12 - Covered bonds	-	-	-	25	-	-	-	-	-	-	-	-	-	-	-	-	25	
13 - Exposures to institutions and companies given a short-term credit evaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14 - Exposures in the form of UCIT shares or equities	-	-	-	-	-	-	-	-	-	3	-	-	-	-	-	-	3	
15 - Equity exposures	-	-	-	-	-	-	-	-	-	136	-	-	-	-	-	-	136	
16 - Other assets	-	-	-	-	-	-	-	-	-	531	-	-	-	-	-	-	531	
17 - TOTAL	**50,642**	**-**	**-**	**25**	**2,475**	**4,769**	**2,190**	**-**	**2,213**	**8,845**	**581**	**101**	**-**	**-**	**-**	**-**	**71,842**	

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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 the 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 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 the 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 the 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 customer 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 the 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 financing	Spec. asset lending: 6 models according to the asset type	Expert-type models based on grids containing qualitative and quantitative variables
			Spec. project lending: 4 models according to the industry	
			Spec. real estate lending: 1 model	
		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 based 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 flow of internal collections
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

TABLE 28: INTERNAL RATINGS-BASED APPROACH – EXPOSURE TO CREDIT RISK BY CATEGORY OF EXPOSURE AND SCALE OF PD (RC6)

12/31/2019 *(in € millions)*	PD range	Gross exposures initially on balance sheet	Exposures Pre-CCF off-balance sheet	Average CCF	Amount exposed to post-CRM and post-CCF risk
Governments and central banks					
	Sub-total	**-**	**-**	**-**	**-**
Institutions (banks)					
	0.00 to < 0.15	15,972	1,906	34%	17,938
	0.15 to < 0.25	111	280	57%	294
	0.25 to < 0.50	318	152	51%	402
	0.50 to < 0.75	-	-	-	-
	0.75 to < 2.50	1	51	36%	20
	2.50 to < 10.00	129	82	31%	156
	10.00 to < 100.00	3	34	38%	22
	100.00 (default)	1	-	-	1
	Sub-total	**16,536**	**2,506**	**37%**	**18,834**
Businesses					
	0.00 to < 0.15	5,731	11,857	46%	10,072
	0.15 to < 0.25	-	43	-	-
	0.25 to < 0.50	8,982	11,666	43%	13,953
	0.50 to < 0.75	6,099	1,146	42%	6,575
	0.75 to < 2.50	20,851	8,141	44%	24,452
	2.50 to < 10.00	7,914	2,667	48%	9,152
	10.00 to < 100.00	1,185	391	48%	1,366
	100.00 (default)	1,622	170	81%	1,760
	Sub-total	**52,384**	**36,081**	**45%**	**67,330**
o/w: Specialized lending					
	Sub-total	**-**	**-**	**-**	**-**
o/w: SMEs					
	0.00 to < 0.15	-	-	-	-
	0.15 to < 0.25	-	-	-	-
	0.25 to < 0.50	2,553	341	48%	2,716
	0.50 to < 0.75	3,673	521	45%	3,905
	0.75 to < 2.50	7,650	1,242	46%	8,227
	2.50 to < 10.00	2,489	429	56%	2,728
	10.00 to < 100.00	382	59	39%	405
	100.00 (default)	643	74	94%	712
	Sub-total	**17,390**	**2,666**	**49%**	**18,693**
Retail clients					
	0.00 to < 0.15	33,460	3,980	35%	34,528
	0.15 to < 0.25	14,034	1,744	37%	14,677
	0.25 to < 0.50	19,363	1,540	35%	19,895
	0.50 to < 0.75	8,440	1,562	32%	8,936
	0.75 to < 2.50	17,019	2,860	37%	18,090
	2.50 to < 10.00	11,016	1,489	37%	11,560
	10.00 to < 100.00	3,225	199	35%	3,294
	100.00 (default)	2,813	89	85%	2,889
	Sub-total	**109,373**	**13,461**	**36%**	**113,868**

	Average PD	Number of debtors	Average LGD	Average maturities *(in years)*	RWA	RWA density	EL	Correction to amounts and provisions
	0%	**-**	**0%**	**-**	**-**	**-**	**-**	**-**
	0.03%	858	39%	2.5	2,356	13%	3	2
	0.23%	37	42%	2.5	190	65%	-	-
	0.43%	39	38%	2.5	323	80%	1	-
	0.00%	-	0%	-	-	-	-	-
	1.02%	25	43%	2.5	25	126%	-	-
	2.82%	43	40%	2.5	235	150%	2	-
	21.61%	27	41%	2.5	61	278%	2	-
	99.98%	1	45%	2.5	-	-	-	-
	0.10%	**1,030**	**39%**	**2.5**	**3,190**	**17%**	**8**	**3**
	0.11%	255	25%	2.5	1,927	19%	3	5
	0.00%	-	0%	-	-	-	-	-
	0.34%	3,124	26%	2.5	5,019	36%	12	11
	0.54%	3,814	21%	2.5	2,230	34%	8	4
	1.28%	11,478	27%	2.5	14,901	61%	82	44
	4.38%	4,035	28%	2.5	8,419	92%	107	131
	17.70%	1,032	29%	2.5	2,097	154%	65	119
	100.00%	1,494	61%	2.5	901	51%	1,044	980
	4.17%	**25,232**	**27%**	**2.5**	**35,495**	**53%**	**1,321**	**1,293**
	0.00%	**-**	**0%**	**-**	**-**	**-**	**-**	**-**
	0.00%	-	0%	-	-	-	-	-
	0.00%	-	0%	-	-	-	-	-
	0.31%	1,732	21%	2.5	661	24%	2	1
	0.54%	2,777	21%	2.5	1,218	31%	4	3
	1.27%	6,820	21%	2.5	3,499	43%	22	17
	4.44%	2,221	22%	2.5	1,751	64%	26	27
	17.68%	593	22%	2.5	395	97%	16	15
	100.00%	952	65%	2.5	547	77%	422	346
	5.55%	**15,095**	**23%**	**2.5**	**8,070**	**43%**	**492**	**409**
	0.07%	1,011,452	14%	-	865	3%	3	3
	0.20%	451,652	15%	-	841	6%	4	4
	0.36%	256,229	15%	-	1,821	9%	11	7
	0.59%	284,728	18%	-	1,160	13%	10	7
	1.42%	616,919	16%	-	3,711	21%	43	41
	5.05%	358,873	17%	-	4,169	36%	101	132
	20.51%	117,337	17%	-	2,108	64%	115	151
	100.00%	82,613	53%	-	1,103	38%	1,451	1,435
	4.02%	**3,179,803**	**16%**	**-**	**15,779**	**14%**	**1,738**	**1,778**

12/31/2019 *(in € millions)*	PD range	Gross exposures initially on balance sheet	Exposures Pre-CCF off-balance sheet	Average CCF	Amount exposed to post-CRM and post-CCF risk
Of which: Exposures secured by mortgage on real estate					
	0.00 to < 0.15	29,054	865	41%	29,408
	0.15 to < 0.25	10,902	300	41%	11,025
	0.25 to < 0.50	15,310	349	41%	15,454
	0.50 to < 0.75	4,248	98	42%	4,289
	0.75 to < 2.50	10,854	346	41%	10,997
	2.50 to < 10.00	5,845	155	42%	5,910
	10.00 to < 100.00	1,953	29	41%	1,965
	100.00 (default)	1,280	4	41%	1,282
	Sub-total	**79,445**	**2,146**	**41%**	**80,329**
o/w: SMEs					
	0.00 to < 0.15	-	-	-	-
	0.15 to < 0.25	740	20	42%	748
	0.25 to < 0.50	3,651	76	42%	3,683
	0.50 to < 0.75	2,758	63	42%	2,784
	0.75 to < 2.50	2,584	92	42%	2,623
	2.50 to < 10.00	1,896	67	42%	1,924
	10.00 to < 100.00	757	12	42%	762
	100.00 (default)	371	1	40%	371
	Sub-total	**12,756**	**330**	**42%**	**12,895**
o/w: Non-SME					
	0.00 to < 0.15	29,054	865	41%	29,408
	0.15 to < 0.25	10,163	280	41%	10,277
	0.25 to < 0.50	11,659	273	41%	11,771
	0.50 to < 0.75	1,490	36	41%	1,505
	0.75 to < 2.50	8,270	255	41%	8,374
	2.50 to < 10.00	3,950	87	41%	3,986
	10.00 to < 100.00	1,196	17	41%	1,203
	100.00 (default)	909	3	41%	910
	Sub-total	**66,690**	**1,816**	**41%**	**67,434**
o/w: Revolving					
	0.00 to < 0.15	831	1,965	20%	1,225
	0.15 to < 0.25	449	653	20%	580
	0.25 to < 0.50	229	261	20%	282
	0.50 to < 0.75	324	367	20%	398
	0.75 to < 2.50	660	525	20%	765
	2.50 to < 10.00	349	175	20%	384
	10.00 to < 100.00	95	23	20%	99
	100.00 (default)	62	2	20%	63
	Sub-total	**2,998**	**3,971**	**20%**	**3,796**

	Average PD	Number of debtors	Average LGD	Average maturities *(in years)*	RWA	RWA density	EL	Correction to amounts and provisions
	0.07%	217,345	14%	-	724	2%	3	2
	0.19%	77,112	14%	-	617	6%	3	2
	0.37%	103,329	15%	-	1,432	9%	8	6
	0.58%	20,280	17%	-	573	13%	4	3
	1.33%	76,595	15%	-	2,391	22%	22	24
	4.71%	35,798	15%	-	2,727	46%	42	76
	19.49%	12,825	15%	-	1,563	80%	58	88
	100.00%	10,924	46%	-	433	34%	560	433
	2.75%	**554,208**	**15%**	**-**	**10,460**	**13%**	**698**	**634**
	0.00%	-	0%	-	-	-	-	-
	0.16%	5,158	14%	-	30	4%	-	-
	0.36%	20,949	17%	-	311	8%	2	1
	0.58%	13,256	17%	-	346	12%	3	2
	1.57%	13,158	17%	-	607	23%	7	6
	4.86%	9,671	17%	-	860	45%	16	22
	19.08%	4,407	16%	-	553	73%	24	37
	100.00%	2,723	49%	-	152	41%	170	129
	5.29%	**69,322**	**17%**	**-**	**2,859**	**22%**	**221**	**197**
	0.07%	217,345	14%	-	724	2%	3	2
	0.19%	71,954	14%	-	587	6%	3	2
	0.37%	82,380	14%	-	1,121	10%	6	5
	0.57%	7,024	16%	-	227	15%	1	1
	1.26%	63,437	14%	-	1,784	21%	15	18
	4.64%	26,127	14%	-	1,867	47%	26	55
	19.75%	8,418	14%	-	1,010	84%	34	51
	100.00%	8,201	45%	-	280	31%	390	303
	2.27%	**484,886**	**14%**	**-**	**7,601**	**11%**	**477**	**437**
	0.08%	184,194	30%	-	20	2%	-	-
	0.21%	77,117	30%	-	21	4%	-	-
	0.38%	32,240	30%	-	16	6%	-	-
	0.51%	61,111	30%	-	29	7%	1	1
	1.51%	119,193	30%	-	127	17%	3	3
	5.29%	63,977	30%	-	154	40%	6	5
	19.72%	19,134	30%	-	84	84%	6	5
	100.00%	10,921	55%	-	15	23%	33	47
	3.15%	**567,887**	**31%**	**-**	**465**	**12%**	**50**	**60**

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12/31/2019 *(in € millions)*	PD range	Gross exposures initially on balance sheett	Exposures Pre-CCF off-balance sheet	Average CCF	Amount exposed to post-CRM and post-CCF risk
o/w: Other – retail customers					
	0.00 to < 0.15	3,576	1,150	56%	3,894
	0.15 to < 0.25	2,683	790	49%	3,071
	0.25 to < 0.50	3,824	930	36%	4,160
	0.50 to < 0.75	3,869	1,096	35%	4,249
	0.75 to < 2.50	5,506	1,989	41%	6,327
	2.50 to < 10.00	4,822	1,159	38%	5,266
	10.00 to < 100.00	1,178	147	36%	1,231
	100.00 (default)	1,471	82	89%	1,545
	Sub-total	**26,930**	**7,344**	**43%**	**29,743**
o/w: SMEs					
	0.00 to < 0.15	2	-	-	-
	0.15 to < 0.25	937	193	32%	999
	0.25 to < 0.50	1,990	598	28%	2,158
	0.50 to < 0.75	3,030	843	28%	3,265
	0.75 to < 2.50	3,744	910	30%	4,018
	2.50 to < 10.00	3,960	809	33%	4,226
	10.00 to < 100.00	943	122	30%	980
	100.00 (default)	1,133	77	91%	1,203
	Sub-total	**15,739**	**3,552**	**31%**	**16,849**
o/w: Non-SME				*0%*	
	0.00 to < 0.15	3,574	1,150	56%	3,894
	0.15 to < 0.25	1,746	597	55%	2,073
	0.25 to < 0.50	1,834	332	51%	2,002
	0.50 to < 0.75	839	253	57%	985
	0.75 to < 2.50	1,762	1,079	51%	2,309
	2.50 to < 10.00	862	350	51%	1,040
	10.00 to < 100.00	235	26	60%	250
	100.00 (default)	338	5	65%	341
	Sub-total	**11,191**	**3,792**	**54%**	**12,895**
				0%	
Equities	**Sub-total**	**-**	**-**	**-**	**-**
TOTAL		**178,293**	**52,048**	**42%**	**200,032**

Average PD	Number of debtors	Average LGD	Average maturities *(in years)*	RWA	RWA density	EL	Correction to amounts and provisions
0.08%	609,913	14%	-	122	3%	-	-
0.20%	297,423	16%	-	203	7%	1	1
0.34%	120,660	17%	-	372	9%	2	1
0.61%	203,337	18%	-	558	13%	5	3
1.56%	421,131	18%	-	1,193	19%	17	14
5.42%	259,098	19%	-	1,288	24%	53	51
22.20%	85,378	19%	-	461	37%	51	58
100.00%	60,768	59%	-	656	42%	859	955
7.57%	**2,057,708**	**19%**	**-**	**4,854**	**16%**	**989**	**1,084**
0.00%	-	0%	-	-	-	-	-
0.20%	33,578	19%	-	65	7%	-	-
0.32%	40,568	18%	-	182	8%	1	1
0.63%	48,967	19%	-	423	13%	4	2
1.64%	67,727	19%	-	767	19%	12	10
5.54%	79,990	19%	-	1,008	24%	44	42
22.71%	31,898	19%	-	354	36%	42	48
100.00%	26,604	59%	-	567	47%	668	736
10.42%	**329,332**	**22%**	**-**	**3,366**	**20%**	**772**	**839**
0.08%	609,913	14%	-	122	3%	-	-
0.21%	263,845	15%	-	138	7%	1	-
0.37%	80,092	15%	-	190	10%	1	1
0.53%	154,370	17%	-	135	14%	1	1
1.43%	353,404	15%	-	426	18%	5	4
4.92%	179,108	17%	-	280	27%	9	9
20.20%	53,480	18%	-	107	43%	9	10
100.00%	34,164	58%	-	89	26%	191	219
3.85%	**1,728,376**	**16%**	**-**	**1,487**	**12%**	**217**	**245**
0.00%	**-**	**0%**	**-**	**-**	**-**	**-**	**-**
3.70%	**3,206,065**	**22%**	**2.5**	**54,463**	**27%**	**3,067**	**3,075**

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12/31/2018 *(in € millions)*	PD range	Gross exposures initially on balance sheet	Exposures Pre-CCF off-balance sheet	Average CCF	Amount exposed to post-CRM and post-CCF risk
Governments and central banks					
	Sub-total	**-**	**-**	**-**	**-**
Institutions (banks)					
	0.00 to < 0.15	15,278	1,829	30%	16,975
	0.15 to < 0.25	287	193	61%	446
	0.25 to < 0.50	168	123	51%	186
	0.50 to < 0.75	-	-	-	-
	0.75 to < 2.50	66	131	47%	128
	2.50 to < 10.00	117	120	29%	152
	10.00 to < 100.00	1	12	37%	10
	100.00 (default)	1	-	-	1
	Sub-total	**15,919**	**2,407**	**34%**	**17,899**
Businesses					
	0.00 to < 0.15	4,972	10,055	45%	9,331
	0.15 to < 0.25	-	-	-	-
	0.25 to < 0.50	9,483	11,418	44%	14,032
	0.50 to < 0.75	6,681	1,853	45%	7,514
	0.75 to < 2.50	18,779	7,041	49%	21,815
	2.50 to < 10.00	7,465	2,002	50%	8,317
	10.00 to < 100.00	1,136	449	47%	1,275
	100.00 (default)	1,281	145	83%	1,402
	Sub-total	**49,797**	**32,963**	**46%**	**63,687**
o/w: Specialized financing					
	Sub-total	**-**	**-**	**-**	**-**
o/w: SMEs					
	0.00 to < 0.15	-	-	-	-
	0.15 to < 0.25	-	-	-	-
	0.25 to < 0.50	2,311	363	44%	2,472
	0.50 to < 0.75	3,689	605	46%	3,970
	0.75 to < 2.50	7,166	1,168	50%	7,750
	2.50 to < 10.00	2,203	263	51%	2,337
	10.00 to < 100.00	379	58	41%	403
	100.00 (default)	647	62	91%	703
	Sub-total	**16,395**	**2,519**	**49%**	**17,635**
Retail clients					
	0.00 to < 0.15	30,934	3,530	35%	32,050
	0.15 to < 0.25	13,325	1,473	36%	13,794
	0.25 to < 0.50	22,792	1,875	39%	23,486
	0.50 to < 0.75	3,724	1,289	34%	4,157
	0.75 to < 2.50	16,195	2,243	38%	17,029
	2.50 to < 10.00	10,837	1,928	38%	11,565
	10.00 to < 100.00	3,287	221	36%	3,366
	100.00 (default)	2,979	79	86%	3,047
	Sub-total	**104,073**	**12,639**	**37%**	**108,494**

Average PD	Number of debtors	Average LGD	Average maturities *(in years)*	RWA	RWA density	EL	Correction to amounts and provisions
0%	**-**	**0%**	**-**	**-**	**-**	**-**	**-**
0.04%	690	39%	2.5	2,428	14%	3	1
0.23%	45	43%	2.5	285	64%	-	-
0.41%	33	36%	2.5	132	71%	-	-
0.00%	-	0%	-	-	-	-	-
1.02%	32	49%	2.5	176	137%	1	-
2.80%	36	46%	2.5	252	166%	2	1
21.61%	28	50%	2.5	31	321%	1	-
99.98%	1	45%	2.5	-	-	1	1
0.09%	**865**	**39%**	**2.5**	**3,304**	**18%**	**8**	**4**
0.11%	278	27%	2.5	1,790	19%	3	3
0.00%	-	0%	-	-	-	-	-
0.34%	3,091	28%	2.5	5,211	37%	13	8
0.56%	4,615	23%	2.5	2,743	36%	10	4
1.31%	10,378	27%	2.5	13,063	60%	76	44
4.41%	3,951	28%	2.5	7,550	91%	100	80
18.17%	1,084	28%	2.5	1,812	142%	66	6
100.00%	1,520	67%	2.5	751	54%	890	959
3.75%	**24,917**	**28%**	**2.5**	**32,919**	**52%**	**1,158**	**1,104**
0.00%	**-**	**0%**	**-**	**-**	**-**	**-**	**-**
0.00%	-	0%	-	-	-	-	-
0.00%	-	0%	-	-	-	-	-
0.32%	1,669	22%	2.5	621	25%	2	-
0.55%	2,742	22%	2.5	1,272	32%	5	2
1.30%	6,804	22%	2.5	3,330	43%	22	20
4.53%	2,182	22%	2.5	1,495	64%	24	19
18.88%	660	22%	2.5	383	95%	17	16
100.00%	972	69%	2.5	479	68%	450	380
5.76%	**15,029**	**24%**	**2.5**	**7,580**	**43%**	**519**	**438**
0.07%	807,574	15%	-	825	3%	3	2
0.18%	362,725	15%	-	754	5%	4	3
0.37%	507,482	15%	-	2,127	9%	13	9
0.63%	256,704	19%	-	514	12%	5	3
1.39%	598,909	16%	-	3,373	20%	40	38
5.02%	323,526	17%	-	3,982	34%	98	128
20.03%	167,378	17%	-	2,040	61%	116	154
100.00%	90,619	50%	-	781	26%	1,470	1,502
4.33%	**3,114,917**	**17%**	**-**	**14,396**	**13%**	**1,748**	**1,841**

12/31/2018 *(in € millions)*	PD range	Gross exposures initially on balance sheet	Exposures Pre-CCF off-balance sheet	Average CCF	Amount exposed to post-CRM and post-CCF risk
Of which: Exposures secured by mortgage on real estate					
	0.00 to < 0.15	26,879	886	41%	27,243
	0.15 to < 0.25	10,333	281	41%	10,449
	0.25 to < 0.50	18,031	439	42%	18,214
	0.50 to < 0.75	445	16	43%	452
	0.75 to < 2.50	10,134	276	42%	10,249
	2.50 to < 10.00	5,866	228	42%	5,961
	10.00 to < 100.00	1,835	23	42%	1,845
	100.00 (default)	1,400	4	42%	1,402
	Sub-total	**74,924**	**2,153**	**41%**	**75,816**
o/w: SMEs					
	0.00 to < 0.15	-	-	-	-
	0.15 to < 0.25	672	23	41%	681
	0.25 to < 0.50	5,451	124	42%	5,503
	0.50 to < 0.75	337	8	45%	341
	0.75 to < 2.50	2,433	76	43%	2,466
	2.50 to < 10.00	1,835	67	43%	1,864
	10.00 to < 100.00	704	9	43%	708
	100.00 (default)	400	1	43%	400
	Sub-total	**11,832**	**308**	**43%**	**11,963**
o/w: Non-SME					
	0.00 to < 0.15	26,879	886	41%	27,243
	0.15 to < 0.25	9,662	259	41%	9,768
	0.25 to < 0.50	12,580	315	42%	12,711
	0.50 to < 0.75	108	9	41%	111
	0.75 to < 2.50	7,701	200	41%	7,783
	2.50 to < 10.00	4,031	160	41%	4,097
	10.00 to < 100.00	1,131	14	42%	1,137
	100.00 (default)	1,001	3	41%	1,002
	Sub-total	**63,092**	**1,845**	**41%**	**63,852**
o/w: Revolving					
	0.00 to < 0.15	781	1,747	20%	1,132
	0.15 to < 0.25	428	605	20%	550
	0.25 to < 0.50	224	246	20%	273
	0.50 to < 0.75	317	349	20%	387
	0.75 to < 2.50	632	491	20%	731
	2.50 to < 10.00	267	151	20%	298
	10.00 to < 100.00	146	47	20%	156
	100.00 (default)	62	2	20%	63
	Sub-total	**2,858**	**3,638**	**20%**	**3,589**

Average PD	Number of debtors	Average LGD	Average maturities *(in years)*	RWA	RWA density	EL	Correction to amounts and provisions
0.07%	206,332	14%	-	682	3%	3	2
0.18%	75,265	14%	-	553	5%	3	2
0.37%	117,723	15%	-	1,670	9%	10	7
0.64%	2,595	16%	-	60	13%	-	-
1.26%	74,384	15%	-	2,120	21%	19	22
4.63%	37,032	15%	-	2,661	45%	41	72
19.28%	12,707	15%	-	1,420	77%	53	82
100.00%	11,818	44%	-	407	29%	580	452
2.99%	**537,856**	**15%**	**-**	**9,573**	**13%**	**709**	**639**
0.00%	-	0%	-	-	-	-	-
0.15%	4,732	14%	-	26	4%	-	-
0.38%	30,053	16%	-	452	8%	3	2
0.67%	1,593	17%	-	45	13%	-	-
1.50%	12,506	16%	-	514	21%	6	6
4.75%	9,537	16%	-	762	41%	14	22
18.57%	4,394	16%	-	475	67%	21	33
100.00%	2,834	45%	-	113	28%	173	136
5.69%	**65,649**	**17%**	**-**	**2,387**	**20%**	**218**	**200**
0.07%	206,332	14%	-	682	3%	3	2
0.18%	70,533	14%	-	527	5%	2	2
0.37%	87,670	14%	-	1,218	10%	7	5
0.58%	1,002	14%	-	15	13%	-	-
1.19%	61,878	14%	-	1,606	21%	13	16
4.57%	27,495	14%	-	1,899	46%	27	50
19.73%	8,313	14%	-	945	83%	32	49
100.00%	8,984	43%	-	294	29%	408	315
2.49%	**472,207**	**14%**	**-**	**7,186**	**11%**	**491**	**440**
0.09%	172,393	34%	-	22	2%	-	-
0.20%	74,588	34%	-	21	4%	-	-
0.38%	32,305	34%	-	18	6%	-	-
0.53%	60,408	34%	-	33	8%	1	-
1.54%	116,488	34%	-	137	19%	4	3
4.66%	51,558	34%	-	123	41%	5	3
16.72%	31,835	34%	-	133	85%	9	6
100.00%	11,455	56%	-	14	23%	34	53
3.31%	**551,030**	**34%**	**-**	**501**	**14%**	**53**	**65**

5

12/31/2018 *(in € millions)*	PD range	Gross exposures initially on balance sheet	Exposures Pre-CCF off-balance sheet	Average CCF	Amount exposed to post-CRM and post-CCF risk
o/w: Other – retail customers					
	0.00 to < 0.15	3,274	897	58%	3,675
	0.15 to < 0.25	2,563	586	50%	2,795
	0.25 to < 0.50	4,537	1,190	42%	4,998
	0.50 to < 0.75	2,963	924	38%	3,318
	0.75 to < 2.50	5,429	1,476	43%	6,049
	2.50 to < 10.00	4,704	1,549	40%	5,306
	10.00 to < 100.00	1,305	151	40%	1,365
	100.00 (default)	1,516	74	90%	1,582
	Sub-total	**26,291**	**6,847**	**44%**	**29,089**
o/w: SMEs					
	0.00 to < 0.15	-	-	44%	-
	0.15 to < 0.25	864	171	33%	921
	0.25 to < 0.50	2,312	619	30%	2,499
	0.50 to < 0.75	2,454	668	28%	2,640
	0.75 to < 2.50	3,540	780	32%	3,786
	2.50 to < 10.00	3,983	838	34%	4,268
	10.00 to < 100.00	974	108	31%	1,007
	100.00 (default)	1,167	65	91%	1,227
	Sub-total	**15,294**	**3,250**	**32%**	**16,347**
o/w: Non-SME				*0%*	
	0.00 to < 0.15	3,274	897	58%	3,675
	0.15 to < 0.25	1,699	415	57%	1,874
	0.25 to < 0.50	2,225	571	55%	2,499
	0.50 to < 0.75	509	256	66%	678
	0.75 to < 2.50	1,889	696	57%	2,264
	2.50 to < 10.00	720	712	46%	1,038
	10.00 to < 100.00	331	43	64%	358
	100.00 (default)	349	8	85%	356
	Sub-total	**10,997**	**3,598**	**55%**	**12,742**
Shares				0%	
	Sub-total	**-**	**-**	**-**	**-**
TOTAL		**169,788**	**48,009**	**43%**	**190,079**

	Average PD	Number of debtors	Average LGD	Average maturities *(in years)*	RWA	RWA density	EL	Correction to amounts and provisions
	0.08%	428,849	15%	-	122	3%	-	-
	0.19%	212,872	17%	-	179	6%	1	1
	0.35%	357,454	16%	-	439	9%	3	2
	0.64%	193,701	18%	-	421	13%	4	3
	1.58%	408,037	18%	-	1,116	18%	17	13
	5.48%	234,936	18%	-	1,198	23%	52	53
	21.40%	122,836	18%	-	487	36%	54	66
	100.00%	67,346	56%	-	360	23%	856	998
	7.93%	**2,026,031**	**19%**	**-**	**4,322**	**15%**	**986**	**1,136**
	0.09%	1	18%	-	-	3%	-	-
	0.19%	31,702	19%	-	55	6%	-	-
	0.34%	43,919	18%	-	200	8%	1	1
	0.67%	41,367	18%	-	325	12%	3	2
	1.65%	65,120	18%	-	664	18%	11	9
	5.66%	83,036	18%	-	941	22%	44	45
	22.71%	32,720	18%	-	336	33%	42	53
	100.00%	27,506	55%	-	284	23%	654	764
	10.93%	**325,371**	**21%**	**-**	**2,803**	**17%**	**756**	**876**
	0.08%	428,848	15%	-	122	3%	-	-
	0.19%	181,170	16%	-	125	7%	1	-
	0.36%	313,535	15%	-	239	10%	1	1
	0.54%	152,334	18%	-	97	14%	1	1
	1.46%	342,917	17%	-	452	20%	6	4
	4.77%	151,900	16%	-	257	25%	8	8
	17.72%	90,116	19%	-	151	42%	12	13
	100.00%	39,840	58%	-	76	21%	201	234
	4.09%	**1,700,660**	**17%**	**-**	**1,519**	**12%**	**230**	**261**
	0.00%	**-**	**0%**	**-**	**-**	**-**	**-**	**-**
	3.73%	**3,140,699**	**23%**	**2.5**	**50,620**	**27%**	**2,915**	**2,949**

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 has 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 29: RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER THE IBR APPROACH (EU CR8)

12/31/2019 *(in € millions)*	Amount exposed to post-CRM risk	RWA
QCCP EXPOSURES (TOTAL)		
Exposures for transactions with eligible central counterparties (excluding initial margins and contributions to default funds); of which		
(i) Over-the-counter derivatives	356	7
(ii) Listed derivatives	119	2
(iii) SFTs	92	2
(iv) Netting sets in which cross-product netting has been approved		
Initial segregated margin	1,196	-
Initial unsegregated margin		
Prefinanced default fund contributions	80	2
Alternative capital requirement calculation method for exposures		
NON-QCCP EXPOSURES (TOTAL)		
Exposures for transactions with ineligible central counterparties (excluding initial margins and contributions to default funds); of which		
(i) Over-the-counter derivatives		
(ii) Listed derivatives		
(iii) SFTs		
(iv) Netting sets in which cross-product netting has been approved		
Initial segregated margin		
Initial unsegregated margin		
Prefinanced default fund contributions		
Unfinanced default fund contributions		

The information associated with this table is treated at the national level in the Crédit Mutuel group's Pillar 3 report.

TABLE 30: 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 31: IRB (SPECIALIZED LENDING AND EQUITIES) (EU CR10)

12/31/2019 *(in € millions)* Regulatory categories	Residual maturity	Amount on balance sheet	Amount off balance sheet	Weighting	Amount of exposure	RWA	Expected losses
Category 1	Less than 2.5 years	609	203	50%	757	394	-
	2.5 years or more	4,485	271	70%	4,628	3,376	19
Category 2	Less than 2.5 years	124	92	70%	191	140	1
	2.5 years or more	1,144	167	90%	1,196	1,122	10
Category 3	Less than 2.5 years	19	17	115%	33	39	1
	2.5 years or more	524	337	115%	757	907	21
Category 4	Less than 2.5 years	12	100	250%	87	226	7
	2.5 years or more	17	-	250%	21	54	2
Category 5	Less than 2.5 years	17	1	-	19	-	10
	2.5 years or more	93	-	-	94	-	47
TOTAL	**LESS THAN 2.5 YEARS**	**780**	**413**		**1,087**	**799**	**18**
	2.5 YEARS OR MORE	**6,263**	**775**		**6,696**	**5,459**	**98**

EQUITIES UNDER THE SIMPLE WEIGHTING METHOD

Categories *(in € millions)*	Amount on balance sheet	Amount off balance sheet	Weighting	Amount of exposure	RWA	Capital requirements
Exposure to equity investment funds	2,185	-	190%	2,185	4,152	332
Exposures to equities traded on regulated exchanges	7	-	290%	7	20	2
Other equity exposures	2,186	-	350%	2,186	7,651	612
TOTAL	**4,378**	**-**		**4,378**	**11,824**	**946**

The exposures to equities by the standard approach amounted to €428 million at December 31, 2019.

12/31/2018 *(in € millions)* Regulatory categories	Residual maturity	Amount on balance sheet	Amount off balance sheet	Weighting	Amount of exposure	RWA	Expected losses
Category 1	Less than 2.5 years	540	155	50%	669	334	-
	2.5 years or more	4,310	259	70%	4,505	3,154	18
Category 2	Less than 2.5 years	141	68	70%	194	135	1
	2.5 years or more	1,026	296	90%	1,249	1,124	10
Category 3	Less than 2.5 years	9	3	115%	10	11	0
	2.5 years or more	454	300	115%	673	774	19
Category 4	Less than 2.5 years	3	75	250%	59	147	5
	2.5 years or more	27	35	250%	54	135	4
Category 5	Less than 2.5 years	19	6	-	26	-	13
	2.5 years or more	40	-4	-	62	-	31
TOTAL	**LESS THAN 2.5 YEARS**	**712**	**308**		**957**	**628**	**19**
	2.5 YEARS OR MORE	**5,857**	**886**		**6,543**	**5,187**	**82**

EQUITIES UNDER THE SIMPLE WEIGHTING METHOD

Categories *(in € millions)*	Amount on balance sheet	Amount off balance sheet	Weighting	Amount of exposure	RWA	Capital requirements
Exposure to equity investment funds	2,044	-	190%	2,044	3,884	311
Exposures to equities traded on regulated exchanges	8	-	290%	8	22	2
Other equity exposures	2,509	-	353%	2,511	8,875	710
TOTAL	**4,561**	**-**	**-**	**4,563**	**12,781**	**1,023**

5.9 COUNTERPARTY RISK

Qualitative information reporting requirementson 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 basically 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 relating to guarantees and other risk mitigation techniques and counterparty risk assessments

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.

Policies applied to correlation risk exposures

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 32: CCR EXPOSURE ANALYSIS BY APPROACH (EU CCR1)

12/31/2019 *(in € millions)*	Notional amounts	Replacement cost/current market value	Potential future credit exposure	Effective positive exposure anticipated	Multiplier	Amount exposed to post-CRM risk	RWA
1 – Method using market prices		3,652	1,710			2,791	1,431
2 – Initial exposure							
3 – Standard approach							
4 – IMM (for derivatives and SFTs)*							
5 – o/w securities 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						1,657	80
10 – VaR for SFTs							
11 – TOTAL		**3,652**	**1,710**			**4,448**	**1,491**

* *Securities financing transactions, also called temporary sale of securities.*

12/31/2018 *(in € millions)*	Notional amounts	Replacement cost/current market value	Potential future credit exposure	Effective positive exposure anticipated	Multiplier	Amount exposed to post-CRM risk	RWA
1 – Method using market prices		2,321	1,812			2,781	1,114
2 – Initial exposure							
3 – Standard approach							
4 – IMM (for derivatives and SFTs)							
5 – o/w securities 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						1,171	28
10 – VaR for SFTs							
11 – TOTAL		**2,321**	**1,812**			**3,982**	**1,142**

TABLE 33: CVA CAPITAL REQUIREMENT (EU CCR2)

	2019		2018	
(in € millions)	Amount of exposure	RWAs	Amount of exposure	RWAs
1 – Total portfolios subject to advanced CVA requirement	**0**	**0**	**0**	**0**
2 – i) VaR component (including 3x multiplier)		0		0
3 – ii) SVaR component under stress (including the 3x multiplier)		0		0
4 – Total portfolios subject to standard CVA requirement	**841**	**239**	**918**	**263**
EU4 – Total of method based on original exposure	**0**	**0**	**0**	**0**
5 - TOTAL SUBJECT TO THE CVA CAPITAL CHARGE	**841**	**239**	**918**	**263**

TABLE 34: STANDARDIZED APPROACH – CCR EXPOSURES BY REGULATORY PORTFOLIO AND BY RISK WEIGHTING (EU CCR3)

	Weighting												
12/31/2019 *(in € millions)* **Categories of exposure**	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Other**	**Total**	**o/w not rated**
1 – Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
2 – Regional or local authorities	5	-	-	-	-	-	-	-	3	-	-	8	-
3 – Public sector (public organizations excluding central governments)	1	-	-	-	-	-	-	-	2	-	-	4	-
4 – Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5 – International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
6 – Institutions (banks)	-	567	-	-	46	-	-	-	-	-	-	612	-
7 – Businesses	-	-	-	-	-	-	-	-	133	-	-	133	-
8 – Retail clients	-	-	-	-	-	-	-	22	-	-	-	22	-
9 – Institutions and companies given a short-term credit evaluation	-	-	-	-	-	-	-	-	-	-	-	-	-
10 – Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
11 – TOTAL	**6**	**567**	**-**	**-**	**46**	**-**	**-**	**22**	**139**	**-**	**-**	**779**	**-**

	Weighting												
12/31/2018 *(in € millions)* **Categories of exposure**	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Other**	**Total**	**o/w not rated**
1 – Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
2 – Regional or local authorities	7	-	-	-	-	-	-	-	3	-	-	10	-
3 – Public sector (public organizations excluding central governments)	1	-	-	-	-	-	-	-	2	-	-	5	-
4 – Multilateral development banks	12	-	-	-	-	-	-	-	-	-	-	12	-
5 – International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
6 – Institutions (banks)	-	828	-	-	38	-	-	-	-	-	-	866	-
7 – Businesses	-	-	-	-	-	-	-	-	140	-	-	140	-
8 – Retail clients	-	-	-	-	-	-	-	1	-	-	-	1	-
9 – Institutions and companies given a short-term credit evaluation	-	-	-	-	-	-	-	-	-	-	-	-	-
10 – Other assets	-	-	-	-	-	-	-	-	15	-	-	15	-
11 – TOTAL	**21**	**828**	**-**	**-**	**38**	**-**	**-**	**1**	**162**	**-**	**-**	**1,050**	**-**

5

TABLE 35: IRB APPROACH – CCR EXPOSURES BY PORTFOLIO AND PD SCALE (EU CCR4)

12/31/2019 *(in € millions)*	PD range	Amount exposed to post-CRM risk	Average PD	Number of debtors	Average LGD	Average range *(in years)*	RWA	RWA density
Governments and central banks								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Institutions (banks)								
	0.00 to < 0.15	6,473	0.06%	124	14%	2.0	192	3%
	0.15 to < 0.25	556	0.23%	24	12%	2.0	62	11%
	0.25 to < 0.50	41	0.44%	4	0%	2.0	12	30%
	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	**7,070**	**0.07%**	**152**	**14%**	**2.0**	**266**	**4%**
Businesses								
	0.00 to < 0.15	2,147	0.05%	134	13%	2.0	182	8%
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	157	0.36%	643	36%	3.0	83	53%
	0.50 to < 0.75	99	0.55%	665	29%	2.0	50	51%
	0.75 to < 2.50	339	1.10%	1,357	48%	3.0	368	109%
	2.50 to < 10.00	165	3.79%	454	25%	3.0	128	77%
	10.00 to < 100.00	6	19.39%	128	41%	3.0	15	229%
	100.00 (default)	2	100.00%	46	45%	3.0	-	-
	Sub-total	**2,914**	**0.54%**	**3,427**	**20%**	**2.0**	**825**	**28%**
o/w: Specialized financing								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
o/w: SMEs								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retail clients								
	0.00 to < 0.15	3	0.08%	94	45%	-	-	2%
	0.15 to < 0.25	2	0.23%	40	45%	-	-	5%
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	0.51%	17	45%	-	-	8%
	0.75 to < 2.50	-	1.63%	18	45%	-	-	14%
	2.50 to < 10.00	-	5.97%	9	45%	-	-	19%
	10.00 to < 100.00	-	18.21%	1	45%	-	-	25%
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**6**	**0.55%**	**179**	**45%**	**-**	**-**	**5%**
Of which: Exposures secured by mortgage on real estate								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
o/w: SMEs								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
o/w: Non-SME								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
o/w: Revolving								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

12/31/2019 *(in € millions)*	PD range	Amount exposed to post-CRM risk	Average PD	Number of debtors	Average LGD	Average range *(in years)*	RWA	RWA density
o/w: Other – retail customers								
	0.00 to < 0.15	3	0.08%	94	45%	-	-	2%
	0.15 to < 0.25	2	0.23%	40	45%	-	-	5%
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	0.51%	17	45%	-	-	8%
	0.75 to < 2.50	-	1.63%	18	45%	-	-	14%
	2.50 to < 10.00	-	5.97%	9	45%	-	-	19%
	10.00 to < 100.00	-	18.21%	1	45%	-	-	25%
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**6**	**0.55%**	**179**	**45%**	**-**	**-**	**5%**
o/w: SMEs								
	0.00 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	-	6.69%	-	50%	-	-	57%
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**-**	**6.69%**	**-**	**50%**	**-**	**-**	**57%**
o/w: Non-SME								
	0.00 to < 0.15	3	0.08%	94	45%	-	-	2%
	0.15 to < 0.25	2	0.23%	40	45%	-	-	5%
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	0.51%	17	45%	-	-	8%
	0.75 to < 2.50	-	1.63%	18	45%	-	-	14%
	2.50 to < 10.00	-	6.08%	9	46%	-	-	17%
	10.00 to < 100.00	-	18.21%	1	45%	-	-	25%
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**6**	**0.55%**	**179**	**45%**	**-**	**-**	**5%**
Shares								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL		**9,990**	**0.21%**	**3,758**	**15%**	**2**	**1,091**	**11%**

5

12/31/2018 *(in € millions)*	PD range	Amount exposed to post-CRM risk	Average PD	Number of debtors	Average LGD	Average range *(in years)*	RWA	RWA density
Governments and central banks								
	0.00 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	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Institutions (banks)								
	0.00 to < 0.15	6,667	0.05%	144	13%	2	204	3%
	0.15 to < 0.25	736	0.23%	26	7%	2	51	7%
	0.25 to < 0.50	670	0.44%	5	2%	1	1	0%
	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	**8,073**	**0.10%**	**175**	**11%**	**2**	**256**	**3%**
Businesses								
	0.00 to < 0.15	2,321	0.05%	141	8%	2	121	5%
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	221	0.35%	721	34%	2	103	47%
	0.50 to < 0.75	64	0.54%	789	37%	3	41	63%
	0.75 to < 2.50	202	1.19%	1,542	35%	3	165	82%
	2.50 to < 10.00	56	4.25%	521	43%	3	80	143%
	10.00 to < 100.00	13	17.32%	125	43%	3	31	227%
	100.00 (default)	2	99.99%	51	45%	3	-	-
	Sub-total	**2,879**	**0.39%**	**3,890**	**14%**	**3**	**540**	**19%**
o/w: Specialized financing								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
o/w: SMEs								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retail clients								
	0.00 to < 0.15	2	0.09%	140	45%	-	-	3%
	0.15 to < 0.25	1	0.23%	51	45%	-	-	5%
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	1	0.53%	24	45%	-	-	9%
	0.75 to < 2.50	-	1.29%	19	45%	-	-	13%
	2.50 to < 10.00	-	4.34%	11	45%	-	-	18%
	10.00 to < 100.00	-	12.86%	4	45%	-	-	21%
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**4**	**0.50%**	**249**	**45%**	**-**	**-**	**5%**
Of which: Exposures secured by mortgage on real estate								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
o/w: SMEs								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

12/31/2018 *(in € millions)*	PD range	Amount exposed to post-CRM risk	Average PD	Number of debtors	Average LGD	Average range *(in years)*	RWA	RWA density
o/w: Non-SME								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
o/w: Revolving								
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
o/w: Other – retail customers								
	0.00 to < 0.15	2	0.09%	140	45%	-	-	3%
	0.15 to < 0.25	1	0.23%	51	45%	-	-	5%
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	1	0.53%	24	45%	-	-	9%
	0.75 to < 2.50	-	1.29%	19	45%	-	-	13%
	2.50 to < 10.00	-	4.34%	11	45%	-	-	18%
	10.00 to < 100.00	-	12.86%	4	45%	-	-	21%
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**4**	**0.50%**	**249**	**45%**	**-**	**-**	**5%**
o/w: SMEs								
	0.00 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	-	5.70%	1	41%	-	-	55%
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**-**	**5.70%**	**1**	**41%**	**-**	**-**	**55%**
o/w: Non-SME								
	0.00 to < 0.15	2	0.09%	140	45%	-	-	3%
	0.15 to < 0.25	1	0.23%	51	45%	-	-	5%
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	1	0.53%	24	45%	-	-	9%
	0.75 to < 2.50	-	1.29%	19	45%	-	-	13%
	2.50 to < 10.00	-	4.30%	10	45%	-	-	17%
	10.00 to < 100.00	-	12.86%	4	45%	-	-	21%
	100.00 (default)	-	-	-	-	-	-	-
	Sub-total	**4**	**0.49%**	**248**	**45%**	**-**	**-**	**5%**
Shares								
	0.00 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	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL		**10,956**	**0.18%**	**4,314**	**12%**	**2**	**796**	**7%**

TABLE 36: CREDIT DERIVATIVE EXPOSURES (EU CCR6)

	2019			2018		
	Credit derivative- based hedges			Credit derivative- based hedges		
(in € millions)	Protections bought	Protections sold	Other credit derivatives	Protections bought	Protections sold	Other credit derivatives
Notional amounts						
Single-name credit default swaps	10,638	6,695		7,946	4,759	
Index credit default swaps	2,294	1,779		2,611	3,025	
Total index credit default swaps						
Credit options	0	0		87	0	
Other credit derivatives					109	
TOTAL NOTIONAL AMOUNTS	**12,932**	**8,474**		**10,644**	**7,893**	
Fair values						
Positive fair value (asset)	0	111		0	93	
Negative fair value (liability)	117	37		91	30	

TABLE 37: RWA FLOW STATEMENTS OF CCR EXPOSURES UNDER THE INTERNAL MODEL METHOD (EU CCR7)

The information associated with this table is treated at the national level in the Crédit Mutuel group's Pillar 3 report.

5.10 CREDIT RISK MITIGATION TECHNIQUES

Financial, personal and actual 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 eligibility and minimum requirement conditions imposed by the regulations.

5.10.1 Netting and collateralization of repurchase agreements 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 agreements belonging to the "Sovereign", "Institutions" and, in part, 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.calculated based on the acquisition 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 38: CREDIT RISK MITIGATION (CRM) TECHNIQUES – GENERAL OVERVIEW (EU CR3)

12/31/2019 *(in € millions)*	Unsecured exposures: carrying amount	Secured exposures*	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1 – Total loans	307,987	6,020	4,975	1,045	0
2 – Total debt securities	6,171	0	0	0	0
3 – TOTAL EXPOSURES	**314,158**	**6,020**	**4,975**	**1,045**	**0**
4 – of which in default	2,784	48	23	26	0

* *Secured exposures consist solely of exposures associated with a credit risk mitigation mechanism in the regulatory sense (collateral, financial guarantees, credit derivatives). Exposures with a mortgage guarantee or similar are not included in this column.*

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.

12/31/2018 *(in € millions)*	Unsecured exposures: carrying amount	Secured exposures*	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1 – Total loans	285,347	5,543	4,695	848	0
2 – Total debt securities	5,045	0	0	0	0
3 – TOTAL EXPOSURES	**290,392**	**5,543**	**4,695**	**848**	**0**
4 – of which in default	2,535	47	29	18	0

TABLE 39: STANDARDIZED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS (EU CR4)

12/31/2019 *(in € millions)* Categories of exposure	Pre-CCF and pre-CRM exposures		Post-CCF and post-CRM exposures		RWAs and RWA density	
	Amount on-balance sheet	Amount off-balance sheet	Amount on-balance sheet	Amount off-balance sheet	RWA	RWA density
1 – Governments or central banks	47,848	746	47,284	221	389	1%
2 – Regional or local authorities	350	5	355	2	71	20%
3 – Public sector (public organizations excluding central governments)	7,336	106	8,096	217	-	-
4 – Multilateral development banks	-	-	-	-	-	-
5 – International organizations	-	-	-	-	-	-
6 – Institutions (banks)	5,800	146	5,876	74	156	3%
7 – Businesses	11,147	1,160	10,492	633	10,147	91%
8 – Retail clients	1,704	1,478	1,470	551	1,231	61%
9 – Exposures secured by real estate mortgages	5,557	112	5,557	57	2,154	38%
10 – Exposures in default	427	19	394	17	565	137%
11 – Exposures presenting especially high risk	747	26	707	13	1,077	150%
12 – Covered bonds	36	-	36	-	4	10%
13 – Exposures to institutions and companies given a short-term credit evaluation	-	-	-	-	-	-
14 – Exposures in the form of UCIT shares or equities	4	-	4	-	4	100%
15 – Equity exposures	133	-	133	-	133	100%
16 – Other assets	729	-	729	-	729	100%
17 – TOTAL	**81,819**	**3,798**	**81,133**	**1,784**	**16,659**	**20%**

12/31/2018 *(in € millions)*	Pre-CCF and pre-CRM exposures		Post-CCF and post-CRM exposures		RWAs and RWA density	
	Amount on-balance sheet	Amount off-balance sheet	Amount on-balance sheet	Amount off-balance sheet	RWA	RWA density
1 – Governments or central banks	39,495	1,036	38,922	354	359	1%
2 – Regional or local authorities	304	10	345	4	70	20%
3 – Public sector (public organizations excluding central governments)	5,962	120	6,912	244	6	-
4 – Multilateral development banks	-	-	-	-	-	-
5 – International organizations	-	-	-	-	-	-
6 – Institutions (banks)	5,982	13	6,059	8	282	5%
7 – Businesses	9,421	1,214	8,854	697	8,662	91%
8 – Retail clients	1,959	1,276	1,652	561	1,372	62%
9 – Exposures secured by real estate mortgages	5,893	50	5,893	25	2,250	38%
10 – Exposures in default	368	19	322	17	479	141%
11 – Exposures presenting especially high risk	298	12	272	6	413	149%
12 – Covered bonds	25	-	25	-	3	10%
13 – Exposures to institutions and companies given a short-term credit evaluation	-	-	-	-	-	-
14 – Exposures in the form of UCIT shares or equities	3	-	3	-	3	100%
15 – Equity exposures	136	-	136	-	136	100%
16 – Other assets	531	-	531	-	531	100%
17 – TOTAL	**70,376**	**3,749**	**69,926**	**1,915**	**14,566**	**20%**

The effect of credit derivatives as a CRM technique (EU CR7) is insignificant for CIC.

TABLE 40: IMPACT OF NETTING AND COLLATERAL HELD ON EXPOSURE VALUES (EU CCR5-A)

12/31/2019 *(in € millions)*	Positive gross fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held *	Net credit exposures
1 – Derivatives	7,113	4,954	2,159	1,081	1,078
2 – Repurchase agreements	16,220	806	15,414	8,631	6,783
3 – Cross-product netting					
4 – TOTAL	**23,332**	**5,759**	**17,573**	**9,712**	**7,861**

* *Note that, in the internal ratings-based approach, the 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.*

12/31/2018 *(in € millions)*	Positive gross fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held*	Net credit exposures
1 – Derivatives	7,193	5,501	1,692	809	882
2 – Repurchase agreements	17,939	488	17,451	9,516	7,935
3 – Cross-product netting					
4 – TOTAL	**25,132**	**5,989**	**19,142**	**10,326**	**8,817**

TABLE 41: COMPOSITION OF COLLATERAL FOR EXPOSURES TO CCR RISK (EU CCR5-B)

12/31/2019 *(in € millions)*	Collateral used in derivatives				Collateral used for the temporary sale 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		1,323		2,473	154	140
Initial margin	-		1,168		14,793	17,962
TOTAL	**-**	**1,323**	**1,168**	**2,473**	**14,947**	**18,102**

* *Segregated = refers to collateral protected against bankruptcy.*

12/31/2018 *(in € millions)*	Collateral used in derivatives				Collateral used for the temporary sale 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		910		2,403	60	158
Initial margin	-		1,516		16,850	19,761
TOTAL	**-**	**910**	**1,516**	**2,403**	**16,910**	**19,920**

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 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 €2,840 million (up +10%), and represented a carrying amount of €10.7 billion as of December 31, 2019. The investments of the capital market arm of Crédit Mutuel Alliance Fédérale – called CIC Marchés – account for 90% 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 €2.5 billion. 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 42: BREAKDOWN OF SECURITIZATION OUTSTANDINGS

Breakdown of outstandings by portfolio *(in € millions)*	2019	2018
Banking Portfolio	6,910	8,899
Trading Portfolio	1,047	784
TOTAL	**7,957**	**9,683**

Breakdown of outstandings Inv. grade/Non-inv. grade	2019	2018
Investment grade category (o/w AAA 78%)	99.8%	98%
Non-investment grade category	0.2%	2%
TOTAL	**100%**	**100%**

Geographical distribution of outstandings	2019
USA	47.29%
France	18.99%
Germany	4.90%
United Kingdom	6.39%
Netherlands	4.20%
Italy	6.27%
Spain	3.63%
Australia	3.90%
Hong Kong	1.05%
Ireland	1.59%
Austria	0.44%
Switzerland	0.00%
Finland	0.85%
Portugal	0.12%
Belgium	0.20%
South Korea	0.02%
Greece	0.03%
Luxembourg	0.13%
Norway	0.00%
TOTAL	**100%**

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

There remains €154,000 in outstandings.

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 Global exposures (capital markets and specialized financing) 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.

Exposures prior to January 1, 2019

TABLE 43: 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	0	0	0	0	0	0	0	0
Off-balance sheet								
Classic securitization	0	0	0		0	263	0	
Synthetic securitization	0	0	0	0	0	0	0	0
Derivatives								
Classic securitization	0	0	0		0	0	0	
Synthetic securitization	0	0	0	339	0	0	0	309
TOTAL	**53**	**4,677**	**460**	**339**	**74**	**6,924**	**725**	**309**

	12/31/2019				12/31/2018			
	Banking portfolio		Trading portfolio	Correlation portfolio	Banking portfolio		Trading portfolio	Correlation portfolio
Gross exposures Impaired securitizations	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
Outstandings before impairment	54	4,689			77	7,092		
Impairment	-1	-13			-3	-171		
Outstandings after impairment	53	4,677			74	6,922		

TABLE 44: 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
EAD *(in € millions)* Credit quality steps	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 agencies used are Standard & Poor's, Moody's and Fitch Ratings.

TABLE 45: 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	**2.3**	**32.8**	**5.4**	**11.2**	**4.9**	**60.9**	**7.5**	**5.6**

Exposures weighted at 1,250% are deducted from equity.

TABLE 46: SECURITIZATION BY TYPE, COVERED BY REGULATION NO. 2017/2401

	12/31/2019			
	Banking portfolio		Trading portfolio	Correlation portfolio
Balance sheet: EAD *(in € millions)*	New standard approach	External ratings-based approach	External ratings-based approach	External ratings-based 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**

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TABLE 47: DETAILED BREAKDOWN OF OUTSTANDINGS BY CREDIT RATING UNDER EU REGULATION NO. 2017/2401

EAD *(in € millions)*	12/31/2019	
	Banking portfolio	Trading portfolio
Credit quality steps	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 & Poor's, Moody's and Fitch Ratings.

EAD *(in € millions)*	12/31/2019
	Banking portfolio
RW% tranche	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 48: 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-based approach	External ratings-based approach	External ratings-based approach
TOTAL	**14.0**	**27.2**	**9.2**	**0.0**

5.12 CAPITAL MARKETS RISK

5.12.1 Organization

CIC Marchés includes the activities of the Investment/Interest Rate/Currency/Stocks/Credit business line and the CM-CIC Market Solutions commercial business line. For these business lines, management is "healthy 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 markets is minimal. The equity consumption cap for the Crédit Mutuel Alliance Fédérale capital markets represented approximately 1% of its total equity at the end of 2019. With regard to CIC capital markets, this ratio is approximately 3%.

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.

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-Equity-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).

The internal control teams operate under the responsibility of the group risk department, which compiles scorecards summarizing the risk exposures and presents the levels of capital allocated/consumed to be approved by the board of directors of CIC.

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 board of directors of CIC.

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 49: MARKET RISK UNDER THE STANDARDIZED APPROACH (EU MR1)

(in € millions)	Weighted risks	Capital Requirements
Fixed income		
1 – Interest rate risk (general and specific)	959	77
2 – Equity risk (general and specific)	938	75
3 – Foreign exchange risk	-	-
4 – Commodity risk	-	-
Options		
5 – Simplified approach	-	-
6 – Delta-plus method	33	3
7 – Scenario approach	-	-
8 – Securitization (specific risk)	208	17
9 – TOTAL	**2,138**	**171**

5.12.3 Risk management

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) to 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:

Hybrid instruments

The consumption of equity was €61.5 million on average in 2019, and €57 million at the end of the year. The convertible bond inventory reached €1.6 billion at the end of 2019.

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.

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.

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 €360 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 RISK

5.13.1 General structure

For CIC, 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 (NBI and NPV sensitivity and gaps) within the limits and/or alert thresholds set at the CIC level and group subsidiaries.

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 Interest rate risk management

Interest risk governance and steering

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 ALM technical committee, which meets quarterly, manages interest rate risk in accordance with the risk limits applied within Crédit Mutuel Alliance Fédérale. The ALM monitoring committee, which meets every six months, examines changes in asset-liability management risks and validates the risk limits and alert thresholds.

Measurement and monitoring systems and hedging mechanism

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.

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 ALM technical committee decides on the hedges to be put in place and distributes them in proportion to the needs of each entity.

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 static fixed-rate 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.
4. the basic risk, linked to assets and liabilities correlated on different indexes, corresponds to the risk of a change in the relationship between different market rates (variable rate employment financed by variable rate resources but not indexed on the same index). The basic risk is governed by a limit on the average 1-year outstanding amount of 3-month EURIBOR assets financed by Eonia resources.

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:

- a 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).

At December 31, 2019, CIC's net interest income was exposed to a decrease in 1-year rates of -€209 million (-4.17%), and to a decrease in 2-year rates of -€226 million (-4.51%) within the risk limits.

TABLE 50: CIC NBI SENSITIVITY INDICATORS

	Sensitivity as a% of NBI	
Standardized interest rate shocks	**1 year**	**2 years**
Scenario S1	4.97%	4.82%
Scenario S2	-4.17%	-4.51%
Scenario S3	10.41%	9.94%
Scenario S4	-0.53%	0.64%
Scenario S1 constant balance sheet	4.74%	4.47%
Scenario S2 constant balance sheet	-3.65%	-3.91%

	Sensitivity as a% of NBI	
Stress scenarios	**1 year**	**2 years**
Scenario S5	-0.21%	-3.32%
Scenario S5 bis*	-1.71%	-0.44%
Scenario S6	-1.88%	-4.61%
Scenario S6 bis*	-3.11%	-3.22%

* *Alternate hedging rule.*

Regulatory indicator

The sensitivity of the net asset value (NAV) 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);
- pplication 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 CIC is below the 20% alert thresholds for Tier 1 and Tier 2 capital:

- a 200bp drop in interest rates makes for an increase of 3.69% in Tier 1 and Tier 2 capital (+€587 million in absolute value);
- a 200bp rise in interest rates makes for a decline of -3.32% (-€529 million).

The sensitivities for the six EBA scenarios are below the alert threshold of 15% of Tier 1 capital:

TABLE 51: NPV SENSITIVITY

NPV sensitivity	In% of Tier 1 capital
Decrease of 200 bp	4.30%
Increase of 200 bp	-3.87%
Short-term rate decrease	3.51%
Short-term rate increase	-11.27%
Steepener	9.29%
Flattener	-13.56%

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

Liquidity risk strategy and monitoring

CIC's liquidity risk management system is fully integrated into the Crédit Mutuel Alliance Fédérale system. This system is based on the following factors:

- liquidity risk management that ensures its centralized monitoring and decision-making in technical, monitoring and control committees;
- 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.

Measurement and monitoring systems and hedging mechanism

The liquidity risk oversight and measurement systems are comprehensive and cover the entire scope of CIC. Non-financial entities are excluded.

The entire system is based on a number of liquidity indicators with alert thresholds and limits:

- monitoring of the Liquidity Coverage Ratio (LCR), which is representative of the short-term liquidity position;
- monitoring of the ratio of credits to deposits;
- determination of the static liquidity gap based on contractual schedules that incorporate off-balance sheet commitments. Transformation ratios (resources/jobs) are calculated for maturities of 3 months to 5 years and are subject to alert thresholds or limits;
- 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;
- calculation of the five-year dynamic liquidity gap, which includes new production items, thus making it possible to measure the future financing needs related to the growth of commercial activity.

The ALM technical committee decides on liquidity hedging transactions to be put in place with regard to all of these indicators. Allocations are made in proportion to the accumulated needs.

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.

Currency mismatch in the LCR (EU LIQ1.19)

Given its commercial activities and the domestic markets in which it operates, CIC is heavily concentrated on the euro. Only the US dollar exceeds the 5% representativeness threshold in the consolidated balance sheet total.

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.

The liquidity risk is subject to at least one review per year by the boards of directors of CFdeCM, BFCM, CIC and other group entities (regional banks, etc.).

Table of qualitative/quantitative information on liquidity risk in accordance with Article 435 (1) of EU Regulation No. 575/2013 (EU LIQA)

Refer to the information on Pillar 3 published by Crédit Mutuel Alliance Fédérale.

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 CIC in 2018 was as follows:

- an average LCR of 130.5% for 2019 (vs 121.8% in 2018);
- average HQLA liquidity assets totaling €39.1 billion, of which 92% deposited with central banks (mainly the ECB).

5

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

TABLE 52: SHORT-TERM LIQUIDITY COVERAGE RATIO (LCR) (EU LIQ1.18)

	Total unweighted value				Total weighted value			
(in € millions)	03/31/2019	06/30/2019	09/30/2019	12/31/2019	03/31/2019	06/30/2019	09/30/2019	12/31/2019
High-quality liquid assets								
1 – TOTAL HIGH-QUALITY LIQUID ASSETS (HQLA)					**41,250**	**42,148**	**42,057**	**43,459**
Cash outflows								
2 – Retail deposits and small business customer deposits, of which:	87,013	88,924	90,845	92,782	6,251	6,417	6,580	6,736
3 – Stable deposits	57,114	58,079	59,088	60,150	2,856	2,904	2,954	3,008
4 – Less stable deposits	29,879	30,826	31,738	32,613	3,376	3,494	3,607	3,710
5 – Unsecured wholesale funding	59,609	60,503	61,294	61,505	34,500	34,898	35,032	34,679
6 – Operational deposits (all counterparties) and deposits with cooperative bank network	15,712	15,955	16,350	16,828	3,739	3,795	3,888	4,002
7 – Non-operational deposits (all counterparties)	41,089	41,693	41,873	41,813	27,953	28,247	28,072	27,814
8 – Unsecured debt	2,808	2,855	3,071	2,864	2,808	2,855	3,071	2,864
9 – Secured wholesale funding					3,223	3,155	3,364	3,507
10 – Additional requirements	37,754	38,450	39,221	39,946	5,135	5,174	5,270	5,283
11 – Outflows related to derivative exposures and other collateral requirements	576	572	579	610	576	572	579	610
12 – Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13 – Credit and liquidity facilities	37,179	37,878	38,641	39,337	4,560	4,602	4,691	4,673
14 – Other contractual financing obligations	83	84	85	84	83	83	84	84
15 – Other potential financing obligations	345	345	355	355	17	17	18	18
16 – TOTAL CASH OUTFLOWS					**49,209**	**49,744**	**50,348**	**50,306**
Cash inflows								
17 – Secured lending (such as reverse repurchase agreements)	10,455	9,709	9,158	8,929	3,433	3,215	3,073	3,181
18 – Inflows from fully performing exposures	16,904	17,184	17,699	17,826	12,141	12,295	12,715	12,839
19 – Other cash inflows	704	717	757	785	704	717	757	785
EU-19a – Difference between total weighted cash inflows and total weighted cash outflows resulting from transactions in third countries where transfer restrictions apply or transactions are denominated in a non-convertible currency					0	0	0	0
EU-19b – Excess of cash inflows from a related specialty credit institution					0	0	0	0
20 – TOTAL CASH INFLOWS	**28,063**	**27,611**	**27,614**	**27,539**	**16,278**	**16,228**	**16,545**	**16,805**
EU-20a – Fully exempt cash inflows								
EU-20b – Cash inflows subject to the 90% ceiling								
EU-20c – Cash inflows subject to the 75% ceiling	28,063	27,611	27,614	27,539	16,278	16,228	16,545	16,805
21 – LIQUIDITY BUFFER					**41,250**	**42,148**	**42,057**	**43,459**
22 – TOTAL CASH OUTFLOWS					**32,932**	**33,516**	**33,803**	**33,501**
23 – LIQUIDITY COVERAGE RATIO REQUIREMENT *(in%)*					**125%**	**126%**	**124%**	**130%**

TABLE 53: DETAILS OF LIQUIDITY BUFFER – LCR

Amount after ECB weighting *(in € millions)*	**12/31/2019**
Tier 1	40,394
■ Cash deposited in central banks	35,212
■ HQLA	4,829
■ Cash deposits	353
Tier 2a	401
Tier 2b	4,078
TOTAL BUFFER	**44,873**

TABLE 54: BREAKDOWN OF CIC CONSOLIDATED BALANCE SHEET ACCORDING TO THE RESIDUAL DURATION OF FUTURE CONTRACTUAL CASH FLOWS (CAPITAL AND INTEREST)

2019 *(in € millions)*	**≤ 1 month[1]**	**> 1 month ≤ 3 months**	**> 3 months ≤ 1 year**	**> 1 year ≤ 2 years**	**> 2 years ≤ 5 years**	**> 5 years**	**No fixed maturity[2]**	**Total**
Assets								
Cash – Central banks	38,811							38,811
Demand deposits from credit institutions	9,281							9,281
Financial assets held for trading	8,643	2,898	6,101	2,467	4,406	2,915	644	28,075
Financial assets at fair value through profit or loss	14	17	11	56	214	191	3,063	3,566
Financial assets at fair value through equity	625	601	433	1,095	4,620	4,628	188	12,190
Securities at amortized cost	247	5	199	280	1,016	770	28	2,544
Loans and receivables – Credit institutions	6,481	864	2,144	1,243	3,748	4,919	0	19,398
Loans and receivables – Customers	25,962	7,742	15,867	18,554	47,168	73,230	0	188,523
Liabilities								
Central bank deposits	4	0	0	0	0	0	0	4
Financial liabilities held for trading	8,272	3,891	3,974	214	1,578	1,068	2	18,999
Financial liabilities at fair value through profit or loss	0	179	0	0	0	0	0	179
Derivatives used for hedging purposes (liabilities)	8	31	387	157	740	335	0	1,658
Financial liabilities carried at amortized cost	**150,187**	**20,710**	**34,553**	**15,670**	**28,043**	**20,271**	**163**	**269,597**
Central bank deposits	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Deposits from public administrations	*1,342*	*24*	*144*	*71*	*62*	*8*	*0*	*1,650*
Deposits from credit institutions	*10,167*	*7,316*	*12,945*	*6,407*	*18,289*	*11,778*	*0*	*66,902*
Deposits from other financial institutions	*13,921*	*1,822*	*1,292*	*522*	*521*	*343*	*0*	*18,421*
Deposits from non-financial institutions	*64,967*	*2,841*	*5,080*	*6,969*	*3,833*	*762*	*0*	*84,452*
Deposits from individuals	*54,674*	*1,812*	*1,563*	*838*	*3,946*	*1,948*	*0*	*64,782*
of which debt securities, including bonds	*3,645*	*6,895*	*13,528*	*862*	*1,385*	*3,369*	*0*	*29,684*
of which subordinated liabilities	0	0	0	0	7	2,062	163	2,233

(1) Including accrued receivables and related debt, and securities given and received under repurchase agreements.

(2) Includes perpetual debt, equity, bad and non-performing loans and impairments; also includes, for mark-to-market financial instruments, differences between fair value and redemption value.

Comments:

The tables above present the carrying amounts in IFRS based on the prudential scope. The 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.

Qualitative LCR information template to supplement the LCR publication template (EU LIQ1.19)

Refer to the information on Pillar 3 published by Crédit Mutuel Alliance Fédérale.

5.13.4 Currency risk management

The foreign currency positions of each CIC entity are automatically centralized in the CIC holding structure and BFCM. This centralization occurs on a daily basis for the commercial transfers and for the collection and disbursement of income and expenses in foreign currencies.

All unrealized foreign currency earnings are translated into euros at the end of each month and the resulting foreign exchange position is also centralized in the holding structure.

Accordingly, with the exception of certain long-term private equity transactions in foreign currencies, no group entity bears currency risk at its level. The holding structure is responsible for settling foreign currency positions in the market daily and monthly.

Only the capital markets of CIC Marchés and group treasury (which are housed at BFCM) have a specific limit for foreign exchange positions.

The structural foreign currency positions from CIC's foreign currency allocations of 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.

Foreign branch results are left in the branches and thus accumulate with the structural foreign exchange position.

5.13.5 Equity risk management

The equity risk incurred by CIC is made up of different types.

Assets at fair value through profit or loss

Equity portfolios held for trading amounted to €647 million at December 31, 2019 compared to €546 million at January 1, 2018 and were related exclusively to CIC capital markets activities (see note 5a of the appendix to the consolidated financial statements).

Shares recognized as other fair value through profit or loss were mainly related to the private equity business line, with €2,619 million (see note 5a of the appendix to the consolidated financial statements).

Long-term investments recognized as other fair value through profit or loss amounted to €377 million at December 31, 2019, of which €47 million in equity investments and €109 million in long-term securities holdings.

Assets at fair value through equity

Outstanding shares and long-term investments classified as assets at fair value through equity amounted to €24 million and €164 million, respectively.

The long-term investments included:

- equity investments for €45 million;
- other long-term investments for €64 million.

Private equity

This activity is carried out through entities dedicated to the business line with a portfolio fully valued at fair value through options.

The proprietary trading was spread over almost 335 lines, mainly for small- and medium-sized enterprises.

	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 €m)	2,873	2,529
Capital managed on behalf of third parties (in €m)	98	157

Source: risk monitoring.

5.14 OPERATIONAL RISK

In the context of the Basel 2 capital adequacy regulations, CIC 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, CIC has been authorized to use its advanced financial information about the measurement approach used by BFCM group 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.

Approval was extended to Crédit Mutuel Factoring starting January 1, 2012 and to Banque de Luxembourg starting September 30, 2013.

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 CIC group that uses an approach for identifying and modeling risks so as to calculate the level of capital required to cover this risk.

Measurement and control mechanism

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.

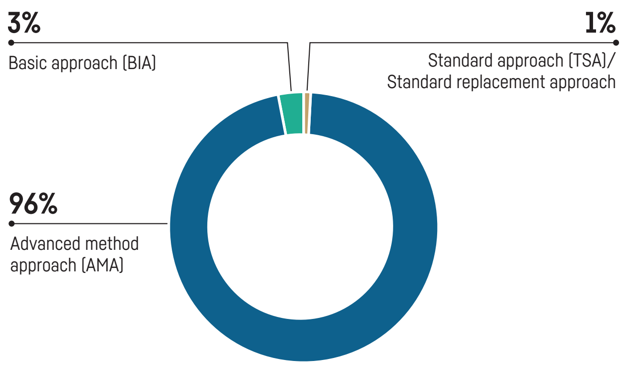
Authorized scope for AMA method

CIC is authorized to use its advanced measurement approach (internal models) to calculate its regulatory capital requirements in respect of operational risk (96% of the scope at December 31, 2019).

This authorization took effect on January 1, 2010 for the consolidated scope and was 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.

Breakdown of capital requirements by approach at 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.

5.14.4 Documentation and procedures

The group 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

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 corresponds to the resumption of activity in a degraded environment;
- the return-to-normal plan, preparation for which begins shortly after the start of the business continuity plan and whose duration depends on the extent of the damage.

5.14.6 Organization of crisis management

The group level and regional bank level systems cover the most effective communication and organizational structure to handle its three phases: emergency, continuity and return-to-normal plans.

They are based on:

- the crisis committee, chaired in the regions by the bank’s chief executive officer and at the national level by the group’s chief executive officer, which makes decisions on the merits, prioritizes actions and ensures internal and external communication;
- regional bank crisis units, which centralize information, implement decisions and monitor their implementation;
- business line crisis points, which coordinate on-the-ground operations in relation with the crisis units, including the activation of the EBCP until 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 CIC 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 to the financing of operational risks in the 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 through 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.

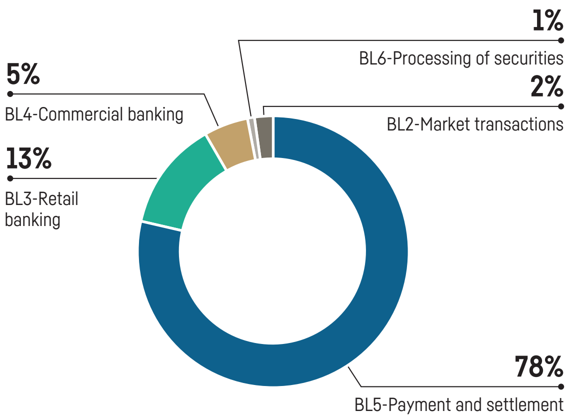
CIC's insurance programs comply with the provisions of Article 323 of EU Regulation No. 575/2013 of the European Parliament and Council of June 26, 2013 concerning the deduction of insurance under the advanced method approach (AMA).

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).

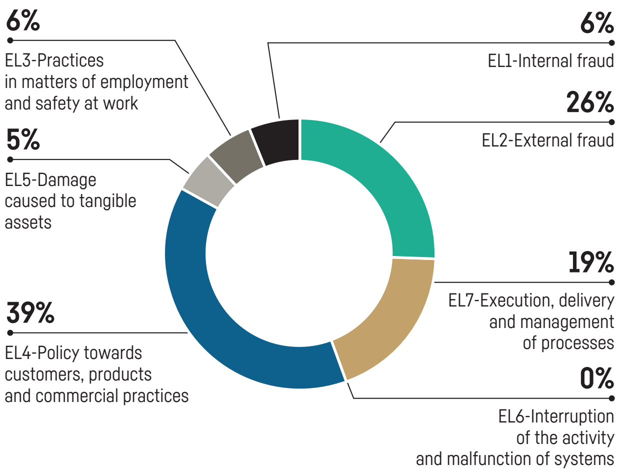
5.14.8 Inventory of CIC losses

CIC's total claims amounted to €47.8 million in 2019, including €38 million in losses, €40 million in provisions and €30 million in reversals of provisions on past claims. It broke down as follows:

2019 losses incurred on claims by business line (BL)



2019 losses incurred on claims by event line (EL)



5.15 OTHER RISKS

5.15.1 Legal risks

They are part of the operational risks and involve, among other things, exposure to fines, penalties and damages for fault attributable to the company with respect to its operations.

5.15.2 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, CIC 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 or other institutions as a condition of accessing the service. This includes the 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 funding mechanisms that are unused and can be easily withdrawn are not recognized as being encumbered.

As at December 31, 2019, the level and characteristics of encumbered and unencumbered assets for CIC were as follows:

TABLE 55: ENCUMBERED AND UNENCUMBERED ASSETS (MODEL A)

12/31/2019 *(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 unencum-bered assets	o/w HQLA and EHQLA	Fair value of unencum-bered assets	o/w HQLA and EHQLA
010 – Assets of disclosing institution	**42,681**	**6,305**			**268,682**	**7,759**		
030 – Capital instruments	0	0	0	0	3,811	64	3,811	64
040 – Debt securities	11,182	6,193	11,182	6,193	15,610	7,737	15,487	7,724
050 – Of which secured bonds	305	305	305	305	149	126	149	149
060 – Of which asset-backed securities	2,066	1,807	2,066	1,807	1,581	615	1,630	628
070 – Of which issued by public administrations	3,053	2,893	3,053	2,893	5,303	4,386	5,545	4,410
080 – Of which issued by financial institutions	6,065	2,198	6,065	2,198	2,426	1,537	2,345	1,512
090 – Of which issued by non-financial institutions	1,901	1,187	1,901	1,187	6,343	206	6,335	206
120 – Other assets	31,500	114			249,844	0		

* *All data presented is calculated according to the median values of the end-of-quarter data for the past year.*

TABLE 56: COLLATERAL RECEIVED (MODEL B)

12/31/2019 *(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**
130 – Collateral received by the disclosing institution	**14,631**	**10,677**	**6,435**	**2,744**
140 – Loans on demand	0	0	0	0
150 – Capital instruments	1,471	1,004	446	265
160 – Debt securities	13,524	9,999	4,877	2,543
170 – Of which secured bonds	166	166	114	114
180 – Of which asset-backed securities	895	834	2,439	1,884
190 – Of which issued by public administrations	8,375	8,137	440	371
200 – Of which issued by financial institutions	3,858	1,036	3,295	2,010
210 – Of which issued by non-financial institutions	1,040	720	1,012	159
220 – Loans and advances other than demand loans	0	0	0	0
230 – Other collateral received	0	0	1,196	0
240 – Own debt securities issued other than own secured bonds or asset-backed securities	**0**	**0**	**0**	**0**
241 – Own secured bonds and asset-backed securities issued and not yet pledged			**0**	**0**
250 – TOTAL ASSETS, COLLATERAL RECEIVED AND OWN-DEBT SECURITIES ISSUED	**57,368**	**17,101**		

* *All data presented is calculated according to the median values of the end-of-quarter data for the past year.*

TABLE 57: CARRYING AMOUNT OF ENCUMBERED ASSETS/COLLATERAL RECEIVED AND LIABILITIES BACKED (MODEL C)

12/31/2019 *(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**
010 – Carrying amount of the financial liabilities selected	**26,983**	**28,046**

* *All data presented is calculated according to the median values of the end-of-quarter data for the past year.*

5.17 REMUNERATION

Information on sound compensation policies is provided in the Chapter 4 “Corporate governance”.

APPENDICES

Appendix 1 – Detailed information about capital

12/31/2019 *(in € millions)*	Amount at date of publication	Amount subject to pre-payment processing or residual amount processing under EU Regulation No. 575/2013
COMMON EQUITY TIER 1 CAPITAL (CET1): INSTRUMENTS AND RESERVES		
1 – Capital instruments and related issue premium accounts	1,696	-
of which: Shares	*608*	-
of which: Issue premiums	*1,088*	-
2 – Retained profit	12,645	-
3 – Accumulated other comprehensive income (and other reserves)	- 182	-
3a – Funds for general banking risks	-	-
4 – Amount of eligible items referred to in Art. 484 (3) and related issue premium accounts that will be progressively excluded from CET1	-	-
5 – Non-controlling interests eligible for CET1	2	-
5a – Intermediate profits, net of any foreseeable expense and distribution of dividends, subject to independent control	**-**	**-**
6 – Common Equity Tier 1 capital (CET1) before regulatory adjustments	**14,161**	**-**
- COMMON EQUITY TIER 1 CAPITAL (CET1): REGULATORY ADJUSTMENTS	**-**	**-**
7 – Additional value corrections (negative amount)	- 47	-
8 – Intangible assets (net of related tax liabilities) (negative amount)	- 286	-
9 – Empty value set in the EU	-	-
10 – Deferred tax assets dependent on future profits, excluding those resulting from temporary differences, net of associated tax liabilities (net of associated tax liabilities if the conditions set out in Article 38 (3) are met) (negative amount)	-	-
11 – Fair value reserves relating to losses and gains generated by cash flow hedges	- 0	-
12 – Negative amounts resulting from the calculation of anticipated losses	- 178	-
13 – Any increase in the value of equity resulting from securitized assets (negative amount)	-	-
14 – Losses or gains on liabilities measured at fair value that are related to changes in the credit quality of the institution	- 1	-
15 – Defined-benefit pension fund assets (negative amount)	-	-
16 – Direct or indirect ownership, by an institution, of its own CET1 instruments (negative amount)	-	-
17 – Direct or indirect or synthetic holdings of CET1 instruments of financial sector entities where there is cross-ownership with the institution to artificially increase the institution's equity (negative amount)	-	-
18 – Direct or indirect or synthetic holdings of CET1 instruments of financial sector entities in which the institution does not hold a significant investment (amount above the 10% threshold, net of eligible short positions) (negative amount)	-	-
19 – Direct or indirect or synthetic holdings of CET1 instruments of financial sector entities in which the institution holds a significant investment (amount above the 10% threshold, net of eligible short positions) (negative amount)	-	-
20 – Empty value set in the EU	-	-
20a – Amount of exposures to the following items that receive a weighting of 1,250% if the institution has opted for the deduction	- 13	-
20b – of which: qualifying non-financial sector holdings (negative amount)	-	-
20c – of which: securitization positions (negative amount)	- 13	-
20d – of which: free delivery exposures (negative amount)	-	-
21 – Deferred tax assets resulting from temporary differences (amount above the 10% threshold, net of associated tax liabilities if the conditions set out in Article 38 (3) are met) (negative amount)	-	
22 – Amount above the 15% threshold (negative amount)	-	-

12/31/2019 *(in € millions)*	**Amount at date of publication**	**Amount subject to pre-payment processing or residual amount processing under EU Regulation No. 575/2013**
23 – of which: direct and indirect holdings, by the institution, of CET1 instruments of financial sector entities in which it holds a significant investment	-	-
24 – Empty value set in the EU	-	-
25 – of which: deferred tax assets resulting from temporary differences	-	-
25a – Negative results of the current fiscal year (negative amount)	-	-
25b – Foreseeable tax expenses for CET1 items (negative amount)	-	-
26 – Regulatory adjustments applied to Common Equity Tier 1 capital for amounts subject to pre-CRR treatment	-	-
26a – Regulatory adjustments for unrealized gains and losses pursuant to Articles 467 and 468	-	-
of which: filter for unrealized loss on capital instruments	-	-
of which: filter for unrealized loss on debt instruments	-	-
of which: filter for unrealized gain on capital instruments	-	-
of which: filter for unrealized gain on debt instruments	-	-
26b – Amount to be deducted or added to Common Equity Tier 1 capital for additional filters and deductions referred to in the pre-CRR provisions	-	-
27 – Eligible AT1 deductions in excess of the institution's AT1 equity (negative amount)	-	-
28 – Total regulatory adjustments to Common Equity Tier 1 capital (CET1)	**- 525**	**-**
29 – Common Equity Tier 1 capital (CET1)	**13,636**	**-**
- ADDITIONAL TIER 1 CAPITAL (AT1): INSTRUMENTS	**-**	**-**
30 – Capital instruments and related share premium accounts	-	-
31 – of which: classified as equity under the applicable accounting basis	-	-
32 – of which: classified as liabilities under the applicable accounting basis	-	-
33 – Amount of eligible items referred to in Art. 484 (4) and related issue premium accounts that will be progressively excluded from AT1	-	-
34 – Eligible Tier 1 capital included in AT1 consolidated equity (including non-controlling interests not included in line 5) issued by subsidiaries and held by third parties	0	-
35 – of which: instruments issued by subsidiaries that will be progressively excluded	-	-
36 – Additional Tier 1 capital (AT1) before regulatory adjustments	**0**	**-**
- ADDITIONAL TIER 1 CAPITAL (AT1): REGULATORY ADJUSTMENTS	**-**	**-**
37 – Direct or indirect ownership, by an institution, of its own AT1 instruments (negative amount)	-	-
38 – Direct or indirect or synthetic holdings of AT1 instruments of financial sector entities where there is cross-ownership with the institution to artificially increase the institution's equity (negative amount)	-	-
39 – Direct or indirect or synthetic holdings of AT1 instruments of financial sector entities in which the institution does not hold a significant investment (amount above the 10% threshold, net of eligible short positions) (negative amount)	-	-
40 – Direct or indirect or synthetic holdings of AT1 instruments of financial sector entities in which the institution holds a significant investment (amount above the 10% threshold, net of eligible short positions) (negative amount)	-	-
41 – Regulatory adjustments applied to additional Tier 1 capital for amounts subject to pre-CRR treatment and transitional treatment that will be progressively excluded in accordance with EU Regulation No. 575/2013 (CRR residual amounts)	-	-
41a – Residual amounts deducted from additional Tier 1 capital for the deduction of Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of EU Regulation No. 575/2013	-	-
41b – Residual amounts deducted from additional Tier 1 capital for the deduction of Common Equity Tier 2 capital during the transitional period pursuant to Article 475 of EU Regulation No. 575/2013	-	-
41c – Amount to be deducted or added to additional Tier 1 capital for additional filters and deductions referred to in the pre-CRR provisions	-	-
42 – Eligible T2 deductions in excess of the institution's T2 equity (negative amount)	-	-
43 – Total regulatory adjustments to additional Tier 1 Capital (AT1)	-	-

5

12/31/2019 *(in € millions)*	Amount at date of publication	Amount subject to pre-payment processing or residual amount processing under EU Regulation No. 575/2013
44 – Additional Tier 1 capital (AT1)	**0**	**-**
45 – Tier 1 capital (T1 = CET1 + AT1)	**13,636**	**-**
- ADDITIONAL TIER 2 CAPITAL (T2): INSTRUMENTS AND PROVISIONS	**-**	**-**
46 – Capital instruments and related issue premium accounts	2,230	-
47 – Amount of eligible items referred to in Art. 484 (5) and related issue premium accounts that will be progressively excluded from T2	-	-
48 – Eligible capital instruments included in T2 consolidated equity (including non-controlling interests and AT1 instruments not included in line 5) issued by subsidiaries and held by third parties	30	-
49 – of which: instruments issued by subsidiaries that will be progressively excluded	-	-
50 – Adjustments for credit risk	24	-
51 – Tier 2 capital (T2) before regulatory adjustments	**2,284**	**-**
- ADDITIONAL TIER 2 CAPITAL (T2): INSTRUMENTS AND PROVISIONS	**-**	**-**
52 – Direct or indirect ownership, by an institution, of its own T2 instruments and subordinated loans (negative amount)	-	-
53 – Direct or indirect holdings of T2 instruments and subordinated debt of financial sector entities where there is cross-ownership with the institution to artificially increase the institution's equity (negative amount)	-	-
54 – Direct or indirect holdings of T2 instruments and subordinated debt of financial sector entities in which the institution does not hold a significant investment (amount above the 10% threshold, net of eligible short positions) (amount negative)	-	-
54a – of which new detentions not subject to the transitional arrangements	-	-
54b – of which holdings existing before January 1, 2013 subject to the transitional arrangements	-	-
55 – Direct holdings of T2 instruments and subordinated debt of financial sector entities in which the institution holds a significant investment (net of eligible short positions) (negative amount)	-	-
56 – Regulatory adjustments applied to additional Tier 2 capital for amounts subject to pre-CRR treatment and transitional treatment that will be progressively excluded in accordance with EU Regulation No. 575/2013 (CRR residual amounts)	-	-
56a – Residual amounts deducted from Tier 2 capital for the deduction of Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of EU Regulation No. 575/2013	-	-
56b – Residual amounts deducted from Tier 2 capital for the deduction of additional Common Equity Tier 1 capital during the transitional period pursuant to Article 475 of EU Regulation No. 575/2013	-	-
56c – Amount to be deducted or added to Tier 2 capital for additional filters and deductions referred to in the pre-CRR provisions	-	-
Add – of which subsidies received by leasing companies	-	-
Add – of which unrealized gains on equity instruments reported as additional capital	-	-
Add – of which restatement for holding of capital instruments	-	-
57 – Total regulatory adjustments to Tier 2 Capital (T2)	**-**	**-**
58 – Tier 2 capital (T2)	**2,284**	**-**
59 – Total equity (TC = T1 + T2)	**15,921**	**-**
59a – Assets weighted for the amounts subject to pre-CRR treatment and transitional treatment that will be progressively excluded in accordance with EU Regulation No. 575/2013	-	-
of which items not deducted from CET1 (EU Regulation 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.)	-	-
of which items not deducted from AT1 (EU Regulation 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.)	-	-

12/31/2019 *(in € millions)*	**Amount at date of publication**	**Amount subject to pre-payment processing or residual amount processing under EU Regulation No. 575/2013**
OF WHICH ITEMS NOT DEDUCTED FROM T2 (EU REGULATION 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.)	-	-
60 – Total weighted assets	**105,951**	-
- EQUITY RATIOS AND BUFFERS		
61 – Common Equity Tier 1 capital (as a percentage of the total amount of risk exposure)	**12.87%**	-
62 – Tier 1 capital (as a percentage of the total amount of risk exposure)	**12.87%**	-
63 – Total equity (as a percentage of the total amount of risk exposure)	**15.03%**	-
64 – Buffer requirement specific to institution (CET1 requirement in accordance with Article 92 (1) (a)), plus equity conservation and countercyclical buffer requirements, plus systemic risk buffer, plus institutional buffer of systemic importance, expressed as a percentage of the amount of risk exposure	**2.72%**	-
65 – of which: capital conservation buffer requirement	**2.50%**	-
66 – of which: countercyclical buffer requirement	**0.22%**	-
67 – of which: buffer requirement for systemic risk	**0.00%**	-
67a – of which: buffer for Global Systemically Important Financial Institutions (G-SIFI) or Other Systemically Important Institutions (O-SII)	**0.00%**	-
68 – Common Equity Tier 1 capital available to meet buffer requirements (as a percentage of the amount of exposure to risk)	**8.37%**	-
- LOWER LIMITS TO THRESHOLDS FOR DEDUCTION (BEFORE WEIGHTING)	-	-
72 – Direct and indirect holdings of equity of financial sector entities in which the institution does not hold a significant investment (amount below the 10% threshold, net of eligible short positions)	253	-
73 – Direct and indirect holdings of equity of financial sector entities in which the institution holds a significant investment (amount below the 10% threshold, net of eligible short positions)	168	-
75 – Deferred tax assets resulting from temporary differences (amount below the 10% threshold, net of associated tax liabilities if the conditions set out in Article 38 (3), are met)	87	-
- UPPER LIMITS APPLICABLE FOR INCLUSION OF PROVISIONS IN TIER 2 CAPITAL	-	-
76 – Adjustments for credit risk included in T2 for exposures that fall under the standard approach (before the upper limit is applied)	-	-
77 – Upper limit for inclusion of adjustments for credit risk in T2 using the standard approach	-	-
78 – Adjustments for credit risk included in T2 for exposures that fall under the internal ratings approach (before the upper limit is applied)	- 112	-
79 – Upper limit for inclusion of adjustments for credit risk in T2 using the internal ratings approach	372	
- EQUITY INSTRUMENTS SUBJECT TO PROGRESSIVE EXCLUSION (APPLICABLE BETWEEN JANUARY 1, 2014 AND JANUARY 1, 2022 ONLY)	-	
80 – Current upper limit applicable to CET1 instruments subject to progressive exclusion	-	
81 – Amount excluded from CET1 due to the upper limit (amount in excess of the upper limit after repayment and installments)	-	
82 – Current upper limit applicable to AT1 instruments subject to gradual exclusion	-	
83 – Amount excluded from AT1 due to the upper limit (amount in excess of the upper limit after repayment and installments)	-	
84 – Current upper limit applicable to T2 instruments subject to gradual exclusion	-	
85 – Amount omitted from T2 due to the upper limit (amount in excess of the upper limit after repayment and installments)	-	

Appendix 2 – Qualitative information on capital instruments

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	Crédit Industriel et Commercial	Lyonnaise de Banque
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	FR0000047805	FR0000047789
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Non-voting loan stock - Article 62 et seq. of CRR	■ Non-voting loan stock - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€137.20 million	€15.43 million
9	Nominal value of the instrument	€137.20 million	€15.43 million
9a	Issue price	€137.20 million	€15.43 million
9b	Redemption amount	€178.37 million if the repurchase option is exercised 05/28/1997, then annual revaluation of 1.5% after said date	€20.06 million if the repurchase option is exercised 06/01/1997, then annual revaluation of 1.5% after said date
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	05/28/1985	06/01/1985
12	Perpetual or fixed-term	Perpetual	Perpetual
13	Initial maturity	No maturity	No maturity
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Partial or total buyback option from the issuer: 05/28/1997 at 130% of the nominal	■ Partial or total buyback option from the issuer: 06/01/1997 at 130% of the nominal
16	Subsequent buyback option call dates, if any	On each interest payment date after 05/28/1997	On each interest payment date after 06/01/1997

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	Crédit Industriel et Commercial	Lyonnaise de Banque
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	40% x annual monetary reference rate +43% x annual monetary reference rate x (Income year N-1/Income year 1984) with the following limits: ■ minimum 85% (AMRR+ABY)/2 ■ maximum 130% (AMRR+ABY)/2	35% x average bond yield +35% x average bond yield x (Income year N-1/Income year 1984) with the following limits: ■ minimum 85% of ABY ■ maximum 130% of ABY
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	Mandatory	Mandatory
20b	Full discretion, partial discretion or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	Crédit Industriel et Commercial	Crédit Industriel et Commercial
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	FR0000584377	FR0000165847
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Perpetual subordinated notes - Article 62 et seq. of CRR	■ Perpetual progressive-interest subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€18.96 million	€7.25 million
9	Nominal value of the instrument	€18.96 million	€7.25 million
9a	Issue price	€18.96 million	€7.25 million
9b	Redemption amount	€19.15 million	€7.25 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	07/20/1987	12/26/1990
12	Perpetual or fixed-term	Perpetual	Perpetual
13	Initial maturity	No maturity	No maturity
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Partial or total buyback option from the issuer: during a 45-day period starting 07/20/1994 at 101% of the nominal + accrued interest	■ Partial or total buyback option from the issuer: 12/26/1999 at par
16	Subsequent buyback option call dates, if any	For a 45-day period from each interest payment date after 07/20/1994	On each interest payment date after 12/26/1999

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	Crédit Industriel et Commercial	Crédit Industriel et Commercial
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	Average of the last 12 TMEs +0.25%	P1C +1.75% for interest payable annually since 2006
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	Partial discretion	Partial discretion
20b	Full discretion, partial discretion or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	Crédit Industriel et Commercial	Crédit Industriel et Commercial
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€414.48 million	€700.00 million
9	Nominal value of the instrument	€414.48 million	€700.00 million
9a	Issue price	€414.48 million	€700.00 million
9b	Redemption amount	€414.48 million	€700.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	03/24/2016	11/04/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	03/24/2026	11/04/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of declassification of Tier 2 capital ("Capital Event"): at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	Crédit Industriel et Commercial	Crédit Industriel et Commercial
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +2.05%	3-month EURIBOR +1.7%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	Crédit Industriel et Commercial	Crédit Industriel et Commercial
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€91.00 million	€153.00 million
9	Nominal value of the instrument	€91.00 million	€153.00 million
9a	Issue price	€91.00 million	€153.00 million
9b	Redemption amount	€91.00 million	€153.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	03/31/2017	11/15/2017
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	03/31/2027	11/15/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	Crédit Industriel et Commercial	Crédit Industriel et Commercial
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.97%	3-month EURIBOR +1.02%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	Crédit Industriel et Commercial	CIC Suisse
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Suisse and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€54.00 million	€7.00 million
9	Nominal value of the instrument	€54.00 million	€7.00 million
9a	Issue price	€54.00 million	€7.00 million
9b	Redemption amount	€54.00 million	€7.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	05/25/2018	07/01/2014
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	05/25/2028	05/21/2024
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a tax event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	Crédit Industriel et Commercial	CIC Suisse
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.55%	3-month EURIBOR +1.645%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	CIC Suisse	CIC Suisse
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC Suisse and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Suisse and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€15.00 million	€11.52 million
9	Nominal value of the instrument	€15.00 million	€11.52 million
9a	Issue price	€15.00 million	€11.52 million
9b	Redemption amount	€15.00 million	€11.52 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	09/11/2015	03/24/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	09/11/2025	03/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a tax event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a tax event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	CIC Suisse	CIC Suisse
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +2.15%	3-month EURIBOR +2.05%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	CIC Suisse	CIC Sud Ouest
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC Suisse and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Sud Ouest and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€3.00 million	€37.33 million
9	Nominal value of the instrument	€3.00 million	€37.33 million
9a	Issue price	€3.00 million	€37.33 million
9b	Redemption amount	€3.00 million	€37.33 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	03/31/2017	03/24/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	03/31/2027	03/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a tax event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	CIC Suisse	CIC Sud Ouest
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.97%	3-month EURIBOR +2.05%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	CIC Sud Ouest	CIC Sud Ouest
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC Sud Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Sud Ouest and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€10.00 million	€18.00 million
9	Nominal value of the instrument	€10.00 million	€18.00 million
9a	Issue price	€10.00 million	€18.00 million
9b	Redemption amount	€10.00 million	€18.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	03/31/2017	11/15/2017
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	03/31/2027	11/15/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	CIC Sud Ouest	CIC Sud Ouest
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.97%	3-month EURIBOR +1.02%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	CIC Sud Ouest	CIC Lyonnaise de Banque
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC Sud Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Lyonnaise de Banque and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€11.00 million	€80.97 million
9	Nominal value of the instrument	€11.00 million	€80.97 million
9a	Issue price	€11.00 million	€80.97 million
9b	Redemption amount	€11.00 million	€80.97 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	05/25/2018	03/24/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	05/25/2028	03/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	CIC Sud Ouest	CIC Lyonnaise de Banque
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.55%	3-month EURIBOR +2.05%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	CIC Lyonnaise de Banque	CIC Lyonnaise de Banque
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC Lyonnaise de Banque and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Lyonnaise de Banque and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€18.00 million	€36.00 million
9	Nominal value of the instrument	€18.00 million	€36.00 million
9a	Issue price	€18.00 million	€36.00 million
9b	Redemption amount	€18.00 million	€36.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	03/31/2017	11/15/2017
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	03/31/2027	11/15/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	CIC Lyonnaise de Banque	CIC Lyonnaise de Banque
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.97%	3-month EURIBOR +1.02%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	CIC Lyonnaise de Banque	Crédit Mutuel Real Estate Lease
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC Lyonnaise de Banque and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between Crédit Mutuel Real Estate Lease and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€21.00 million	€18.11 million
9	Nominal value of the instrument	€21.00 million	€18.11 million
9a	Issue price	€21.00 million	€18.11 million
9b	Redemption amount	€21.00 million	€18.11 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	05/25/2018	03/24/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	05/25/2028	03/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	CIC Lyonnaise de Banque	Crédit Mutuel Real Estate Lease
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.55%	3-month EURIBOR +2.05%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	Crédit Mutuel Real Estate Lease	Crédit Mutuel Real Estate Lease
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between Crédit Mutuel Real Estate Lease and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between Crédit Mutuel Real Estate Lease and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€4.00 million	€7.00 million
9	Nominal value of the instrument	€4.00 million	€7.00 million
9a	Issue price	€4.00 million	€7.00 million
9b	Redemption amount	€4.00 million	€7.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	03/31/2017	11/15/2017
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	03/31/2027	11/15/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	Crédit Mutuel Real Estate Lease	Crédit Mutuel Real Estate Lease
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.97%	3-month EURIBOR +1.02%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	Crédit Mutuel Real Estate Lease	Crédit Mutuel Factoring
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between Crédit Mutuel Real Estate Lease and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between Crédit Mutuel Factoring and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€4.00 million	€17.77 million
9	Nominal value of the instrument	€4.00 million	€17.77 million
9a	Issue price	€4.00 million	€17.77 million
9b	Redemption amount	€4.00 million	€17.77 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	05/25/2018	03/24/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	05/25/2028	03/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	Crédit Mutuel Real Estate Lease	Crédit Mutuel Factoring
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.55%	3-month EURIBOR +2.05%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	Crédit Mutuel Factoring	Crédit Mutuel Factoring
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between Crédit Mutuel Factoring and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between Crédit Mutuel Factoring and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€4.00 million	€6.00 million
9	Nominal value of the instrument	€4.00 million	€6.00 million
9a	Issue price	€4.00 million	€6.00 million
9b	Redemption amount	€4.00 million	€6.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	03/31/2017	11/15/2017
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	03/31/2027	11/15/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	Crédit Mutuel Factoring	Crédit Mutuel Factoring
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.97%	3-month EURIBOR +1.02%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	Crédit Mutuel Factoring	Crédit Mutuel Leasing
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between Crédit Mutuel Factoring and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between Crédit Mutuel Leasing and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€5.00 million	€9.04 million
9	Nominal value of the instrument	€5.00 million	€9.04 million
9a	Issue price	€5.00 million	€9.04 million
9b	Redemption amount	€5.00 million	€9.04 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	05/25/2018	03/24/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	05/25/2028	03/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	Crédit Mutuel Factoring	Crédit Mutuel Leasing
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.55%	3-month EURIBOR +2.05%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	Crédit Mutuel Leasing	Crédit Mutuel Leasing
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between Crédit Mutuel Leasing and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between Crédit Mutuel Leasing and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€3.00 million	€3.00 million
9	Nominal value of the instrument	€3.00 million	€3.00 million
9a	Issue price	€3.00 million	€3.00 million
9b	Redemption amount	€3.00 million	€3.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	03/31/2017	05/25/2018
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	03/31/2027	05/25/2028
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	Crédit Mutuel Leasing	Crédit Mutuel Leasing
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.97%	3-month EURIBOR +1.55%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	CIC Nord Ouest	CIC Nord Ouest
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC Nord Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Nord Ouest and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€38.34 million	€10.00 million
9	Nominal value of the instrument	€38.34 million	€10.00 million
9a	Issue price	€38.34 million	€10.00 million
9b	Redemption amount	€38.34 million	€10.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	03/24/2016	03/31/2017
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	03/24/2026	03/31/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	CIC Nord Ouest	CIC Nord Ouest
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +2.05%	3-month EURIBOR +1.97%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	CIC Nord Ouest	CIC Nord Ouest	CIC Ouest
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC Nord Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Nord Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Ouest and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French	French
REGULATORY TREATMENT				
4	CRR transitional rules	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€19.00 million	€12.00 million	€50.58 million
9	Nominal value of the instrument	€19.00 million	€12.00 million	€50.58 million
9a	Issue price	€19.00 million	€12.00 million	€50.58 million
9b	Redemption amount	€19.00 million	€12.00 million	€50.58 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	11/15/2017	05/25/2018	03/24/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term	Fixed-term
13	Initial maturity	11/15/2027	05/25/2028	03/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at ar	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	CIC Nord Ouest	CIC Nord Ouest	CIC Ouest
COUPONS/DIVIDENDS				
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.02%	3-month EURIBOR +1.55%	3-month EURIBOR +2.05%
19	Existence of a dividend stopper	No	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No	No
22	Cumulative or non-cumulative	N/A	N/A	N/A
23	Convertible or non-convertible	No	No	No
24	If convertible, conversion trigger	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A	N/A
30	Capital reduction features	No	No	No
31	If reduction, trigger of reduction	N/A	N/A	N/A
32	If reduction, total or partial	N/A	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	CIC Ouest	CIC Ouest
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Ouest and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€12.00 million	€21.00 million
9	Nominal value of the instrument	€12.00 million	€21.00 million
9a	Issue price	€12.00 million	€21.00 million
9b	Redemption amount	€12.00 million	€21.00 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	03/31/2017	11/15/2017
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	03/31/2027	11/15/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	CIC Ouest	CIC Ouest
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.97%	3-month EURIBOR +1.02%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	CIC Ouest	CIC Est
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Est and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€12.00 million	€58.73 million
9	Nominal value of the instrument	€12.00 million	€58.73 million
9a	Issue price	€12.00 million	€58.73 million
9b	Redemption amount	€12.00 million	€58.73 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	05/25/2018	03/24/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	05/25/2028	03/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	CIC Ouest	CIC Est
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.55%	3-month EURIBOR +2.05%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	**Issuer**	**CIC Est**
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC Est and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French
REGULATORY TREATMENT		
4	CRR transitional rules	Tier 2 capital
5	CRR rules after transition	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/solo and (sub-) consolidated level	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€13.00 million
9	Nominal value of the instrument	€13.00 million
9a	Issue price	€13.00 million
9b	Redemption amount	€13.00 million
10	Accounting classification	Liabilities – amortized cost
11	Initial issue date	03/31/2017
12	Perpetual or fixed-term	Fixed-term
13	Initial maturity	03/31/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A
COUPONS/DIVIDENDS		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.97%
19	Existence of a dividend stopper	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A
21	Existence of a step-up mechanism or other buyback incentive	No
22	Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, rate of conversion	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, type of instrument converted into	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A
30	Capital reduction features	No
31	If reduction, trigger of reduction	N/A
32	If reduction, total or partial	N/A
33	If reduction, permanent or temporary	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No
37	If yes, specify non-compliant characteristics	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	**Issuer**	**CIC Est**
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC Est and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French
REGULATORY TREATMENT		
4	CRR transitional rules	Tier 2 capital
5	CRR rules after transition	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/solo and (sub-) consolidated level	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€25.00 million
9	Nominal value of the instrument	€25.00 million
9a	Issue price	€25.00 million
9b	Redemption amount	€25.00 million
10	Accounting classification	Liabilities – amortized cost
11	Initial issue date	11/15/2017
12	Perpetual or fixed-term	Fixed-term
13	Initial maturity	11/15/2027
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A
COUPONS/DIVIDENDS		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.02%
19	Existence of a dividend stopper	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A
21	Existence of a step-up mechanism or other buyback incentive	No
22	Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, rate of conversion	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, type of instrument converted into	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A
30	Capital reduction features	No
31	If reduction, trigger of reduction	N/A
32	If reduction, total or partial	N/A
33	If reduction, permanent or temporary	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No
37	If yes, specify non-compliant characteristics	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

1	Issuer	CIC Est	Banque Transatlantique
2	Sole issuer (such as CUSIP, ISIN or Bloomberg for private placements)	Subordinated loan agreement between CIC Est and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between Banque Transatlantique and Banque Fédérative du Crédit Mutuel
3	Law governing the instrument	French	French
REGULATORY TREATMENT			
4	CRR transitional rules	Tier 2 capital	Tier 2 capital
5	CRR rules after transition	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo and (sub-) consolidated level	Individual and sub-consolidated	Individual and sub-consolidated
7	Type of instrument (to be specified for each jurisdiction)	■ Subordinated notes - Article 62 et seq. of CRR	■ Subordinated notes - Article 62 et seq. of CRR
8	Amount recognized as regulatory capital (currency in millions, at the last reporting date)	€14.00 million	€3.71 million
9	Nominal value of the instrument	€14.00 million	€3.71 million
9a	Issue price	€14.00 million	€3.71 million
9b	Redemption amount	€14.00 million	€3.71 million
10	Accounting classification	Liabilities – amortized cost	Liabilities – amortized cost
11	Initial issue date	05/25/2018	03/24/2016
12	Perpetual or fixed-term	Fixed-term	Fixed-term
13	Initial maturity	05/25/2028	03/24/2026
14	Issuer buyback option subject to the prior approval of the supervisory authority	Yes	Yes
15	Optional call date, contingent call date and redemption amount	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par	■ Buyback option for entire issuance in the case of a withholding tax event, tax deduction event or tax gross-up event: at any time at par ■ Buyback option for entire issuance in the event of downgrading of Tier 2 capital: ("Capital Event") at any time at par
16	Subsequent buyback option call dates, if any	N/A	N/A

MAIN FEATURES OF CAPITAL INSTRUMENTS (T2)

	Issuer	CIC Est	Banque Transatlantique
COUPONS/DIVIDENDS			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any associated index	3-month EURIBOR +1.55%	3-month EURIBOR +2.05%
19	Existence of a dividend stopper	No	No
20a	Full discretion, partial discretion or mandatory (in terms of schedule)	N/A	N/A
20b	Full discretion, partial discretion or mandatory (in terms of amount)	N/A	N/A
21	Existence of a step-up mechanism or other buyback incentive	No	No
22	Cumulative or non-cumulative	N/A	N/A
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, rate of conversion	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, type of instrument converted into	N/A	N/A
29	If convertible, issuer of the instrument to which the conversion took place	N/A	N/A
30	Capital reduction features	No	No
31	If reduction, trigger of reduction	N/A	N/A
32	If reduction, total or partial	N/A	N/A
33	If reduction, permanent or temporary	N/A	N/A
34	If temporary reduction of capital, description of re-capitalization mechanism	N/A	N/A
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Instrument subject to the payment of all unsecured creditors	Instrument subject to the payment of all unsecured creditors
36	Existence of non-compliant characteristics	No	No
37	If yes, specify non-compliant characteristics	N/A	N/A

INDEX OF TABLES

6

CONSOLIDATED FINANCIAL STATEMENTS

6.1 FINANCIAL STATEMENTS

6.1.1 Balance sheet (assets)

(in € millions)	Notes	12/31/2019	12/31/2018
Cash, central banks	4	38,811	31,709
Financial assets at fair value through profit or loss	5a	31,641	16,760
Hedging derivatives	6a	635	547
Financial assets at fair value through other comprehensive income	7a	12,190	11,423
Securities at amortized cost	8a	2,544	2,650
Loans and receivables to credit institutions and similar, at amortized cost	8b	28,679	32,180
Loans and receivables to customers at amortized cost	8c	188,523	188,520
Revaluation adjustment on rate-hedged books	6b	803	623
Current tax assets	10a	687	767
Deferred tax assets	10b	333	360
Accruals and other assets	11	5,568	5,745
Non-current assets held for sale		0	0
Investments in equity consolidated companies	12	1,577	1,888
Investment properties	13	49	46
Property, plant and equipment	14a	1,578	1,270
Intangible assets	14b	179	183
Goodwill	15	33	33
TOTAL ASSETS		**313,830**	**294,704**

As from January 1, 2019, persuant to IFRS 16 – Leases, the group has recognized an asset representing the right to use for leased properties under “Property, plant and equipment” (see note 1).

6.1.2 Balance sheet (liabilities)

(in € millions)	Notes	12/31/2019	12/31/2018
Due to central banks	18a	4	0
Financial liabilities at fair value through profit or loss	16	19,178	4,131
Hedging derivatives	6a	1,658	1,624
Due to credit and similar institutions at amortized cost	18a	68,374	84,945
Amounts due to customers at amortized cost	18b	169,306	152,060
Debt securities at amortized cost	18c	29,684	26,904
Revaluation adjustment on rate-hedged books	6b	-22	8
Current tax liabilities	10a	290	243
Deferred tax liabilities	10b	246	259
Deferred income, accrued charges and other liabilities	19	6,237	6,163
Debt related to non-current assets held for sale		0	0
Provisions	20a	979	1,032
Subordinated debt at amortized cost	21	2,233	2,234
Total shareholders' equity		**15,663**	**15,101**
Shareholders' equity attributable to the group		**15,616**	**15,052**
Subscribed capital		608	608
Additional paid-in capital		1,088	1,088
Consolidated reserves		12,410	12,001
Gains and losses recognized directly in equity	22a	53	-30
Profit (loss) for the fiscal year		1,457	1,385
Shareholders' equity – Non-controlling interests		**47**	**49**
TOTAL LIABILITIES		**313,830**	**294,704**

As from January 1, 2019, persuant to IFRS 16 – Leases, the group has recognized a rental liability representing the obligation to pay rents under "Deferred income, accrued charges and other liabilities" (see note 1).

6

6.1.3 Income statement

(in € millions)	Notes	12/31/2019	12/31/2018 Restated[1]
Interest and similar income	24	5,543	5,093
Interest and similar expenses	24	-3,101	-2,935
Commissions (income)	25	2,640	2,762
Commissions (expenses)	25	-550	-640
Net gains on financial instruments at fair value through profit or loss	26	623	535
Net gains or losses on financial assets at fair value through shareholders' equity	27	34	174
Net gains or losses resulting from derecognition of financial assets at amortized cost	28	2	1
Income from other activities	29	167	172
Expenses on other activities	29	-145	-141
Net Banking Income		**5,213**	**5,021**
Employee benefits expense	30a	-1,835	-1,790
Other general operating expenses	30c	-1,243	-1,257
Movements in depreciation, amortization and provisions for property and equipment and intangible assets	30e	-173	-119
Gross operating income/(loss)		**1,962**	**1,855**
Cost of counterparty risk	31	-311	-191
Operating income		**1,651**	**1,664**
Share of net profit/(loss) of equity consolidated companies	12	158	198
Net gains/(losses) on disposals of other assets	32	54	27
Profit/(loss) before tax		**1,863**	**1,889**
Income tax	33	-395	-494
Post-tax gains/(losses) on discontinued operations		**0**	**0**
Net profit		1,468	1,395
Net profit/(loss) – Non-controlling interests		11	10
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP		**1,457**	**1,385**
Earnings per share *(in €)*	34	38.55	36.65
Diluted earnings per share *(in €)*	34	38.55	36.65

(1) In 2019, in order to better reflect interest income and expenses of transaction instruments, the group also revised the recognition and presentation scheme in the net banking income of the interest income and expenses of some of these financial instruments at fair value through profit or loss and notably proceeded with the following restatements:

(i) recording of interest as overall offsets on the lending and borrowing legs of transaction swaps, and

(ii) re-categorization of interest from hedging derivatives in the "Income and expenses from hedging derivatives" section.

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 and are provided below.

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

(in € millions)	12/31/2019	12/31/2018
Net profit/(loss)	**1,468**	**1,395**
Translation adjustments	33	43
Remeasurement of financial assets at fair value through equity – capital instruments	-7	-13
Remeasurement of hedging derivatives	-0	0
Share of unrealized or deferred gains and losses of associates	49	-47
Total recyclable gains and losses recognized directly in equity	**75**	**-17**
Revaluation of financial assets at fair value through equity – capital instruments at closing	12	-71
Remeasurement of financial assets at fair value through equity – capital instruments sold during the fiscal year	-0	0
Actuarial gains and losses on defined benefit plans	-16	-13
Share of non-recyclable gains and losses of equity consolidated companies	12	-20
Total non-recyclable gains and losses recognized directly in equity	**8**	**-104**
Net profit/(loss) and gains and (losses) recognized directly in equity	**1,551**	**1,274**
o/w attributable to the group	*1,540*	*1,264*
o/w percentage of non-controlling interests	*11*	*10*

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

6

6.1.5 Changes in shareholders' equity

	Shareholders' equity, attributable to the group											
					Gains and losses recognized directly in equity							
(in € millions)	Capital	Premiums	Elimination Treasury stock	Reserves[1]	Translation adjustments	Assets at FVOCI[2]	Hedging instruments	Actuarial gains and losses	Net profit/loss	Total	Non-controlling interests	Total consolidated
BALANCE ON 12/31/2017	**608**	**1,088**	**-56**	**11,822**	**-12**	**370**	**0**	**-37**	**1,275**	**15,058**	**65**	**15,123**
Impact of first application of IFRS 9				-103		-230				-333	-8	-341
BALANCE ON 01/01/2018	**608**	**1,088**	**-56**	**11,719**	**-12**	**140**	**0**	**-37**	**1,275**	**14,725**	**57**	**14,782**
Appropriation of earnings from previous year				1,275					-1,275	0		0
Distribution of dividends				-945						-945	-13	-958
Acquisition of additional shareholdings or partial disposals				18		-19				-1	-4	-5
Subtotal of movements related to relations with shareholders	**0**	**0**	**0**	**348**	**0**	**-19**	**0**	**0**	**-1,275**	**-946**	**-17**	**-963**
Consolidated income for the period									1,385	1,385	10	1,395
Changes in gains and (losses) recognized directly in equity				6	41	-129		-11		-93		-93
Subtotal	**0**	**0**	**0**	**6**	**41**	**-129**	**0**	**-11**	**1,385**	**1,292**	**10**	**1,302**
Other variations				-16	2	-4		-1		-19	-1	-20
BALANCE ON 12/31/2018	**608**	**1,088**	**-56**	**12,057**	**31**	**-12**	**0**	**-49**	**1,385**	**15,052**	**49**	**15,101**
BALANCE ON 01/01/2019	**608**	**1,088**	**-56**	**12,057**	**31**	**-12**	**0**	**-49**	**1,385**	**15,052**	**49**	**15,101**
Appropriation of earnings from previous year				1,385					-1,385	0		0
Distribution of dividends				-994						-994	-13	-1,007
Acquisition of additional shareholdings or partial disposals				36		-36				0		0
Subtotal of movements related to relations with shareholders	**0**	**0**	**0**	**427**	**0**	**-36**	**0**	**0**	**-1,385**	**-994**	**-13**	**-1,007**
Consolidated income for the period									1,457	1,457	11	1,468
Changes in gains and (losses) recognized directly in equity				-30	33	102		-17		88		88
Subtotal	**0**	**0**	**0**	**-30**	**33**	**102**	**0**	**-17**	**1,457**	**1,545**	**11**	**1,556**
Other variations				12		1				13		13
BALANCE ON 12/31/2019	**608**	**1,088**	**-56**	**12,466**	**64**	**55**	**0**	**-66**	**1,457**	**15,616**	**47**	**15,663**

(1) As of December 31, 2019, reserves consisted of the statutory reserve of €61 million and the special reserves for long-term capital gains of €287 million, retained earnings of €27 million, other CIC reserves of €5,668 million and consolidated reserves of €6,423 million.

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

CIC capital as at December 31,2019, consisted of 38,027,493 shares of a nominal value of €16, of which 231,711 were treasury shares.

6.1.6 Statement of net cash flows

(in € millions)	2019	2018
Net profit/(loss)	1,468	1,395
Tax	395	494
Profit/(loss) before tax	**1,863**	**1,889**
+/- Net depreciation and amortization of property, plant and equipment and intangible assets	173	119
- Impairment of goodwill and other fixed assets	0	1
+/- Net provisions and impairments	60	-40
+/- Share of income from companies consolidated using the equity method	-158	-198
+/- Net loss/gain from investing activities	33	-4
+/- (Income)/expenses from financing activities		
+/- Other movements	-595	-615
Total non-monetary items included in profit/(loss) before tax and other adjustments	**-487**	**-737**
+/- Flows related to transactions with credit institutions	-13,084	14,875
+/- Flows related to client transactions	17,367	-8,859
+/- Flows related to other transactions affecting financial assets or liabilities	1,476	-756
+/- Flows related to other transactions affecting non-financial assets or liabilities	181	2,261
- Taxes paid	-229	-461
Net decrease/(increase) in assets and liabilities from operating activities	**5,711**	**7,060**
TOTAL NET CASH FLOW GENERATED BY OPERATING ACTIVITY (A)	**7,087**	**8,212**
+/- Flows related to financial assets and investments	151	87
+/- Flows related to investment property	13	-9
+/- Flows related to property, plant and equipment and intangible assets	-142	-95
TOTAL NET CASH FLOW GENERATED FROM INVESTING ACTIVITIES (B)	**22**	**-17**
+/- Cash flow to or from shareholders[1]	-659	-895
+/- Other net cash flows from financing activities[2]	848	1,187
TOTAL NET CASH FLOW GENERATED FROM FINANCING TRANSACTIONS (C)	**189**	**292**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (D)	**88**	**81**
Net increase in cash and cash equivalents (A+B+C+D)	**7,386**	**8,568**
Net cash flow generated by operating activities (A)	7,087	8,212
Net cash flow generated from investing activities (B)	22	-17
Net cash flow related to financing transactions (C)	189	292
Effect of foreign exchange rate changes on cash and cash equivalents (D)	88	81
Cash and cash equivalents at opening	**38,118**	**29,550**
Cash, central banks (assets & liabilities)	31,710	28,046
Accounts (assets and liabilities) with and demand loans/borrowings from credit institutions	6,408	1,504
Cash and cash equivalents at closing	**45,504**	**38,118**
Cash, central banks (assets & liabilities)	38,807	31,710
Accounts (assets and liabilities) with and demand loans/borrowings from credit institutions	6,697	6,408
CHANGE IN NET CASH POSITION	**7,386**	**8,568**

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

- *dividends paid by CIC to its shareholders for -€994 million for 2018;*
- *dividends paid to non-controlling interests for -€13 million;*
- *dividends received from companies consolidated using the equity method for €348 million.*

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

- *issues and repayments of bonds for a net amount of €848 million.*

6

6.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF NOTES

Figures in the notes are presented in millions of euros.

Note 1a Accounting principles, methods of assessment and presentation

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards and Regulation (EC) 1126/2008 on their adoption of said standards, the consolidated financial statements have drawn up in accordance with IFRS as adopted by the European Union at December 31, 2019[1]. The group's activities are not subject to seasonal or cyclical fluctuations. Estimates and assumptions may have been made in the measurement of certain balance sheet items.

Since January 1, 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 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 lease payments are shown under operating expenses.

  As a first-time application the group has opted:

  - to retain:
    - the application of the new lease definition to all current leases. The scope of the leases remains unchanged,
    - the simplified retrospective approach and related simplification measures. In particular, leases that were automatically renewable on January 1, 2019, such as 3/6/9 leases, were excluded due to the exception for short-term leases,
    - an impairment sum for user rights equal to the provision of contracts for pecuniary interest in application of IAS 37,
  - 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 to value the user right at the date of first application.

  The group has mainly capitalized its real estate leases using, on first application (for leases not automatically renewed), their remaining life and the corresponding marginal borrowing rate applied to the rent (excluding taxes). Impacts on equity at January 1, 2019, were immaterial and are shown in note 1b – First-time application of IFRS 9.

  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 previous practices. A risk is therefore recognized when a tax adjustment is made. Such an adjustment may concern the entity itself, a related entity or a third entity.

  The impacts on presentation (reclassification of provision to current tax liabilities) are specified in notes 10a and 20a.

- Amendments to IAS 39, IFRS 9 and IFRS 7 on the benchmark rate reform

  The Interbank Offered Rates (IBORs) reform is part of the response to the weaknesses noted in the methods for constructing interbank indices and rates, these being based on banks' reported data and on a significantly reduced volume of underlying transactions.

  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.

  To ensure a smooth transition, the group identified the legal, commercial, organizational, tool and financial/accounting-related impacts and launched a project from the first quarter of 2019.

6

(1) The entire framework is available on the European Commission's website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.

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 prior to the reform: treatment of potential impacts on existing hedging relationships (due to uncertainties around future indices).
- Phase 2, for the transition period to the new indices once they have been defined: in particular, the treatment of issues relating to the derecognition and documentation of hedging relationships (especially the ineffective portion).

Following its adoption by the European Union on January 16, 2020, the group decided to early adopt the amendment to IAS 39, IFRS 9 and IFRS 7, published by the IASB, meaning that existing hedging relationships could be maintained during this exceptional and temporary situation and until:

- the uncertainty created by the reform of IBOR rates is 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 measurement of financial assets and liabilities;
- on the designations of hedging relationships and the end of phase 1 exemptions;
- on the impacts on IAS 19, IFRS 16 and IFRS 17;
- in matters of additional information to be provided.

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;
- the 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

    It 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 net investment in a related company or co-enterprise (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 impairment of financial assets;
    - then the provisions of IAS 28 apply. This may lead to reducing the carrying amount by charging accumulated losses of the equity consolidated company, when 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

    It deals with the consequences of a modification, curtailment or liquidation on the determination of the cost of services rendered and net interest. The cost of services rendered and net interest for the post-modification, curtailment or liquidation period are necessarily determined by using the valuation assumptions retained for 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

    It specifies that the tax effects of the distribution of dividends on financial instruments classified as equity must be recognized in net income. In accounting terms, dividends are deducted from equity. From a tax standpoint, they are debt instruments o/w coupons are deductible.

    However, the tax consequences of dividends may be classified in other comprehensive income or equity, depending on the past events or transactions that gave rise to them. 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

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

1. Consolidation scope

Principles for inclusion in the consolidation scope

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

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

The consolidation scope comprises:

- Controlled entities: control is deemed to exist when the group has power over the entity, is exposed to or is entitled to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the returns it obtains. The financial statements of controlled entities are fully consolidated;
- Entities over which the group has significant influence: these are entities that are not controlled by the consolidating entity, which may, however, participate in these entities' financial and operating policy decisions. Shareholdings in entities over which the group has significant influence are accounted for using the equity method. Companies that are owned by private equity companies and over which joint control or significant influence is exercised are excluded from the scope of consolidation and accounted for under the fair value through profit or loss option.

2. Consolidation methods and principles

2.1 Consolidation methods

The consolidation methods used are the following:

2.1.1 Full consolidation

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

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

2.1.2 Consolidation using the equity method

This method involves replacing the value of the shares held with the equity attributable to the Group and net profit of the entities concerned.

2.2 Reporting date

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

2.3 Intercompany transactions and balances

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

2.4 Foreign currency translation

The balance sheets of foreign subsidiaries are translated into euros at the official reporting date exchange rate. Differences arising from exchange rate fluctuations impacting the share capital, reserves and retained earnings are recorded as a separate component of equity, under "Cumulative translation adjustments". The income statements of foreign subsidiaries are translated into euros at the average exchange rate for the fiscal year. The resulting translation differences are recorded under "Cumulative translation adjustments". On liquidation or disposal of some or all of the interests held in a foreign entity, these amounts are recognized through the income statement. As allowed by IFRS 1, the balance of cumulative translation adjustments was reset to zero in the opening balance sheet at January 1, 2004.

2.5 Goodwill

2.5.1 Fair value adjustments

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

2.5.2 Goodwill

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

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

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

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

3. Accounting policies and principles

3.1 Financial instruments under IFRS 9

3.1.1 Classification and measurement of financial instruments

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

3.1.1.1 Loans, receivables and debt securities acquired

The asset is classified:

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

Cash flow characteristics

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

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

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

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

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

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

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

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

Note that:

- embedded derivatives in financial assets are no longer recognized separately, which means that the entire hybrid instrument is then considered as non-basic and recognized at fair value through profit or loss;
- units in UCITS or "OPCIs" (property investment mutual funds) are not basic instruments and are recognized at fair value through profit or loss.

Business models

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

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

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

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

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

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

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

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

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

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

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

Financial assets at amortized cost

These mainly include:

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

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

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

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

The income received is shown in the income statement under "Interest and similar income". Commissions received or paid, which are directly linked to the arrangement of a loan and are treated as a component of interest, are spread over the term of the loan using the effective interest rate method and are recorded in the income statement under "Interest". Commissions received in connection with the commercial renegotiation of loans are also spread over the term of the loan.

Loan restructuring due to a borrower's financial problems – as defined by the European Banking Authority – has been integrated in the IT systems to ensure consistency between the accounting and prudential definitions.

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

Financial assets at fair value through equity

Since the group does not sell its loans, this category solely consists of securities. They are recognized at fair value in the balance sheet at the time of their acquisition, on the settlement date and at subsequent reporting dates until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account, excluding accrued income. These unrealized gains or losses recognized in equity are transferred to the income statement only in the event of their disposal or impairment (see Section 3.1.7 "Derecognition of financial assets and liabilities" and 3.1.8 "Measurement of credit risk").

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

Financial assets at fair value through profit or loss

These are recognized at fair value upon their initial recognition in the balance sheet and at subsequent reporting dates until their disposal (see Section 3.1.7 "Derecognition of financial assets and liabilities"). Changes in fair value are taken to the income statement under "Net gains/ (losses) on financial instruments at fair value through profit or loss".

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

In 2019, in order to better reflect interest income and expenses of transaction instruments, the Group also reviewed the recognition and presentation 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 instruments" section. As a result, for the purposes of comparability with the interest income and expenses as of December 31, 2019 presented using this definition, the figures published on December 31, 2018 have been restated in note 24.

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

3.1.1.2 Equity instruments acquired

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

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

Financial assets at fair value through equity

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

Purchases and sales of securities are recognized at the settlement date.

Financial assets at fair value through profit or loss

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

3.1.2 Classification and measurement of financial liabilities

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

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

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

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

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

Regulated savings contracts

Liabilities at amortized cost include mortgage savings accounts (CEL) and mortgage savings plans (PEL). These are government-regulated retail products sold in France to natural persons. In the initial savings phase, account holders receive interest on amounts paid into these accounts, which subsequently entitle them to a mortgage loan (second phase). They generate two types of obligation for the distributing establishment:

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

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data. A provision is recognized in liabilities to cover the future costs relating to the risk that the terms of such products may be potentially unfavorable, compared to the interest rates offered to retail customers on similar, but unregulated, products. This approach is carried out for each generation similar in terms of the regulated conditions for PEL and CEL. The impacts on profit (loss) are recorded as interest paid to customers.

3.1.3 Debt-equity distinction

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

3.1.4 Foreign currency transactions

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

Monetary financial assets and liabilities

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

Non-monetary financial assets and liabilities

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

3.1.5 Derivatives and hedge accounting

IFRS 9 allows entities to choose, on first-time application, whether to apply the new provisions concerning hedge accounting or to retain those of IAS 39. The group has elected to continue to apply the provisions of IAS 39. However, in accordance with IFRS 7 (revised), additional information on the management of risks and the impacts of hedge accounting on the financial statements is provided in the notes or in the management report.

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

Derivatives are financial instruments which have the following three characteristics:

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

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

3.1.5.1 Determining the fair value of derivatives

Most over-the-counter derivatives, swaps, forward rate agreements, caps, floors and vanilla options are valued using standard, generally accepted models (discounted cash flow method, Black and Scholes model or interpolation techniques), based on observable market data such as yield curves. The valuations given by these models are adjusted to take into account the liquidity risk and the credit risk associated with the instrument or parameter concerned and specific risk premiums intended to offset any additional costs resulting from a dynamic management strategy associated with the model in certain market conditions, as well as the counterparty risk captured by the positive fair value of over-the-counter derivatives. The latter includes the counterparty risk itself present in the negative fair value of over-the-counter derivatives (see 3.1.9.3 "Fair value hierarchy").

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

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

3.1.5.2 Classification of derivatives and hedge accounting

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

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

Embedded derivatives

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

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

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

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

– Recognition

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

Hedge accounting

– Risks hedged

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

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

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

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

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

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

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

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

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

Where applicable, hedge accounting is discontinued prospectively.

– Fair value hedge of identified financial assets or liabilities

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

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

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

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

– Macro-hedging derivatives

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

For each portfolio of fixed-rate financial assets or liabilities, the maturity schedule of the hedging derivatives is reconciled with that of the hedged items to ensure that there is no over-hedging. The accounting treatment of fair value macro-hedging derivatives is similar to that used for fair value hedging derivatives.

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

– Cash flow hedges

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

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

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

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

3.1.6 Financial guarantees and financing commitments

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

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

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

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

3.1.7 Derecognition of financial assets and liabilities

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

Upon derecognition of:

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

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

3.1.8 Measurement of credit risk

The IFRS 9 impairment model is based on an "expected credit loss" approach while that of IAS 39 was based on an "incurred credit loss" approach, whose recognition of credit losses at the time of the financial crisis was considered too little too late. Under the IFRS 9 model, financial assets for which no objective evidence of impairment exists on an individual basis are impaired on the basis of observed losses as well as reasonable and justifiable future cash flow forecasts.

The IFRS 9 impairment model thus applies to all debt instruments measured at amortized cost or at fair value through equity, as well as to financing commitments and financial guarantees. These are divided into 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 loans: category comprising the financial assets for which there is objective evidence of impairment related to an event that has occurred since the loan was granted. The scope of this category is the same as that for loans impaired individually under IAS 39.

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

3.1.8.1 Governance

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

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

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

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

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

3.1.8.2 Definition of the boundary between Status 1 and Status 2

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

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

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

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

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

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

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

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

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

Quantitative criteria

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

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

Qualitative criteria

To this qualitative data the group adds qualitative criteria such as installments unpaid or late by more than 30 days, the fact that a loan has been restructured, etc. Methods based exclusively on qualitative criteria are used for entities or small portfolios that are classified for prudential purposes under the standardized approach and do not have a rating system.

3.1.8.3 Status 1 and Status 2 – Calculating expected credit losses

Expected credit losses are measured by multiplying the outstanding 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 curve of default at termination (one to ten years) is used for Status 2. These parameters are based on the same values as prudential models and adapted to meet IFRS 9 requirements. They are used both for assigning loans to a status and for calculating expected losses.

Probability of default

This is based:

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

Loss given default

This is based:

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

Conversion factors

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

Forward-looking aspect

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

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

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

The forward-looking dimension over different time horizons other than one year will largely be a function of the one-year dimension. The forward-looking aspect is also included in the LGD by incorporating information observed over a period close to current conditions.

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

3.1.8.4 Status 3 – Non-performing loans

In Status 3, impairment is recognized whenever there is objective proof of impairment due to one or more events occurring after a loan or group of loans have been made that might generate a loss. The impairment is equal to the difference between the carrying amount and the estimated future cash flows, allowing for collateral or other guarantees, present-discounted at the interest rate of the original loan. In the event of a variable rate, it is the most recent contractual rate that is booked.

Since November 2019, the group has applied the new definition of prudential default in accordance with EBA guidelines and regulatory technical standards on applicable materiality thresholds.

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

- default is now analyzed on a daily basis by borrower and not by contract;
- the number of days past due are assessed by borrower (obligor) or by a group of borrowers (joint obligors) with a shared commitment;
- default is triggered when 90 consecutive days of arrears are recorded by a borrower/group of borrowers. The days are counted from the moment that thresholds of absolute materiality (€100 Retail, €500 Corporate) and relative materiality (over 1% for past due balance sheet commitments) are crossed simultaneously. The borrower's arrears are reset once one of the two thresholds are crossed downwards;
- the scope of default contagion extends to all of the borrower's loans and to the individual commitments of borrowers who are part of a joint credit obligation;
- there is a minimum three-month probationary period before non-restructured assets can return to healthy status.

The group chose to roll out the new definition of default across IRB entities in line with the two-step approach proposed by the EBA:

- Step 1 – Consists of submitting a self-assessment and request for authorization from the supervisor. The group obtained authorization to proceed in October 2019;
- Step 2 – Consists of implementing the new definition of default within systems and then, where necessary, recalibrating models after a 12-month period of observing the new defaults.

The group believes that the new definition of default, as required by the EBA, is representative of objective proof of impairment in an accounting sense of the word. The group has aligned its definitions of accounting (Status 3) and prudential default.

3.1.8.5 Initially impaired financial assets

These are contracts for which the counterparty is non-performing on the date of initial recognition or acquisition. If the borrower is non-performing at the reporting date, the contracts are classified into Status 3; otherwise, they are classified as performing loans, identified in an "originated credit-impaired assets" category and provisioned based on the same method used for exposures in Status 2, i.e. an expected loss over the residual maturity of the contract.

3.1.8.6 Recognition

Impairment charges and provisions are recorded in "Net provision allocations/reversals for loan losses". Reversals of impairment charges and provisions are recorded in "Net provision allocations/reversals for loan losses" for the portion relating to the change in risk and in "Net interest" for the portion relating to the passage of time. For loans and receivables, impairment is deducted from assets, and for financing and guarantee commitments, the provision is recorded in liabilities under "Provisions" (see Sections 3.1.6 "Financial guarantees and financing commitments" and 3.2.2 "Provisions"). For assets at fair value through equity, the impairment recognized in the cost of risk is offset under "Unrealized or deferred gains and losses". Loan losses are written off and the corresponding impairments and provisions are reversed.

3.1.9 Determination of fair value of financial instruments

Fair value is the amount for which an asset could be sold, or a liability transferred, between knowledgeable willing parties in an arm's length transaction.

The fair value of an instrument upon initial recognition is generally its transaction price. The fair value must be calculated for subsequent measurements. The calculation method to be applied varies depending on whether the instrument is traded on a market deemed to be active or not.

3.1.9.1 Financial instruments traded in an active market

When financial instruments are traded in an active market, fair value is determined by reference to their quoted price as this represents the best possible estimate of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available (from a stock exchange, dealer, broker or pricing service) and those prices represent actual market transactions regularly occurring on an arm's length basis.

3.1.9.2 Financial instruments not traded in an active market

Observable market data are used provided they reflect the reality of a transaction at arm's length on the valuation date and there is no need to make an excessive adjustment to said value. In other cases, the group uses non-observable data (mark-to-model).

When observable data is not available or when market price adjustments require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, comprising adjustments linked to the risks the market would factor in. Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions. When establishing valuation adjustments, each risk factor is considered individually and no effect of diversification between risks, parameters or models of a different nature are taken into account. A portfolio approach is most often used for a given risk factor.

In all cases, adjustments are made by the group in a reasonable and appropriate manner, based on judgment.

3.1.9.3 Fair value hierarchy

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

- Level 1: quoted prices in active markets for identical assets or liabilities; this notably concerns debt securities quoted by at least three contributors and derivatives quoted on an organized market.
- Level 2: data other than the level 1 quoted prices, which are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. data derived from prices). Included, in particular, in level 2 are interest rate swaps whose fair value is generally determined with the help of yield curves based on market interest rates observed at the end of the reporting period.
- Level 3: data relating to the asset or liability that are not observable market data (non-observable data). The main constituents of this category are investments in non-consolidated companies held in venture capital entities or otherwise and, in the capital markets activities, debt securities quoted by a single contributor and derivatives using mainly non-observable parameters. The instrument is classified at the same hierarchical level as the lowest level of the input having an important bearing on fair value considered as a whole. Given the diversity and volume of the instruments measured at level 3, the sensitivity of the fair value to a change in parameters would be immaterial.

3.2 Non-financial instruments

3.2.1 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Ownership may or may not eventually be transferred.

An operating lease is any lease that is not a finance lease.

3.2.1.1 Finance lease transactions – Lessor

In accordance with IAS 16, finance lease transactions with non-group companies are reported in the consolidated balance sheet at their financial accounting amount. Finance lease transactions transfer substantially all the risks and rewards incidental to ownership of the leased asset to lessees.

And so, the analysis of the economic substance of the transaction results in:

- the leased asset being derecognized;
- the recognition of a receivable in financial assets at amortized cost, at the present value at the rate implicit in the lease, for lease payments receivable under the finance lease, plus any unsecured residual value accruing to the lessor;
- the recognition of deferred taxes for existing temporary differences throughout the life of the finance lease;
- the recognition as net interest margin, of net revenue from the lease, this being representative of the constant periodic rate of return on the amounts outstanding.

Credit risk related to financial receivables is measured and recognized under IFRS 9 (see Section 3.1.8 "Measurement of credit risk").

3.2.1.2 Finance lease transactions – Lessee

In accordance with IFRS 16, fixed assets are recorded on the balance sheet to offset a liability in "other liabilities". Lease payments are broken down between interest expense and repayment of principal (see § 3.2.4.2 entitled "Non-current assets of which the group is the lessee").

3.2.2 Provisions

Provisions and reversals of provisions are classified by type under the corresponding item of income or expenditure.

A provision is recognized whenever it is probable that an outflow of resources representing economic benefits will be necessary to extinguish an obligation arising from a past event and when the amount of the obligation can be estimated accurately. Where applicable, the net present value of this obligation is calculated to determine the amount of the provision to be set aside.

The provisions constituted by the group cover, in particular:

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

3.2.3 Employee benefits

Where applicable, provisions in respect of employee obligations are recognized under "Provisions". Any movements in this provision are recognized in the income statement under "Employee benefits expense" except for the portion resulting from actuarial gains and losses, which is recognized in unrealized or deferred gains and losses, under equity.

3.2.3.1 Post-employment benefits under a defined benefit plan

In retirement, early retirement and supplementary retirement plans under which the group has a formal or implicit obligation to provide employees with pre-defined benefits, these obligations are calculated using the projected unit credit method, which involves allocating entitlement to benefits to periods of service by applying the contractual formula for calculating plan benefits. Such entitlements are then discounted using demographic and financial assumptions such as:

- a discount rate, determined by reference to the long-term rate on private-sector borrowings consistent with the term of the commitments;
- the salary increase rate, assessed in accordance with age brackets and employee categories;
- inflation rates, estimated by comparing French treasury bond rates and inflation-linked French treasury bond rates at different maturities;
- staff turnover rates, determined by age bracket, using the three-year average for the ratio of resignations relative to the year-end number of employees under permanent contracts;
- retirement age: estimated on a case-by-case basis using the actual or estimated date of commencement of full-time employment and the assumptions set out in the Act reforming pensions, with a ceiling set at 67 years of age;
- mortality according to the INSEE TH/TF 00-02 table.

Differences arising from changes in these assumptions and from differences between previous assumptions and actual experience constitute actuarial gains or losses. When the plan has assets, these are valued at fair value and their expected return impact profit (loss). Differences between actual and expected yields also constitute actuarial gains or losses. Actuarial gains and losses are recognized in equity, within unrealized or deferred gains and losses. Any plan curtailments or terminations generate a change in the obligation, which is recognized in the income statement when it occurs.

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

3.2.3.2 Supplementary pensions within the pension funds

The AFB interim agreement dated September 13, 1993, modified pension plans for banking institutions. Since January 1, 1994, banks affiliate with the national plans, Arrco and Agirc. The four pension funds to which the Group's banks contributed were merged. They pay the various benefits covered by the transitional agreement. In the event that fund assets are not sufficient to cover these benefit obligations, the banks are required to make additional contributions. The average contribution rate for the next ten years is capped at 4% of the payroll. The pension fund resulting from the mergers was converted into an IGRS (a French supplementary pension management institution) in 2009. It does not have an asset shortfall.

3.2.3.3 Post-employment benefits under a defined contribution plan

Group entities contribute to various retirement plans managed by independent organizations, to which they have no formal or implicit obligation to make supplementary payments in the event, notably, that the fund's assets are insufficient to meet its commitments.

Since such plans do not represent a commitment for the Group they are not subject to a provision. The charges are recognized in the period in which the contribution is due.

3.2.3.4 Other long-term benefits

These represent benefits other than post-employment benefits and termination benefits expected to be paid more than 12 months after the end of the fiscal year in which the staff rendered the corresponding service. They include, for example, long service awards.

The Group's commitment in respect of other long-term benefits is measured using the projected unit credit method. However, actuarial gains and losses are recognized immediately in profit or loss.

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

3.2.3.5 Termination benefits

These are benefits granted by the Group when an employment contract is terminated before the usual retirement age or following the employee's decision to leave the Group voluntarily in exchange for an indemnity.

The related provisions are discounted if payment is expected to take place more than 12 months after the reporting date.

3.2.3.6 Short-term benefits

These are benefits, other than termination benefits, payable within 12 months following the reporting date. They include salaries, social security contributions and certain bonuses.

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

3.2.4 Non-current assets

3.2.4.1 Non-current assets of which the group is owner

Non-current assets reported on the balance sheet include property, plant and equipment and intangible assets used in operations as well as investment property. Operating assets are used for the production of services or for administrative purposes. Investment property consists of real estate assets held to generate rental income and/or capital gains. The historical cost method is used to recognize both operating and investment properties.

Non-current assets are initially recognized at acquisition cost plus any directly attributable costs necessary to make them operational and usable. They are subsequently measured at amortized or depreciated historical cost, i.e. their cost less accumulated amortization or depreciation and any impairment.

When a non-current asset comprises several components likely to be replaced at regular intervals, with different uses or providing economic benefits over differing lengths of time, each component is recognized separately from the outset and is depreciated or amortized in accordance with its own depreciation schedule. The component approach was retained for operating buildings and investment properties.

The depreciable or amortizable amount of a non-current asset is determined after deducting its residual value, net of disposal costs. As the useful life of non-current assets is generally equal to their expected economic life, no residual value is recognized.

Non-current assets are depreciated or amortized over their estimated useful life at rates reflecting the estimated consumption of the assets' economic benefits by the entity. Intangible assets with an indefinite useful life are not amortized. Depreciation and amortization charges on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement. Depreciation charges on investment property are recognized under "Expenses on other activities" in the income statement.

The following depreciation and amortization periods are used:

- Property, plant and equipment:
  - Land and network improvements: 15-30 years,
  - Buildings – shell: 20-80 years (depending on type of building),
  - Buildings – equipment: 10-40 years,
  - Fixtures and fittings: 5-15 years,
  - Office furniture and equipment: 5-10 years,
  - Safety equipment: 3-10 years,
  - Rolling stock: 3-5 years,
  - Computer equipment: 3-5 years;
- Intangible assets:
  - Software purchased or developed in-house: 1-10 years,
  - Business goodwill acquired: 9-10 years (if customer contract portfolio acquired).

Depreciable and amortizable assets are tested for impairment when evidence exists at the reporting date that the items may be impaired. Non-amortizable non-current assets such as lease rights are tested for impairment once a year.

If an indication of impairment exists, the recoverable amount of the asset is compared to its net carrying amount. In the event of loss of value, a write-down is recognized on the income statement; it changes the depreciable or amortizing amount of the asset prospectively. The write-down is repaid in the event of changes to the estimated recoverable amount or if the indications of impairment disappear. The net carrying amount following the reversal of an impairment provision cannot exceed the net carrying amount that would have been calculated if no impairment had been recognized.

Impairment charges and reversals on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement. Impairment charges and reversals on investment property are recognized in the income statement under "Expenses on other activities" and "Income from other activities", respectively.

Capital gains or losses on disposals of operating assets are recorded in the income statement on the line "Net gains/(losses) on other assets".

Gains and losses on the disposal of investment property are recorded on the income statement on the line "Income from other activities" or "Expenses from other activities."

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

3.2.4.2 Non-current assets of which the Group is the lessee

For a contract to qualify as a lease, there must be both the identification of an asset and control by the lessee of the right to use said asset. In respect of the lessee, operating leases and finance leases will be recorded in a single model, with recognition of:

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

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

Other underlying assets were precluded through short-term or low value exemptions (set at €5,000). The Group has no leases that give rise to recognition of intangible assets or investment properties.

Therefore, usage rights are recorded as "Property, plant and equipment", and lease obligations as "Other liabilities". Leasehold rights are reclassified as property, plant and equipment when they concern contracts that are not automatically renewable. Rights of use and lease obligations are the subject of deferred tax assets or liabilities for the net amount of taxable and deductible temporary differences.

On the income statement, interest charges appear in "Interest margin" while depreciation/amortization is presented under the heading dedicated to general operating expenses.

For calculating the lease obligation, we use:

- the contractual term. The Group follows the ANC position on commercial leases, pursuant to contractual provisions: any new lease of this type will be capitalized for a term of nine years. Indeed, from an accounting standpoint, there is no lease term renewal option and consequently, the period for which the contract is enforceable is generally 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's a rate that is depreciable/amortizable by the Group's refinancing headquarters;
- the lease payment, excluding taxes. The Group is marginally affected by variable lease payments.

3.2.5 Commissions

Fees and commissions in respect of services are recorded as income and expenses according to the nature of the services involved. Fees and commissions linked directly to the grant of a loan are spread using the effective interest method.

Fees and commissions remunerating a service provided on a continuous basis are recognized over the period during which the service is provided.

Fees and commissions remunerating a significant service are recognized in full in the income statement upon execution of the service.

3.2.6 Income tax expense

The income tax expense includes all tax, both current and deferred, payable in respect of the income for the period under review.

The income tax payable is determined in accordance with applicable tax regulations.

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

Deferred taxes

As required by IAS 12, deferred taxes are recognized in respect of temporary differences between the carrying amount of an asset or liability on the consolidated balance sheet and its taxable value, with the exception of goodwill.

Deferred taxes are calculated using the liability method, applying the income tax rate known at the end of the fiscal year and applicable to subsequent years. Deferred tax assets net of deferred tax liabilities are recognized only when there is a high probability that they will be utilized. Current or deferred tax is recognized as income or a expense, except for that relating to unrealized or deferred gains or losses recognized in equity, for which the deferred tax is allocated directly to equity.

Deferred tax assets and liabilities are netted if they arise in the same entity or in the same tax group, are subject to the same tax authority and when there is a legal right to do so.

Deferred tax is not discounted.

3.2.7 Non-current assets held for sale and discontinued operations

Non-current assets, or groups of assets, are classified as held for sale if they are available for sale and there is a high probability that their sale will take place within the next 12 months.

The related assets and liabilities are shown separately in the balance sheet, on the lines “Non-current assets held for sale” and “Liabilities associated with non-current assets held for sale”. They are recognized at the lower of their carrying amount and their fair value less selling costs, and are no longer depreciated or amortized.

Any impairment loss on such assets and liabilities is recognized in the income statement.

Discontinued operations consist of businesses held for sale or which have been discontinued, or subsidiaries acquired exclusively with a view to resale. All gains and losses related to discontinued operations are shown separately in the income statement, on the line “Post-tax gain/(loss) on discontinued operations and assets held for sale”.

3.3 Judgements and estimates used in the preparation of the financial statements

Preparation of the Group’s financial statements requires the use of assumptions for the purpose of the necessary measurements, which entails risks and uncertainties as to whether these assumptions will materialize in the future.

The future outcome of such assumptions may be influenced by several factors, in particular:

- the activities of national and international markets;
- fluctuations in interest rates and foreign exchange rates;
- economic and political conditions in certain business sectors or countries;
- regulatory and legislative changes.

Accounting estimates requiring the formulation of assumptions are mainly used for the measurement of the following:

- the fair value of financial instruments not quoted on an active market – the definition of a forced transaction and the definition of observable data require the exercise of judgement. See § 3.1.9 “Determination of fair value of financial instruments”;
- retirement plans and other future employee benefits;
- impairment of assets, in particular expected credit losses;
- provisions;
- impairment of intangible assets and goodwill;
- deferred tax assets.

4. Related-party information

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

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

The list of the group’s consolidated companies is presented in note 2a of quantified data, hereinafter. As transactions carried out and outstandings that exist at the end of the period between the group’s fully consolidated companies are totally eliminated in consolidation, data pertaining to these reciprocal transactions is included in the attached tables only when concerning companies over which the group exercises joint control or significant influence, and is consolidated using the equity method.

Note 1b First-time application of IFRS 16

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

Usage rights – Real estate	342
Usage rights – Other	0

Lease obligations – Real estate	342
Lease obligations – Other	0

Usage rights are recognized as property, plant and equipment and rental obligations in other liabilities. The simplified retrospective approach was used. The group having made the choice, as allowed by the standard, to exclude adjustment variables (initial direct costs…), usage rights are the same as rental obligations and therefore do not have any impact on equity.

Note 2a Consolidation scope

Newly consolidated companies:

- CIC Bruxelles (branch of CIC);
- Satellite.

Merger:

- Adepi by Crédit Industriel et Commercial.

Name change:

- CM-CIC Asset Management became Crédit Mutuel Asset Management;
- CM-CIC Bail became Crédit Mutuel Leasing;
- CM-CIC Bail Spain (branch) became Crédit Mutuel Leasing Spain (branch);
- CM-CIC Capital became Crédit Mutuel Capital;
- CM-CIC Conseil became CIC Conseil;
- CM-CIC Épargne Salariale became Crédit Mutuel Épargne Salariale;
- CM-CIC Factor became Crédit Mutuel Factoring;
- 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).

			12/31/2019			12/31/2018		
			Percentage			Percentage		
Companies	Currency	Country	Control	Interest	Method[1]	Control	Interest	Method[1]
Consolidated company: Crédit Industriel et Commercial – CIC								
CIC Bruxelles (branch)		Belgium	100	100	FC			
CIC Grand Cayman (branch)	USD	Cayman Islands	100	100	FC	100	100	FC
CIC Hong Kong (branch)	USD	Hong Kong	100	100	FC	100	100	FC
CIC London (branch)	GBP	UK	100	100	FC	100	100	FC
CIC New York (branch)	USD	United States	100	100	FC	100	100	FC
CIC Singapore (branch)	USD	Singapore	100	100	FC	100	100	FC
A. Banking network								
CIC Est		France (i)	100	100	FC	100	100	FC
CIC Lyonnaise de Banque		France (i)	100	100	FC	100	100	FC
CIC Nord Ouest		France (i)	100	100	FC	100	100	FC
CIC Ouest		France (i)	100	100	FC	100	100	FC
CIC Sud Ouest		France (i)	100	100	FC	100	100	FC
B. Banking network - subsidiaries								
Crédit Mutuel Asset Management		France	24	24	EM	24	24	EM
Crédit Mutuel Épargne Salariale		France (i)	100	100	FC	100	100	FC
Crédit Mutuel Factoring		France (i)	95	95	FC	95	95	FC
Crédit Mutuel Leasing		France (i)	100	100	FC	100	100	FC
Crédit Mutuel Leasing Benelux		Belgium	100	100	FC	100	100	FC
Crédit Mutuel Leasing Spain (branch)		Spain	100	100	FC	100	100	FC
Crédit Mutuel Leasing GmbH		Germany	100	100	FC	100	100	FC
Crédit Mutuel Leasing Nederland (branch)[2]		Netherlands	100	100	FC			
Crédit Mutuel Real Estate Lease		France	54	54	FC	54	54	FC
Gesteurop		France (i)	100	100	FC	100	100	FC
C. Corporate banking and capital markets								
Cigogne Management		Luxembourg	60	60	FC	60	60	FC
Satellite		France	100	100	FC			
D. Private banking								
Banque CIC (Switzerland)	CHF	Switzerland	100	100	FC	100	100	FC
Banque de Luxembourg		Luxembourg	100	100	FC	100	100	FC
Banque de Luxembourg Investments SA		Luxembourg	100	100	FC	100	100	FC
Banque Transatlantique		France (i)	100	100	FC	100	100	FC
Banque Transatlantique London (branch)	GBP	UK	100	100	FC	100	100	FC
Banque Transatlantique Belgium		Belgium	100	100	FC	100	100	FC

Companies	Currency	Country	12/31/2019			12/31/2018		
			Percentage			Percentage		
			Control	Interest	Method[1]	Control	Interest	Method[1]
Banque Transatlantique Luxembourg		Luxembourg	100	100	FC	100	100	FC
Dubly Transatlantique Gestion		France (i)	100	100	FC	100	100	FC
E. Private equity								
CIC Conseil		France (i)	100	100	FC	100	100	FC
Crédit Mutuel Capital		France (i)	100	100	FC	100	100	FC
Crédit Mutuel Innovation		France	100	100	FC	100	100	FC
Crédit Mutuel Equity		France (i)	100	100	FC	100	100	FC
Crédit Mutuel Equity SCR		France	100	100	FC	100	100	FC
F. Structure and logistics								
CIC Participations		France (i)	100	100	FC	100	100	FC
G. Insurance companies								
Adepi		France			MER	100	100	FC
Groupe des Assurances du Crédit Mutuel (GACM)[3]		France	16	16	EM	18	18	EM

(1) Method: MER = Merger FC = Full consolidation EM = Equity method NC = Not consolidated.
(2) Entity included in the accounts of CM-CIC Leasing Benelux in 2018.
(3) Based on the consolidated financial statements.
(i) Members of the tax consolidation group set up by CIC.

Information on the group's presence and activities in non-cooperative countries and territories included in the list established by the Order of April 8, 2016

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

Pursuant to ANC Regulation 2016-09, the full list of controlled entities, jointly controlled entities, and entities over which significant influence is exercised but which are not consolidated due to the fact that they are not material to the group's financial statements, and the list of equity investments are available in the Regulated Information section of the following website: https://www.cic.fr/fr/institutionnel/actionnaires-et-investisseurs/information-reglementee.html

Information on entities included in the consolidation scope

Under Article L.511-45 of the French Monetary and Financial Code, credit institutions are required to publish information on their presence and activities in each state or territory.

The table above providing information on the consolidation scope shows the country in which each entity is located.

Country	Net Banking Income	Income (loss) before tax	Current tax	Deferred taxes	Other tax	Public subsidies	Workforce
Germany	4	2	0	0	-1		4
Belgium	17	7	-2	0	-1		49
Spain	1	0	0	0	0		5
United States of America	118	57	3	-2	-9		91
France	4,508	1,616	-396	29	-733		18,268
Hong Kong	8	3	-1	0	-1		15
Cayman Islands	0	0	0	0	0		0
Luxembourg	306	90	-18	2	-29		988
Netherlands	0	0	0	0	0		1
UK	43	18	-3	0	-4		70
Singapore	61	28	-4	0	-4		134
Switzerland	147	42	-5	2	-11		358
TOTAL	**5,213**	**1,863**	**-426**	**31**	**-793**		**19,983**

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

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

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

12/31/2018	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities[1]			
	Percentage of interest	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	OCI	NBI	Net profit
Crédit Mutuel Real Estate Lease	46%	3	25	-7	4,544	-0	32	7
Cigogne Management	40%	6	7	-6	54	0	27	16
Crédit Mutuel Factoring	5%	1	6	-0	8,056	-1	96	13

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

Note 2c Equity investments in structured non-consolidated entities

	12/31/2019			12/31/2018		
	Securitization vehicle (SPV)	Asset management (UCITS/SCPI)[2]	Other structured entities[3]	Securitization vehicle (SPV)	Asset management (UCITS/SCPI)[2]	Other structured entities[3]
Total assets	0	84	2,350	0	76	1,974
Carrying amount of financial assets[1]	0	45	943	0	44	949
Carrying amount of financial liabilities[1]	0	4	0	0	2	0
Maximum exposure to risk of loss	0	40	0	0	41	0

(1) Carrying amount of the assets recognized by the reporting entity in respect of these structured entities.
(2) Mainly UCITS managed by the group.
(3) Other structured entities correspond to asset financing 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 operation. 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 clients funds in which it does not intend to invest. The group markets these funds, whether dedicated or public funds, manages them and receives fees for its management services. For certain funds offering guarantees to unitholders, the group may be a counterparty to the swaps put in place. In exceptional circumstances where the group would be both manager and investor, with the result that it would be required to act firstly for its own account, such entity would then be included in the consolidation scope.

The main risk to which the group is exposed is an operational risk, i.e. the risk of default in respect of its mandate to act as manager or custodian and, where relevant, it is also exposed to a risk equal to the amounts invested.

6

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

Business segment analysis principles

- Retail banking includes a) the branch network consisting of the regional banks and CIC network in Ile-de-France, and b) the specialized activities whose product marketing is performed by the network: real estate and equipment leasing, factoring, collective investment for third parties, employee savings plans and real estate. The insurance business line – which is consolidated using the equity method – is included in this business segment.
- Corporate banking and capital markets include
  - (a) the financing of large companies and institutional clients, specialized finance and the international market and
  - (b) capital markets, which include investments in interest rate, equity and credit activities (ITAC) as well as stock market intermediation.
- Private banking comprises all companies engaged primarily in wealth management, both within and outside France.
- Private equity includes proprietary trading and financial engineering services *via* dedicated entities. The entire portfolio is accounted for under the fair value option.
- The holding company covers all activities not assigned to another business.

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

ANALYSIS OF ASSETS BY BUSINESS SEGMENT

12/31/2019	Retail banking	Corporate banking and capital markets	Private banking	Private Equity	Holding company services	Total
Cash, central banks	343	1,661	3,151		33,656	38,811
Financial assets at fair value through profit or loss	123	27,905	123	2,880	610	31,641
Hedging derivatives	8	512	2		113	635
Financial assets at fair value through other comprehensive income	58	12,058	62		12	12,190
Financial assets at amortized cost	161,588	22,920	22,600	15	12,623	219,746
of which loans and receivables to credit institutions[1]	*7,579*	*2,622*	*6,024*	*1*	*12,453*	*28,679*
of which loans and receivables to customers	*153,975*	*19,783*	*14,598*	*2*	*165*	*188,523*
Investments in associates	1,577					1,577

(1) including €12,955 million to BFCM.

12/31/2018	Retail banking	Corporate banking and capital markets	Private banking	Private Equity	Holding company services	Total
Cash, central banks	299	1,680	3,153		26,577	31,709
Financial assets at fair value through profit or loss	118	13,303	150	2,537	652	16,760
Hedging derivatives	3	401	9		134	547
Financial assets at fair value through other comprehensive income	44	11,303	67		9	11,423
Financial assets at amortized cost	151,495	38,827	21,231	23	11,775	223,351
of which loans and receivables to credit institutions[1]	*5,802*	*8,572*	*6,121*	*2*	*11,683*	*32,180*
of which loans and receivables to customers	*145,662*	*29,772*	*12,987*	*12*	*87*	*188,520*
Investments in associates	1,888					1,888

(1) including €12,182 million to BFCM.

ANALYSIS OF LIABILITIES BY BUSINESS SEGMENT

12/31/2019	Retail banking	Corporate banking and capital markets	Private banking	Private Equity	Holding company services	Total
Due to central banks		4				4
Financial liabilities at fair value through profit or loss		19,041	129		8	19,178
Hedging derivatives	247	1,225	73		113	1,658
Due to credit and similar institutions at amortized cost[1]	32,659	3,964	209	70	31,472	68,374
Amounts due to customers at amortized cost	130,864	13,690	23,723		1,029	169,306
Debt securities at amortized cost	1,635	22,461	16		5,572	29,684

(1) including €53,961 million to BFCM.

12/31/2018	Retail banking	Corporate banking and capital markets	Private banking	Private Equity	Holding company services	Total
Central banks						0
Financial liabilities at fair value through profit or loss		3,964	158		9	4,131
Hedging derivatives	54	1,354	81		135	1,624
Due to credit and similar institutions at amortized cost[1]	35,055	22,174	497		27,219	84,945
Amounts due to customers at amortized cost	117,961	11,231	21,995	10	863	152,060
Debt securities at amortized cost	1,970	17,613	16		7,305	26,904

(1) including €55,290 million to BFCM.

ANALYSIS OF INCOME STATEMENT BY BUSINESS SEGMENT

12/31/2019	Retail banking	Corporate banking and capital markets	Private banking	Private Equity	Holding company services	Total
Net Banking Income	3,726	702	572	265	-52	5,213
General operating expenses	-2,337	-344	-413	-51	-106	-3,251
Gross operating income/(loss)	**1,389**	**358**	**159**	**214**	**-158**	**1,962**
Cost of counterparty risk	-178	-139	5		1	-311
Gains on other assets[1]	146		2		64	212
Profit/(loss) before tax	**1,357**	**219**	**166**	**214**	**-93**	**1,863**
Income tax	-379	-14	-33	-1	32	-395
Net profit/(loss)	**978**	**205**	**133**	**213**	**-61**	**1,468**

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

12/31/2018	Retail banking	Corporate banking and capital markets	Private banking	Private Equity	Holding company services	Total
Net Banking Income	3,650	613	551	278	-71	5,021
General operating expenses	-2,328	-320	-375	-49	-94	-3,166
Gross operating income/(loss)	**1,322**	**293**	**176**	**229**	**-165**	**1,855**
Cost of counterparty risk	-182	7	-16	1	-1	-191
Gains on other assets[1]	199		26			225
Profit/(loss) before tax	**1,339**	**300**	**186**	**230**	**-166**	**1,889**
Income tax	-427	-78	-47	1	57	-494
Net profit/(loss)	**912**	**222**	**139**	**231**	**-109**	**1,395**

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

Breakdown of balance sheet items by geographic area

ASSETS

	12/31/2019				12/31/2018			
	France	Europe Outside France	Other country	Total	France	Europe Outside France	Other country	Total
Cash, central banks	34,000	3,150	1,661	38,811	26,876	3,155	1,678	31,709
Financial assets at fair value through profit or loss	28,686	118	2,837	31,641	14,129	155	2,476	16,760
Hedging derivatives	629	2	4	635	533	9	5	547
Financial assets at fair value through other comprehensive income	5,130	60	7,000	12,190	5,615	173	5,635	11,423
Financial assets at amortized cost	188,280	22,695	8,771	219,746	194,648	21,048	7,654	223,350
of which loans and receivables to credit institutions	*20,941*	*5,998*	*1,740*	*28,679*	*25,251*	*6,036*	*893*	*32,180*
of which loans and receivables to customers	*166,945*	*14,547*	*7,031*	*188,523*	*169,031*	*12,890*	*6,599*	*188,520*
Investments in associates	1,577	0	0	1,577	1,888	0	0	1,888

LIABILITIES

	12/31/2019				12/31/2018 restated			
	France	Europe Outside France	Other country	Total	France	Europe Outside France	Other country	Total
Central banks	0	0	4	4	0	0	0	0
Financial liabilities at fair value through profit or loss	18,426	308	444	19,178	3,797	159	175	4,131
Hedging derivatives	1,577	73	8	1,658	1,541	81	2	1,624
Due to credit institutions[1]	57,796	2,833	7,745	68,374	72,700	3,952	8,293	84,945
Due to customers	147,337	20,033	1,936	169,306	132,646	18,581	833	152,060
Debt securities	13,912	6,709	9,063	29,684	14,576	5,122	7,206	26,904

(1) To better reflect economic reality, the allocation of debts to credit institutions. in 2018 between France and Europe excluding France was restated. The amounts reported as at December 31, 2018, were respectively €78,149 million and -€1,497 million.

BREAKDOWN OF INCOME STATEMENT ITEMS BY GEOGRAPHIC AREA

	12/31/2019				12/31/2018			
	France	Europe Outside France	Other country	Total	France	Europe Outside France	Other country	Total
Net Banking Income	4,507	519	187	5,213	4,345	505	171	5,021
General operating expenses	-2,808	-356	-87	-3,251	-2,770	-321	-75	-3,166
Gross operating income/(loss)	**1,699**	**163**	**100**	**1,962**	**1,575**	**184**	**96**	**1,855**
Cost of counterparty risk	-294	-5	-12	-311	-171	-22	2	-191
Gains on other assets[1]	210	2	0	212	199	26	0	225
Profit/(loss) before tax	**1,615**	**160**	**88**	**1,863**	**1,603**	**188**	**98**	**1,889**
Income tax	-367	-25	-3	-395	-442	-37	-15	-494
Total net profit/(loss)	**1,248**	**135**	**85**	**1,468**	**1,161**	**151**	**83**	**1,395**

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

NOTES TO THE BALANCE SHEET – ASSETS

Note 4 Cash and central banks

	12/31/2019	12/31/2018
Cash, central banks		
Central banks	38,458	31,400
of which mandatory reserves	*1,402*	*1,277*
Cash	353	309
TOTAL	**38,811**	**31,709**

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

Note 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	**11,356**	**437**	**3,129**	**14,922**	**10,436**	**398**	**2,862**	**13,696**
Government securities	941	0	0	941	774	0	0	774
Bonds and other debt securities	9,768	437	133	10,338	9,116	398	132	9,646
■ Listed	9,768	97	25	9,890	9,116	82	25	9,223
■ Non-listed	0	340	108	448	0	316	107	423
of which UCIs	*1*		*116*	*117*	*113*		*7*	*120*
Shares and other capital instruments	647		2,619	3,266	546		2,355	2,901
■ Listed	647		335	982	546		268	814
■ Non-listed	0		2,284	2,284	0		2,087	2,087
Long-term investments			377	377			375	375
■ Equity investments			47	47			46	46
■ Other long-term investments			109	109			115	115
■ Investments in subsidiaries and associates			220	220			213	213
■ Other long-term investments			1	1			1	1
Derivative instruments	**2,850**			**2,850**	**3,064**			**3,064**
Loans and receivables	**13,869**	**0**	**0**	**13,869**		**0**	**0**	**0**
■ *of which pensions[1]*	*13,869*	*0*		*13,869*		*0*		*0*
TOTAL	**28,075**	**437**	**3,129**	**31,641**	**13,500**	**398**	**2,862**	**16,760**

(1) The change in the management model of part of the pensions has led the CIC 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. Banking book transactions remain in the portfolio at amortized cost (see 8b and 8c).

6

Note 5b Analysis of trading derivatives

	12/31/2019			12/31/2018 restated		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Trading derivatives						
Rate instruments	194,071	1,694	1,352	210,539	1,817	1,618
Swaps	66,539	1,655	1,240	64,471	1,527	1,596
Other firm contracts[1]	96,648	2	1	121,292	6	4
Options and conditional instruments	30,884	37	111	24,776	284	18
Foreign exchange instruments	85,982	884	798	90,872	872	816
Swaps	51,825	40	37	56,141	37	44
Other firm contracts	9,439	777	694	7,734	738	675
Options and conditional instruments	24,718	67	67	26,997	97	97
Other derivatives	27,078	272	427	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	5,007	148	155	8,118	268	246
TOTAL	**307,131**	**2,850**	**2,577**	**328,598**	**3,064**	**2,900**

[1] To improve the data used in the FINREP reporting system, the group undertook a review of its chart of accounts. This review resulted in the creation of new notional accounts and in the reclassification of certain accounts, from Transaction to Hedging. The notional amount reported as at December 31, 2018, was €192,673 million and was restated accordingly.

Swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve.

The difference resulting from the use of different valuation curves for the hedged items and the hedging instruments is accounted for as hedge ineffectiveness.

Furthermore, the value of derivatives takes into account the counterparty risk.

Note 6 Hedging

Note 6a Hedging derivatives

	12/31/2019			12/31/2018 restated		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Hedging derivatives						
Fair Value Hedges	119,654	635	1,654	127,635	547	1,624
Swaps	51,945	637	1,654	54,382	550	1,623
Other firm contracts[1]	66,516	0	0	71,612	0	0
Options and conditional instruments	1,193	-2	0	1,641	-3	1
Cash Flow Hedges	267	0	4	0	0	0
Swaps	267	0	4	0	0	0
Other firm contracts	0	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0	0
TOTAL	**119,921**	**635**	**1,658**	**127,635**	**547**	**1,624**

To improve the data used in the FINREP reporting system, the group undertook a review of its chart of accounts. This review resulted in the creation of new notional accounts and in the reclassification of certain accounts, from Transaction to Hedging. The notional amount reported as at December 31, 2018, was €231 million and was restated accordingly.

Swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve.

The difference resulting from the use of different valuation curves for the hedged items and the hedging instruments is accounted for as hedge ineffectiveness. Furthermore, the value of derivatives takes into account the counterparty risk.

Hedging derivatives consist solely of interest rate instruments.

ANALYSIS 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
Hedging derivatives					
Fair Value Hedges	5,511	15,185	70,260	28,698	119,654
Swaps	4,067	9,584	29,184	9,110	51,945
Other firm contracts	1,332	5,265	40,332	19,587	66,516
Options and conditional instruments	112	336	744	1	1,193
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	**5,600**	**15,363**	**70,260**	**28,698**	**119,921**

	Less than 3 months	3 months to less than 1 year	1 to 5 years	Over 5 years	12/31/2018 restated
Hedging derivatives					
Fair Value Hedges	5,727	8,733	59,398	53,777	127,635
Swaps	3,429	3,938	33,187	13,828	54,382
Other firm contracts	2,186	4,459	25,019	39,948	71,612
Options and conditional instruments	112	336	1,192	1	1,641
Cash Flow Hedges	0	0	0	0	0
Swaps	0	0	0	0	0
Other firm contracts	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0
TOTAL	**5,727**	**8,733**	**59,398**	**53,777**	**127,635**

Note 6b Remeasurement adjustment on interest-risk hedged portfolios

	12/31/2019	12/31/2018
Fair value of portfolio interest rate risk		
■ in financial assets	803	623
■ in financial liabilities	-22	8

Note 6c Items – Fair Value Hedge

12/31/2019	Carrying amount	Of which remeasurement resulting from the hedge	Of which remeasurement for the fiscal year
Loans and receivables due from credit institutions at amortized cost	8	0	0
Customer loans at amortized cost	68,344	830	6
Securities at amortized cost	1,287	54	3
Financial assets at FVOCI	1,139	0	0
TOTAL	**70,778**	**884**	**9**

12/31/2018	Carrying amount	Of which remeasurement resulting from the hedge	Of which remeasurement for the fiscal year
Loans and receivables due from credit institutions at amortized cost	82	0	0
Customer loans at amortized cost	83,655	670	-3
Securities at amortized cost	1,455	55	-20
Financial assets at FVOCI	1,012	-505	8
TOTAL	**86,204**	**220**	**-15**

Note 7 Financial assets at fair value through shareholders' equity

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

	12/31/2019	12/31/2018
Government securities	2,351	2,066
Bonds and other debt securities	9,619	9,148
Listed	9,211	8,768
Non-listed	408	380
Accrued interest	41	37
Debt securities subtotal, gross	**12,011**	**11,251**
Of which impaired debt securities (S3)	*1*	*1*
Impairment of performing loans (S1/S2)	-9	-8
Other impairment (S3)	0	0
Debt securities subtotal, net	**12,002**	**11,243**
Loans	0	0
Accrued interest	0	0
Loans and receivables subtotal, gross	**0**	**0**
Impairment of performing loans (S1/S2)	0	0
Other impairment (S3)	0	0
Loans and receivables subtotal, net	**0**	**0**
Shares and other capital instruments	24	19
Listed	16	19
Non-listed	8	0
Long-term investments	164	161
Equity investments	45	45
Other long-term investments	64	47
Investments in subsidiaries and associates	55	69
Loaned securities	0	0
Non-performing current account advances to non-trading real estate companies (SCI)	0	0
Accrued interest	0	0
Subtotal, capital instruments	**188**	**180**
TOTAL	**12,190**	**11,423**
Of which unrealized capital gains or losses recognized under equity	*-117*	*-155*
Of which listed equity investments.	*0*	*0*

Note 7b List of main investments in non-consolidated companies

		% held	Equity	Balance sheet total	Net banking income or revenue	Net profit/loss
Crédit Logement	Unlisted	5%	1,709	10,813	204	102

The figures (except the percentage held) relate to fiscal year 2018.

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

12/31/2019	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Fair value through shareholders' equity	8,138	2,888	1,164	12,190
■ Government and equivalent securities	2,366	0	0	2,366
■ Bonds and other debt securities	5,748	2,888	1,000	9,636
■ Shares and other capital instruments	24	0	0	24
■ Investments and other long-term securities	0	0	109	109
■ Investments in subsidiaries and associates	0	0	55	55
Trading/Fair value option/Other	9,955	17,965	3,721	31,641
■ Government securities and similar instruments – Trading	689	201	52	942
■ Government securities and similar instruments – Fair value option	0	0	0	0
■ Government securities and similar instruments – Other FVPL	0	0	0	0
■ Bonds and other debt securities – Trading	8,079	1,489	199	9,767
■ Bonds and other debt securities – Fair value option	33	0	404	437
■ Bonds and other debt securities – Other FVPL	85	0	48	133
■ Shares and other equity instruments – Trading	647	0	0	647
■ Shares and other capital instruments – Other FVPL	288	0	2,330	2,618
■ Investments and other long-term securities – Other FVPL	1	0	156	157
■ Investments in subsidiaries and associates – Other FVPL	0	0	221	221
■ Loans and receivables due from credit institutions – Fair value option	0	0	0	0
■ Loans and receivables due from credit institutions – Other FVPL	0	0	0	0
■ Loans and receivables due from customers – Fair value option	0	0	0	0
■ Loans and receivables due from customers – Other FVPL	0	0	0	0
■ Loans and receivables – Trading	0	13,869	0	13,869
■ Derivatives and other financial assets – Trading	133	2,406	311	2,850
Hedging derivatives	0	635	0	635
TOTAL	**18,093**	**21,488**	**4,885**	**44,466**
FINANCIAL LIABILITIES				
Trading/Fair value option	144	18,751	283	19,178
■ Due to credit institutions – Fair value option	0	179	0	179
■ Amounts due to customers – Fair value option	0	0	0	0
■ Debt securities – Fair value option	0	0	0	0
■ Subordinated debt – Fair value option	0	0	0	0
■ Liabilities – Trading	0	15,437	0	15,437
■ Derivatives and other financial liabilities – Trading	144	3,135	283	3,562
Hedging derivatives	0	1,658	0	1,658
TOTAL	**144**	**20,409**	**283**	**20,836**

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

Description of levels:

- Level 1: price quoted in an active market;
- Level 2: prices quoted in active markets for similar instruments and measurement method in which all significant inputs are based on observable market information;
- Level 3: measurement based on internal models containing significant unobservable inputs.

Instruments in the trading portfolio classified under Levels 2 or 3 mainly consist of derivatives and securities considered as illiquid.

All of these instruments include uncertainties of valuation, which give rise to adjustments in value reflecting the risk premium that a market player would incorporate in establishing the price.

These valuation adjustments make it possible to integrate, in particular, risks that would not be captured by the model, liquidity risks associated with the instrument or the parameter concerned, specific risk premiums intended to offset certain surcharges that would elicit the dynamic management strategy associated with the model in certain market conditions, and the counterparty risk present in the fair value of over-the-counter derivatives. The methods used may change. The latter include the counterparty risk itself present in the fair value of over-the-counter derivatives.

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

FAIR VALUE HIERARCHY – LEVEL 3

12/31/2019	Opening	Purchases	Sales	Transfers	Gains and losses in the income statement	Other movement	Closing
Shares and other capital instruments – Other FVPL	1,960	465	-360	0	265	0	2,330

12/31/2018	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Fair value through schareholders' equity	7,608	2,502	1,313	11,423
■ Government and equivalent securities	2,081	0	0	2,081
■ Bonds and other debt securities	5,508	2,502	1,153	9,163
■ Shares and other capital instruments	19	0	0	19
■ Investments and other long-term securities	0	0	91	91
■ Investments in subsidiaries and associates	0	0	69	69
Trading/Fair value option/Other	9,807	3,532	3,421	16,760
■ 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	906	327	9,115
■ Bonds and other debt securities – Fair value option	35	0	363	398
■ Bonds and other debt securities – Other FVPL	85	0	48	133
■ Shares and other equity instruments – Trading	546	0	0	546
■ Shares and other capital instruments – Other FVPL	394	0	1,960	2,354
■ Investments and other long-term securities – Other FVPL	3	0	158	161
■ Investments in subsidiaries and associates – Other FVPL	0	0	214	214
■ Loans and receivables due from credit institutions – Fair value option	0	0	0	0
■ Loans and receivables due from credit institutions – Other FVPL	0	0	0	0
■ Loans and receivables due from customers – Fair value option	0	0	0	0
■ Loans and receivables due from customers – Other FVPL	0	0	0	0
■ Derivatives and other financial assets – Trading	247	2,467	351	3,065
Hedging derivatives	0	539	8	547
TOTAL	**17,415**	**6,573**	**4,742**	**28,730**
FINANCIAL LIABILITIES				
Trading/Fair value option	1,443	2,076	612	4,131
■ Due to credit institutions – Fair value option	0	0	0	0
■ Amounts due to customers – Fair value option	0	0	0	0
■ Debt securities – Fair value option	0	0	0	0
■ Subordinated debt – Fair value option	0	0	0	0
■ Derivatives and other financial liabilities – Trading	1,443	2,076	612	4,131
Hedging derivatives	0	1,617	7	1,624
TOTAL	**1,443**	**3,693**	**619**	**5,755**

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

Note 7d Details of securitization outstandings

As requested by the banking supervisor and the markets regulator, an analysis is provided below of sensitive exposures based on FSB recommendations.

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

Summary	12/31/2019	12/31/2018
RMBS	1,561	1,518
CMBS	662	543
CLO	3,561	3,211
Other ABS	2,185	2,404
RMBS hedged by CDS	0	0
CLO hedged by CDS	0	0
Other ABS hedged by CDS	0	0
ABCP program liquidity lines	0	215
TOTAL	**7,969**	**7,891**

Unless otherwise indicated, securities are not hedged by CDS.

EXPOSURES TO RMBS, CMBS, CLO AND OTHER ABS

12/31/2019	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	487		65	507	1,059
Amortized cost	53		300	533	886
Fair value – Others	8				8
Fair value through shareholders' equity	1,013	662	3,196	1,145	6,016
TOTAL	**1,561**	**662**	**3,561**	**2,185**	**7,969**
France	334		571	606	1,511
Spain	113			188	301
United Kingdom	256		136	84	476
Europe excluding France, Spain and the UK	470		246	774	1,490
USA	198	662	2,608	254	3,722
Other	190			279	469
TOTAL	**1,561**	**662**	**3,561**	**2,185**	**7,969**
US Branches	194	659			853
AAA	1,163	3	3,410	1,069	5,645
AA	168		96	582	846
A	17		44		61
BBB	7			25	32
BB	8			7	15
B or below	4				4
Not rated			11	502	513
TOTAL	**1,561**	**662**	**3,561**	**2,185**	**7,969**
Origination 2005 and earlier	39	51			90
Origination 2006-2008	94			20	114
Origination 2009-2011	65	4			69
Origination 2012-2019	1,363	607	3,561	2,165	7,696
TOTAL	**1,561**	**662**	**3,561**	**2,185**	**7,969**

12/31/2018 restated	RMBS	CMBS	CLO	Other ABS	Total
Trading	472			253	725
Financial assets at fair value through shareholders' equity	810	543	2,951	1,895	6,199
Financial assets at amortized cost	236		260	256	752
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,676**
France	251		555	644	1,450
Spain	125			195	320
United Kingdom	344		135	211	690
Europe excluding France, Spain and the UK	309		363	1,199	1,871
USA	292	543	2,158	1	2,994
Other	197			154	351
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,676**
US Branches	125	542			667
AAA	1,045	1	3,042	1,633	5,721
AA	141		120	508	769
A	20		38	57	115
BBB	7			199	206
BB	18			7	25
B or below	162				162
Not rated			11		11
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,676**
Origination 2005 and earlier	60				60
Origination 2006-2008	283			55	338
Origination 2009-2011	31	1			32
Origination 2012-2018	1,144	542	3,211	2,349	7,246
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,676**

Note 8 Financial assets at amortized cost

	12/31/2019	12/31/2018
Securities at amortized cost	2,544	2,650
Loans and receivables to credit institutions	28,679	32,180
Loans and receivables to customers	188,523	188,520
TOTAL	**219,746**	**223,350**

Note 8a Securities at amortized cost

	12/31/2019	12/31/2018
Securities	2,693	2,843
Government securities	1,452	1,599
Bonds and other debt securities	1,241	1,244
■ Listed	513	505
■ Non-listed	728	739
Accrued interest	12	14
TOTAL, GROSS	**2,705**	**2,857**
of which impaired assets (S3)	*176*	*386*
Impairment of performing loans (S1/S2)	0	0
Other impairment (S3)	-161	-207
TOTAL, NET	**2,544**	**2,650**

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

	12/31/2019	12/31/2018
Performing loans (S1/S2)	28,645	32,142
Current accounts	14,684	13,140
Loans	8,518	8,121
Other receivables	4,374	4,298
Pensions[1]	1,069	6,583
Individually-impaired receivables, gross (S3)	0	0
Accrued interest	36	40
Impairment of performing loans (S1/S2)	-2	-2
Other impairment (S3)	0	0
TOTAL	**28,679**	**32,180**

(1) The change in the management model of part of the pensions has led the CIC 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. Banking book transactions remain in the portfolio at amortized cost (see note 5a).

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

	12/31/2019	12/31/2018
Performing loans (S1/S2)	173,940	174,843
Commercial loans	6,861	7,157
Other customer receivables	166,856	167,423
■ home loans	83,830	78,675
■ other loans and receivables	82,114	77,712
■ pensions[1]	912	11,036
Accrued interest	223	263
Individually-impaired receivables, gross (S3)	4,849	4,644
Receivables, gross	**178,789**	**179,487**
Impairment of performing loans (S1/S2)	-530	-479
Other impairment (S3)	-2,297	-2,218
Subtotal I	**175,962**	**176,790**
Finance leases (net investment)	12,388	11,609
Equipment	7,917	7,347
Real estate	4,471	4,262
Individually-impaired receivables, gross (S3)	358	315
Impairment of performing loans (S1/S2)	-61	-67
Other impairment (S3)	-124	-127
Subtotal II	**12,561**	**11,730**
TOTAL	**188,523**	**188,520**
of which equity loans	*2*	*4*
of which subordinated loans	*13*	*13*

(1) The change in the management model of part of the pensions has led the CIC 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. Banking book transactions remain in the portfolio at amortized cost (see note 5a).

FINANCE LEASE TRANSACTIONS WITH CUSTOMERS

	12/31/2018	Increase	Decrease	Other	12/31/2019
Gross carrying amount	11,924	1,665	-829	-14	12,746
Impairment of non-recoverable lease payments	-194	-66	75	0	-185
Net carrying amount	11,730	1,599	-754	-14	12,561

MATURITY ANALYSIS OF MINIMUM FUTURE LEASE PAYMENTS RECEIVABLE UNDER FINANCE LEASES

	Less than 1 year	> 1 year and < 5 years	> 5 years	Total
Minimum future lease payments receivable	3,307	6,800	2,662	12,769
Present value of future lease payments	3,205	6,674	2,656	12,535
Unearned financial income	102	126	6	234

Note 9 Gross values and movements in impairment provisions

Note 9a Gross values subject to impairment

	12/31/2018 restated[1]	Acquisition/ production	Sale/ repayment	Changes in flows[2]	Transfers[3]	Other	12/31/2019
Financial assets at amortized cost – loans and receivables due from credit institutions, subject to	**32,182**	**16,656**	**-20,238**	**9**	**0**	**72**	**28,681**
■ 12-month expected losses (S1)	32,179	16,652	-20,237	9	2	72	28,677
■ expected losses at termination (S2)	3	4	-1	0	-2	0	4
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0	0	0
Financial assets at amortized cost – loans and receivables due from customers, subject to	**191,412**	**60,951**	**-61,625**	**252**	**3**	**542**	**191,535**
■ 12-month expected losses (S1)	177,616	58,514	-59,411	17	-1,207	370	175,899
■ expected losses at termination (S2)	8,836	1,896	-678	21	237	117	10,429
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	4,915	541	-1,490	214	973	54	5,207
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	44	0	-46	0	0	2	0
Financial assets at amortized cost – securities	**2,857**	**1,259**	**-1,518**	**0**	**115**	**-8**	**2,705**
■ with 12-month expected losses (S1)	2,471	1,256	-1,301	0	115	-12	2,529
■ with expected losses at termination (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	386	3	-217	0	0	4	176
■ 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	**11,251**	**6,310**	**-5,551**	**0**	**-113**	**114**	**12,011**
■ 12-month expected losses (S1)	11,144	6,310	-5,551	0	-56	108	11,955
■ expected losses at termination (S2)	107	0	0	0	-57	5	55
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	1	0	0	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	0	0
Financial assets at fair value through other comprehensive income – Loans	**0**	**0**	**0**	**0**	**0**	**0**	**0**
■ 12-month expected losses (S1)	0	0	0	0	0	0	0
■ expected losses at termination (S2)	0	0	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0	0	0
TOTAL	**237,702**	**85,176**	**-88,932**	**261**	**5**	**720**	**234,932**

(1) Amounts in Financial assets at amortized cost – loans and receivables to customers, restated at December 31, 2018, primarily to better reflect the economic reality of finance leases outstanding.
(2) Changes in flows not calling for derecognition.
(3) Of which Buckets transfers.

Note 9b Movements in impairment provisions

	0	Addition	Reversal	Other	12/31/2019
Loans and receivables due from credit institutions	**-2**	**-1**	**1**	**0**	**-2**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	-2	-1	1	0	-2
■ expected losses at termination (S2)	-0	0	0	0	-0
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Customer loans	**-2,891**	**-954**	**839**	**-6**	**-3,012**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	-222	-149	128	-1	-244
■ *expected losses at termination (S2)*	*-324*	*-225*	*204*	*-2*	*-347*
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-2,345	-580	507	-3	-2,421
■ 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	**-207**	**0**	**1**	**45**	**-161**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	-0	-0	0	-0	-0
■ expected losses at termination (S2)	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-207	0	1	45	-161
■ 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	**-8**	**-3**	**2**	**0**	**-9**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	-8	-3	2	0	-9
■ expected losses at termination (S2)	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at FVOCI – Loans	**0**	**0**	**0**	**0**	**0**
■ of which originated credit-impaired assets (S3)	0	0	0	0	0
■ 12-month expected losses (S1)	0	0	0	0	0
■ expected losses at termination (S2)	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0
■ expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
TOTAL	**-3,108**	**-958**	**843**	**39**	**-3,184**

Note 10 Income tax

Note 10a Current tax

	12/31/2019	12/31/2018
Assets (through profit or loss)	687	767
Liabilities (through profit or loss)	290	243

Following application since January 1, 2019, of IFRIC 23 – Uncertainty over Income Tax Treatments, the group reclassified €30 million from "Provisions" (note 20a) to "Current income tax" (note 10a).

Note 10b Deferred tax

	12/31/2019	12/31/2018
Assets (through profit or loss)	279	312
Assets (through shareholders' equity)	54	48
Liabilities (through profit or loss)	241	254
Liabilities (through shareholders' equity)	5	5

ANALYSIS OF DEFERRED TAXES (THROUGH PROFIT OR LOSS) BY MAJOR CATEGORIES

	12/31/2019		12/31/2018	
	Assets	Liabilities	Assets	Liabilities
Temporary differences in:				
Provisions	306		288	
Finance leasing reserve		303		259
Earnings of flow-through entities	1		1	
Remeasurement of financial instruments	270	308	190	217
Accrued expenses and accrued income	110		88	
Other temporary differences	80	118		33
Netting	-488	-488	-255	-255
TOTAL DEFERRED TAX ASSETS AND LIABILITIES	**279**	**241**	**312**	**254**

Deferred taxes are calculated using the liability method.

Note 11 Accruals and other assets

	12/31/2019	12/31/2018
Accruals		
Collection accounts	108	112
Currency adjustment accounts	46	85
Accrued income	409	376
Other accruals	1,924	2,023
Subtotal	**2,487**	**2,596**
Other assets		
Securities settlement accounts	102	61
Miscellaneous receivables	2,943	3,058
Inventories and similar	26	19
Other	10	11
Subtotal	**3,081**	**3,149**
TOTAL	**5,568**	**5,745**

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

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

Note 12 Investments in equity consolidated companies

Note 12a Share of net profit/(loss) of equity consolidated companies

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

12/31/2018	Country	% interest	Value of equity consolidation[1]	Share of net profit/(loss)	Dividends received
Groupe ACM	France	18.50%	1,875	198	62
Crédit Mutuel Asset Management	France	23.54%	13	0	1
TOTAL			**1,888**	**198**	**63**

(1) comprises goodwill of €52 million for Groupe ACM at December 31, 2019, and €54 million at December 31, 2018.

Note 12b Key figures of main equity consolidated companies

12/31/2019	Total assets	Net banking/ income	GOI	Net profit	OCI	Shareholders' equity
Groupe ACM	125,068	1,723	1,125	843	1,479	9,828
Crédit Mutuel Asset Management	94	72	10	7	0	62

12/31/2018	Total assets	Net banking/ income	GOI	Net profit	OCI	Shareholders' equity
Groupe ACM	116,088	1,720	1,167	790	948	10,274
Crédit Mutuel Asset Management	86	59	0	0	0	55

Note 13 Investment property

	12/31/2018	Increase	Decrease	Other	12/31/2019
Historical cost	85	2	-13	8	82
Depreciation and impairment	-39	-2	1	7	-33
NET AMOUNT	**46**	**-0**	**-12**	**15**	**49**

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

Note 14 Property, plant and equipment and intangible assets

Note 14a Property, plant and equipment

	12/31/2018	Increase	Decrease	Other[1]	12/31/2019
Historical cost					
Operating sites	332	1	-1	0	332
Operating buildings	2,606	90	-61	0	2,635
Usage rights – Real estate	0	56	-32	344	368
Other property, plant and equipment	527	55	-65	1	518
TOTAL	**3,465**	**202**	**-159**	**345**	**3,853**
Depreciation and impairment					
Operating sites	0	0	0	0	0
Operating buildings	-1,760	-82	51	0	-1,791
Usage rights – Real estate	0	-57	3	1	-53
Other property, plant and equipment	-435	-20	25	-1	-431
TOTAL	**-2,195**	**-159**	**79**	**-0**	**-2,275**
NET AMOUNT	**1,270**	**43**	**-80**	**345**	**1,578**

(1) Of which a €342 million impact from the first application of IFRS 16.

Note 14b Intangible fixed assets

	12/31/2018	Increase	Decrease	Other	12/31/2019
Historical cost					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	346	22	-14	1	355
■ software	105	20	-1	1	125
■ other	241	2	-13	-0	230
TOTAL	**346**	**22**	**-14**	**1**	**355**
Depreciation and impairment					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	-163	-15	2	0	-176
■ software	-76	-12	1	-1	-88
■ other	-87	-3	1	1	-88
TOTAL	**-163**	**-15**	**2**	**0**	**-176**
NET AMOUNT	**183**	**7**	**-12**	**1**	**179**

Note 15 Goodwill

	12/31/2018	Increase	Decrease	Other	12/31/2019
Gross goodwill	33	0	0	0	33
Write-downs	0	0	0	0	0
NET GOODWILL	**33**	**0**	**0**	**0**	**33**

Subsidiaries	12/31/2018	Increase	Decrease	Other	12/31/2019
Banque Transatlantique	6				6
Dubly Transatlantique Gestion	6				6
Crédit Mutuel Equity SCR	21				21
TOTAL	**33**	**0**	**0**	**0**	**33**

NOTES TO THE BALANCE SHEET – LIABILITIES AND SHAREHOLDERS' EQUITY

Note 16 Financial liabilities at fair value through profit or loss

	12/31/2019	12/31/2018
Financial liabilities held for trading[1]	18,999	4,131
Financial liabilities at fair value through profit or loss	179	0
TOTAL	**19,178**	**4,131**

(1) The change in the management model of part of the pensions has led the CIC 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. Banking book transactions remain in the portfolio at amortized cost (see 18a and 18b).

Note 16a Financial liabilities held for trading

	12/31/2019	12/31/2018
Short sales of securities	980	1,226
■ Government securities	0	3
■ Bonds and other debt securities	357	585
■ Shares and other capital instruments	623	638
Debts in respect of securities sold under repurchase agreements	15,437	0
Trading derivatives	2,577	2,900
Other financial liabilities held for trading	5	5
TOTAL	**18,999**	**4,131**

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

	12/31/2019			12/31/2018		
	Value	Amount due	Difference	Value	Amount due	Difference
Securities issued	0	0	0	0	0	0
Subordinated debt	0	0	0	0	0	0
Interbank debt	179	179	0	0	0	0
Due to customers	0	0	0	0	0	0
TOTAL	**179**	**179**	**0**	**0**	**0**	**0**

Note 17 Netting of financial assets and liabilities

12/31/2019	Gross value of financial assets	Gross value of financial liabilities offset in balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet: Impact of framework offsetting agreements	Related amounts not offset in balance sheet: Financial instruments received as guarantee	Related amounts not offset in balance sheet: Cash collateral received	Net amount
Financial assets							
Derivatives	5,067	-1,582	3,485	-1,323	0	-1,221	941
Repurchase agreements	15,861	0	15,861	0	-15,682	-153	26
TOTAL	**20,928**	**-1,582**	**19,346**	**-1,323**	**-15,682**	**-1,374**	**967**

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 framework offsetting agreements	Related amounts not offset in balance sheet: Financial instruments pledged as collateral	Related amounts not offset in balance sheet: Cash paid (cash collateral)	Net amount
Financial liabilities							
Derivatives	5,817	-1,582	4,235	-1,323	0	-2,139	773
Repurchase agreements	18,410	0	18,410	0	-18,269	-140	0
TOTAL	**24,227**	**-1,582**	**22,645**	**-1,323**	**-18,269**	**-2,279**	**773**

12/31/2018	Gross value of financial assets	Gross value of financial liabilities offset in balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet: Impact of framework offsetting agreements	Related amounts not offset in balance sheet: Financial instruments received as guarantee	Related amounts not offset in balance sheet: Cash collateral received	Net amount
Financial assets							
Derivatives	4,387	-776	3,611	-1,123	0	-1,390	1,098
Repurchase agreements	17,668	0	17,668	0	-17,405	-162	101
TOTAL	**22,055**	**-776**	**21,279**	**-1,123**	**-17,405**	**-1,552**	**1,199**

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 framework offsetting agreements	Related amounts not offset in balance sheet: Financial instruments pledged as collateral	Related amounts not offset in balance sheet: Cash paid (cash collateral)	Net amount
Financial liabilities							
Derivatives	5,300	-776	4,524	-1,154	0	-2,379	991
Repurchase agreements	20,739	0	20,739	0	-19,957	-782	0
TOTAL	**26,039**	**-776**	**25,263**	**-1,154**	**-19,957**	**-3,161**	**991**

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 the offset of carrying amounts under IAS 32, for transactions processed going through a clearing house.

The column entitled "Impact of master offsetting agreements" corresponds to outstanding transactions under enforceable contracts that are not offset for accounting purposes. 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 18 Financial liabilities at amortized cost

Note 18a Due to central banks and credit institutions

	12/31/2019	12/31/2018
Central banks	**4**	**0**
Due to credit institutions	**68,374**	**84,945**
Current accounts	1,507	1,869
Borrowings	62,144	63,167
Other debt	1,687	1,100
Pensions[1]	2,960	18,644
Related debt	76	165

(1) The change in the management model of part of the pensions has led the CIC 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. Banking book transactions remain in the portfolio at amortized cost (see note 16a).

Note 18b Amounts due to customers at amortized cost

	12/31/2019	12/31/2018
Special savings accounts	48,734	46,546
■ on demand	35,204	33,766
■ in the future	13,530	12,780
Related liabilities on savings accounts	1	1
Subtotal	**48,735**	**46,547**
Demand accounts	88,403	79,954
Term deposits and borrowings	32,081	23,408
Pensions[1]	3	2,024
Other debt	7	8
Related debt	77	119
Subtotal	**120,571**	**105,513**
TOTAL	**169,306**	**152,060**

(1) The change in the management model of part of the pensions has led the CIC 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. Banking book transactions remain in the portfolio at amortized cost (see note 16a).

Note 18c Debt securities at amortized cost

	12/31/2019	12/31/2018
Certificates of deposit	42	38
Interbank certificates and negotiable debt instruments	23,422	21,563
Bonds	6,060	5,187
Non-preferred senior securities	0	0
Related debt	160	116
TOTAL	**29,684**	**26,904**

Note 18d Items – Fair Value Hedge

12/31/2019	Carrying amount	Of which remeasurement resulting from the hedge	Of which remeasurement for the fiscal year
Debt securities	332	0	0
Due to credit institutions	14,873	0	0
Due to customers	25,521	10	3
TOTAL	**40,726**	**10**	**3**

12/31/2018	Carrying amount	Of which remeasurement resulting from the hedge	Of which remeasurement for the fiscal year
Debt securities	332	0	0
Due to credit institutions	15,180	0	0
Due to customers	24,539	8	0
TOTAL	**40,051**	**8**	**0**

Note 19 Accruals and other liabilities

	12/31/2019	12/31/2018
Accruals		
Accounts unavailable due to recovery procedures	43	23
Currency adjustment accounts	104	52
Accrued expenses	783	734
Deferred income	406	409
Other accruals	4,058	4,454
Subtotal	**5,394**	**5,672**
Other liabilities		
Lease obligations – Real estate	318	0
Securities settlement accounts	124	81
Outstanding amounts payable on securities	52	71
Sundry creditors	349	339
Subtotal	**843**	**491**
TOTAL	**6,237**	**6,163**

Note 19a Lease obligations by residual term

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

Note 20 Provisions and contingent liabilities

Note 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	**238**	**121**	**-70**	**-118**	**63**	**234**
On guarantee commitments	154	77	0	-68	-0	163
of which 12-month expected losses (S1)	*25*	*19*	*0*	*-15*	*0*	*29*
of which expected losses at termination (S2)	*32*	*21*	*0*	*-22*	*0*	*31*
On financing commitments	26	26	0	-17	0	35
of which 12-month expected losses (S1)	*21*	*21*	*0*	*-13*	*0*	*29*
of which expected losses at termination (S2)	*5*	*5*	*0*	*-4*	*0*	*6*
Provisions for taxes	26	1	-0	-13	-4	10
Provisions for claims and litigation	11	4	-1	-2	0	12
Provision for risk on miscellaneous receivables	21	13	-69	-18	67	14
Other provisions	**585**	**150**	**-9**	**-73**	**-125**	**528**
Provision for mortgage saving agreements	64	12	0	0	0	76
Provisions for miscellaneous contingencies	167	31	-9	-30	-12	147
Other provisions[1]	354	107	0	-43	-113	305
Provisions for retirement commitments	**209**	**21**	**-0**	**-8**	**-5**	**217**
TOTAL	**1,032**	**292**	**-79**	**-199**	**-67**	**979**

(1) Other provisions relate to provisions for French economic interest groups (GIE) totaling €305 million.

Following application since January 1, 2019, of IFRIC 23 – Uncertainty over Income Tax Treatments, the group reclassified €30 million from "Provisions" (Note 20a) to "Current income tax" (Note 10a).

Note 20b Retirement and other employee benefits

	12/31/2018	Additions for the year	Reversals for the year	Other variations	12/31/2019
Defined-benefit plans not covered by pension funds					
Retirement Benefits	97	10	0	0	107
Supplementary pensions	33	4	-6	0	31
Obligations for long service awards (other long-term benefits)	56	6	0	0	62
Total amount recognized	**186**	**20**	**-6**	**0**	**200**
Supplementary defined-benefit pensions covered by pension funds					
Commitments to employees and retirees[1]	23	0	-1	-5	17
Total amount recognized	**23**	**0**	**-1**	**-6**	**17**
TOTAL	**209**	**21**	**-8**	**-5**	**217**

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

Defined-benefit plans: Main actuarial assumptions	12/31/2019	12/31/2018
Discount rates[1]	0.75%	1.50%
Expected increase in salaries	Minimum 1.0%	Minimum 1.2%

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

RETIREMENT BENEFITS

Change in actuarial debt	12/31/2018	Effect of discounting	Financial income	Cost of services rendered	Transfers	Variation in actuarial gains and losses[1]	Payments to beneficiaries	Insurance premiums	12/31/2019
Commitments	214	2		12	-1	22	-14		235
Non-group insurance policies and externally managed assets	129		4		-1	-1	-8	18	141
Sub-total, banks insured by ACM	**85**	**2**	**-4**	**12**	**0**	**23**	**-6**	**-18**	**94**
Foreign entities	12								13
TOTAL	**97**								**107**

[1] Of which €16 million concerning financial assumptions.

Additional information for the French entities insured by ACM

- The term of the commitments is 19 years.
- In respect of the upcoming fiscal year, the group expects costs of services rendered of €14 million and financial costs of €2 million.

ANALYSIS OF THE SENSITIVITY OF THE COMMITMENTS TO THE DISCOUNT RATE

Discount rate	0.25%	0.75%	1.25%
Commitments	251	235	221

ANALYSIS OF RETIREMENT BENEFITS

	1 to 5 years	6 to 10 years	11 to 15 years	16 to 20 years	21 to 25 years	26 to 30 years	Over 30 years	Total	Total discounted
Retirement bonuses expected flows	67	60	49	73	98	94	119	560	222

	12/31/2019			
Breakdown of fair value of plan assets	**Debt securities**	**Equity instruments**	**Real estate**	**Other**
Assets quoted on an active market	54%	38%	1%	3%
Assets not quoted on an active market	1%	1%	2%	0%
TOTAL	**55%**	**39%**	**3%**	**3%**

	12/31/2018			
Breakdown of fair value of plan assets	**Debt securities**	**Equity instruments**	**Real estate**	**Other**
Assets quoted on an active market	57%	35%	1%	3%
Assets not quoted on an active market	1%	1%	2%	0%
TOTAL	**58%**	**36%**	**3%**	**3%**

The assets are measured at fair value.

Defined-contribution retirement benefits

Provisions for supplementary pensions

The group's French banks have in the past implemented additional supplementary retirement plans, which are now closed.

The banks' commitments under these plans totaled €20 million at December 31, 2019, compared with €21 million at December 31, 2018.

The amount paid in respect of these commitments came to -€2 million and that in respect of changed assumptions was -€1 million.

Retirement savings agreement entered into with ACM

For the French entities that have adopted the group-wide benefits platform, a supplementary defined-benefit retirement plan has been put in place with ACM. Under the terms of this agreement, these entities paid €31 million during the year.

Note 20c Provisions for risks arising from commitments on mortgage saving agreements

	12/31/2019	12/31/2018
Mortgage saving plans (PEL)		
Contracted between 0 and 4 years ago	942	1,914
Contracted between 4 and 10 years ago	5,746	4,338
Contracted more than 10 years ago	4,354	4,370
TOTAL	**11,042**	**10,622**
Amounts outstanding under mortgage saving accounts (CEL)	654	643
TOTAL MORTGAGE SAVING AGREEMENTS (ACCOUNTS AND PLANS)	**11,696**	**11,265**

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	Opening	Net additions/ reversals	Other variations	Closing
On mortgage saving accounts	1	-1		0
On mortgage saving plans	63	12	1	76
On loans under mortgage saving agreements	0			0
TOTAL	**64**	**11**	**1**	**76**
Provisions for mortgage saving plans, by maturity				
Contracted between 0 and 4 years ago	17			10
Contracted between 4 and 10 years ago	27			45
Contracted more than 10 years ago	19			21
TOTAL	**63**			**76**

Mortgage savings accounts (CEL) and mortgage savings plans (PEL) are government-regulated retail products available to natural persons 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 variation in the provision is attributable largely to lower market rates.

6

Note 21 Subordinated debt at amortized cost

	12/31/2019	12/31/2018
Participating loans	153	153
Perpetual subordinated debt	26	26
Other debt	2,052	2,052
Related debt	2	3
TOTAL	**2,233**	**2,234**

SUBORDINATED DEBT REPRESENTING MORE THAN 10% OF TOTAL SUBORDINATED DEBTS

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

(1) Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.
(2) Non-depreciable, but reimbursable at borrower's discretion as of 05/28/1997 at 130% of the nominal value revalued by 1.5% per year for future years.

Note 22 Unrealized or deferred gains and losses

Note 22a Unrealized or deferred gains and losses

	12/31/2019	12/31/2018
Unrealized or deferred gains or losses* relating to:		
■ translation adjustments	64	31
■ financial assets at fair value through recyclable other comprehensive income – debt instruments	-65	-58
■ financial assets at fair value through non-recyclable other comprehensive income – equity instruments	-116	-128
■ hedging derivatives (CFH)	0	0
■ share of unrealized or deferred gains and losses of associates	235	174
■ actuarial gains and losses on defined benefit plans	-65	-49
TOTAL	**53**	**-30**

* *Balance net of corporation tax.*

Note 22b Recycling of gains and losses directly recognized in shareholders' equity

	12/31/2019 Operations	12/31/2018 Operations
Translation adjustments		
Reclassification in income	0	0
Other movement	33	43
Subtotal	**33**	**43**
Revaluation of financial assets at FVOC		
Reclassification in income	0	0
Other movement	5	-84
Subtotal	**5**	**-84**
Remeasurement of hedging derivatives		
Reclassification in income	0	0
Other movement	-0	0
Subtotal	**-0**	**0**
Remeasurement of non-current assets	0	0
Actuarial gains and losses on defined benefit plans	-16	-13
Share of unrealized or deferred gains and losses of associates	61	-67
TOTAL	**83**	**-121**

Note 22c 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	33	0	33	43	0	43
Revaluation of financial assets at FVOC	0	5	5	-85	1	-84
Remeasurement of hedging derivatives	0	0	0	0	0	0
Remeasurement of non-current assets	0	0	0	0	0	0
Actuarial gains and losses on defined benefit plans	-17	1	-16	-15	2	-13
Share of unrealized or deferred gains and losses of associates	87	-26	61	-101	34	-67
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY TO EQUITY	**103**	**-20**	**83**	**-158**	**37**	**-121**

Note 23 Commitments given and received

Commitments given	12/31/2019	12/31/2018
Funding commitments	**40,399**	**37,043**
Liabilities due to credit institutions	364	350
Commitments to customers	40,035	36,693
Guarantee commitments	**17,136**	**16,167**
Credit institution commitments	2,366	2,286
Customer commitment	14,770	13,881
Securities commitments	**2,362**	**3,102**
Securities acquired with option to repurchase	0	0
Other commitment given	2,362	3,102

Commitments received	12/31/2019	12/31/2018
Funding commitments	**464**	**224**
Commitments received from credit Institutions	464	224
Commitments received from customers	0	0
Guarantee commitments	**69,392**	**64,873**
Commitments received from credit Institutions	49,431	46,068
Commitments received from customers	19,961	18,805
Securities commitments	**964**	**1,583**
Securities sold with option to repurchase	0	0
Other commitments received	964	1,583

Securities sold under repurchase agreements	12/31/2019	12/31/2018
Assets sold under repurchase agreements	18,492	20,812
Related liabilities	18,371	20,668

Other assets given as collateral for liabilities	12/31/2019	12/31/2018
Loaned securities	0	0
Security deposits on market transactions	4,063	3,920
TOTAL	**4,063**	**3,920**

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.

NOTES TO THE INCOME STATEMENT

Note 24 Interest income and expense

	12/31/2019		12/31/2018 restated		12/31/2018 published	
	Income	Expenses	Income	Expenses	Income	Expenses
Credit institutions and central banks[1]	370	-739	371	-755	371	-755
Customers	3,881	-783	3,802	-779	6,668	-3,645
■ of which finance leasing	284	-44	270	-38	3,136	-2,904
■ of which lease obligations		-5				
Hedging derivatives	478	-997	371	-1,017	103	-408
Financial assets at fair value through profit or loss	565	-16	374	-22	4,728	-4,717
Financial assets at fair value through equity	219	0	137	0	137	0
Securities at amortized cost	30	0	38	0	38	0
Debt securities	0	-566	0	-362	0	-362
Subordinated debt	0	0	0	0	0	0
TOTAL	**5,543**	**-3,101**	**5,093**	**-2,935**	**12,045**	**-9,887**
of which interest income and expense calculated at effective interest rate	*4,500*	*-2,088*	*4,348*	*-1,896*	*7,214*	*-4,762*

(1) including -€223 million impact of negative interest rates in income and €101 million in expenses for the 2019 fiscal year, compared to -€208 million impact of negative interest rates in income and €110 million in expenses for the 2018 fiscal year.

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

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

As a result, for purposes of comparability with the interest income and expenses as at Tuesday, December 31, 2019, presented using this definition, the figures published on December 31, 2018, were restated.

Note 25 Commission income and expense

	12/31/2019		12/31/2018	
	Income	Expenses	Income	Expenses
Credit institutions	2	-5	2	-4
Customers	915	-12	956	-11
Securities	548	-25	543	-26
Derivative instruments	6	-9	4	-7
Currency transactions	15	-1	16	-1
Funding and guarantee commitments	6	-2	5	-1
Services provided	1,148	-496	1,236	-590
TOTAL	**2,640**	**-550**	**2,762**	**-640**

Note 26 Net gains on financial instruments at fair value through profit or loss

	12/31/2019	12/31/2018
Trading instruments	271	183
Instruments accounted for under the fair value option	8	28
Ineffective portion of hedges	-2	3
On cash flow hedges (CFH)	0	0
On fair value hedges (FVH)	-2	3
■ Change in the fair value of hedged items	348	-197
■ Change in fair value of hedging instruments	-350	200
Foreign exchange gains/(losses)	89	81
Other financial instruments at fair value through profit or loss[1]	257	240
TOTAL CHANGES IN FAIR VALUE	**623**	**535**

(1) of which €214 million came from private equity business as at December 31, 2019, compared to €209 million as at December 31, 2018.

Note 27 Net gains or losses on financial assets at fair value through shareholders' equity

	12/31/2019	12/31/2018
Dividends	10	7
Realized gains and losses on debt instruments	24	167
TOTAL	**34**	**174**

Note 28 Net gains and losses on financial assets and liabilities carried at amortized cost

	12/31/2019	12/31/2018
Financial assets at amortized cost		
Realized gains/(losses) on:	2	1
■ Government securities	0	0
■ Bonds and other fixed-income securities	2	1
■ Loans	0	0
Financial liabilities at amortized cost – gains/(losses) on:	0	0
■ Unsubordinated notes issued	0	0
■ Subordinated notes issued	0	0
TOTAL	**2**	**1**

Note 29 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 sale	3	0
Rebilled expenses	87	86
Other income	77	86
Subtotal	**167**	**172**
Expenses on other activities		
Investment property:	-2	-3
■ additions to provisions/depreciation	-2	-3
■ capital losses on sale	0	0
Other expenses	-143	-138
Subtotal	**-145**	**-141**
NET TOTAL OF OTHER INCOME AND EXPENSES	**22**	**31**

Note 30 General operating expenses

	12/31/2019	12/31/2018
Employee benefits expense	-1,835	-1,790
Other general operating expenses	-1,243	-1,257
Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets	-173	-119
TOTAL	**-3,251**	**-3,166**

Note 30a Employee benefits expense

	12/31/2019	12/31/2018
Wages and salaries	-1,089	-1,072
Social security contributions	-474	-457
Short-term employee benefits	-0	-1
Employee profit-sharing and incentive schemes	-138	-125
Payroll-based taxes	-135	-136
Other	1	1
TOTAL	**-1,835**	**-1,790**

Note 30b Average workforce

	12/31/2019	12/31/2018
Bank technical staff	10,550	10,546
Managers	9,433	9,336
TOTAL	**19,983**	**19,882**
France	*18,268*	*18,281*
Rest of the world	*1,715*	*1,601*

Note 30c Other general operating expenses

	12/31/2019	12/31/2018
Taxes and duties[1]	-189	-199
Leases		
■ short-term asset leases[2]	-54	-109
■ low value/substitutable asset leases[3]	-52	-50
■ other leases	-3	-3
Other external services	-974	-928
Other miscellaneous expenses	29	32
TOTAL	**-1,243**	**-1,257**

(1) The entry "Taxes and duties" includes an expense of -€95 million as part of the contribution to the Single Resolution Fund on December 31, 2019, compared to -€84 million on December 31, 2018.

(2) Includes real estate by automatic renewal.

(3) Includes computer equipment.

Note 30d Statutory auditors' fees

	12/31/2019					
Amounts excluding taxes	**PricewaterhouseCoopers**		**Ernst & Young et Autres**		**KPMG**	
Certification of accounts						
■ Issuer of statements	0.46	16%	0.45	41%	0.46	13%
■ Fully consolidated subsidiaries	1.39	50%	0.61	55%	1.98	55%
Non-audit services						
■ Issuer of statements						
■ Fully consolidated subsidiaries	0.96	34%	0,04	4%	1.13	32%
TOTAL	**2.81**	**100%**	**1.10**	**100%**	**3.57**	**100%**
Of which fees paid to the statutory auditors in France for the statutory audit of the financial statements	*1.49*		*0,96*		*1.19*	
Of which fees paid to the statutory auditors in France for non-audit services	*0.15*		*0.03*		*0.09*	

	12/31/2018					
Amounts excluding taxes	**PricewaterhouseCoopers**		**Ernst & Young et Autres**		**KPMG**	
Certification of accounts						
■ Issuer of statements	0.48	18%	0.48	44%	0.48	16%
■ Fully consolidated subsidiaries	1.49	58%	0.60	56%	1.92	64%
Non-audit services						
■ Issuer of statements						
■ Fully consolidated subsidiaries	0.63	24%			0.58	20%
TOTAL	**2.60**	**100%**	**1.08**	**100%**	**2.98**	**100%**
Of which fees paid to the statutory auditors in France for the statutory audit of the financial statements	*1.56*		*1.00*		*1.19*	
Of which fees paid to the statutory auditors in France for non-audit services	*0.06*		*0.00*		*0.00*	

The above amounts correspond to amounts recognized as expense during the fiscal year.

6

Note 30e Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets

	12/31/2019	12/31/2018
Depreciation and amortization:	-173	-119
■ property, plant and equipment	-159	-106
including usage rights	*-57*	
■ intangible assets	-14	-13
Write-downs:	0	0
■ property, plant and equipment	0	0
■ intangible assets	0	0
TOTAL	**-173**	**-119**

Note 31 Cost of counterparty risk

	12/31/2019	12/31/2018
■ 12-month expected losses (S1)	-34	-36
■ expected losses at termination (S2)	-2	-4
■ impaired assets (S3)	-275	-151
TOTAL	**-311**	**-191**

12/31/2019	Allowances	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	Total
12-month expected losses (S1)	**-194**	**160**				**-34**
■ Loans and receivables due from credit institutions at amortized cost	-1	1				0
■ Customer loans at amortized cost	-150	128				-22
of which finance leases	*-20*	*22*				*2*
■ Financial assets at amortized cost – securities	0	0				0
■ Financial assets at fair value through other comprehensive income – debt securities	-4	3				-1
■ Financial assets at fair value through other comprehensive income – Loans	0	0				0
■ Commitments given	-39	28				-11
Expected losses at termination (S2)	**-252**	**250**				**-2**
■ Loans and receivables due from credit institutions at amortized cost	0	0				0
■ Customer loans at amortized cost	-226	204				-22
of which finance leases	*-16*	*20*				*4*
■ 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	-26	46				20
Impaired assets (S3)	**-592**	**515**	**-185**	**-25**	**12**	**-275**
■ Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
■ Customer loans at amortized cost	-542	464	-185	-22	11	-274
of which finance leases	*-3*	*6*	*-5*	*-1*	*1*	*-2*
■ 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	-50	49	0	0	0	-1
TOTAL	**-1,039**	**926**	**-185**	**-25**	**12**	**-311**

12/31/2018	Allowances	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	Total
12-month expected losses (S1)	**-209**	**173**				**-36**
■ Loans and receivables due from credit institutions at amortized cost	-2	1				-1
■ Customer loans at amortized cost	-171	138				-33
of which finance leases	*-36*	*28*				*-8*
■ Financial assets at amortized cost – securities	0	0				0
■ Financial assets at fair value through other comprehensive income – debt securities	-5	4				-1
■ Financial assets at fair value through other comprehensive income – Loans	0	0				0
■ Commitments given	-31	30				-1
Expected losses at termination (S2)	**-268**	**264**				**-4**
■ Loans and receivables due from credit institutions at amortized cost	0	3				3
■ Customer loans at amortized cost	-223	225				2
of which finance leases	*-38*	*42*				*4*
■ 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	-45	36				-9
Impaired assets (S3)	**-471**	**544**	**-212**	**-32**	**20**	**-151**
■ Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
■ Customer loans at amortized cost	-416	506	-210	-25	10	-135
of which finance leases	*-4*	*3*	*-2*	*-1*	*1*	*-3*
■ 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	-51	33	0	0	0	-18
TOTAL	**-948**	**981**	**-212**	**-32**	**20**	**-191**

Note 32 Net gains/(losses) on disposals of other assets

	12/31/2019	12/31/2018
Tangible and intangible assets	-10	9
■ Capital losses on disposals	-16	-8
■ Capital gains on disposals	6	17
Gains/(losses) on disposals of shares in consolidated entities[1]	64	18
TOTAL	**54**	**27**

(1) of which €64 million in 2019 for the sale of 2.4% of the stock in GACM to BFCM and €18 million in 2018 for the consolidation of Banque de Luxembourg Investments SA.

Note 33 Income tax

	12/31/2019	12/31/2018
Current taxes	-486	-486
Deferred tax expense/income	31	-7
Adjustments in respect of prior years	60	-1
TOTAL	**-395[1]**	**-494**

(1) Including an expense of -€366 million in respect of companies based in France and an expense of -€28 million for companies based elsewhere.

RECONCILIATION BETWEEN THE INCOME TAX EXPENSE RECOGNIZED AND THE THEORETICAL TAX EXPENSE

	12/31/2019	12/31/2018
Theoretical tax rate	34.4%	34.4%
Impact of preferential "SCR" and "SICOMI" rates	-3.7%	-4.6%
Impact of reduced rate on long-term capital gains	-2.1%	-0.9%
Impact of different tax rates paid by foreign subsidiaries	-1.9%	-1.5%
Impact of tax provisions	-0.9%	1.3%
Impact of tax credits	-0.7%	-0.4%
Impact of corrections relating to prior years	-0.6%	-0.4%
Impact of tax consolidation	-0.4%	-0.7%
Impact of changes in tax rates	-0.2%	-0.8%
Impact of permanent differences	0.1%	1.8%
Other	-0.8%	1.0%
EFFECTIVE TAX RATE	**23.2%**	**29.2%**
Taxable income	1,705	1,691
INCOME TAX (EXPENSE)	**-395**	**-494**

Note 34 Profit (loss) per share

	12/31/2019	12/31/2018
Net income attributable to the group	1,457	1,385
Number of shares at beginning of year	37,795,782	37,795,782
Number of shares at end of year	37,795,782	37,795,782
Weighted average number of shares	37,795,782	37,795,782
BASIC EARNINGS PER SHARE *(in €)*	**38.55**	**36.65**
Weighted average number of shares that may be issued	0	0
DILUTED EARNINGS PER SHARE *(in €)*	**38.55**	**36.65**

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

Note 35 Fair value hierarchy of financial instruments measured at amortized cost or at carrying amount

The estimated fair values presented are calculated based on observable parameters at Tuesday, 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 note relate to loans and borrowings. They do not capture the non-monetary items (e.g. equities), trade accounts payable, other asset accounts, or other liability and accrual accounts. 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.

Certain group entities may also apply assumptions whereby fair value is deemed to equal the carrying amount for contracts indexed to a floating rate, or whose residual life is one year or less.

The reader's attention is drawn to the fact that, excluding held-to-maturity financial assets, financial instruments carried at amortized cost are not transferable or, in practice, are not 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 gain or loss	Level 1	Level 2	Level 3
Assets						
■ Financial assets at amortized cost	264,585	258,557	6,028	2,032	72,804	189,749
■ Loans and receivables due from credit institutions	67,717	67,490	227	0	67,717	0
■ Loans and receivables due from customers	194,286	188,523	5,763	0	4,741	189,545
■ Securities	2,582	2,544	38	2,032	346	204
Liabilities						
■ Due to credit institutions	68,963	68,374	589	0	68,963	0
■ Due to customers	170,167	169,306	861	0	87,235	82,932
■ Debt securities	29,768	29,684	84	0	29,768	0
■ Subordinated debt	2,305	2,233	72	0	2,305	0

	12/31/2018 restated					
	Market value	Carrying amount	Unrealized gain or loss	Level 1	Level 2	Level 3
Assets						
■ Financial assets at amortized cost	259,125	255,059	4,066	1,972	69,455	187,698
■ Loans and receivables due from credit institutions[1]	63,949	63,889	60	0	63,949	0
■ Loans and receivables due from customers	192,509	188,520	3,989	0	5,335	187,174
■ Securities	2,667	2,650	17	1,972	171	524
Liabilities						
■ Due to credit institutions	86,028	84,945	1,083	0	86,019	9
■ Due to customers	152,655	152,060	595	0	77,909	74,746
■ Debt securities	26,962	26,904	58	0	26,962	0
■ Subordinated debt	2,413	2,234	179	0	2,413	0

Note 36 Related party transactions

	12/31/2019		12/31/2018	
	Associates (companies accounted for using the equity method)	Parent company	Associates (companies accounted for using the equity method)	Parent company
Assets				
■ Financial assets at fair value through profit or loss	1,391	324	12	88
■ Financial assets at FVOCI	0	0	0	0
■ Financial assets at amortized cost	25	14,333	1,709	13,228
■ Other assets	6	15	4	38
Liabilities				
■ Due to credit institutions	51	54,877	45	55,593
■ Liabilities at fair value through profit or loss	353	200	0	0
■ Due to customers	69	195	28	171
■ Debt securities	1,304	1,657	1,201	1,750
■ Subordinated debt	0	2,188	0	2,187
■ Financing commitments given	0	0	0	0
■ Guarantees given	0	128	0	28
■ Financing commitments received	0	7	0	5
■ Guarantees received	0	4,770	0	4,189
	12/31/2019		12/31/2018	
■ Interest income	2	359	2	293
■ Interest expense	-6	-483	-4	-454
■ Commission income	482	14	462	18
■ Commission expense	0	-112	0	-112
■ Net gains/(losses) on financial assets at FVOCI and FVPL	348	11	49	3
■ Other income and expenses	1	-7	1	-6
■ General operating expenses	-76	-452	-68	-424

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

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

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

Relations with the group's key executives

(see Corporate governance, Chapter 4).

TOTAL COMPENSATION PAID TO THE GROUP'S KEY EXECUTIVES

	Salary Fixed portion	Salary Variable portion	Benefits in kind	Various add-backs	Total 12/31/2019	Total 12/31/2018
Top executives	0.1	0	0	0	0.1	0.3

During the 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 benefit from any other specific benefits.

No equity securities, warrants or options to purchase CIC shares were allocated to them.

Furthermore, they do not receive any attendance fees in respect of their duties and positions 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. As of December 31, 2019, they did not hold any such loans.

6.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Fiscal year ended on December 31, 2019

To the shareholders of Crédit Industriel et Commercial – CIC,

Opinion

In executing the mission entrusted us by the Shareholders' Meeting, we conducted the audit of the consolidated financial statements of the Crédit Industriel et Commercial – CIC pertaining to the fiscal year ending December 31, 2019, which are attached to this report. These financial statements were approved by the Board of Directors on February 18, 2020 based on the information available at that date, in the changing context of the health crisis relating to Covid-19.

We certify that the consolidated financial statements provide a true and fair view of the results of the operations during the previous year and of the financial position and assets and liabilities, at the end of the year, of the group formed by the entities included in the consolidation scope, in accordance with IFRS as adopted by the European Union.

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 for forming 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 conducted our audit in compliance with the rules regarding independence applicable to us, for the period from January 1, 2019 to the date of issuance of our report and, in particular, we have not provided any of the services prohibited by Article 5, paragraph 1 of (EU) Regulation 537/2014 or by the code of ethics for statutory auditors.

Observation

Though we do not call into question the opinion expressed above, your attention is drawn to changes in accounting methods relating to the application of the new IFRS 16 "Leases" from January 1, 2019, and to the presentation in the income statement of interest income and expenses on certain financial instruments at fair value through profit or loss as well as finance lease and operating lease transactions set out in note 1 "Accounting principles, methods of evaluation and presentation" and in the other notes presenting figures related 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.

These assessments formed part of the audit of the consolidated financial statements as a whole, approved as defined above, and enabled us to form our opinion expressed above. We have no opinion regarding elements of these consolidated financial statements taken separately.

CREDIT RISK ON STATUS 3 PORTFOLIOS (NON-PERFORMING RECEIVABLES) FOR CORPORATE BANKING EXPOSURES

Identified risk	Our response
CIC's banks are exposed to credit risks which are inherent to their activities, most of which are borne by corporate banking as regards the credit risks of companies in Europe, North America and Asia. As stated in note 1 to the consolidated financial statements, your group recognizes financial assets at amortized cost for which there is objective evidence of impairment related to an event that has occurred since the loan was granted under Status 3 (non-performing receivables). For these receivables, impairment is recognized whenever there is objective proof of impairment due to one or more events occurring after a loan has 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. Receivables recognized under Status 1 (non-performing receivables) and the corresponding impairments on loans and receivables to customers at amortized cost are detailed in note 8c to the consolidated financial statements. Given the importance of judgment in assessing risk and when determining impairments on receivables recognized under Status 3 (non-performing receivables), we considered that estimating impairments on these receivables should be a key point of the audit.	We examined the processes and tested the controls implemented by your Groupe to identify loans and receivables with a proven risk of default, as well as the procedures for quantifying the corresponding impairments. Our work consisted of examining the following: ■ the application of the rules for classifying receivables under Status 3 (non-performing receivables) on a sampling of receivables; ■ the provisions that guarantee the integrity of data used by calling on our IT specialists; ■ the conclusions of the special committees of the group's main entities in charge of monitoring Status 3 receivables (non-performing receivables) and recognizing related impairments; ■ the main assumptions retained to assess individual impairments on receivables classified as Status 3 (non-performing receivables) on a sampling of credit files. We also examined the changes over time in the following key indicators: ■ 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. Whenever an indicator deviated from the average, we analyzed the deviations. Lastly, 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 financial instruments are financial assets or liabilities recognized at fair value in the balance sheet, as mentioned in note 1.3.1.5 of the notes to the consolidated financial statements. The gain or loss on remeasurement of these financial instruments in the balance sheet on the closing date is recognized in profit or loss. In our opinion, the measurement 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 that are 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 measurement 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 examined the processes and controls implemented by the group to identify and measure complex derivatives, 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 measure complex financial instruments classified under Levels 2 and 3. Our audit team included specialists in the measurement 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 analysis 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 valuations; ■ we analyzed the criteria used in the fair value hierarchy as described in note 7c "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 fair value when securities 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 constituted a key point of the audit.	We have reviewed the processes and tested the controls implemented by your group pertaining to the valuation of private equity securities. With the help of our valuation experts, and based on sampling, our work also entailed: ■ analyzing the valuation methods and non-observable valuation data used by your group for the lines valued on the basis of a mark-to-model approach; ■ and checking that the valuation retained by your group is comparable with the price observed in a recent transaction for investments measured on the basis of transaction price.

Specific verifications

In accordance with the professional standards applicable in France, we have also performed the specific verifications required by the legal and regulatory texts as regards information concerning the group, given in the Board of Directors' management report drawn up on April 2, 2020. Management has informed us that events occurring and facts relating to the effects of the Covid-19 crisis which came to light after the reporting date will be reported on at the Shareholders' Meeting called to rule on the financial statements.

We have no comments to make as to the fair presentation and consistency of this information with the consolidated financial statements.

We certify that the consolidated non-financial performance statement required under Article L.225-102-1 of the French Commercial Code is included in information concerning the group given in the management report. Pursuant to the provisions of Article L.823-10 of said Code, we have not verified the fair presentation and consistency of this information with the consolidated financial statements, as this information is subject to a report by an independent third party.

Information resulting from legal or regulatory requirements

Designation of statutory auditors

We were appointed as statutory auditors of Crédit Industriel et Commercial – CIC at the Shareholders' Meetings held on May 25, 2016 for KPMG S.A., on May 25, 1988 for PricewaterhouseCoopers Audit, and on May 26, 1999 for ERNST & YOUNG et Autres.

At December 31, 2019, it was the 4th consecutive year of KPMG S.A.'s assignment, the 32nd year for PricewaterhouseCoopers, and the 21st year for ERNST & YOUNG et Autres.

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.

When preparing the consolidated financial statements, management must assess the company's ability to continue to operate, present in its financial statements, where applicable, the necessary information regarding the company's continued operation and apply the going concern accounting convention, unless there are plans to liquidate the company or discontinue its 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 significant when one can reasonable 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 auditor exercises its professional judgment throughout the audit process. Furthermore:

- it identifies and assesses the risk that the consolidated financial statements contain material misstatements and that such misstatements result from fraud or errors, defines and implements audit procedures to address these risks, and collects information that he/she considers 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;
- it takes note of relevant internal controls 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 controls;
- assesses 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;
- it assesses the appropriateness of management's application of accounting policy for a going concern and, depending on the elements 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 elements collected up to the date of the report; however, with a reminder that subsequent circumstances or events could call into question the going concern. If the statutory auditor concludes that significant uncertainty exists, he/she brings the information provided in the consolidated financial statements regarding such uncertainty to the attention of readers of his/her report or, if such information is not provided or is not relevant, the statutory auditor issues 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;
- concerning the financial information on persons and entities included in the consolidation scope, the statutory auditor gathers the information he/she deems sufficient and appropriate to express an opinion on the consolidated financial statements. The statutory auditor is 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 21, 2020

The statutory auditors

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

7

2019 ANNUAL FINANCIAL STATEMENTS

7.1 FINANCIAL STATEMENTS

7.1.1 Assets

Assets

(in € millions)	Notes	12/31/2019	12/31/2018
Cash, central banks		35,386	28,320
Government securities and related	2	2,703	2,406
Advances to credit institutions	3	20,764	21,506
Client transactions	4	48,991	48,999
Bonds and other fixed-income securities	5	19,768	18,798
Shares and variable-income securities	6	836	771
Holdings and other long-term investments	7	105	101
Investments in associates	8	6,078	5,831
Leasing arrangements and related			
Intangible assets	9	49	49
Property, plant and equipment	10	474	487
Subscribed capital, unpaid			
Equity	11	10	10
Other assets	12	6,309	6,820
Accruals	13	4,637	4,848
TOTAL ASSETS		**146,110**	**138,946**

7.1.2 Off-balance sheet (assets)

(in € millions)	12/31/2019	12/31/2018
Commitments received		
Funding commitments		
Commitments received from credit Institutions	232	224
Guarantee commitments		
Commitments received from credit Institutions	11,758	11,064
Securities commitments		
Securities sold with option to repurchase		
Other commitments received	961	1,579

7.1.3 Liabilities

(in € millions)	Notes	12/31/2019	12/31/2018
Central banks		4	
Due to credit institutions	14	51,387	53,670
Client transactions	15	45,109	38,418
Debt securities	16	27,469	24,930
Other liabilities	12	3,705	3,425
Accruals	13	5,794	6,649
Provisions	17	1,045	1,088
Subordinated debt	18	1,578	1,578
Funds for general banking risks	19	379	379
Equity	19	9,640	8,809
Subscribed capital, unpaid capital		*608*	*608*
Additional paid-in capital		*1,088*	*1,088*
Reserves		*6,015*	*6,167*
Fair value adjustments		*44*	*44*
Untaxed provisions		*55*	*53*
Retained earnings		*6*	*76*
Profit (loss) for the fiscal year		*1,823*	*772*
TOTAL LIABILITIES		**146,110**	**138,946**

7.1.4 Off-balance sheet (liabilities)

(in € millions)	Notes	12/31/2019	12/31/2018
Commitments given			
Funding commitments			
Liabilities due to credit institutions		315	305
Commitments to customers		21,067	18,334
Guarantee commitments	**22**		
Credit institution commitments		3,829	3,733
Customer commitments		8,770	8,198
Securities commitments			
Securities acquired with option to repurchase			
Other commitment given		2,359	3,098

7.1.5 Income statement

(in € millions)	Notes	12/31/2019	12/31/2018
+ Interest and similar income	27	2,110	1,710
+ Interest and similar expenses	27	-1,647	-1,456
+ Income from variable-income securities	28	779	641
+ Commissions (income)	29	513	550
+ Commissions (expenses)	29	-138	-160
+/- Gains or losses on trading portfolio transactions	30	364	289
+/- Gains or losses on investment portfolio transactions and related	31	-74	3
+ Other banking operating income	32	80	5
+ Other banking operating expenses	32	-13	-9
+/- Net income from other activities	32	0	0
= Net banking income		**1,974**	**1,573**
+ Employee benefits expense	33	-463	-438
+ Other administrative expenses		-366	-354
+ Depreciation		-25	-27
= General operating expenses		**-854**	**-819**
= Gross operating income		**1,120**	**754**
+ Cost of risk	34	-118	-47
= Operating income		**1,002**	**707**
+/- Gains or losses on non-current assets	35	843	117
= Income before exceptional items		**1,845**	**824**
+/- Non-recurring income	36	0	-1
+ Income tax	37	-19	-49
+/- Allowances/reversals of FGBR (funds for general banking risk)			
+/- Allowances/reversals of untaxed provisions		-3	-3
= NET INCOME		**1,823**	**772**

7.1.6 Financial income over the last 5 fiscal years

Nature of information	2015	2016	2017	2018	2019
1. Financial position for the last fiscal year					
Share capital	608,439,888	608,439,888	608,439,888	608,439,888	608,439,888
Total number of shares issued	38,027,493	38,027,493	38,027,493	38,027,493	38,027,493
"A" shares or ordinary shares	38,027,493	38,027,493	38,027,493	38,027,493	38,027,493
"D" shares or preferred shares	-	-	-	-	-
Preferred investment certificates	-	-	-	-	-
Ordinary investment certificates	-	-	-	-	-
2. Overall results of current operations *(in € thousands)*					
Banking income	3,107,237	3,116,750	4,077,816	3,197,779	3,771,642
Profit before tax, depreciation	768,156	1,145,569	969,406	823,025	1,900,944
Provisions and non-recurring income	-	-	-	-	-
Income tax	-115,266	-171,757	-127,744	-48,884	-18,794
Profit	831,162	881,555	853,171	771,727	1,823,285
Amount of dividends distributed	323,234	342,247	950,687	1,000,123	1,049,939
3. Earnings per share *(in euros)*					
Profit/(loss) after tax, but before depreciation, amortization and provisions	17.27	25.76	22.27	20.48	49.80
Profit/(loss) for the period	21.99	23.32	22.57	20.42	48.24
Dividend paid per "A" share	8.50	9.00	25.00	26.30	27.61
Dividend paid per "D" share					
and investment certificates					
4. Staff (Metropolitan France) *(in euros)*					
Number of employees (average workforce FTE)	3,421	3,989	4,102	4,042	4,139
Amount of payroll expense	187,808,472	203,033,140	211,970,715	224,306,407	229,340,756
Amount of sums paid for social benefits (Social Security, Social Services, etc.)	97,407,990	103,616,417	109,410,329	111,730,198	115,198,884

7.2 APPENDIX TO ANNUAL FINANCIAL STATEMENTS

SUMMARY OF NOTES

Explanatory notes are presented in millions of euros.

Note 1 Accounting principles, methods of assessment and presentation

Annual financial statements are prepared in accordance with ANC 2014-03 rules pertaining to general accounting blueprints as amended by ANC 2015-06 and 2014-07 rules pertaining to company accounts in the banking sector.

The Crédit Industriel et Commercial – CIC is fully integrated in the consolidated financial accounts of CIC (as the parent company) and of Crédit Mutuel Alliance Fédérale.

Use of estimates in the preparation of financial statements

Preparation of financial statements can necessitate formulating assumptions and making estimates that reflect decisions about income and expenses, assets and liabilities on the balance sheet and in the appendix to the financial statements. In this case, based on their judgment and experience, managers use the information available at the date the financial statements are prepared in order to produce the necessary estimates. It is particularly the case:

- of depreciation of debt instruments and capital instruments;
- of impairment tests conducted on intangible assets;
- in the determination of provisions, including commitments to pension plans and other future social benefits;
- in valuation of non-listed financial instruments in an organized market.

Reclassifying financial assets

Reclassification outside the category of trading securities, to the categories of long-term investment securities and short-term investment securities is possible in the two following cases:

a) in exceptional market situations requiring a change in strategy;

b) when fixed-income securities, subsequent to their acquisition, are no longer negotiable on an active market, and if the institution has the intention and the ability to hold them for the foreseeable future or until their maturity.

Treatment of changes in accounting methods

Changes in accounting methods are applied retrospectively, that is to say, as if the principle had always applied. The impact of first-time application is imputed to equity on January 1, correcting the opening balance sheet.

In accordance with ANC 2015-06 rules, for fiscal years beginning on January 1, 2016, the technical maluses are no longer recognized in a comprehensive fashion in "goodwill" and are not amortized.

It is recognized on the balance sheet in the category of other property, plant and equipment and intangible and financial assets.

This posting allows us to apply amortization rules for underlying assets to the technical maluses (the maluses allocated in full or in part to a depreciable asset are thus amortized in full or in part). However, the portion of maluses allocated to commercial funds always benefit from a presumption of non-amortization.

Loans and receivables

Advances to credit institutions and customers are reported on the balance sheet at their nominal value plus accrued interest.

Commissions received upon the granting of financing and those paid to business introducers on loans are progressively recognized under income according to a method that means they are assimilated as interest. This actuarial deferment is recorded as net interest income on the income statement. On the balance sheet, commissions received and marginal transaction costs, which are staggered, are integrated into the outstanding loan in question.

Receivables and related debt (accrued or outstanding interest, receivable and payable) are grouped with the asset and liability line items to which they are related.

Within all credit risks, in accounting terms we distinguish between performing, non-performing and compromised doubtful outstandings.

Monitoring of receivables relies on the Crédit Mutuel group's internal system for rating credit risk. The latter considers the probability of default of the counter-party via an internal rating and the rate of loss based on the nature of the exposure. The internal rating scale is comprised of twelve levels, nine of which are for performing counter-parties and three for non-performing counter-parties.

Downgrading receivables

In accordance with ANC Rule 2014-07, loans are classified non-performing when they bear a proven risk, i.e. when payments due have been unpaid for more than 3 months, 6 months for real estate and 9 months for local authorities, or when it is likely that the debtor cannot reimburse the entire amount due or when the term has expired or even in the event of court-supervised liquidation.

Beyond the regulatory definition, outstandings may also be classified as non-performing when presenting a risk of loss by relying, particularly, on financial, economic or legal analysis of the customer or on any other information that may call into question the solvency of the third party.

When a loan meets the criteria for downgrading, all of the outstandings held by the customer (or by the group to which the customer belongs) as well as any outstandings of co-holders or co-borrowers are contaminated; and this applies to all banks federated with the Crédit Mutuel group.

Loans are classified as compromised doubtful when prospects for collection have severely deteriorated and when it is expected they will be written off. They are specifically identified as non-performing receivables by a specific accounting entry and the unpaid interest is no longer recognized.

Non-performing loans whose contractual terms are once again respected and for which the credit risk is no longer proven, are reclassified in the category of performing loans. This is also the case when a non-performing loan has been subject to restructuring with nevertheless a probationary period of twelve months.

The treatment of loans as they become non-performing, and their provisioning and return to performing status, are automated on a daily basis and comply with prudential rules, in particular the materiality threshold (EU Delegated Regulation 2018/171) and the European Banking Authority's implementing guidelines EBA/GL/2016/07.

Write-down of proven probable losses

A write-down 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. An analysis is done at each closing contract by contract. The write-down is equal to the difference between the carrying amount and the updated amount of estimated future cash flow at the original loan's interest rate. In the event of a variable rate, it is the most recent contractual rate that is booked.

A write-down pertaining to capital is recognized in the form of provisions, of which allowances and reversals are included in the cost of risk, except for the effect of the passage of time related to the mechanics of updating, which is recorded as NBI among interest received. A write-down pertaining to interest on non-performing loans is classified among interest received.

The provision is subtracted from the asset for the write-down of loans and is attributed to the liability among provisions for risks for funding and guarantee commitments.

Restructured loans

Article 2221-5 of the above-mentioned ANC rule prescribes a specific treatment of certain restructured loans. When they are significant, non-performing receivables that have become performing again following restructuring at 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.

Segmentation of outstandings

Outstandings are presented in the annexed notes broken down according to geographic sector. These represent the places where CIC operates fixed facilities.

Debt securities and acquired shareholders' equity

Government securities, bonds and other fixed-income securities (interbank market securities, negotiable debt securities, transferable securities) are divided into trading securities, short-term or long-term investment securities; and shares and other variable-income securities are divided into trading securities, short-term investment securities, portfolio activity, investment activity, investments in subsidiaries and associates and other long-term investments. The cost of acquisition and disposal constitute a fiscal year expense.

Trading securities

These are securities that, originally, are either acquired or sold with the intention of reselling or repurchasing them in the short term or held by the institution as part of its market-making activity. They are recorded on the acquisition date and at their purchase price excluding expenses, while including, where appropriate, accrued interest. At the close of each accounting period, the shares held are valued at the most recent market day price. The overall balance of differences resulting from changes in value is recognized on the income statement as income or expense.

Short-term investment securities

These are securities that are not recorded among either trading securities, nor long-term investment securities, nor among portfolio securities, other long-term investments, equity investments or investments in subsidiaries and associates. They are recognized at the purchase price, excluding purchase costs. Potential premiums or discounts are spread over their residual period.

At the close of the fiscal year, each line item is valued separately, and for bonds, securities are combined in homogeneous groups. When the carrying amount appears higher than their likely trade value, depreciation is accounted for in the amount of the unrealized loss, the calculation being made for each security or by a homogeneous group.

Gains, stemming from hedges, in the sense of Article 2514-1 of ANC 2014-07, taking the form of a purchase or sale of forward financial instruments, are taken into account in the calculation of write-downs.

Unrealized gains are not recognized and there is no compensation between unrealized gains or losses. The expected trading value, for securities listed in Paris, is the average price of the last month and for securities listed in foreign markets and bonds, it's the most recent price of the last month.

Long-term investment securities

These are securities acquired with the manifest intention to hold them until their maturity date. They are recorded at their purchase price, excluding purchasing costs. The difference between the purchase price and the redemption value is spread across their residual term. These securities are subject to a natural hedge or interest rate hedge.

A write-down occurs when the deterioration of the issuer's financial situation is likely to compromise repayment of the securities at their maturity.

Portfolio securities

They derive from investments made regularly with the sole objective of realizing a capital gain in the medium term without the intention of intervening long-term in business assets nor participating actively in its operational management. These investments are realized in the context of dedicated structures, in a significant and permanent way and the return is essentially derived from the realization of capital gains on the sale.

These securities are recorded at their purchase price. At the close of the fiscal year, each line item is valued separately. 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 gains are not recognized. The value in use is determined by considering the general growth prospects of the issuer and the investment horizon. For listed securities, the average stock market price over a sufficiently lengthy period may be booked.

Other securities held long-term, equity investments and investments in subsidiaries and associates

Other long-term investments are those made with the intention of fostering development of a lasting professional relationship with the issuer without, however, exercising any influence on its management. Equity investments are those where holding long-term is deemed useful to the group's activity, especially because it makes it possible to exercise an influence on the issuer, or to ensure control of it.

They are recorded at their purchase price, which may be reappraised, or at their merger and similar transactions price. At the close of the fiscal year, each line item is valued separately. 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 gains are not recognized. The value of use represents what the company would accept to pay out to obtain these securities if it was to acquire them in consideration of their ownership objective: it could be valued by different criteria such as potentially adjusted net asset, profitability and prospects for profitability, the average stock price in recent months.

Securities delivered in repurchase agreement

They remain a balance sheet asset and the debt vis-à-vis the transferee is listed as a liability. The principles for valuation and recording profit (loss) from these securities remain those applicable to the category to which they belong.

Criteria and rules for downgrading

In the event of a change in the intention or capacity to hold, and provided they satisfy the eligibility conditions and rules of transfer, securities may be downgraded. In the event of transfer, securities are subject on the day of transfer to valuation depending on their original portfolio.

Derivatives: forward interest rate or exchange rate instruments

The group takes part on its own behalf in various organized or over-the-counter markets or markets of fixed-term forward financial instrument conditioned on interest rates and exchange rates, pursuant to a risk management strategy related to interest and exchange rate positions of its assets and liabilities.

Operations on organized markets and related

Contracts on forward fixed term or conditional instruments traded on organized markets and related are valued in accordance with rules set by the banking regulations committee. Contracts are reassessed at the end of the period according to their price on the various markets. The gain or loss resulting from this reassessment is reported on the income statement.

Transactions on over-the-counter markets

Specifically concerned are interest rate and/or currency rate swaps, forward rate agreements (FRAs), option contracts (cap, floor, etc.). Transactions are earmarked from the start for different portfolios (open position, micro-hedging, overall management of balance sheet and off-balance sheet, specialized management).

Contracts classified in open position portfolios are valued at the lowest purchase price or their market value.

Income and expenses related to contracts classified in micro-hedge portfolios are logged in the income statement in a symmetrical manner for recognition of the hedged item.

Income and expenses pertaining to contracts classified in comprehensive rate risk management portfolios are recorded *prorata temporis* in the income statement.

Contracts recorded in specialized management portfolios are valued at their market value. Variations in value appear in the net banking income after correction to account for the counter-party risk and future management expenses.

Cash payments from netting of hedging derivatives are spread across the residual period of the items hedged.

Structured products

Structured products are financial schemes offered to customers in order to meet their needs more precisely. They are created from basic products, generally options. CIC markets different categories of structured products based on classic options, binary options, barrier options, Asian options, look back options, options on several assets, index swaps.

There are three major families for the valuation of these products: one coming from the resolution of a partial differential equation, one from discrete-time trees and one from Monte Carlo. CIC uses the first and the last. The analytical methods applied are those selected by the market for modeling the underlying assets used.

The products are recognized at their market value. The parameters used for valuation are those observed or derived via a standard model of observed values at the closing date. In the event where no organized market exists, the values used are taken from the brokers most active in trading the corresponding products and extrapolated from quoted values. All parameters used are archived.

In the event where the value of certain instruments is calculated using complex models, the market parameters serving as a base for their valuation are corrected in a prudent manner to take into account, particularly, the level of liquidity of the markets concerned and their relevance to long maturities.

Valuing non-listed forward financial instruments

These instruments are reappraised based on the observable market price, according to the procedure called “flashing.” This last method consists of taking note each day at the same time of the bid and offer prices from several contributors via market flow software. A single price is retained for each useful market parameter.

Tangible and intangible assets

They are recognized at their acquisition cost, potentially re-assessed, plus any directly attributable and necessary expenses to make them operational in view of using them.

After initial recognition, fixed assets are valued at historical depreciated cost, i.e. at their cost less accumulated depreciation and impairment losses.

The depreciable amount is determined after deduction of the net residual value of disposal costs. The useful life being generally equal to the expected economic life of the asset, there is no residual value.

Fixed assets are depreciated according to the linear mode over the asset’s expected useful life for the business as a function of its own estimated rate of consumption of its economic benefits. Assets not having a defined useful life are not depreciated. Allowances for depreciation are recognized under the rubric “Amortization charges and depreciation of tangible and intangible assets” in the income statement.

When a fixed asset is comprised of several components that could be subject to replacement at regular intervals, having different rates of use or procuring economic benefits at different rates, each component is recognized separately from the start and each of the components is depreciated according to a scheme that is appropriate to the component. The component approach was retained for operating buildings and investment properties.

The lengths of depreciation for buildings are:

- 40-80 years for large structures;
- 15-30 years for enclosed and covered areas;
- 10-25 years for equipment;
- 10 years for fixtures and fittings.

Intangible assets:

- leasehold rights paid are not depreciated, but are subject to a depreciation test;
- up-front fees paid to the landlord are depreciated over the life of the lease as if it was additional rent;
- other components of goodwill are amortized over 10 years (acquisition of customer contracts portfolio).

Depreciable property, plant and equipment are subject to depreciation tests when on the reporting date there are indications of impairment loss. Non-depreciable property, plant and equipment are subject to a depreciation test 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. Write-downs are recognized under the rubric "Amortization charges and depreciation of tangible and intangible assets" of the income statement.

Gains and losses on the disposal of fixed operating assets are recorded on the income statement on the line "Net gains on other non-current 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."

Accruals

The issuance costs of loans issued up until December 31, 1999, are amortized over the course of the fiscal year of issuance, and for issuances after that date, are spread across the lifetime of the loan.

Bond redemption premiums are depreciated on a straight-line basis, based on the length of the loan.

Provisions for depreciation

Charges and reversals of provisions are classified by type in the corresponding expense accounts.

Provisions are valued for the amount corresponding to the best estimate of outflow of resources required to settle a certain obligation, which corresponds to the best estimate assumption.

Provisions for country risks

Established to cover sovereign risks as well as risks on emerging countries, these provisions have been determined according to the economic situation of borrowing countries. The portion affected by these provisions is shown as a deduction from the corresponding assets.

General allowances for credit risks

Since the 2000 fiscal year, general allowances for credit risks are incorporated to cover the risks inherent but not yet proven on performing loans and commitments given to customers. They are identified:

- for credit activities other than structured financing, by an average cost of risk such as may be understood in a long-term perspective, or 0.5% of a performing customer loan;
- for structured financing as well as for foreign branches, by a cost of risk obtained from debt ratings to which an average default rate is associated. This method makes it possible to account for the least dispersion of risks, the unitary importance of records and thus a greater volatility.

These general credit risk provisions will be subject to reversals if the occurrences that they are intended to confront actually materialize.

Since the 2003 fiscal year, they may include a general provision for major group risks.

Regulated savings contracts

Comptes épargne logement (CEL – mortgage saving accounts) and *plans épargne logement* (PEL – mortgage saving plans) are regulated products accessible to customers (natural persons) that combine an interest-bearing savings phase, and then provide access to a mortgage loan in a second phase. They generate for the distributor institution two types of commitments:

- future compensation from savings at a fixed rate (only on PELs, the compensation 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).

When these commitments are potentially unfavorable, they're covered by provisions. These cover the commitments on existing contracts on the determination date of the provision; the future opening of mortgage saving agreements or mortgage saving accounts are not taken into account.

Future outstandings related to mortgage saving agreements are estimated from statistical analysis of customers in a given rate environment. PELs that are subscribed as part of an overall offer of related products and not meeting the aforementioned behavioral laws are excluded from projections. Outstandings at risk that are subject to a provision are made up of:

- for PEL deposits, the difference between the probable outstanding savings and the minimum expected savings. The latter are determined with a confidence level of 99.5% on the basis of several thousand scenarios of different rates;
- for mortgage saving agreement loans, future volumes depending on the likely exercise of acquired rights and already existing loans.

Future losses are evaluated with regard to non-regulated rates of term deposits for savings and ordinary home loans for loans. This approach is led by uniform generation of PEL and CEL in terms of regulated conditions, without compensation between different generations. Losses determined thusly are updated from rates derived from the average of the last twelve months of the curve of zero coupon swaps compared to EURIBOR 3 months. The amount of provisions rests on the average loss observed from several thousand scenarios of rates generated by stochastic modeling. The impacts on profit (loss) are recorded as interest paid to customers.

Assets and liabilities expressed in foreign currency

Assets and liabilities expressed in a currency other than the local currency are converted at the official exchange rates on the closing date. Unrealized gains or losses resulting from these conversions are recognized on the income statement with any differences in exchange rate gains or losses on transactions during the fiscal year.

However, translation adjustments for long-term investment securities and equity investments expressed in foreign currency and funded in euros are not recorded on the income statement. Nevertheless, if securities must be assigned or reimbursed, a provision is established for the amount of the unrealized exchange loss.

Funds for general banking risks

Funds for general banking risks (FGBR) were created as a measure of prudence to cover risks of a general and undetermined nature, inherent to banking activities. Allowances and reversals to FGBR are made by management and appear on the income statement.

Interest and commissions

Interest is recognized on the income statement *prorata temporis*. Commissions are recorded according to receipt criteria with the exception of those pertaining to financial transactions, which apply at the time of the close of issuance or time of invoicing.

Interest from non-performing loans are not recognized as revenue.

Commissions include income from banking operations compensating third parties for services provided, with the exception of those that by nature are interest, i.e. calculated according to the length and amount of the debt or the commitment given.

Pension liabilities and related

In application of the ANC's recommendation 2013.02, the commitments are subject to a provision for which the difference will be recognized in the profit (loss) for the period. The underlying assumptions for calculating pension liabilities and related are the following:

- a discount rate determined by reference to the long-term rate of high-quality corporate bonds at the close of the fiscal year;
- a salary escalation rate calculated from an estimate of long-term inflation and real wage growth.

Post-employment benefits under a defined benefit plan

The commitments are calculated using the projected unit credit method to determine the present value of the commitment and the cost of services provided for the fiscal year, based on assumptions. The differences generated by changes in these assumptions and by differences between previous assumptions and what actually occurred constitute actuarial gains and losses.

When the plan has assets, these are valued at fair value and their expected return impact profit (loss). The difference between the real return and expected return constitutes an actuarial variance.

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 interim agreement dated September 13, 1993, modified pension plans for banking institutions. Since the January 1, 1994, banks affiliate with the national plans, Arrco and Agirc. CIC's three funds, which ensured payment of the various expenses required by the interim agreement, merged on January 1, 2008, in order to pool their reserves.

After the merger, reserves of the merged entity cover the liability in full; reserves were subject to a full assessment in 2008. In order to comply with the provisions of the Fillon law of August 23, 2003, and the Social Security Financing law 2008-1330 of December 17, 2008, the transformation into a pension management institution (IGRS) of the merged entity, with as a corollary shifting reserves and liabilities to an insurance agency, occurred in 2009.

Other post-employment benefits under a defined benefit plan

Future retirement benefits and supplementary pensions, including special schemes are either covered by insurance contracts or bankrolled for the uncovered portion by such contracts.

Bonuses as retirement benefits paid annually take into account rights acquired on December 31 of each fiscal year, weighted by the coefficients of employee turnover and probability of survival.

The commitments are calculated using the projected unit credit method. Notably, factors taken into account include: mortality, staff turnover rate, salary increase rate, the rate of social security contributions in prescribed cases and the financial discount rate.

Retirement benefits due and paid to employees over the course of the year are subject to reimbursement by the insurer up to the amount covered by the latter.

The commitments for retirement benefits are determined on the basis of the contractual indemnity for retirement at the initiative of the employee who has reached his or her 62nd birthday.

Post-employment benefits under a defined contribution plan

Since 1994, a company agreement has been in place creating a supplemental retirement scheme through collective capitalization for the benefit of the group's staff and especially for the former CIC Paris. This scheme was extended to the staffs of the former Union Européenne de CIC at the time of the merger of the two institutions in 1999.

Other long-term benefits

Employees receive a bonus related to an award for long-term service obtained after 20, 30, 35 or 40 years of seniority. This commitment is fully funded in the company's accounts and valued according to the same principles as those for retirement benefits.

Operations in States and territories, which are non-cooperative with respect to fighting fraud and tax evasion

The bank does not operate, directly or indirectly, in States or territories targeted by Article L.511-45 of the French Monetary and Financial Code or appearing on the list established by the decree of February 12, 2010.

Note 2 Government securities and related

	12/31/2019				12/31/2018			
	Transaction	Investment	Invest.	Total	Transaction	Investment	Invest.	Total
Securities held	941	1,227	520	2,688	773	1,075	543	2,391
Loaned securities								
Translation adjustments								
Accrued interest		1	14	15	1	0	14	15
Depreciated securities								
Gross amount	**941**	**1,228**	**534**	**2,703**	**774**	**1,075**	**557**	**2,406**
Write-downs								
Net amount	**941**	**1,228**	**534**	**2,703**	**774**	**1,075**	**557**	**2,406**
Unrealized gains						7		7

The positive (or negative) differences between the reimbursement price and the purchase price of short-term investment securities and long-term investment securities are respectively €0 million and - €75 million.

For government securities there were no transfers of shares between categories.

Note 3 Advances to credit institutions

	12/31/2019		12/31/2018	
	On demand	In the future	On demand	In the future
Current accounts	6,509		6,119	
Loans, securities received in repurchase agreement	2,312	6,013	1,269	7,258
Securities delivered in repurchase agreement	188	5,713		6,834
Accrued interest	1	28	12	14
Non-performing loans				
Write-downs				
TOTAL	**9,010**	**11,754**	**7,400**	**14,106**
TOTAL ADVANCES TO CREDIT INSTITUTIONS		**20,764**		**21,506**
of which equity loans		*18*		*22*
of which subordinated loans		*168*		*166*

Non-performing loans do not include irrevocable non-performing loans.

Performing loans do not include restructured loans.

Note 3 *bis* Breakdown by geographic region of advances to credit institutions

	France	USA	United Kingdom	Singapore	Hong Kong	Total
Overall gross outstandings on 12/31/2019[1]	19,016	844	27	835	13	20,735
of which:						
Non-performing loans						
Irrevocable non-performing loans	*0*					*0*
Write-downs:						
Inventories on 12/31/2018	0					0
Allowances						
Reversals	0					0
Exchange rate effects						
Inventories on 12/31/2019	0					0

(1) Excluding accrued interest.

Note 4 Advances to customers

	12/31/2019	12/31/2018
Commercial loans	86	93
Accrued interest	0	0
Other financing		
■ Loans and credits	37,989	36,424
■ Securities delivered in repurchase agreement	9,688	11,036
■ Accrued interest	82	115
Overdrawn current accounts	605	966
Accrued interest	1	1
Non-performing loans	966	679
Write-downs	-426	-315
TOTAL	**48,991**	**48,999**
Of which eligible loans to the European Central Bank	*2,731*	*3,580*
Of which subordinated loans	*11*	*11*

Non-performing loans include €634 million of depreciated irrevocable non-performing loans in the amount of €334 million.

Advances to customers include €359 million of restructured loans of which €321 million on non-performing outstandings.

Note 4 *bis* Breakdown by geographic sector of advances to customers

	France	USA	United Kingdom	Singapour	Hong Kong	Brussels	Total
Overall gross outstandings on 12/31/2019[1]	40,531	2,932	1,705	3,155	1,003	90	49,416
of which:							
Non-performing loans	*249*	*71*	*12*				*332*
Irrevocable non-performing loans	*634*						*634*
Write-downs:							
Inventories on 12/31/2018	-291	-18	-6				-315
Allowances	-169	-6	-10				-185
Reversals	65		10				76
Exchange rate effects and related	-2						-2
Inventories on 12/31/2019	-397	-23	-6				-426

(1) Excluding accrued interest.

Note 4 *ter* Write-downs of non-performing loans

	12/31/2018	Allowances	Reversals	Other Changes	12/31/2019
Assets					
Write-downs on advances to credit institutions	0				0
Write-downs on advances to customers	315	185	-75	1	426
Write-downs on leasing transactions and operating leases					
Write-downs on bonds and other fixed-income securities	48		-1	-47	0
Write-downs on other assets					
TOTAL	**363**	**185**	**-76**	**-46**	**426**

Total non-performing loans to customers amounted to €965 million compared to €679 million on December 31, 2018. They are covered by write-downs on assets up to an amount of €425 million, or 44% compared to 46.4% previously.

The coverage rate of gross customer outstandings by total provisions covering credit risks is 1.54% compared to 1.36% in 2018.

Non-performing loans are covered by these write-downs with the exception of provisions for country risks and general provisions for credit risks concerning performing loans.

Note 5 Bonds & other fixed-income securities

	12/31/2019				12/31/2018			
	Transaction	Investment	Investment	Total	Transaction	Investment	Invest.	Total
Listed securities held	9,760	9,268	12	19,040	9,099	8,819	23	17,941
Non-listed securities held		719	1	720		698	1	699
Loaned securities								
Accrued interest	6	27		33	6	23	1	30
Non-performing loans[1]		137		137		135	203	338
Gross amount	**9,766**	**10,151**	**13**	**19,930**	**9,105**	**9,675**	**228**	**19,008**
■ Write-downs		-162		-162		-163		-163
■ provisions							-47	-47
Net amount	**9,766**	**9,989**	**13**	**19,768**	**9,105**	**9,512**	**181**	**18,798**
Unrealized gains								
Of which subordinated bonds								
Of which securities issued by public bodies				*3,139*				*2,449*

(1) Non-performing loans include €136 million of irrevocable non-performing loans.

The positive (or negative) differences between the reimbursement price and the purchase price of short-term investment securities are -€7 million and zero for long-term investment securities.

Trading securities and short-term investment securities were valued at market price from external data from organized markets, or for over-the-counter markets, from the rates of leading brokers, or when the price wasn't available, from comparable securities listed on the market.

Note 5 *bis* Bonds & other fixed-income securities – Tracking the transfer of categories occurring in 2008 pursuant to Regulation CRC 2008-17 amending Regulation CRB 90-01

As result of the exceptional situation due to the deterioration of world financial markets, CIC proceeded to transfer securities out of the trading and short-term investment categories. These reclassifications were carried out on a valuation basis on July 1, 2008.

	Carrying amount on day of transfer	Carrying amount on the balance sheet at closing	Price at closing if transfers had not occurred	Unrealized gain or loss
Assets reclassified from:				
■ Trading securities to long-term investment securities	18,443	720	1,147	427
■ Trading securities to short-term investment securities	349	2	2	
■ Short-term investment securities to long-term investment securities	421		59	
TOTAL	**19,213**	**722**	**1,149**	**427**

Note 6 Shares And Variable-Income Securities

	12/31/2019				12/31/2018			
	Transaction	Investment	TAP	Total	Transaction	Investment	TAP	Total
Listed securities held	647	16		663	546	19		565
Non-listed securities held		244		244		208		208
Loaned securities								
Accrued interest								
Gross amount	**647**	**260**		**907**	**546**	**227**		**773**
Write-downs on securities		-71		-71		-2		-2
TOTAL	**647**	**189**		**836**	**546**	**225**		**771**
Unrealized gains								

No transfers between portfolios took place during 20 19.

Note 7 Equity investments and other long-term investments

	12/31/2018	Acquisitions Allowances	Disposals Reversals	Transfers	Other changes	12/31/2019
Other long-term investments						
■ listed						
■ non-listed	99				4	103
Equity investments						
■ listed	0					0
■ non-listed	8				1	9
Subtotal	**107**				**5**	**112**
Translation adjustments						
Loaned securities						
Accrued interest						
Calls for funds and advances on current account in SCIs (Property Investment Companies)						
GROSS AMOUNT	**107**				**5**	**112**
Write-downs						
■ listed securities	0					0
■ non-listed securities	-6		1		-2	-7
Subtotal	**-6**		**1**		**-2**	**-7**
NET AMOUNT	**101**		**1**		**3**	**105**

Note 8 Investments in subsidiaries and associates

	12/31/2018	Acquisitions Allowances	Disposals Reversals	Transfers	Other changes	12/31/2019
Gross amount	5,993	102			123	6,218
Translation adjustments	-2				-1	-3
Loaned securities						
Accrued interest						
Calls for funds and advances on current account in SCIs (Property Investment Companies)						
Write-downs	-160	-8	31		0	-137
NET AMOUNT	**5,831**	**94**	**31**		**122**	**6,078**
Gross book value of securities in non-listed credit institutions	3,274					3,388
Gross book value of investments in listed subsidiaries and associates						
Gross book value of investments in non-listed subsidiaries and associates	5,992					6,218

7

Transactions with subsidiaries and associates

	12/31/2019 Subsidiaries and associates		12/31/2018 Subsidiaries and associates	
	Total	Of which: subordinated	Total	Of which: subordinated
ASSETS				
Advances to credit institutions	11,806	168	12,460	166
Advances to customers	190		2,037	
Other miscellaneous debtors	469		120	
Bonds and other fixed-income securities				
Swaps purchases	1,381		1,112	
LIABILITIES				
Due to credit institutions	25,494		27,320	
Customer deposits	1,547		825	
Other liabilities	1,674		989	
Swaps sells	151		197	
Debt securities	1,557	1,546	2,088	1,545
OFF-BALANCE SHEET				
Commitments given				
Credit institutions[1]	1,616		1,703	
Customers	1,728		1,517	
Commitments received				
Credit institutions	1,533		1,446	

(1) Commitments given to subsidiaries and associates concern notably the guarantees given to regional banks on their issuance of certificates of deposit and negotiable medium-term notes.

Transactions with subsidiaries and associates for which there exists a shareholding link are not significant.

Transactions with related parties

All transactions with related parties were concluded under normal market terms, that is to say, those that are usually practiced by the institution in relationships with third parties, so that the beneficiary of the agreement receives no benefit from the agreement in comparison to terms given any other third party, taking into account the terms of use in companies in the same sector.

Note 9 Intangible assets

	12/31/2018	Acquisitions Allowances	Disposals Reversals	Other changes	12/31/2019
Gross amount					
■ Goodwill	56				56
■ Start-up expenses	1			-1	0
■ Research and Development expenses					
■ Other intangible assets	66	2		1	69
GROSS AMOUNT	**123**	**2**			**125**
Amortizations					
■ Goodwill	-53				-53
■ Start-up expenses	-1			1	0
■ Research and Development expenses					
■ Other intangible assets	-20	-1		-2	-23
Amount of amortizations	**-74**	**-1**		**-1**	**-76**
NET AMOUNT	**49**	**1**		**-1**	**49**

Note 10 Property, plant and equipment

Property, plant and equipment	12/31/2018	Acquisitions Allowances	Disposals Reversals	Other changes	12/31/2019
Gross amount					
■ Operating sites	200		0		200
■ Non-operating sites	0		0	0	0
■ Operating buildings	788	7	-8		787
■ Non-operating buildings	1		0		1
■ Other property, plant and equipment	115	9	-8		116
GROSS AMOUNT	**1,104**	**16**	**-16**	**0**	**1,104**
Amortizations					
■ Operating sites					
■ Non-operating sites					
■ Operating buildings	-515	-21	7	0	-529
■ Non-operating buildings	0		0	0	0
■ Other property, plant and equipment	-102	-3	3	2	-100
Amount of amortizations	**-617**	**-24**	**10**	**2**	**-630**
NET AMOUNT	**487**				**474**

Note 11 Equity

	12/31/2019	12/31/2018
Number of securities held	231,711	231,711
Part of the share capital	0.61%	0.61%
Carrying amount	10	10

CIC's equity derives from the partial contribution of assets from the CIAL, done in 2006.

Note 12 Other assets and liabilities

	12/31/2019		12/31/2018	
	Assets	Liabilities	Assets	Liabilities
Premiums on options	228	235	362	334
Settlement accounts for security trades	99	96	58	50
Debts representing securities borrowed		984		1,229
Deferred taxes				
Miscellaneous receivables and payables	5,982	2,389	6,399	1,810
Non-performing loans	1		1	
Related debt	1	1	1	2
Write-downs	-2		-1	
TOTAL	**6,309**	**3,705**	**6,820**	**3,425**

Note 13 Accruals

	12/31/2019		12/31/2018	
	Assets	Liabilities	Assets	Liabilities
Collection accounts	17	1	1	3
Foreign currency adjustment and off-balance sheet accounts	3,836	2,796	3,554	3,312
Other accruals	784	2,997	1,293	3,334
TOTAL	**4,637**	**5,794**	**4,848**	**6,649**

The case concerning check image transfer fees has once again been brought before the Court of Cassation, following the banks' appeal in January 2018 against the Paris Court of Appeal's ruling of December 21, 2017, which upheld the decision of the Autorité de la Concurrence (French Competition Authority) of September 21, 2010, to sanction the banks, including CIC.

The Court of Cassation hearing on January 29, 2020 overturned the decision of the Court of Appeal of Paris and referred the case back to that Court.

Note 14 Due to credit institutions

	12/31/2019		12/31/2018	
	On demand	In the future	On demand	In the future
Current accounts	17,723		12,408	
Future accounts		16,065		21,084
Securities sold in repurchase agreement				
Securities delivered in repurchase agreement	0	17,530		20,042
Related debt		69		137
TOTAL	**17,723**	**33,664**	**12,408**	**41,262**
TOTAL DEBT DUE TO CREDIT INSTITUTIONS		**51,387**		**53,670**

Note 15 Customer deposits

	12/31/2019		12/31/2018	
	On demand	In the future	On demand	In the future
Special savings accounts	7,275	2,326	7,379	2,208
Related debt				
TOTAL – SPECIAL SAVINGS ACCOUNTS	**7,275**	**2,326**	**7,379**	**2,208**
Other debt	22,700	10,841	21,199	5,583
Securities delivered in repurchase agreement		1,942	6	2,018
Related debt		25		25
TOTAL – OTHER DEBTS	**22,700**	**12,808**	**21,205**	**7,626**
TOTAL FOR CUSTOMER DEPOSITS ON DEMAND AND IN THE FUTURE		**45,109**		**38,418**

Note 16 Debt securities

	12/31/2019	12/31/2018
Certificates of deposit	21	12
Interbank market securities and negotiable debt securities	21,227	19,607
Bonds	6,061	5,187
Other debt securities	2	13
Related debt	158	111
TOTAL	**27,469**	**24,930**

Note 17 Provisions

	12/31/2018	Allowances	Reversals	Other changes	12/31/2019
Provisions for counter-party risks					
■ on signature commitments	18	3	-2		19
■ on off-balance sheet commitments					
■ on country risks	0				0
■ general provisions for credit risks	340	9	-38	4	315
■ other provisions for counter-party risks					
Provisions for losses on forward financial instruments	**13**	**3**			**16**
Provisions on subsidiaries and holdings	**0**			**0**	**0**
Provisions for risks and non-risk counter-party expenses					
■ provisions for retirement expenses	47	5	-1		51
■ provision for mortgage saving agreements	10	2			12
■ other provisions[1]	659	133	-159	-1	632
TOTAL	**1,088**	**155**	**-200**	**3**	**1,045**

ANC Recommendation No. 2013-02 pertaining to rules for valuing retirement commitments in accordance with the IAS 19R.
(1) As of December 31, 2019, the inventory of provisions includes €488 million of provisions related to the temporary effects of tax consolidation.

Note 17 *bis* Provisions for risks on commitments to Mortgage Saving Agreements

	12/31/2018	12/31/2019
Amounts outstanding under mortgage saving plans (PEL)		
Contracted between 0 and 4 years ago	327	165
Contracted between 4 and 10 years ago	907	885
Contracted more than 10 years ago	480	729
TOTAL	**1,714**	**1,779**
Amounts outstanding under mortgage saving accounts (CEL)	**87**	**88**
TOTAL MORTGAGE SAVING AGREEMENTS (ACCOUNTS AND PLANS)	**1,801**	**1,867**

LOANS UNDER MORTGAGE SAVING AGREEMENTS

	12/31/2018	12/31/2019
Loans under mortgage saving agreements for which provisions for risks have been recognized on the asset side of the balance sheet	2	1

PROVISIONS ON MORTGAGE SAVING AGREEMENTS

	12/31/2018	12/31/2019
On mortgage saving accounts		
On mortgage saving plans	10	12
On loans under mortgage saving agreements		
TOTAL	**10**	**12**
Provisions for mortgage saving plans, by maturity		
Contracted between 0 and 4 years ago	3	2
Contracted between 4 and 10 years ago	7	7
Contracted more than 10 years ago	0	3
TOTAL	**10**	**12**

Note 17 *ter* Provision pertaining to retirement benefits

RETIREMENT BENEFITS

	Opening	Transfers	Effect of discounting	Financial income	Cost of services rendered	Other (transfers, management fees)	Variation in actuarial gains and losses	Payments to beneficiaries	Insurance premiums	Closing
Commitments	54	0			3		6	-3		60
Insurance policies	32	0		1		0	0	-2	5	36
Surplus Assets/ Commitments										
Provision	**22**	**0**		**-1**	**3**	**0**	**6**	**-1**	**-5**	**24**

Note 18 Subordinated debt

	12/31/2018	Issuances	Repayments	Other changes	12/31/2019
Subordinated debt	1,413				1,413
Participating loans					
Perpetual subordinated debt	163				163
Related debt	2				2
TOTAL	**1,578**				**1,578**

PRINCIPAL SUBORDINATED DEBT

	Date of Issuance	Amount of Issuance	Amount at year-end	Rate	Term
Participating loan	05/25/1985	€137 million	€137 million	a	b
Redeemable subordinated notes	03/24/2016	€414 million	€414 million	EURIBOR 3 months +2.05%	03/24/2026
Redeemable subordinated notes	11/04/2016	€700 million	€700 million	EURIBOR 3 months +1.70%	11/04/2026

a) Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.
b) Non-depreciable, but reimbursable at borrower's discretion as of 05/28/1997 at 130% of the nominal value revalued by 1.5% per year for future years.

Note 19 Equity and FGBR

	Capital	Premiums	Reserves[1]	Revaluation differences	Provisions Untaxed provisions	Retained earnings	Net profit/ loss fiscal year	Total	Funds for Risks general banking risks
Balance on 01/01/2018	**608**	**1,088**	**6,168**	**44**	**50**	**168**	**853**	**8,979**	**379**
Profit (loss) for the fiscal year							772	772	
Appropriation of earnings from previous year						853	-853		
Distribution of dividends						-951		-951	
Other variations			-1		3	6		8	
BALANCE ON 12/31/2018	**608**	**1,088**	**6,167**	**44**	**53**	**76**	**772**	**8,809**	**379**
Balance on 01/01/2019	**608**	**1,088**	**6,167**	**44**	**53**	**76**	**772**	**8,809**	**379**
Profit (loss) for the fiscal year							1,823	1,823	
Appropriation of earnings from previous year						772	-772		
Distribution of dividends			-152			-842		-994	
Other variations					2			2	
BALANCE ON 12/31/2019	**608**	**1,088**	**6,015**	**44**	**55**	**6**	**1,823**	**9,640**	**379**

(1) The Reserves line item included on 12/31/2019: €61 million of legal reserves, €287 million of special reserves for long-term capital gains, €5,543 million of free reserves, €124 million of statutory reserves and €1 million of Art 238bis special reserves.

CIC's capital on December 31, 2019, was constituted of 38,027,493 shares of a nominal value of €16.

CIC's corporate profit (loss) amounted to €1,823,285,217.22.

It is proposed that the shareholders' meeting allocate the sum of €1,829.4 million coming from the profit of €1,823.3 million and from retained earnings in the amount of €6 million in the following manner:

Dividends for the 2019 fiscal year	1,049.90
Allocation to free reserve	652.3
Addition to retained earnings	127.2
DISTRIBUTABLE DIVIDENDS	**1,829.40**

Note 20 Breakdown of certain assets/liabilities according to their residual term

	< 3 months and on demand	> 3 months < 1 year	> 1 year < 5 years	> 5 years	TBD	Receivables related debt	Total
ASSETS							
Advances to credit institutions[1]	13,572	3,058	2,009	2,096		29	20,764
Advances to customers[2]	12,375	5,469	15,126	15,399		82	48,451
Bonds and other fixed-income securities[3]	153	544	4,984	3,197	1,122	27	10,027
LIABILITIES							
Due to credit institutions[4]	38,694	5,684	6,273	667		69	51,387
Customer deposits	34,728	3,498	5,409	449		25	45,109
Debt securities							
■ Certificates of deposit	0	1	21				21
■ Interbank market securities and negotiable debt securities	9,068	12,151	7	0		100	21,327
■ Bonds	57	542	2,148	3,313		58	6,119
■ Other	2						2

(1) Except for non-performing loans and write-downs.
(2) Except for non-allocated stock, non-performing loans and provisions for depreciation.
(3) Exclusively for short-term investment securities and long-term investment securities (excluding non-performing loans).
(4) Except for other sums due.

Note 21 Counter-value in millions of euros of assets and liabilities in foreign currencies

The equivalent value in euros of assets and liabilities in foreign currencies is €37,865 and 42,737 million as of December 31, 2019.

CIC does not have significant operational positions in foreign currencies.

Note 22 Guarantee commitments given

In the context of Crédit Mutuel Alliance Fédérale's refinancing operations (mortgage market and secured bonds), certain customer credits distributed by CIC constitute assets pledged in guarantee to these refinancing operations backed by third party entities of the Crédit Mutuel Alliance Fédérale. On December 31, 2019, they amounted to €6,237 million.

Note 23 Commitments on forward financial instruments

TRANSACTIONS ON FORWARD FINANCIAL INSTRUMENTS (ACCORDING TO THE NOTION OF MICRO/MACRO HEDGING TRANSACTIONS AND OPEN POSITION MANAGEMENT ACTIVITIES/ SPECIALIZED MANAGEMENT ON OUTRIGHT AND CONDITIONAL TRANSACTIONS)

	12/31/2019			12/31/2018		
	Hedging	Management activities	Total	Hedging	Management activities	Total
Outright transactions						
Organized markets						
■ Rate contracts	13,600	93,659	107,259	5,937	183,514	189,451
■ Exchange rate contracts						
■ Other transactions		10,350	10,350		7,869	7,869
Over-the-counter markets						
■ Forward rate agreements		69,301	69,301		3,449	3,449
■ Rate swaps	7,106	106,236	113,342	4,798	130,354	135,152
■ Financial swaps	663	13,879	14,542	912	11,427	12,339
■ Other transactions		456	456		465	465
■ Swaps – other		11,056	11,056		10,668	10,668
Conditional transactions						
Organized markets						
■ Rate options						
Bought		597	597			
Sold		661	661		757	757
■ Foreign currency options						
Bought						
Sold						
■ Shares and other options						
Bought						
Sold						
Over-the-counter markets						
■ High and low rate cap contracts						
Bought		14,933	14,933		11,948	11,948
Sold		14,699	14,699		12,076	12,076
■ Options on interest rates, foreign exchange, stocks and other options						
Bought		12,325	12,325		13,445	13,445
Sold		12,325	12,325		13,440	13,440
TOTAL	**21,369**	**360,477**	**381,846**	**11,647**	**399,412**	**411,059**

BREAKDOWN OF CONTRACTS ON OVER-THE-COUNTER INTEREST RATE INSTRUMENTS BY PORTFOLIO TYPE

2019	One-off open position	Micro hedge	Risks Overall interest rate risk	Specialized management	Total
Outright transactions					
Purchases				34,881	34,881
Sales				34,876	34,876
Default swaps		7,576	193	131,171	138,940
Conditional transactions					
Purchases				27,258	27,258
Sales				27,024	27,024
2018					
Outright transactions					
Purchases				1,759	1,759
Sales				2,155	2,155
Default swaps		5,096	614	152,449	158,159
Conditional transactions					
Purchases				25,393	25,393
Sales				25,516	25,516

During the 2019 fiscal year, there were no transfers between the hedge swaps portfolio and the trading swaps portfolio.

Note 24 Breakdown of futures according to their residual term

	< 1 year	> 1 year < 5 years	> 5 years	Total
Rate instruments				
Organized markets				
■ Purchases	34,756	11,316	7,651	53,723
■ Sales	35,404	11,998	7,392	54,794
Over-the-counter markets				
■ Purchases	9,360	28,076	12,148	49,584
■ Sales	9,448	27,693	12,208	49,349
■ Rate swaps	34,392	52,616	26,334	113,342
Foreign exchange instruments				
Organized markets				
■ Purchases				
■ Sales				
Over-the-counter markets				
■ Purchases	10,193	2,346	16	12,555
■ Sales	10,189	2,346	16	12,551
■ Financial swaps	2,201	9,151	3,190	14,542
Other forward financial instruments				
Organized markets				
■ Purchases	455	5,748	560	6,763
■ Sales	252	3,029	306	3,587
Over-the-counter markets				
■ Purchases				
■ Sales				
■ Swaps	4,054	6,704	298	11,056
TOTAL	**150,704**	**161,023**	**70,119**	**381,846**

Note 25 Forward financial instruments – Counter-party risk

The counter-party risk related to forward financial instruments is estimated according to the methodology used for calculating prudential ratios.

Credit risks of forward financial instruments	12/31/2019	12/31/2018
Gross exposure		
Credit institution risks	1,112	1,445
Company risks	1,550	1,261
TOTAL	**2,662**	**2,706**

	12/31/2019		12/31/2018	
Fair value of forward financial instruments	Assets	Liabilities	Assets	Liabilities
Fair value of forward financial instruments	4,067	4,614	4,401	4,486

Note 26 Other off-balance sheet liabilities

	12/31/2019	12/31/2018
Foreign currency transactions		
Currencies receivable	4,184	2,143
Currencies payable	4,152	1,939
Forward financial instrument liabilities		
Transactions made on organized markets and related		
Forward currency exchange transactions		
■ Hedged	24,140	18,945
■ Other transactions	69,880	78,818
Financial currency swaps		
■ One-off open position		
■ Micro-hedge	663	912
■ Overall interest rate risk		
■ Specialized management	13,879	11,427
Leasing liabilities		
Remaining fees to be incurred on real estate leasing contracts		
Remaining fees to be incurred on equipment leasing contracts		

Note 27 Interest income and expenses

	2019 Fiscal year		2018 Fiscal year	
	Income	Expenses	Income	Expenses
Credit institutions	655	-808	383	-814
Customers	1,065	-183	1,014	-191
Leasing and operating lease				
Bonds and other fixed-income securities	287	-568	224	-361
Other	103	-88	89	-90
TOTAL	**2,110**	**-1,647**	**1,710**	**-1,456**
of which subordinated debt expense		*-20*		*-23*

Note 28 Income from variable-income securities

	2019 Fiscal year	2018 Fiscal year
Short-term investment securities	3	2
Portfolio securities		
Equity investments and ATDLT	20	20
Investments in associates	756	619
Share of income from SCIs (Property Investment Companies)		
TOTAL	**779**	**641**

Note 29 Commission income and expense

	2019 Fiscal year		2018 Fiscal year	
	Income	Expenses	Income	Expenses
Cash and interbank transactions		-4		-3
Client transactions	187	-3	206	-3
Security trades	3	-6	3	-9
Foreign currency transactions	2	-1	3	-1
Off-balance sheet transactions				
■ Securities commitments	12		8	
■ Forward financial commitments	6	-9	4	-7
■ Funding and guarantee commitments				
Providing financial services	291	-24	310	-23
Commissions on payment instruments		-79		-103
Other commissions (including returned goods)	12	-12	16	-11
TOTAL	**513**	**-138**	**550**	**-160**

Note 30 Gains or losses on trading portfolio transactions

	2019 Fiscal year	2018 Fiscal year
On trading securities	505	64
On foreign currency transactions	26	44
On forward financial instruments		
■ Interest rates	-18	118
■ Exchange rates	9	4
■ On other financial instruments including stocks	-155	66
Subtotal	**367**	**296**
Allowances for write-downs of financial instruments	-3	-7
Reversals on write-downs of financial instruments		
TOTAL	**364**	**289**

Note 31 Gains or losses on investment portfolio transactions and related

	2019 Fiscal year	2018 Fiscal year
Short-term investment securities transactions		
■ Capital gains on sale	25	50
■ Capital losses on sale	-32	-43
■ Allowances for depreciation	-68	-4
■ Reversals on depreciation	1	
Portfolio securities transactions		
■ Capital gains on sale		
■ Capital losses on sale		
■ Allowances for depreciation		
■ Reversals on depreciation		
TOTAL	**-74**	**3**

Note 32 Other banking income and expenses

	2019 Fiscal year		2018 Fiscal year	
	Income	Expenses	Income	Expenses
Accessory income	4		3	
Transfers of expenses				
Net provisions	69	-5		
Other banking income and expenses	7	-8	2	-9
Net income and expenses from other activities				
TOTAL	**80**	**-13**	**5**	**-9**

Note 33 Employee benefits expense

	2019 Fiscal year	2018 Fiscal year
Salaries & wages	-266	-249
Social security contributions	-121	-117
Pension expenses	-5	-6
Employee profit-sharing and incentive schemes	-31	-29
Taxes, levies & payments related to compensation	-37	-36
Net allocation to provisions for pensions	-3	
Other net allocation to provisions		-1
TOTAL	**-463**	**-438**

Note 34 Cost of risk

	2019 Fiscal year	2018 Fiscal year
Allowances for write-down of non-performing loans	-184	-204
Reversals of write-down on non-performing loans	76	128
Irrecoverable loan losses covered by write-downs	-33	-59
Irrecoverable loan losses not-covered by write-downs	-5	-10
Recovery of written-off debts	1	13
Receivables balance	**-145**	**-132**
Net provisions	-12	-68
Reversal of provisions	39	153
Balance of risks	**27**	**85**
TOTAL	**-118**	**-47**

Note 35 Gains or losses on non-current assets

	2019 Fiscal year					2018 Fiscal year
	Government securities & similar instruments	Bonds & ATRF	Holdings in other Investments and other long-term securities	Investments in associates	Total	Total
On non-current financial assets						
■ Capital gains on sale	1	3		846	850	128
■ Capital losses on sale			-1	-60	-61	-25
■ Allowances for depreciation				-8	-8	-42
■ Reversals on depreciation			31	31	62	56
Subtotal	**1**	**3**	**30**	**809**	**843**	**117**
On property, plant and equipment and intangible assets						
■ Capital gains on sale					1	1
■ Capital losses on sale					-1	-1
Subtotal						
TOTAL					**843**	**117**

Note 36 Non-recurring income

	2019 Fiscal year	2018 Fiscal year
Provision	0	-1
TOTAL	**0**	**-1**

Note 37 Income tax

	2019 Fiscal year	2018 Fiscal year
Current tax – Excluding the effect of tax consolidation	-56	-77
Current tax – Regularization of previous fiscal years	25	
Current tax – Including the effect of tax consolidation	12	28
TOTAL	**-19**	**-49**
On current activities	-19	-49
On non-recurring events		
TOTAL	**-19**	**-49**

CIC has been the holding company of a tax consolidated group since January 1, 1995.

Each fiscally integrated company is repositioned in the situation that it would be if it was taxed separately.

The savings or additional income tax expense resulting from the difference between the tax due by integrated subsidiaries and the tax resulting from analysis of the overall result is booked by CIC.

Note 38 Breakdown of income statement by geographic zones

	France	USA	United Kingdom	Singapore	Hong Kong	Brussels	Total
NBI	1,745	117	43	61	8		1,974
General operating expenses	-761	-48	-11	-29	-4		-853
GOI	984	69	32	32	4		1,121
Cost of risk	-130	10	9	-9	1		-119
Operating income	854	79	41	23	5		1,002
Gains or losses on non-current assets	843						843
Income before exceptional items	1,697	79	41	23	5		1,845
Non-recurring income	0						0
Taxes	-14	3	-3	-4	-1		-19
Allowances/reversals of untaxed provisions	-3						-3
Net profit	**1,680**	**82**	**38**	**19**	**4**		**1,823**

Note 38 *bis* Breakdown of income statement by business sector

	Network	Private management	Structure and holding	Total
NBI	565	671	738	1,974
General operating expenses	-417	-358	-78	-853
GOI	148	313	660	1,121
Cost of risk	-21	-97	-1	-119
Operating income	127	216	659	1,002
Gains or losses on non-current assets	0	-3	846	843
Income before exceptional items	127	213	1,505	1,845
Non-recurring income				
Taxes	-48		18	-19
Allowances/reversals of untaxed provisions	-1	11	-2	-3
Net profit	**78**	**224**	**1,521**	**1,823**

Note 39 Average workforce

	2019 Fiscal year	2018 Fiscal year
Bank technical staff	1,832	1,842
Managers	2,307	2,200
TOTAL	**4,139**	**4,042**

Note 40 Compensation paid overall to top executives

	Salary fixed portion	Salary variable portion	Benefits in kind	Miscellaneous add-backs	Total 2019	Total 2018
Top executives	0.1				0.1	0.3

No compensation was paid to members of the board of directors.

There were no advances or loans granted during the fiscal year to members of the board of directors.

Note 41 Profit (loss) per share

On December 31, 2019, CIC's share capital was €608,439,888, divided by 38,027,493 shares of €16 in nominal value, of which 231,711 are treasury shares, which are not taken into account in calculating the profit (loss) per share.

Thus, for the 2019 fiscal year, the profit (loss) per share amounted to €48.24 compared to €20.42 for 2018.

Note 42 Assets deposited at the Caisse des dépôts et consignations and inactive accounts

	Number of accounts	Amount *(in euros)*
Identified accounts mentioned in II of Article L.312-19 of the French Monetary and Financial Code	22,691	61,215,662.53
Accounts filed and mentioned in Article L.312-20 of the French Monetary and Financial Code	1,081	2,082,435.79

In accordance with the law No. 2014-617 of June 13, 2014, pertaining to inactive bank accounts and unclaimed insurance policies.

Note 43 Fees to statutory auditors

	12/31/2019					
Amounts excluding taxes	PricewaterhouseCoopers		Ernst & Young		KPMG	
Certification of accounts	0.46	100%	0.46	100%	0.46	100%
Non-audit services						
TOTAL	**0.46**	**100%**	**0.46**	**100%**	**0.46**	**100%**

	12/31/2018					
Amounts excluding taxes	PricewaterhouseCoopers		Ernst & Young		KPMG	
Certification of accounts	0.48	100%	0.48	100%	0.48	100%
Non-audit services						
TOTAL	**0.48**	**100%**	**0.48**	**100%**	**0.48**	**100%**

The above amounts correspond to amounts recognized as expense during the fiscal year.

Non-audit services in 2019 correspond in particular to certifications of revenue and NBI for CIC's branches and transfer pricing.

7

7.3 INFORMATION RELATED TO SUBSIDIARIES AND ASSOCIATES

The table is in thousands of currencies.

Companies and addresses *(in thousands of currency)*	Capital	Shareholders' equity less capital, excluding 2019 profit (loss)	Portion of capital held *(in %)*	Carrying amount of shares held – Gross	Carrying amount of shares held – Net	Advances granted by CIC	Deposits and pledges given by CIC	Revenue Last fiscal year's before tax revenue[1]	Last fiscal year's net profit/ (loss)	Dividends received in 2019 by CIC
Detailed information concerning subsidiaries and interests held in French and foreign companies whose gross value exceeds 1% of CIC's capital										
A/ SUBSIDIARIES (more than 50% of capital held by CIC)										
A.1 CREDIT INSTITUTIONS										
French subsidiaries										
CIC Ouest – 2 avenue Jean-Claude-Bonduelle, 44000 Nantes – Siren 855 801 072	83,780	466,025	100	366,583	366,583	0		501,760	113,168	88,597
CIC Nord Ouest – 33 avenue Le-Corbusier, 59800 Lille – Siren 455 502 096	230,000	340,000	100	313,940	313,940	0		544,144	135,707	109,537
CIC Est – 31 rue Jean Wenger-Valentin, 67000 Strasbourg – Siren 754 800 712	225,000	439,230	100	231,132	231,132	0		665,046	173,951	161,212
Banque Transatlantique - 26 avenue Franklin D. Roosevelt, 75008 Paris – Siren 302 695 937	29,372	72,797	100	119,665	119,665	0		105,018	30,451	36,538
CIC Sud Ouest – 20 quai des Chartrons, 33000 Bordeaux – Siren 456 204 809	214,500	159,947	100	322,421	322,421	0		331,995	39,182	33,972
CIC Lyonnaise de Banque – 8 rue de la République, 69001 Lyon – Siren 954 507 976	260,840	468,097	100	341,811	341,811	0		841,827	207,018	170,892
Crédit Mutuel Leasing - 17 *bis* Place des Reflets Tour D2, 92988 Paris la Défense Cedex – Siren 642 017 834	35,353	-17,502	100	453,728	453,728	0		48,213	2,175	0
Crédit Mutuel Épargne Salariale – 12 rue Gaillon, 75002 Paris – Siren 692 020 878	13,524	9,706	99.94	31,958	31,958	0		29,655	3,056	2,253
Crédit Mutuel Real Estate Lease – 4 rue Gaillon, 75002 Paris – Siren 332 778 224	64,399	25,416	54.08[2]	22,310	22,310	0		646,393	12,155	3,512
Foreign subsidiaries										
Banque de Luxembourg – 14 boulevard Royal L-2449 Luxembourg	104,784	879,407	100	902,298	902,298	0	67,129	248,135	58,519	57,737
Banque CIC Suisse – 11-13 Marktplatz CH4001 Basel, Switzerland	CHF 125,000	CHF 293,165	100	CHF 338,951	CHF 338,951	0	CHF 2,605.667	CHF 156,491	CHF 33,762	0
CIC Market Solution INC – 520 Madison Avenue 37th Floor, New York, NY 10022 United States	USD 13,431	- USD 12,720	100	USD 8,251	USD 750	0		USD 1873	- USD 65	0
A.2 OTHER										
Crédit Mutuel Equity – 28 avenue de l'Opéra, 75002 Paris – Siren 562 118 299	1,655,177	612	100	1,912,745	1,912,745	0		11,138	110,297	83,347

Companies and addresses *(in thousands of currency)*	Capital	Shareholders' equity less capital, excluding 2019 profit (loss)	Portion of capital held (in %)	Carrying amount of shares held		Advances granted by CIC	Deposits and pledges given by CIC	Revenue Last fiscal year's before tax revenue[1]	Last fiscal year's net profit/ (loss)	Dividends received in 2019 by CIC
				Gross	Net					
CIC Participations – 4 rue Gaillon, 75002 Paris – Siren 349 744 193	8,375	14,886	100	40,268	23,261	0		0	5	0
CIC Associés – 4 rue Gaillon, 75002 Paris – Siren 331 719 708	15,576	1,836	100	19,788	17,412	0		0	1	0
Caroline 3 – 4 rue Gaillon, 75002 Paris – Siren 493 154 272	8,112	-8,010	100	8,112	84	0		0	-8	0
Caroline 4 – 4 rue Gaillon, 75002 Paris – Siren 493 154 140	7,712	-7,613	100	7,712	78	0		0	-10	0
Caroline 5 – 4 rue Gaillon, 75002 Paris – Siren 493 154 249	7,697	-7,518	100	7,697	160	0		0	-9	0
Caroline 6 – 4 rue Gaillon, 75002 Paris – Siren 493 154 264	7,437	-7,236	100	7,437	183	0		0	-8	0
Caroline 13 – 4 rue Gaillon, 75002 Paris – Siren 493 154 405	8,952	-7,998	100	8,952	525	1,157		7,574	-257	0
Caroline 24 – 4, rue Gaillon, 75002 Paris – Siren 501 427 223	7,712	-6,916	100	7,712	438	1,507		7,608	-191	0
Caroline 35 – 4, rue Gaillon, 75002 Paris – Siren 501 428 189	7,897	-5,910	100	7,897	1,476	0		6,819	-511	0
Caroline 75 – 4, rue Gaillon, 75002 Paris – Siren 824 197 370	11,433	-7,503	100	11,433	7,658	0		11,520	-11,048	0
Caroline 29 – 4, rue Gaillon, 75002 Paris – Siren 501 428 049	12,547	-30,722	100	12,547	1,800	0		4,450	-1,576	0
Caroline 31 – 4, rue Gaillon, 75002 Paris – Siren 501 428 098	32,189	-74,298	100	32,189	3,151	0		12,696	-3,641	0
Caroline 32 – 4, rue Gaillon, 75002 Paris – Siren 501 428 130	32,225	-74,760	100	32,225	3,220	0		12,697	-3,670	0
B/ HOLDINGS (10 to 50% of capital held by CIC)										
French holdings										
Groupe des ACM SA – 4 rue Raiffeisen 67000 Strasboug – Siren 352 475 529	1,241,035	8,856,439	16	621,812	621,812			12,077,342	879,068	
Foreign holdings	0	0	0	0	0	0		0	0	0
C/ Aggregate information concerning other subsidiaries and holdings (more than 10% of the capital held by CIC and whose gross value doesn't exceed 1% of CIC's capital)										
SUBSIDIARIES										
French subsidiaries				86,293	25,698					5,398
foreign subsidiaries				EUR 35	0					EUR 2,728
HOLDINGS IN OTHER										
French companies				9,678	9,633					0
in foreign companies				1,322	1,322					6,795

(1) For banks, the NBI.
(2) 27.88% directly by CIC, 26.20% indirectly by CIC.

7

7.4 ACTIVITIES AND FINANCIAL INCOME FROM SUBSIDIARIES AND HOLDINGS

7.4.1 Regional banks

BANQUE CIC NORD OUEST

(Capital in € millions)	2019 Social CNC	2018 Social CNC
Registered workforce on 12/31	2,357	2,398
Balance sheet total	25,539	23,604
Equity (attributable to the group) including FGBR	740	714
Customer deposits	19,173	17,140
Customer loans	21,546	20,236
Net profit	**136**	**113**

Customer deposits are considered with the exclusion of customer certificates of deposit and reverse transactions.

Customer loans are considered excluding reverse transactions but including leasing operations.

BANQUE CIC EST

(Capital in € millions)	2019 Social CNC	2018 Social CNC
Registered workforce on 12/31	3,040	3,054
Balance sheet total	29,370	27,035
Equity (attributable to the group) including FGBR	838	825
Customer deposits	23,147	20,632
Customer loans	24,126	23,225
Net profit	**174**	**165**

Customer deposits are considered with the exclusion of customer certificates of deposit and reverse transactions.

Customer loans are considered excluding reverse transactions but including leasing operations.

CIC LYONNAISE DE BANQUE

(Capital in € millions)	2019 Social CNC	2018 Social CNC
Registered workforce on 12/31	3,726	3,707
Balance sheet total	38,619	35,481
Equity (attributable to the group) including FGBR	936	900
Customer deposits	28,515	25,558
Customer loans	31,846	30,151
Net profit	**207**	**176**

Customer deposits are considered with the exclusion of customer certificates of deposit and reverse transactions.

Customer loans are considered excluding reverse transactions but including leasing operations.

BANQUE CIC SUD OUEST

(Capital in € millions)	2019 Social CNC	2018 Social CNC
Registered workforce on 12/31	1,740	1,731
Balance sheet total	17,235	15,967
Equity (attributable to the group) including FGBR	414	306
Customer deposits	11,092	9,859
Customer loans	15,077	13,897
Net profit	**39**	**36**

Customer deposits are considered with the exclusion of customer certificates of deposit and reverse transactions.

Customer loans are considered excluding reverse transactions but including leasing operations.

BANQUE CIC OUEST

(Capital in € millions)	2019 Social CNC	2018 Social CNC
Registered workforce on 12/31	2,447	2,495
Balance sheet total	24,256	22,298
Equity (attributable to the group) including FGBR	663	639
Customer deposits	18,168	16,041
Customer loans	20,393	19,329
Net profit	**113**	**92**

Customer deposits are considered with the exclusion of customer certificates of deposit and reverse transactions.

Customer loans are considered excluding reverse transactions but including leasing operations.

7.4.2 Specialized subsidiaries – retail banking

CRÉDIT MUTUEL ÉPARGNE SALARIALE

(Capital in € millions)	2019 Social CNC	2018 Social CNC
Registered workforce on 12/31	138	137
Balance sheet total	63	67
Equity	23	23
Managed assets (excluding current bank accounts)	9,652	8,385
Net profit	**3.1**	**2.3**

CRÉDIT MUTUEL LEASING

(Capital in € millions)	2019 Consolidated[1]	2018 Consolidated[1]
Registered workforce on 12/31	278	257
Balance sheet total[2]	10,726	9,551
Equity[2]	932	917
Managed assets (excluding current bank accounts)[2]	9,696	8,874
Net profit[2]	**15.0**	**27.7**

(1) CM-CIC Bail, CM-CIC Leasing Benelux and CM-CIC Leasing GmbH.
(2) Financial data.

CRÉDIT MUTUEL REAL ESTATE LEASE

(Capital in € millions)	2019 Corporate, unconsolidated[1]	2018 Corporate, unconsolidated[1]
Registered workforce on 12/31	55	53
Balance sheet total	5,112	4,532
Equity	96	96
Managed assets (excluding current bank accounts)	4,481	4,385
Net profit	**12.3**	**13.4**

(1) Financial data.

CRÉDIT MUTUEL FACTORING

(Capital in € millions)	2019 Social CNC	2018 Social CNC
Registered workforce on 12/31	386	373
Balance sheet total	8,111	8,060
Equity	165	161
Volume of receivables purchased	41,766	37,104
Managed assets (excluding current bank accounts)[1]	7,030	7,165
Net profit	**16.8**	**13.6**

(1) Including Dailly trade receivables.
Managed assets are net of provisions.

7.4.3 Specialized subsidiaries – Private banking

BANQUE TRANSATLANTIQUE

(Capital in € millions)	2019 Consolidated IFRS	2018 Consolidated IFRS
Registered workforce on 12/31	422	427
Balance sheet total	5,354	4,943
Equity (attributable to the group) including FGBR	175	176
Managed savings, held in custody	36,065	30,948
Customer deposits	4,673	4,144
Customer loans	3,516	3,283
Consolidated and profit/(loss) attributable to the group	**35.0**	**30.9**

Customer deposits are considered with the exclusion of customer certificates of deposit and reverse transactions.

Customer loans are considered excluding reverse transactions but including leasing operations.

CIC SUISSE

KEY FIGURES ESTABLISHED ACCORDING TO THE LOCAL ACCOUNTING BASIS

(Capital in millions of Swiss francs)	2019 Social	2018 Social
Registered workforce on 12/31	393	379
Balance sheet total	10,081	9,261
Equity	452	418
Held in custody	5,453	4,792
Net profit	**33.8**	**29.3**

BANQUE DE LUXEMBOURG

KEY FIGURES ESTABLISHED ACCORDING TO THE LOCAL ACCOUNTING BASIS

(Capital in € millions)	2019 Social	2018 Social
Registered workforce on 12/31	962	906
Balance sheet total	14,255	15,290
Equity including FGBR[1]	1,043	1,060
Held in custody and deposits	76,498	69,323
Net profit	**58.5**	**64.1**

(1) Equity includes non-taxable provisions.

7

BANQUE DE LUXEMBOURG INVESTMENTS SA

KEY FIGURES ESTABLISHED ACCORDING TO THE LOCAL ACCOUNTING BASIS

(Capital in € millions)	2019 Social	2018 Social
Registered workforce on 12/31	50	43
Balance sheet total	44	49
Equity including FGBR[1]	6	6
Held in custody and deposits	0	0
Net profit	**56.8**	**48.0**

(1) Equity includes non-taxable provisions.

7.4.4 Specialized subsidiaries – Private equity – Development

CRÉDIT MUTUEL EQUITY

(Capital in € millions)	2019 Social CNC	2018 Social CNC
Registered workforce on 12/31	41	47
Balance sheet total	1,864	1,766
Equity	1,767	1,739
Valuation of portfolio	1,593	1,523
Net profit	**110.9**	**3.6**

CRÉDIT MUTUEL CAPITAL

(Capital in € millions)	2019 Social CNC	2018 Social CNC
Registered workforce on 12/31	10	12
Balance sheet total	452	296
Equity	227	143
Valuation of portfolio	484	293
Net profit	**13.3**	**2.6**

CRÉDIT MUTUEL EQUITY SCR

(Capital in € millions)	2019 Consolidated[1]	2018 Consolidated[1]
Registered workforce on 12/31	54	41
Balance sheet total	2,287	2,280
Equity	2,261	2,255
Valuation of portfolio	2,511	2,333
Net profit	**96.2**	**281.0**

(1) Crédit Mutuel Equity SCR + Crédit Mutuel Innovation.

CIC CONSEIL

(Capital in € millions)	2019 Social CNC	2018 Social CNC
Registered workforce on 12/31	25	21
Balance sheet total	16	16
Equity	11	12
Valuation of portfolio	0	0
Net profit	**-1.2**	**4.8**

7.5 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Fiscal year ended on December 31, 2019

To the shareholders of Crédit Industriel et Commercial – CIC,

Opinion

In executing the mission entrusted us by the shareholders' meeting, we conducted the audit of the annual financial statements of the Crédit Industriel et Commercial – CIC pertaining to the fiscal year ending December 31, 2019, which are attached to this report. These financial statements were approved by the board of directors on February 18, 2020 based on the information available at that date, in the changing context of the health crisis relating to Covid-19.

We certify that the annual financial statements, in regard to French rules and accounting standards, are true and fair and give an accurate depiction of the results of operations for the past fiscal year as well as the financial situation of the company's assets at the end of this fiscal 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 for forming our opinion.

The responsibilities incumbent upon us pursuant to these standards are expressed in the section "Responsibilities of statutory auditors with regard to auditing annual financial statements" of this report.

Independence

We conducted our audit in compliance with the rules regarding independence applicable to us, for the period from January 1, 2019 to the date of issuance of our report and, in particular, we have not provided any of the services prohibited by Article 5, paragraph 1 of (EU) Regulation 537/2014 or by the code of conduct for 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.

These assessments formed part of the audit of the annual financial statements as a whole, approved as defined above, and enabled us to form our opinion expressed above. We are not expressing an opinion on isolated elements of the annual financial statements.

ASSESSMENT OF PROVISIONS FOR PROVEN CREDIT RISKS ON OUTSTANDING CUSTOMER LOANS

Identified risk	Our response
Your company accounts for impairments and provisions to cover the proven credit risk on its customer exposures. Impairment of loans and receivables is recorded to cover these risks on an individual basis. Provisions are constituted for funding and guarantee commitments. Impairments and provisions are realized as soon as there's an objective indication of a loss in value. These impairments and provisions correspond to the difference between the carrying amount of the loans and the amount of estimated future cash flows. At December 31, 2019, non-performing loans stood at €966m and impairments and provisions stood at €426m and €19m respectively, as presented in notes 4 and 17 to the annual financial statements. The principles employed in terms of provisioning the credit risk are described in note 1, "Accounting principles, assessment methods and presentation" in the appendix to the annual financial statements. The assessment of impairments and provisions require the exercise of judgment to identify the exposures presenting a risk of non-recovery, or for the determination of future recoverable cash flows and the time period for recovery. We considered that the assessment of these impairments constitutes a key point of the audit owing to: ■ the relative importance of outstanding loans on the balance sheet; ■ the complexity of estimating future recoverable cash flows.	We examined the processes and tested the controls to identify loans and receivables that present a proven risk of default, as well as the procedures for quantification of the corresponding impairments. We reviewed: ■ by including our IT specialists, the provisions that guarantee the integrity of data used by rating and impairment models; ■ on a sampling of receivables, the classification of outstandings between performing and non-performing. As for credit risk on businesses, we: ■ took into account the records of governance decisions on write-downs; ■ examined the files of impaired loans with sampling to check for documentation of the credit rating and the level of impairment retained; ■ and, where appropriate, assessed the merit of adjustments made manually to internal credit ratings. As for credit risk in retail banking, we: ■ calculated the changes over time of the following key indicators: the relationship of non-performing receivables to total outstandings and the rate of coverage of non-performing receivables by impairments. Whenever an indicator deviated from the average, we analyzed the deviations.

RISK ON THE VALUATION OF COMPLEX FINANCIAL INSTRUMENTS

Identified risk	Our response
As part of its capital market activities in proprietary trading and in connection with its offerings of services to customers, your company possesses complex financial instruments. As indicated in note 1 "Accounting principles, assessment methods and presentation" to the annual financial statements, derivative instruments and trading securities are recognized at their market value, the counterpart of this revaluation is reported on the income statement: ■ trading securities are valued at market price from the most recent trading day. The overall balance of differences resulting from changes in value is recognized on the income statement as income or expense; ■ Derivatives are recognized at their market value. In the event where valuation of certain instruments is made from complex instruments, the market parameters serving as the basis for their valuation takes into account, in particular, the liquidity level of the markets concerned and their relevance in terms of longer maturities. We considered that the valuation of complex financial instruments constituted a key point of the audit and involved a significant risk of material misstatements in the annual financial statements because they require the exercise of judgment, particularly concerning: ■ the determination of parameters of non-observable valuations on the market for an instrument; ■ the use of internal and non-standard valuations; ■ the estimate of the main valuation adjustments that take into account, for example, the counterparty or liquidity risks; ■ the analysis of potential valuation changes with counterparties in the context of margin calls or disposal of financial instruments.	We examined the processes and controls implemented by your company to identify and measure complex derivatives, including: ■ the governance of valuation models; ■ independent explanation and validation of the results recorded on these transactions; ■ controls pertaining to the collection process of the parameters required for valuation of complex financial instruments; Specialists in risk modeling and quantitative techniques were included in our audit teams. With their assistance, we also: ■ completed counter-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 by the company to control the adjustments made; ■ we examined the primary spreads in existing margin calls, the losses and/or gains in the event of disposal of complex financial instruments in order to assess the coherence of valuations.

Specific verifications

In accordance with professional standards applicable in France, we also conducted an audit of specific verifications prescribed by legal and regulatory requirements.

Information provided in the management report and in other documents on the financial situation 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 board of directors' management report drawn up 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. Management has informed us that events occurring and facts relating to the effects of the Covid-19 crisis which came to light after the reporting date will be reported on at the shareholders' meeting called to rule on the financial statements.

On the fair presentation and consistency with the annual financial statements of the information relating to the payment terms referred to in Article D.441-4 of the French Commercial Code with the annual financial statements we have the following remark: 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.

Corporate governance report

We certify the existence, in the board of directors' report on corporate governance, of the information required by Articles L.225-37-4 of the French Commercial Code.

Information resulting from legal or regulatory requirements

Designation of statutory auditors

We were appointed as statutory auditors of Crédit Industriel et Commercial – CIC at the shareholders' meetings held on May 25, 2016 for KPMG S.A., on May 25, 1988 for PricewaterhouseCoopers Audit, and on May 26, 1999 for ERNST & YOUNG et Autres.

At December 31, 2019, it was the 4th consecutive year of KPMG S.A.'s assignment, the 32nd year for PricewaterhouseCoopers, and the 21st year for ERNST & YOUNG et Autres.

Responsibilities of management and persons charged with corporate governance as regards the annual financial statements

It is the responsibility of management to prepare annual financial statements presenting a true reflection, in accordance with French accounting rules and principles, as well as to implement internal controls that it feels are necessary for preparation of annual financial statements without material misstatements, whether due to fraud or are the result of errors.

During the preparation of annual 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 annual financial statements were approved by the board of directors.

Responsibilities of the statutory auditors pertaining to the audit of annual financial statements

It is our responsibility to prepare a report on the annual financial statements. Our goal is to obtain reasonable assurance that the annual financial statements taken together 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 significant when one can reasonable 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 auditor exercises its professional judgment throughout the audit process. Furthermore:

- it identifies and assesses the risks that the annual financial statements contain material misstatements, whether they are due to fraud or result from errors, defines and implements audit procedures to confront these risks, and gathers elements that it believes are sufficient and appropriate to form an 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;
- it takes note of relevant internal controls 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 controls;
- it assesses the appropriateness of accounting methods retained and the reasonableness of accounting estimates made by management, as well as information concerning estimates provided in the annual financial statements;
- it assesses the appropriateness of management's application of accounting policy for a going concern and, depending on the elements 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 elements collected up to the date of the report; however, with a reminder that subsequent circumstances or events could call into question the going concern. If it concludes the existence of significant uncertainty, it draws the attention of readers of the report to the information provided in the annual financial statements concerning this uncertainty or, if this information is not provided or is not relevant, it expresses reservations about certification or refuses to certify them;
- It assesses the overall presentation of the annual financial statements and judges if the annual financial statements reflect the underlying operations and events in a manner that presents an accurate image.

Neuilly-sur-Seine and Paris-La Défense, April 21, 2020

The statutory auditors

KPMG SA.	PricewaterhouseCoopers Audit	ERNST & YOUNG et Autres
Sophie Sotil-Forgues	Jacques Lévi	Hassan Baaj

8

CAPITAL AND LEGAL INFORMATION

8.1 SHARE CAPITAL

On December 31, 2019, CIC's capital stood at €608,439,888 and was comprised of 38,027,493 fully paid up shares at a par value of €16.

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

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

CIC shares are not listed or traded on any market.

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

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

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

EVOLUTION OF CAPITAL OVER THE LAST 5 FISCAL YEARS

	2015		2016		2017		2018		2019	
	Number of shares	Amount *(in euros)*	Number of shares	Amount *(in euros)*	Number of shares	Amount *(in euros)*	Number of shares	Amount *(in euros)*	Number of shares	Amount *(in euros)*
Situation on January 1st	38,027,493	608,439,888	38,027,493	608,439,888	38,027,493	608,439,888	38,027,493	608,439,888	38,027,493	608,439,888
Increase in cash										
Of which issue premiums										
TOTAL EQUITY ON DECEMBER 31	**38,027,493**	**608,439,888**	**38,027,493**	**608,439,888**	**38,027,493**	**608,439,888**	**38,027,493**	**608,439,888**	**38,027,493**	**608,439,888**

8.2 SHAREHOLDING STRUCTURE

On June 6, 2017, the BFCM and the Mutuelles Investissement company made a simplified tender offer on CIC's shares. The proposed price of €390 allowed shareholders to profit from immediate liquidity. During the period of the offer 2,294,043 CIC shares were tendered, or 6.03% of the equity and as many voting rights.

Following the acquisition of shares, the co-initiators, holding 99.17% of CIC's equity, proceeded to implement a mandatory withdrawal. This occurred on August 11, 2017.

CAPITAL ALLOCATION AT THE CLOSE OF THE LAST 3 FISCAL YEARS, IN SHARES AND IN VOTING RIGHTS

	Situation on 12/31/2017				Situation on 12/31/2018				Situation on 12/31/2019			
	Number of shares	%	Voting rights	%	Number of shares	%	Voting rights	%	Number of shares	%	Voting rights	%
Banque Fédérative du Crédit Mutuel	35,417,871	93.14	35,417,871	93.71	35,417,871	93.14	35,417,871	93.71	35,417,871	93.14	35,417,871	93.71
Mutuelles Investissement	2,377,911	6.25	2,377,911	6.29	2,377,911	6.25	2,377,911	6.29	2,377,911	6.25	2,377,911	6.29
Treasury shares and liquidity agreement	231,711	0.61		-	231,711	0.61	-	0.00	231,711	0.61	-	0.00
TOTAL	**38,027,493**	**100**	**37,795,782**	**100**	**38,027,493**	**100**	**37,795,782**	**100**	**38,027,493**	**100**	**37,795,782**	**100**

The 231,711 shares held by CIC on December 31, 2019, are non-voting shares, but do not create any significant changes between the allocation of capital and those of voting rights among shareholders such as stated above.

Mention of the natural or legal persons who alone, jointly or in collaboration may exercise control over CIC

At December 31, 2019, BFCM (Banque Fédérative du Crédit Mutuel), a 93% subsidiary of the Caisse Fédérale de Crédit Mutuel, directly held 93.14% of CIC's capital. The company Mutuelles Investissement (a company whose share capital is 90% owned by BFCM and 10% by ACM VIE MUTUELLE, a mutual insurance company with fixed contributions) holds 6.25% of CIC's capital. The 0.61% balance corresponds to the treasury shares held, which have no voting rights.

Regarding methods for preventing any abusive control, it should be noted that all transactions between BFCM and CIC are concluded at market conditions.

The Chairman of CIC's board of directors is also the Chairman of BFCM's board of directors, and CIC's CEO is also BFCM's CEO.

BFCM has a seat on CIC's board of directors that to date includes five directors appointed by the shareholders' meeting and two directors elected by the employees.

8.3 DIVIDENDS

	2015	2016	2017	2018	2019[1]
Number of shares	38,027,493	38,027,493	38,027,493	38,027,493	38,027,493
Net dividends of shares *(in €)*	8.5	9	25	26.3	27.6
TOTAL DISTRIBUTED *(in € millions)*	**323**	**342**	**951**	**1,000**	**1,050**
Consolidated net profit/(loss) attributable to the group *(in € millions)*	1,111	1,352	1,275	1,385	1,457

(1) Dividend distribution proposed by the board of directors to the shareholders' meeting of May 6, 2020.

The share capital is divided into 38,027,493 shares, including 231,711 treasury shares. The dividend allocated to treasury shares is recognized directly under "retained earnings".

CIC, whose parent company is BFCM and which has no individual minority shareholder, is aligned with Crédit Mutuel Alliance Fédérale's dividend distribution policy. In this context, CIC pays a reasonable dividend to its shareholders while prioritizing the strength of its shareholders' equity by transferring to reserves the share of its profits needed for its development and to cover its risks in compliance with regulatory ratios.

8.4 NON-VOTING LOAN STOCK

8.4.1 Presentation of non-voting loan stock and interest due

The non-voting loan stock issued in 1985 by the Compagnie Financière de Crédit Industriel et Commercial, which has since become Crédit Industriel et Commercial, entitles holders to an annual coupon made up of fixed and variable components.

This coupon, payable on May 28 of each year, cannot be less than 85% or more than 130% of the mean (TAM + TMO)/2.

- The fixed-rate bond index (TMO) is the arithmetic mean of the monthly average yields on the settlement dates for subscriptions of government-guaranteed bonds and equivalents. It is established by France's national Institute of statistics and Economic studies (INSEE) for the period from April 1 to March 31 prior to each maturity date.
- The annual monetary reference rate (TAM) is the compound yield that would be earned on a monthly investment reinvested at the end of each month at the average monthly money market rate during the 12 months up to but not including March.

The participation ratio used to calculate the variable component of the coupon due in May 2020 – 2020 PR – is equal to:

$$\frac{\text{PR 2019 x2019 income as defined in the issue contract}}{\text{2018 income as defined in the issue contract}}$$

The contract stipulates that consolidated earnings are adjusted for changes in equity, CIC's scope of consolidation and consolidation methods.

CIC's adjusted net profit for 2019, as determined by applying identical accounting procedures and consolidation methods at constant scope, amounted to €1,457,129 thousand compared to €1,385,079 thousand for 2018.

The 2020 PR is therefore equal to:

$$\frac{\text{PR 2019 x €1,457,129 thousand}}{\text{€1,385,079 thousand}}$$

or 18.242 x 1.05202 = 19.191

Compensation

The compensation calculated from the income shown above, including both the fixed and variable components, came to -3.619%, which is lower than the floor provided for in the issue contract.

Accordingly, under the terms of the issue contract, the compensation paid to holders of non-voting loan stock in May 2020 will be 85% of (TAM +TMO)/2.

The rate will be 0.085% on the basis of a TAM of -0.4183% and an average TMO of 0.2192%. This means that the gross coupon due in May 2020 will amount to -€0.13 per share with a par value of €152.45.

CIC decided to bring the coupon to €0 per share.

COMPENSATION PAID SINCE 2016 (YEAR OF PAYMENT)

	PR	TAM %	TMO %	Rate used %	Gross coupon paid
2016	16.373	- 0.1612	1.0875	0.394	€0.60
2017	18.751	- 0.3476	0.7975	0.191	€0.29
2018	17.655	- 0.3614	1.0058	0.274	€0.42
2019	18.242	- 0.3679	0.9250	0.237	€0.36
2020	19.191	-0.4183	0.2192	-0.129	€0

NON-VOTING LOAN STOCK PRICE MOVEMENTS SINCE 2015

	+ high €	+ low €	Last euro price
2014	148	140	147.45
2015	154.90	143.50	154.50
2017	141	106.20	129.75
2018	152.07	95.26	96.00
2019	104.53	90.80	104.53

Since October 18, 1999, CIC's 1,000 franc nominal value non-voting loan stock was converted to securities with €152.45 nominal value.

8.4.2 Statutory auditors' report on the interest due on non-voting loan stock for the fiscal year ended December 31, 2019

Shareholders' Meeting of May 6, 2020

To the holders of non-voting loan stock,

As statutory auditors of Crédit Industriel et Commercial - CIC, and pursuant to the duties set forth in Article L. 228-37 of the French Commercial Code, we present below our report on the data used to determine the interest due on non-voting loan stock.

On April 22, 2020, we prepared our reports on the annual financial statements and the consolidated financial statements for the year ended December 31, 2019.

The data used to calculate the interest due on non-voting loan stock was determined by the managers. It is our responsibility to comment on its conformity with the issue contract and its consistency with CIC's consolidated financial statements.

The annual interest is determined as follows and includes:

- a component equal to 40% of the annual monetary reference rate or "TAM"; and
- a component equal to 43% of the TAM multiplied by a participation ratio (PR) which, for the interest due on May 28, 2020, is as follows:

$$2020\ \text{PR} = 2019\ \text{PR} \times \frac{\text{Adjusted consolidated net income for 2019}}{\text{Adjusted consolidated net income for 2018}}$$

The issue contract sets a cap and a floor on interest payments, as follows:

- a floor equal to 85% × (TAM + fixed-rate bond index or "TMO")/2;
- a cap equal to 130% × (TAM + TMO)/2.

The contract further stipulates that the participation ratio (PR), corresponding to the ratio between the 2018 and the 2019 consolidated earnings, will be adjusted to take into account changes in equity, group scope or consolidation methods between the two years.

Since 2005, CIC has published its financial statements under IFRS. In accordance with the resolution submitted for your approval, the calculation of interest was based on net profit attributable to the group for 2018 and 2019, as determined by applying the same accounting procedures and consolidation methods based on comparable group structure and comparable equity, giving a participation ratio (PR) of 19.191 for 2020 versus 18.242 for 2019.

The interest rate obtained by applying the above formula comes to -3.619% before application of the floor and cap rates, which are -0.085% and -0.129% respectively.

Therefore, in accordance with the provisions of the issue contract, the gross interest paid in 2020 in respect of 2019 will amount to €0.00 per share.

We carried out the work we considered necessary in view of the professional standards of the French statutory auditors' association (*Compagnie nationale des commissaires aux comptes*) related to this assignment. These standards require that we carry out the necessary procedures to verify the conformity and consistency of the data used to calculate the interest due on non-voting loan stock with the issue contract and the audited annual and consolidated financial statements.

We have no matters to report concerning the conformity and consistency of the data used to calculate the interest due on non-voting loan stock.

Paris La Défense and Neuilly-sur-Seine, April 22, 2020

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

8.5 SHAREHOLDERS' MEETING

8.5.1 Shareholders' meeting: general principles

Shareholders' meetings are open to all shareholders. There are no double voting rights.

The shareholders are convened to an ordinary shareholders' meeting every year in accordance with the procedures and time frames laid down by applicable laws and regulations.

Any shareholder may vote by mail or appoint a proxy in accordance with regulatory procedures.

Decisions are adopted under the majority conditions laid down by law and are binding on all shareholders.

8.5.2 Income appropriation policy

The net profit for the year consists of the year's income minus general operating expenses and other company expenses, including depreciation, amortization and provisions.

From this net profit – less any previous losses – at least 5% is drawn to form the legal reserve. This is no longer necessary when the legal reserve amounts to one-tenth of the share capital.

The balance, after deducting and appropriating the amount of long-term capital gains, increased by retained earnings, constitutes the distributable income.

From this distributable income, the shareholders' meeting may decide to draw any sums they consider appropriate for allocation to any optional reserve funds or to retained earnings. The balance, if any, is divided among all shareholders in proportion to the number of shares they hold.

Dividends are paid on the date set by the shareholders' meeting or, failing that, on the date set by the board of directors.

8.5.3 Draft resolutions of the Ordinary Shareholders' Meeting of May 6, 2020

First resolution

The Shareholders' Meeting, having considered the Board of Directors' management report and the corporate governance appended thereto, as well as the statutory auditors' report and the annual financial statements for the year ended December 31, 2019, approves the aforementioned financial statements as presented, showing a net profit after tax of €1,823,285,217.22. The Shareholders' Meeting also approves the overall amount of expenses and charges not deductible from taxable income totaling €37,137, as well as the tax liability of €12,786 resulting from the aforementioned expenses and charges.

Second resolution

The Shareholders' Meeting, having considered the Board of Directors' management report and the corporate governance appended thereto, as well as the statutory auditors' report and the consolidated financial statements for the year ended December 31, 2019, approves the aforementioned financial statements as presented.

Third resolution

The Shareholders' Meeting, having taken note that:

- the company's net profit for the year amounts to €1,823,285,217.22
- retained earnings amount to €6,093,999.30
- as a result, distributable income amounts to €1,829,379,216.52

Decides to pay a net dividend of €27.61 for each of the 38,027,493 shares that make up the share capital, i.e. a total of €1,049,939,081.73. However, the dividend on shares that are not eligible for dividend under French law will be added to retained earnings.

All of the dividend paid out is eligible for the 40% tax deduction provided for in Article 158-3, item 2 to 3, of the French Tax Code (CGI).

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

	2016	2017	2018
Amount in euros	9.00	25.00	26.30
Dividend eligible for the deduction provided for in Article 158 of the French Tax Code (*Code général des impôts* – CGI)	Yes	Yes	Yes

Fourth resolution

The Shareholders' Meeting, having considered the special report of the statutory auditors on the transactions and agreements coming under Article L.225-38 of the French Commercial Code, and ruling on this report, approves the transactions and agreements set out therein.

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

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.

Seventh resolution

The Shareholders' Meeting renews the term of office of Ms. Catherine Millet for a period of 3 years, i.e. until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2022.

8.6 SPECIAL REPORT OF THE STATUTORY AUDITORS ON REGULATED AGREEMENTS

(Shareholders' Meeting to approve the financial statements for the fiscal year ending December 31, 2019)

Crédit Industriel et Commercial – CIC
6, avenue de Provence
75009 Paris

To the shareholders of Crédit Industriel et Commercial – CIC,

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 given to us, to outline the characteristics, essential terms and grounds justifying the company's interest in the agreements and commitments 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 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 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

Agreements authorized and agreed during the past fiscal year

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

Pursuant to Article R.225-30 of the French Commercial Code, we were informed that the following agreements, already approved by Shareholders' Meetings during previous years, remained in force during the past fiscal year.

With Cigogne Fund for the functioning of Cigogne Fund accounts opened by Banque de Luxembourg with Euroclear

Person concerned

Philippe Vidal, Deputy Chief Executive Officer of CIC and Chairman of the Board of Directors of Banque de Luxembourg.

Nature and purpose

Guarantee issued by CIC to Euroclear in respect of the functioning of Cigogne Fund accounts opened by Banque de Luxembourg with Euroclear.

Terms and conditions

Cigogne Fund is a Luxembourg-based fund. Banque de Luxembourg, in its capacity as custodian of Cigogne Fund, opened an account with Euroclear Bank.

At its meeting on December 14, 2006, CIC's Supervisory Board authorized the signing of an agreement with Euroclear with a view to:

- opening a credit line for $1 billion USD in favor of Cigogne Fund;
- granting a guarantee to Euroclear for the same amount, for the functioning of Cigogne Fund accounts opened by Banque de Luxembourg with this sub-custodian.

This agreement had no effect on CIC's income statement for 2019.

Executed in Neuilly-sur-Seine and Paris-La Défense, April 22, 2020

KPMG S.A.	ERNST & YOUNG et Autres	PricewaterhouseCoopers Audit
Sophie Sotil-Forgues Associée	Hassan Baaj Associé	Jacques Lévi Associé

8.7 GENERAL INFORMATION

8.7.1 Legal information

Name

Crédit Industriel et Commercial

Acronym: **CIC**
(this abbreviation can be used on its own).

Registered office

6, avenue de Provence – Paris 9, France

Telephone number: +33 (0)1 45 96 96 96

Website: https://www.cic.fr[1].

Applicable legislation and legal form

Credit institution, organized as a *société anonyme* (French Limited Company) governed by the statutes and regulations in force and, in particular, by the provisions of the French Commercial Code governing corporations and the provisions of the French Monetary and Financial Code.

A company governed by French law.

Incorporation date and expiration date

The company was incorporated on May 7, 1859 in France. Its term will expire on December 31, 2067, unless it is dissolved or its term is extended before that date.

Company purpose

(summary of Article 5 of the Articles of Association)

The purpose of the company, in France or abroad, is in particular:

- to carry out all banking operations and related operations;
- to provide all investment services and related services;
- insurance brokerage in all sectors;
- realtor activity;
- all professional training activities relating to the above matters;
- to acquire, hold and manage interests in all banking, financial, real estate, industrial and commercial companies in France or abroad.

Registration number, APE business identifier code and LEI code

Paris Trade and Companies Register No. 542 016 381.

Business identifier code: 6419Z (other financial brokerage activities).

LEI code: N4JDFKKH2FTD8RKFXO39

Legal documents relating to the company

The company's Articles of Association, minutes of shareholders' meetings and reports are available at the registered office located at: 6 avenue de Provence in Paris 9 (General Secretariat).

Fiscal Year

January 1 to December 31.

8.7.2 Dependency

CIC is not dependent on any patents, licenses or industrial, commercial or financial supply agreements for the conduct of its business.

8.7.3 Major contracts

To date, CIC has not entered into any material contracts, other than those entered into during the normal course of its business, that create an obligation or a commitment that would have negative consequences for the group as a whole.

(1) The information on the website shall not form part of the prospectus, except for the information, if any, contained by reference in the universal registration document.

8.7.4 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.

8.7.5 Significant changes

No significant change in the financial performance of the CIC has occurred between December 31, 2019 and the filing date of this registration document, other than the Covid-19 epidemic discussed in point 2.2.10 "Recent developments and outlook" of this universal registration document.

9

ADDITIONAL INFORMATION

9.1 DOCUMENTS AVAILABLE TO THE PUBLIC

(see also "legal information")

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

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

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

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

9.2 PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

Person with overall responsibility for the universal registration document

Mr. Daniel Baal, Chief Executive Officer.

Declaration by the person responsible for the universal registration document

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 9 of this 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.

Paris, April 27, 2020

Daniel Baal,

Chief Executive Officer

9.3 STATUTORY AUDITORS

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

Principal statutory auditors

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

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

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

Alternate statutory auditor

KPMG AUDIT FS 1.

9.4 CROSS-REFERENCE TABLES

9.4.1 Cross-reference table of the universal registration document

	Sections of Appendix 1 of Delegated Regulation (EU) 2019/980: "Registration document for equity securities"	page no. of the universal registration document filed with AMF on April 27, 2020
1.	**Persons responsible**	**414**
2.	**Statutory auditors**	**415**
3.	**Risk factors**	**134-140**
4.	**Information about the issuer**	**409**
5.	**Business overview**	
5.1	Main activities	11-19
5.2	Main markets	5; 28-31
5.3	Significant events in business development	36-37
5.4	Strategy and objectives	3; 6-7
5.5	Degree of dependence with respect to patents or licenses, industrial, commercial or financial agreements or new manufacturing processes	409
5.6	Elements on which the declarations of the issuer concerning its competitive position are based	4
5.7	Investments	N/A
6.	**Organizational structure**	
6.1	Description of the group	10-20
6.2	Main subsidiaries	34-35; 315-316
7.	**Review of the financial position and of net profit or loss**	
7.1	Financial position	24-38
7.2	Operating income	28-31
8.	**Cash and equity**	
8.1	Information on the issuer's equity	363
8.2	Source and amount of the issuer's cash flows	299
8.3	Information on the borrowing conditions and the issuer's financing structure	129-294
8.4	Information concerning any restrictions on the use of equity that noticeably influences or may noticeably influence the issuer's transactions	N/A
8.5	Information on the expected financing sources necessary to honor the commitments set out in point 5.7.2	N/A
9.	**Regulatory environment**	**25**
10.	**Information on trends**	**35**
11.	**Profit forecasts or estimates**	**N/A**
12.	**Administrative, management, supervisory and executive bodies**	
12.1	Information concerning the members of the CIC's administrative and management bodies	111-118
12.2	Conflicts of interest concerning the administrative, management, supervisory and executive bodies	120
13.	**Compensation and benefits**	**123-124**
14.	**Operation of the administrative and management bodies**	
14.1	Expiration date of current terms of office	112-119
14.2	Service agreements binding the members of the administrative bodies to the issuer or to one of its subsidiaries	120
14.3	Information on the auditing committee and the remuneration committee	121-122
14.4	Declaration indicating whether or not the issuer is in compliance with the legal corporate governance framework in force in its country of origin	110
14.5	Potentially significant impacts on corporate governance	111-127

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	51
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	402
16.2	Existence of different voting rights of the aforementioned shareholders	406
16.3	Control of the issuer	403
16.4	Knowledge by the issuer of an agreement likely to result in a change in control at a later date	N/A
17.	**Related-party transactions**	**356**
18.	**Financial information on the issuer's assets and liabilities, financial position and results**	
18.1	Historical financial information	294-300; 360-387
18.2	Interim and other financial information	N/A
18.3	Verification of the annual historical financial information	353-356; 395-398
18.4	Pro forma financial information	N/A
18.5	Dividend distribution policy	403
18.6	Legal and arbitration proceedings	410
18.7	Material change in the financial position	410
19.	**Additional information**	
19.1	Share capital	402; 409
19.2	Charter and articles of association	402; 409
20.	**Major contracts**	**409**
21.	**Documents available to the public**	**409; 414**

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 22, 2020
1.	**Information to be disclosed about the issuer**	
1.1	Information required pursuant to Appendix 1 of Delegated Regulation (EU) 2019/980	See cross-reference table above
1.2	Issuer's statement	1

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

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

The chapters of the registration documents No. D. 19-0362 and No. D. 18-0344 not referred to above are either irrelevant for the investor or are covered elsewhere in this universal registration document.

9.4.2 Cross-reference table of the 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**					**414**
2	**Management report**					
2.1	Position of the company and of group during the past fiscal year	L.232-1 II, L.233-26				190; 24-25; 37
2.2	Analysis of the changes in revenue, results and financial position of the company and group	L.225-100-1 I 1°				190; 24-25; 37
2.3	Key financial and non-financial performance indicators of the company and group	L.225-100-1 I 2°				190; 24-25; 37
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				35
	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				35
	Research and development activities of the company and group	L.232-1 II, L.233-26				N/A
	Existing branches	L.232-1 II				26
	Information regarding establishments by state or territory		L.511-45, R.511-16-4			34; 315-316
	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				294-300
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°				134-139
	Financial risks associated with the effects of climate change and implementation of a low-carbon strategy	L.225-100-1 I 4°				140
	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°				141-149
	Objectives and policy regarding hedging of each major category of transactions of the company and group	L.225-100-1 I 6°				227-229
	Exposure to price, credit, liquidity and cash risks of the company and group	L.225-100-1 I 6°				165-212; 233-239; 230-232
	Expenses and charges not deductible from taxable profits paid due to said expenses and charges			223 quarter		406
	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				59; 60; 85
	Consequences on climate change of the activity and use of the goods and services produced	L 225-102-1 III, R.225-105				90-91
	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				42-107
	Collective agreements entered into in the company and their impact on the economic performance of the company, subsidiaries and controlled companies and on the working conditions of employees	L.225-102-1 III				56
	Business model	R.225 -105				43-44

		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
	Description of the main non-financial risks related to the activity of the company, subsidiaries and controlled companies, and to the results of their risk prevention, identification and mitigation policies	R.225 -105				47-50
2.7	Vigilance plan	L.225-102-4				61-70
3	**Opinion of the independent third party on the social and environmental information**	**L.225-102-1, R.225-105-2 II**				**105-107**
4	**Corporate governance report**	**L.225-37**				
4.1	Principles for determining the compensation granted to corporate officers (Section 13 of Appendix 1 of Delegated Regulation No. 2019/980)					124-125
4.2	Compensation principles and rules for the identified population		L.511-73			123
4.3	List of all of the terms and duties exercised in any company by each corporate officer during the fiscal year	L.225-37-4				112-119
4.4	Summary table of the delegations for capital increases	L.225-37-4				N/A
4.5	Working methods of the Executive Management	L.225-37-4				122
4.6	Composition of the Board, and conditions of preparation and organization of the Board's tasks	L.225-37-4				111; 120-121
4.7	Diversity policy	L.225-37-4				120
4.8	Any restrictions that the Board of Directors imposes on the CEO's powers	L.225-37-4				122
4.9	Statement indicating whether the company refers to a corporate governance code	L.225-37-4				110
4.10	Terms and conditions for shareholder participation in Shareholders' Meetings	L.225-37-4				406
5	**Information on the share capital**	**L.233-13**				**402**
5.1	Name of the natural persons or legal entities directly or indirectly holding more than 5% of the share capital or voting rights – changes made during the fiscal year	L.233-13				402
5.2	Name of controlled companies and share in the capital of the company that they hold.	L.233-13				388-389
5.3	Employee share ownership	L.225-102				N/A
5.4	Information concerning the company's share buyback transactions during the fiscal year	L.225-211				N/A
5.5	Summary of the transactions carried out by corporate officers, managers, certain executives of the company and persons with whom they have close personal ties during the last fiscal year, if applicable		L.621-18-2 and R.621-43-1		223-26	N/A
5.6	Report of the statutory auditors on regulated agreements and commitments	R.225-31				408
6	**Other accounting, financial and legal information**					
6.1	Information on payment terms	L.441-6-1 and D.441-4				38
6.2	Amount of dividends distributed with respect to the last three fiscal years and amount of income distributed eligible for the 40% allowance			243 bis		403
6.3	Information on the financial instruments whose underlying assets consist of agricultural commodities and resources implemented by the company to avoid exercising a significant effect on the price of such agricultural commodities		L.511-4-2			N/A
6.4	Amount and characteristics of the loans financed or distributed by the company 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 If applicable		L.511-4-1			N/A
6.5	Yield on the company's assets		R.511-16-1			N/A
7	**Financial statements**					
7.1	Annual financial statements					360-364
	Company results over the past five fiscal years	R.225-102				363
7.2	Statutory auditors' report on the annual financial statements					395-398
7.3	Consolidated financial statements					294-300
	Professional fees paid to the statutory auditors					347
7.4	Statutory auditors' report on the consolidated financial statements					355-356

9.5 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.

Website: **www.cic.fr**

Financial information officer

Hervé Bressan,
Chief Financial Officer
Phone: 01 53 48 70 21

Edition

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

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Photos of Mister Théry and Mister Baal: Antoine Doyen

Designed & published by LABRADOR INFORMATION DESIGN +33 (0)1 53 06 30 80

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CIC – Société anonyme (public limited company) with capital of 608,439,888 euros - 6, avenue de Provence - 75009 Paris
Swift CMCIFRPP – Tel: +33 (0)1 45 96 96 96 – www.cic.fr – RCS Paris 542 016 381 – N° ORIAS 07 025 723 (www.orias.fr)
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